

Exhibit No.:
Witness: James E. Stidham, Jr.
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Southwestern Bell Telephone, L.P.,
d/b/a AT&T Missouri
Case No.: CO-2006-0464

SOUTHWESTERN BELL TELEPHONE, L.P.,
d/b/a AT&T MISSOURI

CASE NO. CO-2006-0464

SURREBUTTAL TESTIMONY

OF

JAMES E. STIDHAM, JR.

FILED²

MAY 04 2007

Missouri Public
Service Commission

Springfield, Illinois
March 2, 2007

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AT&T Exhibit No. ~~5~~ 5
Case No(s) _____
Date 4-18-07 Rptr JnB

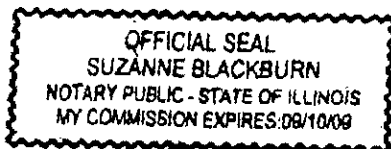
In the Matter of the Petition of VCI)
Company for Designation as an Eligible) Case No. CO-2006-0464
Telecommunications Carrier.)

STATE OF ILLINOIS)
) SS
COUNTY OF Sangamon)

1. My name is James Stidham, Jr. I am presently Associate Director-Regulatory Policy for AT&T Services, Inc.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

James Stidham, Jr.

Subscribed and sworn to before me this 28th day of February, 2007.



Jugene Blackburn
Notary Public

My Commission Expires: 9/10/09

INTRODUCTION

1 **Q. WHAT IS YOUR NAME, TITLE AND BUSINESS ADDRESS?**

2 A. My name is James E. Stidham, Jr. My title is Associate Director-Corporate Regulatory
3 Planning and Policy. My business address is 555 East Cook Street, Room 01018,
4 Springfield, Illinois 62703.

5
6 **Q. ARE YOU THE SAME JAMES E. STIDHAM, JR. WHO FILED REBUTTAL
7 TESTIMONY IN THIS CASE ON JANUARY 12, 2007?**

8
9 A. Yes.

10
11 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

12
13 A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony of Mr.
14 Walt Cecil of the Staff of the Missouri Public Service Commission ("Commission") that
15 was filed on January 12, 2007 in this case.

16
17 **SUMMARY**

18
19 **Q. PLEASE IDENTIFY THE MAIN POINTS CONVEYED BY YOUR
20 SURREBUTTAL TESTIMONY.**

21
22 A. The main points conveyed in my Surrebuttal Testimony are:

- 23 • Staff recommends that the Commission use a bifurcated eligible
24 telecommunications carrier ("ETC") application process, but such a process is not
25 provided in the FCC's rules, nor does the Commission have the means of granting
26 VCI forbearance from the federal rules that would be required to grant VCI "low-
27 income only" ETC status.
- 28
29 • In order for VCI to be able to obtain low-income only ETC status, it must seek and obtain
30 from the FCC a ruling forbearing from enforcing against VCI the obligations associated
31 with high-cost federal USF support, and granting VCI permission to obtain ETC status as
32 a "low-income only" ETC.
- 33
34 • Staff's analysis of VCI's rates relative to those of other similarly situated carriers
35 is predicated on its assumption that VCI is a pre-paid service provider. Yet,
36 VCI's tariff and the testimony of Mr. Johnson provide no support for the view

1 that VCI is a prepaid service provider. A more accurate comparative analysis
2 would be between the rates of VCI and the rates of AT&T Missouri.
3
4

5 **Q. STAFF RECOMMENDS THAT THE COMMISSION USE A BIFURCATED ETC**
6 **APPLICATION PROCESS BY GRANTING VCI "LOW-INCOME ONLY" ETC**
7 **STATUS NOW AND REQUIRING VCI TO "SEEK FURTHER DESIGNATION**
8 **FROM THE COMMISSION SHOULD IT SEEK TO RECEIVE HIGH COST**
9 **SUPPORT." (CECIL REBUTTAL, PP. 5-6). DO YOU AGREE WITH THIS**
10 **RECOMMENDATION?**
11

12 **A.** No. Staff's recommendation that the ETC application process can be bifurcated in the manner
13 Staff suggests is flawed. There is no provision for a bifurcated ETC application process or a
14 "low-income only" designation in the FCC's rules. In 2004, AT&T Corp. (prior to its merger
15 with SBC Communications Inc.) filed a petition in WC Docket No. 03-109 asking the FCC to
16 create a bifurcated ETC process that would allow a carrier to obtain "low-income only" ETC
17 status. The FCC has not acted on the petition.

18
19 **Q. HAS THE FCC SINCE HAD AN OPPORTUNITY TO CONSIDER SPECIFIC**
20 **FACTS WARRANTING ITS GRANTING A CARRIER "LOW-INCOME ONLY"**
21 **ETC STATUS?**
22

23 **A.** Yes. In 2005, TracFone Wireless petitioned the FCC for forbearance pursuant to section 10 of
24 the Communications Act of 1934, as amended (47 U.S.C. Section 160(a)) from the requirement
25 that an ETC be facilities-based, at least in part. After commenters raised concerns about
26 TracFone's potential receipt of high-cost support, TracFone amended its forbearance petition to
27 limit any receipt of USF support to low-income only support. The FCC conditionally granted
28 TracFone's forbearance petition in an Order released on September 8, 2005 (2005 FCC LEXIS
29 4965). The Order specifically removed the requirement that TracFone use its "own facilities" and
30 limited TracFone's federal USF support to low-income only federal USF support. The FCC has
31 not granted any additional forbearance requests from a carrier to limit federal USF recovery to
32 low-income only support. In granting the conditional forbearance, the FCC specifically noted (at
33 para. 1 and note 4) that its Order did not grant TracFone ETC status, only the opportunity to apply

1 for ETC status without having to comply with the requirement of being a facilities-based provider
2 and limiting its available federal USF to low-income only. TracFone has never obtained ETC
3 status from the FCC or a state commission.

4
5 **Q. GIVEN THESE DEVELOPMENTS AT THE FCC, DOES VCI HAVE AN**
6 **ALTERNATIVE AVAILABLE TO IT?**
7

8 A. Yes. In order for VCI to be able to obtain low-income only ETC status, VCI would need to seek
9 and obtain a forbearance from the FCC, under section 10 of the Act, like the one obtained by
10 TracFone, forbearing from enforcing as against VCI the obligations associated with high-cost
11 federal USF support. VCI could then seek, and the FCC or this Commission could grant, VCI
12 permission to obtain ETC status as a "low-income only" ETC.

13
14 **Q. IS IT YOUR CONTENTION THAT IF THIS COMMISSION GRANTS VCI'S**
15 **REQUEST FOR ETC STATUS, IT MUST GRANT VCI ETC STATUS THAT**
16 **WOULD ALLOW VCI TO RECEIVE BOTH ANY AVAILABLE HIGH COST**
17 **SUPPORT AND ANY AVAILABLE LIFELINE LOW INCOME SUPPORT?**
18

19 A. Yes. As an ETC, VCI would qualify for both high-cost¹ and low-income support, and
20 must comply with the all requirements found in this Commission's ETC rules and those
21 found in the federal rules and federal law.

22
23 **Q. DO YOU AGREE WITH STAFF'S ASSESSMENT THAT VCI IS A PREPAID**
24 **SERVICE PROVIDER? (CECIL DIRECT, P. 2)**
25

26 A. No. I would agree that VCI has stated that its services would offer customers "an
27 affordable alternative to higher priced prepaid local service providers." (Johnson Direct,
28 p. 3). However, that statement, standing alone, does not mean that VCI is a prepaid
29 service provider. VCI's tariff likewise does not support Staff's assessment. Its tariff
30 states:

¹ See 47 C.F.R. § 54.307.

1 2.12.1.1 The Customer shall pay outstanding charges in full within
2 twenty-one (21) days from the rendition of the bill. The rendition
3 date of a bill is the date it is mailed, posted electronically or
4 otherwise sent to a Customer. Monthly Recurring charges are
5 invoiced on or about the first of the month. If the charges remain
6 unpaid for twenty-one (21) days from rendition of the bill, such
7 charges are deemed delinquent. The Company will assess a late
8 payment fee against delinquent accounts as set forth in Section 4 of
9 this Tariff.

10
11 While this tariff does not explicitly state that the rendered bill will be for previously
12 provided service, it does not provide that the payment will be in advance of service.

13
14 **Q. WHY IS IT IMPORTANT TO DETERMINE WHETHER VCI IS A PREPAID**
15 **SERVICE PROVIDER?**

16
17 **A.** Much of Staff's analysis of VCI's petition was based on this assumption, and so Staff
18 considered the benefits of VCI's services relative to prepaid service providers. (e.g., Cecil
19 Direct, pp. 3-4). If, however, VCI is not a prepaid local service provider, Staff would
20 likely have compared VCI's service rates and plans to those of a different group of
21 carriers, i.e., those that are not prepaid service providers. AT&T Missouri's rates for
22 Lifeline, for example, are much lower than VCI's rates, as I testified in my Rebuttal
23 Testimony (pp. 7-8).

24
25 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

26
27 **A.** Yes