

Exhibit No.
Issue: Cost Issues
Witness: Andrew D. Sanders
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Southwestern Bell
Telephone Company, d/b/a/
AT&T Missouri
Case No: IO-2011-0057

SOUTHWESTERN BELL TELEPHONE COMPANY,
D/B/A AT&T MISSOURI

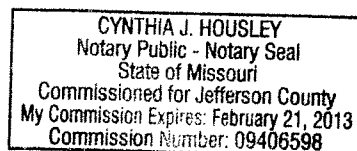
Case No. IO-2011-0057

REBUTTAL TESTIMONY

OF

ANDREW D. SANDERS

St. Louis, Missouri
October 4, 2010



1 **Q. ARE YOU THE SAME ANDREW D. SANDERS WHO SUBMITTED**
2 **DIRECT TESTIMONY IN THIS MATTER ON SEPTEMBER 29, 2010?**

3 A. Yes.

4 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

5 A. I will respond to the Direct Testimony of Global Crossing's witness, Mr. Mickey
6 Henry, on DPL Issue No. 3, which is the same issue I addressed in my Direct
7 Testimony.

8 **Q. PLEASE SUMMARIZE DPL ISSUE NO. 3.**

9 A. This issue concerns the following contract language where the language in plain
10 font is agreed and the bold, underlined text is proposed by AT&T Missouri and
11 opposed by Global Crossing:

12 11.1.7 AT&T-22STATE shall provide RNM at the rates, terms and
13 conditions set forth in this Attachment and in the Pricing
14 Schedule or at rates to be determined on an individual case
15 basis (ICB) or through the Special Construction (SC) process;
16 provided, however, that AT&T-22STATE will impose charges
17 for RNM only in instances where such charges are not
18 included in any costs already recovered through existing,
19 applicable recurring and non-recurring charges. **The Parties**
20 **agree that the RNM for which AT&T-22STATE is not**
21 **recovering costs in existing recurring and non-recurring**
22 **charges, and for which costs will be imposed on CLEC as**
23 **an ICB/SC include, but are not limited to: (i) adding an**
24 **equipment case, (ii) adding a doubler or repeater including**
25 **associated line card(s), and (iii) installing a repeater shelf,**
26 **and any other necessary work and parts associated with a**
27 **repeater shelf.**

28
29 On the face of it, the only question presented by the disputed language is whether
30 AT&T Missouri is in fact not recovering in its existing charges the costs of the
31 three enumerated items. Accordingly, I explained in my Direct Testimony that
32 AT&T Missouri is not already recovering its costs for those activities through any

1 existing recurring or non-recurring charges. Therefore, the costs of those RNMs
2 must be recovered separately, as AT&T Missouri's language provides.

3 **Q. WHAT DOES MR. HENRY'S DIRECT TESTIMONY SAY IN SUPPORT**
4 **OF GLOBAL CROSSING'S POSITION ON THIS ISSUE?**

5 A. Mr. Henry states that "Global Crossing has no knowledge of whether or not
6 AT&T included these costs in its UNE cost studies filed with and approved by
7 this Commission."¹ Based on that lack of knowledge, he states "Global Crossing
8 cannot agree to such a statement in an interconnection agreement between the
9 parties."² He also asserts that any rates associated with the RNMs at issue here
10 should "first be approved by the [Commission]."³ Based on these premises, Mr.
11 Henry contends that the Commission should reject AT&T Missouri's proposed
12 language and should defer any conclusion on the question presented here until
13 Global Crossing orders a UNE from AT&T Missouri, AT&T Missouri "states that
14 there will be extra costs because the UNE requested requires AT&T to make
15 network modifications that are not routine," and Global Crossing objects to the
16 "extra costs."⁴

17 **Q. DOES MR. HENRY'S PROPOSED APPROACH REFLECT AN**
18 **ACCURATE UNDERSTANDING OF THE NATURE OF THE COSTS AT**
19 **ISSUE HERE?**

¹ Direct Testimony of Mickey Henry, page 6.

² *Id.*

³ *Id.*

⁴ *Id.* at 5.

1 A. No. Mr. Henry incorrectly describes the RNM activities at issue as “network
2 modifications that *are not routine*.”⁵ The FCC has determined that “[a] routine
3 network modification is an activity that the incumbent LEC regularly undertakes
4 for its own customers.”⁶ The AT&T Missouri language to which Global Crossing
5 objects closely tracks the FCC’s language. AT&T Missouri is not seeking
6 recovery of “extra costs” for non-routine modifications as Mr. Henry states.
7 Rather, AT&T Missouri’s language recovers actual costs when, or if, RNMs (*e.g.*
8 equipment case, repeater, repeater shelf) are required.

9 **Q. PLEASE RESPOND TO MR. HENRY’S STATEMENT THAT “GLOBAL**
10 **CROSSING HAS NO KNOWLEDGE OF WHETHER OR NOT AT&T**
11 **INCLUDED THESE COSTS IN ITS UNE COST STUDIES?”**

12 A. Global Crossing now has that knowledge, because I provided it in my Direct
13 Testimony. Indeed, Global Crossing said in its position statement on this issue in
14 the parties’ Joint Revised Statement of Unresolved Issues, filed September 28,
15 2010, that “AT&T should be required to demonstrate to the Commission that it in
16 fact is not recovering such costs in existing charges.” AT&T Missouri accepted
17 that challenge, and I demonstrated in my Direct Testimony that AT&T Missouri
18 indeed does not recover in its existing charges the costs of the three routine
19 network modifications identified in AT&T Missouri’s proposed language.

20 **Q. PLEASE RESPOND TO MR. HENRY’S ASSERTION THAT ANY RATES**
21 **AT&T MISSOURI CHARGES FOR RNMS MUST FIRST BE APPROVED**
22 **BY THE COMMISSION.**

⁵ *Id.* (emphasis added).

⁶ 47 C.F.R Sections 51.319(a)(8), 51.319 (e)(5).

1 A. Mr. Henry's assertion is unpersuasive for four reasons. First, and by far most
2 important, it is irrelevant. AT&T Missouri's proposed language does not say
3 anything about what rates AT&T Missouri will charge for the RNMs at issue; all
4 it says is that AT&T Missouri will be permitted to charge for the enumerated
5 RNMs. With that language included in the ICA, as it should be, the parties will
6 have a binding agreement that if Global Crossing places an order that requires
7 AT&T Missouri to add a repeater, or to do any of the other tasks identified in
8 items (i), (ii) and (iii) of AT&T Missouri's language, AT&T Missouri will be
9 allowed to charge Global Crossing for the performance of those tasks. At that
10 point, the parties may or may not have a disagreement about the rate AT&T
11 Missouri proposes to charge; if they do, they will call upon the Commission to
12 resolve it. There is no reason, however, not to resolve now the disagreement that
13 can so readily be resolved – and the only disagreement that is teed up in the
14 disputed language – namely, whether AT&T Missouri is in fact not recovering the
15 costs of the specified RNMs through its current charges.

16 Second, Mr. Henry offers no support of any kind for his assertion that the
17 Commission must pre-approve AT&T Missouri's RNM charges – he simply says
18 it.

19 Third, Mr. Henry's assertion is contrary to contract language to which Global
20 Crossing has already agreed. Again, the agreed portion of the contract provision
21 that includes the disputed language reads as follows:

22 11.1.7 AT&T-22STATE shall provide RNM at the rates, terms and
23 conditions set forth in this Attachment and in the Pricing
24 Schedule or *at rates to be determined on an individual case*
25 *basis (ICB) or through the Special Construction (SC) process;*

1 provided, however, that AT&T-22STATE will impose charges
2 for RNM only in instances where such charges are not
3 included in any costs already recovered through existing,
4 applicable recurring and non-recurring charges. (emphasis
5 added)
6

7 By definition, charges assessed on an individual case basis or special construction
8 process basis are determined at the time of the order – not pre-set by the
9 Commission. Thus, Global Crossing has already agreed to be subject to charges
10 that are not pre-approved by the Commission.

11 Fourth, Global Crossing’s approach would result in an inefficient and wasteful
12 use of the Commission’s and the parties’ resources. As I previously testified, the
13 RNM costs at issue here “cannot be quantified on a ‘one size fits all’ basis; rather,
14 the costs will necessarily vary from one UNE order to another.”⁷ Mr. Henry does
15 not contend otherwise. Furthermore, in Kansas Docket No. 10-SWBT-419-ARB,
16 the Kansas Corporation Commission (“KCC”) accepted AT&T Kansas’ statement
17 that “it could not quantify or describe at this time the RNM costs because they
18 would vary from one UNE order to another.”⁸ It thus eliminated the arbitrator’s
19 recommended instruction that AT&T Kansas “provide a list of charges it would
20 assess Global Crossing for RNMs” and related items.⁹

21 In sum, there is no sound reason to require that the Commission embark on case-
22 by-case future proceedings to resolve a matter which can, and should, be resolved
23 now, by adopting the language AT&T Missouri proposes.

⁷ Direct Testimony of Andrew D. Sanders, page 10.

⁸ *In the Matter of the Petition of Southwestern Bell Telephone Company d/b/a AT&T Kansas for Compulsory Arbitration of Unresolved Issues with Global Crossing Local Services, Inc. for an Interconnection Agreement Pursuant to Sections 251 and 252 of the Federal Telecommunications Act of 1996.* Docket No. 10-SWBT-419-ARB. August 13, 2010, at 18.

⁹ *Id.*

1 **Q. HAS THE COMMISSION PREVIOUSLY ADDRESSED RNM RATES?**

2 A. Yes. The Commission addressed the issue of RNM cost recovery in the 2005
3 Post-M2A Arbitration proceeding. The Detailed Language Decision Matrix
4 contains the following language:

5 10.7.3 SBC MISSOURI shall provide routine network modifications
6 at the rates, terms and conditions set out in this Attachment
7 and in the Appendix Pricing – UNE Schedule of Prices. A rate
8 for any routine network modification shown as “ICB” in
9 Appendix Pricing or the applicable tariff indicates that the
10 Parties have not negotiated, and/or that the State Commission
11 has not reviewed and approved, a specific rate for that routine
12 network modification. The ICB rate shall be determined on an
13 individual case basis and shall reflect an engineering estimate
14 of the actual costs of time and materials required to perform
15 the routine network modification; provided, however, that the
16 ICB rate shall not include any costs already recovered through
17 existing, applicable recurring and non-recurring charges. The
18 resulting ICB rates shall continue to apply to such routine
19 network modifications unless and until the Parties negotiate
20 specific rates for such routine network modifications or
21 specific rates are otherwise established for such routine
22 network modifications.

23
24 It was specifically noted in the RNM pricing section that “SBC’s language is most
25 consistent with the Arbitrator’s Report.”¹⁰ Given that this Commission approved
26 ICB pricing for all RNMs in 2005, there is no reason to alter that cost recovery
27 methodology with regard to the three RNMs at issue here.¹¹

28 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

29 A. Yes.

¹⁰ *Southwestern Bell Telephone, L.P., d/b/a SBC Missouri’s Petition for Compulsory Arbitration of Unresolved Issues for a Successor Interconnection Agreement to Missouri 271 Agreement (“M2A”).* Case No. TO-2005-0336. June 21, 2005, Final Arbitrator’s Report, Attachment III.A Part 4 Detailed Language Decision Matrix, 10.7.3, *aff’d in pertinent part*, Arbitration Order, July 11, 2005.

¹¹ *See*, Socket conforming ICA, at page 180 (Attachment 30 Pricing Schedule) approved in Case No. TK-2006-0071.