

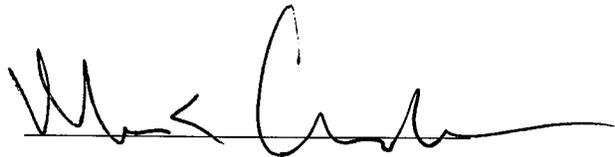
**AFFIDAVIT**

STATE OF GEORGIA

COUNTY OF FULTON

BEFORE, ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Mark Argenbright, who being by me first duly sworn, deposed and said that:

He is appearing as a witness before the Alabama Public Service Commission in Docket. No. 29054 on behalf of AT&T Communications of South Central States, LLC., and if present before the Commission and duly sworn, his Rebuttal testimony would be set forth in the annexed testimony consisting of 10 pages and 1 exhibit (s).



SWORN TO AND  
SUBSCRIBED BEFORE ME  
THIS 3rd DAY  
OF March, 2004.

Olmachukwu  
NOTARY PUBLIC

My Commission expires:

**Notary Public, Gwinnett County, Georgia**  
**My Commission Expires Jan .21, 2005**

**BEFORE THE  
ALABAMA PUBLIC SERVICE COMMISSION**

<b>In Re:</b>	)	
	)	
<b>IMPLEMENTATION OF THE FEDERAL</b>	)	<b>DOCKET 29054</b>
<b>COMMUNICATIONS COMMISSION'S</b>	)	
<b>TRIENNIAL REVIEW ORDER (PHASE II -</b>	)	<b>Filed: March 5, 2004</b>
<b>LOCAL SWITCHING FOR MASS MARKET</b>	)	
<b>CUSTOMERS)</b>	)	
_____	)	

**REBUTTAL TESTIMONY AND EXHIBITS OF**

**MARK E. ARGENBRIGHT**

**ON BEHALF OF**

**AT&T COMMUNICATIONS OF THE SOUTH CENTRAL STATES, LLC**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Mark E. Argenbright. My business address is 1200 Peachtree St. NE,  
3 Suite 8200, Atlanta, GA 30309.

4  
5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by AT&T Corp. and hold the position of District Manager, Law  
7 and State Government Affairs, providing support for AT&T's regulatory  
8 advocacy in the nine states that make up AT&T's Southern Region.

9  
10 **Q. PLEASE SUMMARIZE YOUR TELECOMMUNICATIONS  
11 BACKGROUND AND EDUCATION.**

12 A. I graduated from the University of Montana in 1980 and have a Bachelor of  
13 Science Degree in Business Administration. I have worked in the  
14 telecommunications industry for over 17 years with 15 of those years in the area  
15 of regulatory affairs. Prior to being employed by AT&T, I was employed by  
16 WorldCom, Inc from 1994 to 2002 with multiple responsibilities including  
17 development and coordination of various of the company's regulatory and public  
18 policy initiatives for the company's domestic operations. This included acting as a  
19 witness in support of such initiatives. Prior to that, I was employed by the  
20 Anchorage Telephone Utility (now known as Alaska Communications Systems)  
21 as a Senior Regulatory Analyst and American Network, Inc. as a Tariff Specialist.

22 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS  
23 PROCEEDING?**

24  
25 A. No.

26 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

1 A. To respond to the proposal by BellSouth witness Mr. Ruscilli regarding the  
2 appropriate crossover point for use in delineating between mass market customers  
3 and enterprise customers in Alabama and to provide an alternative proposal based  
4 on the general formula described by CompSouth witness Mr. Gillan.

5 **Q HOW IS YOUR TESTIMONY STRUCTURED?**

6 A. I will first address the BellSouth proposal and how it fails to consider the  
7 direction given by the FCC with regard to the calculation of a crossover point. I  
8 will then review the formula described by CompSouth's Mr. Gillan in his direct  
9 testimony. Consistent with this formula, I will then propose a more suitable  
10 crossover point. Finally, I will describe the calculation, which utilizes a model  
11 introduced by Sprint in the state of Florida for the purpose of calculating the  
12 crossover point, utilizing Alabama specific inputs.

13  
14 **Q. AT PAGE 8, LINES 10 THROUGH 15, BELLSOUTH WITNESS**  
15 **RUSCILLI INDICATES THAT THE APPROPRIATE CROSSOVER**  
16 **POINT WITH WHICH TO DELINEATE BETWEEN "MASS MARKET"**  
17 **AND "ENTERPRISE" CUSTOMERS IS "THREE OR FEWER DSO**  
18 **LINES." DO YOU AGREE?**

19  
20 A. No. As explained in the direct testimony of CompSouth's Mr. Gillan, the  
21 calculation of a crossover results in establishment of the upper boundary of the  
22 mass market in terms of the number of voice lines a customer may have before  
23 the customer should be viewed as an enterprise customer. Mr. Ruscilli's  
24 suggestion that a crossover point of three lines is appropriate fails to consider the

1 FCC's primary direction that a crossover calculation consider the point at which it  
2 is more economical for a customer to be served with a DS1 instead of multiple  
3 DS0 loops.

4  
5 In fact Mr. Ruscilli misquotes the FCC's Order in this regard. Citing to ¶497 of  
6 the TRO, Mr. Ruscilli indicates that the FCC's direction is "to define the cross-  
7 over point as 'where it makes sense for the multi-line customer to be served via a  
8 DS1 loop.'" The FCC's actual direction is clear when ¶497 is cited accurately:

9  
10 "This cross over point may be the point where it makes economic sense  
11 for a multi-line customer to be served via a DS1 loop." [emphasis added]

12  
13 Failure to consider the point at which it makes more "economic sense" to serve a  
14 customer with a DS1 rather than multiple DS0s does not comply with the  
15 direction given by the FCC.

16  
17 **Q. IN MR. GILLAN'S DIRECT TESTIMONY, BEGINNING AT PAGE 26,**  
18 **LINE 6 THROUGH PAGE 27, LINE 7, HE DESCRIBES A GENERAL**  
19 **FORMULA WITH WHICH AN ECONOMIC CROSSOVER POINT**  
20 **COULD BE CALCULATED. PLEASE SUMMARIZE THIS FORMULA.**

21  
22 **A.** CompSouth's witness Mr. Gillan proposes, and, as a member of CompSouth,  
23 AT&T supports, a "straightforward calculation" whereby the cost of a UNE DS1  
24 is compared to the cost of multiple UNE analog loops in order to make a  
25 determination as to when, in terms of the number of UNE analog loops, it is more  
26 economical to serve a customer with a DS1. The cost of a UNE DS1 must also

1 include the customer premise equipment that is required to utilize DS1 service as  
2 well as all the costs of non-recurring activities and installation of such equipment.

3

4 CompSouth's Mr. Gillan illustrates the calculation as follows:

5

6

7

8

9

$$\text{Crossover} = \frac{(\text{CPE} + \text{UNE DS-1})}{\text{UNE Loop}}$$

10

The costs, recurring and non-recurring, associated with acquiring the UNE DS-1  
and UNE Loop facilities from the incumbent must be included in the calculation.

11

12

The use of such a formula will result in the determination of the number of analog  
lines at which it is more economical to serve a customer with a DS1, which is the  
crossover point. AT&T, as a member of CompSouth, supports CompSouth's  
proposed approach.

16

17

**Q. DOES COMPSOUTH'S WITNESS DISCUSS OTHER FACTORS THAT  
COULD BE APPROPRIATE TO CONSIDER IN THIS ANALYSIS?**

19

20

A. Yes. At page 27, lines 3 through 7, CompSouth's Mr. Gillan explains that the  
above formula could be made more complicated by including other costs that  
would be incurred with the use of UNE-L. "... (such as collocation and backhaul)  
that are not incurred to use UNE-P." AT&T agrees with CompSouth's Mr. Gillan  
that there are additional costs that could be added to the analysis however, as a  
member of CompSouth, AT&T supports the straightforward approach and  
formula proposed by CompSouth's Mr. Gillan.

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**Q. IN ALABAMA, WHAT IS THE APPROPRIATE CROSSOVER FOR MULTI-LINE ANALOG LOOP CUSTOMERS WHERE IT BECOMES MORE ECONOMIC TO SERVE A MULTI-LINE CUSTOMER WITH A DS1?**

A. Exhibit MEA-1, attached to my testimony, calculates the average economic crossover a competitive local provider would experience in serving an analog customer in the BellSouth territory within the state of Alabama based on the number of analog voice lines used by the customer.

The results of this calculation indicate that, up to 12 DS0s at a customer's location, purchasing individual loops is more cost effective or economic than purchasing a single DS1.

**Q. WHAT IS THE SOURCE OF THIS CALCULATION?**

A. Sprint Communications, in Florida, filed a model that calculated an economic crossover specific to the State of Florida.<sup>1</sup> This same model has been populated with some Alabama specific inputs and now calculates a specific and reasonable economic crossover point for Alabama, which is consistent with the economic crossover calculation proposed above.

**Q. WHY DO YOU FIND SPRINT'S MODEL A REASONABLE METHOD FOR THE DETERMINATION OF THE ECONOMIC CROSSOVER POINT BETWEEN MASS MARKET AND ENTERPRISE CUSTOMERS?**

1  
2 A. Sprint is an established ILEC with significant experience in providing service to  
3 both multiple DS0 served customers as well as DS1 served customers. Their  
4 experience and related data provide a reasonable proxy for the circumstances that  
5 would be faced by a CLEC in Alabama. Further, their model is consistent with  
6 the general calculation described by CompSouth witness Gillan in his direct  
7 testimony and summarized above.

8  
9 **Q. WHAT ARE THE COST COMPONENTS IN THE ECONOMIC COST**  
10 **CROSSOVER MODEL FOR THE PROVISION OF SERVICE OVER A**  
11 **DS1 FACILITY?**

12  
13 A. This model includes the monthly recurring charges of the unbundled network  
14 element DS1 loops, the unbundled network element non-recurring charges for  
15 DS1 loops, and the monthly costs of a channel bank installed at the customer's  
16 premises used to multiplex multiple voice channels onto a DS1 loop facility.

17  
18 **Q. WHAT ARE THE COST COMPONENTS IN THE ECONOMIC COST**  
19 **CROSSOVER MODEL FOR THE PROVISION OF SERVICE OVER A**  
20 **DS0 FACILITY?**

21  
22 A. The model includes the monthly recurring charges of the unbundled network  
23 element DS0 loops and the non-recurring charges for unbundled network element  
24 DS0 loops. The non-recurring charges reflect the charges for the initial DS0 loop  
25 and each additional loop ordered.

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<sup>1</sup> Direct Testimony of Kent W. Dickerson, Docket No. 030851-TP, filed December 4, 2003.

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**Q. WHAT ARE THE SOURCES OF UNBUNDLED NETWORK ELEMENT PRICES FOR THE MONTHLY RECURRING SERVICES AND THE NON-RECURRING SERVICES?**

A. All unbundled network element prices are those approved by the Alabama Public Service Commission in Docket 27821.

**Q. WHAT IS THE SOURCE OF THE ACCESS LINE DATA USED TO DETERMINE THE WEIGHTED AVERAGE UNE PRICES?**

A. The access line data are from the FCC’s HCPM (Hybrid Cost Proxy Model) that provided lines by wire center as of 2000.

**Q. WHAT ADDITIONAL VARIABLES ARE INCLUDED IN THE CALCULATIONS?**

A. A weighted average cost of capital input is used for amortizing the non-recurring charges. This weighted average cost of capital is 13.07%. This utilizes the cost of capital calculated by the FCC in the recent Verizon-Virginia WorldCom Arbitration Order.<sup>2</sup>

**Q. HOW ARE THE NON-RECURRING UNBUNDLED NETWORK ELEMENT COSTS TREATED IN THE ECONOMIC CROSSOVER ANALYSIS?**

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<sup>2</sup> CC Docket No. 00-218, In the Matter of Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation

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A. The non-recurring unbundled network element charges for establishing DS0 or DS1 services are amortized over a 24 month period using the weighted cost of capital. In this model the assumption is a 24 month average customer life.

**Q. HOW IS THE MONTHLY COST OF THE CHANNEL BANK AT A DS1 CUSTOMER PREMISES CALCULATED?**

A. The monthly cost of the equipment is calculated by dividing the total material cost over the life of the asset, accounting for the cost of capital, nine year depreciation life, income tax, maintenance, and sales tax of 7 percent.

Material prices reflect the size of the channel bank and cards that would be installed at a customer premises capable of multiplexing one DS1 into DS0s. The material was then amortized. Labor related to the installation of the customer premises channel bank was amortized over 24 months.

**Q. HOW ARE THESE COST COMPONENTS USED TO CALCULATE AN AVERAGE CROSSOVER BETWEEN UNBUNDLED DS0 AND DS1 LOOPS WITHIN BELL SOUTH'S TERRITORY?**

A. The Sprint model calculates the UNE provisioning costs of both DS0 and DS1 facilities as described above for each central office in the state of Alabama served by BellSouth. A weighted average cost for each MRC and NRC is computed by multiplying the central office specific result by the percentage of access lines in

1 that central office. The weighted average cost of a DS1 loop is then divided by  
2 the weighted average cost of a DS0 loop.

3  
4 **Q. WHAT IS THE ECONOMIC CROSSOVER RESULT PRODUCED IN**  
5 **THE MODEL?**

6  
7 A. The model results indicate that, for up to 12 DS0s at a customer's location,  
8 purchasing individual loops is more cost effective, or economic, than purchasing a  
9 single DS1. Above 12 DS0s, the DS1 becomes the more cost effective means of  
10 providing service to the customer.

11  
12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13  
14 A. Yes.

**TRO Economic Business Case  
 DS0 to DS1 Cross Over**

**State =** AL  
**Company =** BellSouth

A B C D E F

Row	Description	DS1 + Channel Bank	DS0	Cross-Over DS0 Quantity	Cross-Over Rounded DS0 Quantity
10	<b>Weighted Average</b>				
11	MRC	\$166.38	\$17.37		
12	NRC - Ammortized	\$38.98	\$0.94		
13	Total	\$205.36	\$18.31	11.22	12
14					

1 **Inputs**

2

3	<b>Assumed Term</b>	
4	Months - MRC	1
5	<b>Channel Bank (CB)</b>	
6	MRC per DS1	\$38.02
7	<b>Assumed Term</b>	
8	Months - NRC	24
9	<b>Cost of Capital</b>	
10		13.07%
11	<b>Add'l NRC DS0 Quantity</b>	
12	Number of DS0s	11

13

14

UNE DS0 Loop MRC Rates					
State	Zone	BS	ILEC	ILEC	ILEC
Alabama	1	\$12.58	\$0.00	\$0.00	\$0.00
	2	\$21.05	\$0.00	\$0.00	\$0.00
	3	\$34.34	\$0.00	\$0.00	\$0.00
	4	\$0.00	\$0.00	\$0.00	\$0.00
Weighted Average		\$17.37			

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UNE DS1 Loop MRC Rates					
State	Zone	BS	ILEC	ILEC	ILEC
Alabama	1	\$82.55	\$0.00	\$0.00	\$0.00
	2	\$154.18	\$0.00	\$0.00	\$0.00
	3	\$314.52	\$0.00	\$0.00	\$0.00
	4	\$0.00	\$0.00	\$0.00	\$0.00
Weighted Average		\$166.38			

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UNE DS0 Loop NRC Rates					
State	Description	BS	ILEC	ILEC	ILEC
Alabama	NRC-First	\$37.81	\$0.00	\$0.00	\$0.00
	NRC-Additional	\$17.56	\$0.00	\$0.00	\$0.00
	S.O.-First	\$5.83	\$0.00	\$0.00	\$0.00
Weighted Average		\$19.73			

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UNE DS1 Loop NRC Rates					
State	Description	BS	ILEC	ILEC	ILEC
Alabama	NRC-First	\$252.47	\$0.00	\$0.00	\$0.00
	NRC-Channel Bank*	\$561.13	\$0.00	\$0.00	\$0.00
	S.O.-First	\$5.83	\$0.00	\$0.00	\$0.00
Weighted Average		\$819.43			

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\* CLEC cost to install the channel bank at customer premises.