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Southwestern Bell



September 3, 2002

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison Street, Suite 100
Jefferson City, Missouri 65101

Re: Case No. TR-2001-65

Dear Judge Roberts:

Enclosed for filing with the Missouri Public Service Commission in the above-referenced case is an original and eight copies of Southwestern Bell Telephone Company's Position Statement.

Pursuant to the Missouri Public Service Commission's March 14, 2002, Order Adopting Procedural Schedule, Clarifying The Scope of This Proceeding, and Concerning Motion to Waive Service Requirement and Motion to Compel Discovery, Southwestern Bell Telephone Company hereby notifies parties not represented by counsel that it filed its Position Statement on September 3, 2002. This Position Statement describes Southwestern Bell's position on the issues previously identified in this case. Any unrepresented party may obtain a copy of the filed material upon request at no cost.

Thank you for bringing this matter to the attention of the Commission.

Very truly yours,

A handwritten signature in black ink that reads 'Anthony K. Conroy'.

Anthony K. Conroy

Enclosures

cc: Attorneys of Record (with Testimony attached via electronic mail)
Unrepresented parties (cover letter only via U.S. mail)

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of an Investigation of the Actual Costs)
Incurred in Providing Exchange Access Service and)
The Access Rates to be Charged by Competitive Local) Case No. TR-2001-65
Exchange Telecommunications Companies in the)
State of Missouri.)

**POSITION STATEMENT OF
SOUTHWESTERN BELL TELEPHONE COMPANY**

COMES NOW Southwestern Bell Telephone, L.P., d/b/a Southwestern Bell Telephone Company (Southwestern Bell), and for its Position Statement in this case, states as follows:

ISSUE 1:

What is the appropriate cost methodology (i.e., TSLRIC, LRIC, embedded, stand alone, etc.) to be used in determining the cost of switched access?

SWBT POSITION:

SWBT believes that LRIC (long run incremental cost) is the appropriate methodology for the Commission to use to investigate the cost of providing exchange access service, including particularly investigating competitive local exchange carriers' (CLECs') cost of providing exchange access service.

ISSUE 2:

Should the cost methodology (i.e., TSLRIC, LRIC, embedded, stand alone, etc.) for determining switched access costs be uniform and consistent for all Missouri LECs?

SWBT POSITION:

SWBT believes the same LRIC cost methodology should be used for investigating the costs of all Missouri LECs.

ISSUE 3:

Should loop costs be included in the determination of the cost of switched access and, if so, at what level?

SWBT POSITION:

SWBT does not believe any portion of the cost of the local loop should be included in the cost of providing switched access service. Local loop costs are not a direct incremental cost of providing switched access service, and including any portion of loop costs in an investigation into the cost of providing switched access service would be inconsistent with LRIC principles of economic cost causation.

ISSUE 4:

What are appropriate assumptions and/or values for the following inputs.

- a. Cost of capital.

SWBT's POSITION:

SWBT believes the appropriate value for cost of capital for SWBT is 12.19 percent.

- b. Switch discounts

SWBT's POSITION:

With respect to its switching costs, SWBT believes the appropriate value is either zero or is inapplicable. SWBT's relevant equipment agreements do not contain an explicit "discount." These agreements reflect "contracted" prices, to which no further discount is applicable.

- c. Depreciation

SWBT's POSITION:

SWBT believes the appropriate economic depreciation lives for the two plant accounts utilized in SWBT's cost study are the lives described at page 5 of David Barch's Rebuttal testimony. This information has been designated "Highly Confidential" pursuant to the protective order issued in this case.

d. Maintenance factors

SWBT does not agree with the maintenance factors utilized by Dr. Johnson, and does not believe these factors result in representative maintenance costs for SWBT.

SWBT believes that the maintenance factors it relied upon to develop its estimate of the LRIC of switched access are the most representative of its recurring maintenance costs.

e. Shared and common costs

SWBT's POSITION:

By definition, common costs, either in whole or in part, are not directly identifiable to a service or subset of services. Similarly, shared costs are not directly identifiable to an individual service. Therefore, it is appropriate that neither is included in LRIC/TSLRIC development of switched access. Additionally, SWBT identifies a portion of land and building related costs as direct costs rather than treating them exclusively as shared or common costs.

f. Fill Factors

SWBT's POSITION:

SWBT believes objective or available fill (as opposed to actual fill) should be used in switched access cost development. Spare capacity can be shared among services. Inasmuch as spare capacity is a shared cost among a group of services it is not a direct incremental cost to any one service. Therefore, since LRIC/TSLRIC identifies only

direct costs, spare capacity should not be included in a LRIC/TSLRIC-based cost that is used as a price floor.

ISSUE 5:

Is the current capping mechanism for intrastate CLEC access rates appropriate and in the public interest?

SWBT POSITION:

While SWBT believes the most appropriate resolution is to cap CLECs' switched access rates at the level of SWBT's switched access rates, SWBT can support the current capping mechanism (adopted in Case No. TO-99-596) for CLECs' intrastate switched access rates as appropriate and in the public interest.

ISSUE 6:

Are there circumstances where a CLEC should not be bound by the cap on switched access rates?

SWBT POSITION

SWBT does not believe that there has been any evidence presented in this investigation case which would suggest that there are circumstances where a CLEC should not be bound by a cap on its intrastate switched access rates, assuming the CLEC wishes to remain classified as a competitive telecommunications company pursuant to Section 392.361.4 RSMo. 2000.

ISSUE 7:

What if any course of action can or should be taken by the Commission with respect to switched access as a result of this proceeding?

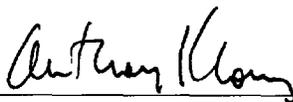
SWBT POSITION:

The Commission should make permanent the capping mechanism applicable to CLEC intrastate switched access rates which it adopted on an interim basis in Case No.

TO-99-596. Given the fact that high switched access rates impact the services offered to customers of other telecommunications carriers, the Commission should also consider whether the intrastate access rates of the small incumbent LECs should be investigated further. The Commission has no authority to reduce the intrastate switched access rates of any LEC subject to price cap regulation under section 392.245 RSMo. 2000, and may not do so in this case investigating the cost of providing switched access and CLECs' intrastate switched access rates.

Respectfully submitted,

SOUTHWESTERN BELL TELEPHONE, L.P.

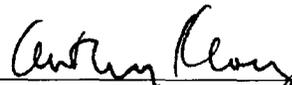
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CERTIFICATE OF SERVICE

Copies of this document were served on the following parties by e-mail or first-class, postage prepaid, U.S. Mail or via hand-delivery on September 3, 2002.



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