(A) Southwestern Bell Telephone

March 2, 1995

Mr. David Rauch **Executive Secretary** Missouri Public Service Commission 301 West High Street, Suite 530 Jefferson City, MO 65101

Katherine C. Swaller Attorney 314 247-3060

Re: Case No.

Diana J. Harter Altorney 314 247-8280

Dear Mr. Rauch:

Enclosed for filing with the Commission in the abovereferenced case is the original and fourteen copies of Southwestern Bell Telephone Company's Hearing Memo. Please stamp "FILED" on the extra copy and return to me in the enclosed self-addressed, stamped envelope.

Southwestern Bell and Staff are filing separate Hearing Memos in this docket. Since there is no testimony filed as of yet in this docket, Southwestern Bell wanted to file its response to Staff's position in a more detailed manner than generally done in a joint hearing memorandum. Furthermore, in the Prehearing Conference Transcription in this docket, on page 17, Examiner Wright stated that the Commission wanted one report on all the agreed upon issues, but the parties could file separate reports on disputed issues. Southwestern Bell believes that due to the nature of the proceedings in this docket, a separate memo is more appropriate.

In the Order Establishing Further Procedures issued on November 4, 1994, the Commission requested that the hearing memorandum contain a proposed procedural schedule. Southwestern Bell currently has a <u>Motion to Hold in</u> Absvance pending before the Commission. After the Notion is ruled upon and the parties have reviewed the hearing memorandums filed, the parties will be in a better position to propose a procedural schedule. Therefore, no procedural achedule is currently being proposed.

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

Sincerely.

Parties of Record

PUBLIC SENIO COMMESSON

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Investigation)
into Southwestern Bell Telephone) Case No. TO-94-184
Company's Affiliate Transactions)

MAR 3 1995

SOUTHWESTERN BELL TELEPHONE CONPANY'S HEARING MEMO

PUBLIC SERVICE COMMISSION

Staff's position on this docket, as well as, Staff's perception of the issues being addressed in this docket have altered significantly. In Staff's May 31, 1994, filing it was proposed that "In lieu of the formal investigation of affiliated transactions of SWBT . . . the Staff recommends the Commission close this docket in favor of an informal investigation and education process on the issue of affiliate transactions."

Staff went on to suggest that the narrow focus of this docket on SWBT may unduly limit the scope of the issues examined and recommended a more systematic review of other utility groups "in order to eliminate, or at least mitigate, subsidization of unregulated activity by regulated activities."

It is now Staff's position that the current Federal

Communications Commission (FCC) affiliate transaction rules do

not provide adequate safeguards to prevent cross-subsidisation.

^{&#}x27;Case No. 70-94-184, Comments of the Staff of the Missouri Public Service Commission on the scope of this Docket, Ney 31, 1994, Page 5.

Case No. 70-94-184, Comments of the Staff of the Hissouri Public Service Commission on the ecope of this Docket, Ney 31, 1994, Pages 5-6.

Staff now states that the Missouri Commission should adopt the proposed revisions contained in the Notice of Proposed Rulemaking (NPRM) released from the FCC, with additional Staff changes, as the appropriate standards for SWBT affiliate transactions.

The change from the desire for an informal utility-wide review on subsidization issues associated with affiliate transactions to a unique SWBT set of affiliate transaction audit rules is well beyond the issues SWBT understood to be associated with the Commission's request.

The Commission should not adopt any affiliate transaction rule changes applicable only to SWBT. A ratemaking principle of general applicability can not be decided in a company specific contested case docket.

SWBT also submits that the cost associated with compliance with these proposed rules for SWBT and its Missouri customers far

Case No. TO-94-184, Statement of Staff's Position, October 21, 1994, p. 3.

^{&#}x27;SWBT's understanding from the prehearing conference was that: 1) The first issue was to focus on whether Southwestern Bell was in compliance with the FCC cost allocation rules and whether the six questions listed in the Report and Order (TC-93-224 et al.) had been addressed or needed to be addressed at this time; 2) The second issue was whether either the joint audit or the audit at the KCC (Kansas Corporation Commission) had resolved some of the six questions or had adequately addressed the issue of Southwestern Bell's compliance with the FCC's rules; and 3) The third issue would be to work toward development of a report by the parties on whether there is an audit trail and whether there was a method of reviewing affiliated transactions so that the commission could determine whether Southwestern Bell was in compliance with whatever standard was already established. Prehearing Conference Transcript, June, 21, 1994, pp. 6-7.

^{*}Goo SHOT's Notice to Maid Destrot in Absorber filed in this decket on Pebruary 23, 1995.

outweighs any perceived benefit. Further, the Commission's action in this docket should be deferred until some of the uncertainty as to any changed FCC rules on affiliate transactions and SWBT's future affiliate relationships is removed. Finally, SWBT submits that it has provided full and complete responses to the areas addressed in the Order Establishing Dates, and that its recommendation for future review of SWBT's affiliate transactions as set forth in the stipulation filed February 17, 1995, is sufficient to address the original issues of this proceeding.

I. BACKGROUND

The Staff's proposed affiliate transaction rules for SWBT, that correspond in part, to proposals in a FCC NPRM on affiliate transactions, would create a costly regulatory burden by requiring differing sets of rules at the state and federal level. This increased burden is unnecessary at a time when

The FCC has an open Notice of Proposed Rulemaking, CC Docket 93-251, that is reviewing the proposed changes to the affiliate transaction rules, as well as a Computer Inquiry III remand proceeding from the Ninth Circuit Court that will review the whole issue of structural separations and the efficacy of non-structural safeguards, including affiliate transaction safeguards. And, specific to Missouri, is the Commission on Information Technology's recommendation to adopt legislation to change the structure and regulation of the telecommunications industry in Missouri.

The Commission recognized the increasing competitive nature of the telecommunications industry and the need for uniform retemaking and accounting systems in Case No. TC-89-14. In rejecting the Staff's recommendation for SNBT to implement a surrogate Part 31 ratemaking system, the Commission noted "Part 32 brings SNBT's accounting more in line with competitive companies, thus making SNBT better able to meet the requirements of a more competitive indestry . . . The Commission is not convinced that an acceptable surrogate can be maintained by SNBT. The data used in the surrogate, as time passes, would become more

increasing competition and industry changes warrant the simplification of regulatory burdens for all competitors.

Furthermore, the Commission should not increase regulatory burdens and costs on only one carrier (SWBT) in this environment.

The FCC Joint Cost Proceeding established the current hierarchy of rules that dictates how regulated carriers should book costs associated with affiliate transactions in its regulated accounts. The affiliate transaction and cost allocation rules and safeguards have been in actual use for over six years. The purpose of these rules is the establishment of a reasonable assurance that the regulated carrier is prevented from cross subsidizing the activities of nonregulated affiliated companies.

The current rules hierarchy provides that the tariffed rate for an asset or service, or in the absence thereof the prevailing price of the asset or service based on a substantial number of similar transactions with nonaffiliated third parties, may be booked by the regulated carrier. In the absence of a prevailing price for services, the carrier books the fully distributed cost (FDC) of the service, or in the absence of a prevailing price for an asset, the carrier books the greater of fair market value or net book value for outbound assets and the lesser of the two for

unreliable and the cost and expense of keeping side records might eventually outweigh any benefit achieved." Case No. TC-89-14, Impart and Order, June, 26, 1989, p. 14.

inbound assets. These accounting safeguards work in conjunction with numerous other safeguards, including:

- 1. Requirements to file and update quarterly cost allocation manuals (CAMs) reflecting the established rules and current affiliate and nonregulated transactions
- 2. External audits that provide the same level of assurance as that provided on a financial statement audit engagement on carrier conformance to the rules
- 3. Audits by Regulatory Bodies9
- 4. Detailed automated reporting on nonregulated activities and affiliate transactions.

The primary hierarchy changes proposed by Staff would severely restrict the use of a prevailing price in affiliate transactions. This change would substitute a costly and highly subjective estimated fair market valuation test for what is now a straightforward and easily auditable fully distributed cost rule.

II. THE "BRIGHT-LINE" TEST

The current rules provide that if a tariffed rate does not exist for an affiliate service, then the next tier in the rules hierarchy is a prevailing price for the service. Prevailing price is a price actually paid for a specific service by a substantial number of nonaffiliated third parties. The proposed

Joint Cost Order, 2 PCC Red at 1336; Joint Cost Recon. Order, 2 PCC red at 6295-6298; See also, 47 C.P.R. 32.27.

^{&#}x27;It is important to note that not only has the PCC conducted on-site audits, but that a joint PCC staff/state audit involving all five of SMST's regulatory jeriodictions completed a comprehensive audit of SMST's affiliate transactions this year. Affiliate transaction issues have been the nost audited issue in the industry.

change would be to require that 75% of total revenues or some measure thereof must be generated by sales to or received from third parties before prevailing price can be used for affiliate transactions. This is known as the "bright-line test." The imposition of an arbitrary 75% "bright-line" test to establish that an expense for purchases or revenue for sales on SWBT books are truly a prevailing price is not appropriate.

The percentage of output provided to nonaffiliates is irrelevant to the establishment of a prevailing market price, regardless of what percentage is chosen. It is the selling entity's market price -- what others are actually paying -- which should be the focus of the inquiry. It is the existence of a nonregulated, competitive market for the products and services in question that determines a market price or prevailing price. 10 The current rules are, in fact, more stringent in requiring proof of a substantial number of sales to third parties on an item by item basis, rather than an arbitrary threshold of total revenue.

III. THE "PAIR MARKET VALUATION TEST"

The "bright-line" test further frustrates clear and objective rules when combined with the estimated fair market valuation test. Rather than using the objective fully distributed cost tier of the current rules, if the "bright-line"

[&]quot;Market price has been defined as "The price at which a seller is ready and willing to sell and a buyer ready and willing to buy in the ordinary course of trade." Black's Law Dictionary, Black, Henry Campbell, 7th Reprint, 1985, Capyright 1979 by West Publishing Co., p. 875.

test is not met, then SWBT would be required to perform an expensive and subjective evaluation of estimated fair market value. In the original Joint Cost Order, establishing the affiliate transaction rules, the FCC rejected a fair market valuation test for services noting that "such a valuation standard is fraught with the potential for abuse, and would be difficult to monitor. "12 The fully distributed cost measure as the final tier of the rules hierarchy for services was adopted to assure that an auditable measure of the cost of service was available. Estimated fair market valuations result in a battle of "my estimate" is better that "your estimate." For those services for which an alternative vendor exists, there is normally a market range, based on a number of factors (volume, frequency, etc.). There is not one price in the marketplace. In a contested situation, it is all too likely that one side views only the highest value as appropriate (regardless of whether the service could be sold for that price) while, the provider views

[&]quot;The proposed replacement for the fully distributed cost would be an assessment of fair market valuation versus the cost of a service. If it is a sale to an affiliate the higher of the two could be recorded as a revenue by SWST, and if it is a purchase from an affiliate the lower of the two could be recorded as an expense by SWST.

[&]quot;Joint Cost Bacon. Order, 2 PCC Rcd at 6298. Further, in the comments of Coopers & Lybrand in response to the PCC NPRM CC Docket 93-251, this firm of certified public accountants that audits the PCC ARMIS Joint Cost Reports for a substantial number of certiers indicated that "The adoption of this proposed change will add substantial difficulty to the Certier's affiliate transaction process and complexity and subjectivity to the audit process thereby diminishing the enforcement mechanism that the PCC currently has in place."

some other point in the range as an appropriate measure for the service being provided. Further, services that are project specific and require certain skills and knowledge, or involve governance (such as the Board of Directors) are not available from an outside vendor, or would be a service for which it is not appropriate or feasible to contract with an outside vendor.

Developing estimated fair market valuation studies is very expensive with no commensurate value to the Missouri customer. SWBT projected, in its comments to the FCC NPRM CC Docket 93-251, that the cost for conducting such fair market valuation would be \$6M.¹³ This is not a one-time cost, but recurring each year as studies are performed.¹⁴ The current rules have demonstrated their ability to prevent cross subsidy.

Staff further proposes that bids, quotes and provider value estimates must also support the affiliate purchase decision, adding yet another layer of cost onto the rules process. The issue of a bid or quote is not relevant to the most significant

¹³SWBT Comments in CC Docket 93-251, pages 25-26.

MAN example of the extreme cost burden that would be caused by the estimated fair market valuation is that SWBT offers wordprocessing (for the period covered during Staff's review in TC-93-224, et al.) totalling 911 pages to five affiliates. SWBT's informal review of market ranges indicated that the market was \$4 to \$8.75 per page. SWBT's fully distributed cost for the service was \$3.98 per page, and the price charged to the affiliates was \$5.25 per page, well within a reseccable market range. To conduct the formal studies would raise the FDC for the provision of this service from \$3.98 per page to \$25.93 per page. It is clear no one would pay four times the going price for wordprocessing just to use SWBT's facility. The final result using fair market valuation under this circumstance would be the loss of revenue from an ectivity that SWBT has to perform internally for its own use.

portion of SWBT's purchases from affiliates. The parent company and Bellcore comprise a majority of SWBT affiliate purchases. Many services purchased from Bellcore are not readily available from alternative vendors in the marketplace. The whole concept of Bellcore historically has been to provide economies of scope and scale that were not achievable through an alternative vendor, with the sharing of cost with the six other Bellcore owners. a similar vein, the services purchased from Technology Resources, Inc. are a strategic and proprietary component of SWBT's ability to provide innovative and needed services to its customers at the best possible price. It is not reasonable or appropriate to expect that the functions could or should be performed by a third party. Further, SWBT benefits from a cost perspective by sharing the costs for common projects with the other affiliates of SBC. When competitive alternatives are available, SWBT's procurement processes review these alternatives.

SBC costs primarily involve corporate governance and compliance activities that cannot be outsourced. To the extent that a consultant cost, which is the case for shareowner administrative services, is part of the SBC cost, the decision on which consultant to use is not exclusively an issue of cost, but rather of the function to be performed, expertise, qualifications, warranty, etc. Cost is but one of several factors in a consultant selection, a fact ignored by a bid process where cost is the primary driver. Further, it is not realistic to envision a bid or quote process for outside board

members, or executive leadership, key elements to the SBC services provided to SWBT.

A review of purchases from Telecom and Southwestern Bell Mobile Systems further emphasizes the lack of merit in Staff's proposals. These are CPE and cellular companies that operate in a very cost competitive marketplace. SWBT does not have exclusive contracts with either company, and has price guarantees that are very favorable. There is no indication that an expensive fair market valuation system of bids and quotes would yield any lower prices than are achieved with these contracts. Further, the existing rules state that SWBT can record no higher than the prevailing price paid by nonaffiliates for the same services, which is a reliable marketplace test. 16

By artificially increasing the cost of doing business with affiliates, the economies of scope and scale that SWBT has managed to achieve over the course of many years would be eroded and the incentive to manage these activities in the most efficient and cost effective manner would be frustrated. The "bright-line" test and the "estimated fair market valuation" work

[&]quot;The Commission recognized the inherent flaws in a fair market valuation test stating "The Commission is not convinced that SWET would have received a lover price from competitive bidding for these services without additional costs offsetting any cost savings." Case No. TC-89-14, Report and Order, June 20, 1989, p. 74.

[&]quot;The recent joint staff audit concluded that substantial third party sales existed for both affiliates and that swar purchases were in compliance with prevailing price requirements, because the prices paid by SMST were at or below those paid by third parties.

that exist to create efficiencies and cost savings through affiliate transactions. This type of regulation frustrates SWBT's responsibility to manage its business. The staff suggestion that "estimated fair market valuation" be accomplished through a bid or quote process further erodes SWBT's ability to oversee such services and produces no better result. As demonstrated in SWBT testimony in TC-93-224, et al., in the presentation of the parent company value study, the consultant review indicated parent company services (recorded using the fully distributed cost rule as required by the FCC rules) were a very good value, and well below the "estimated fair market valuation" of services offered by outside vendors.

If the regulatory costs and burdens associated with having to determine "estimated fair market valuation" and then defend such estimates forces SWBT to decide that for some services the economies of scope and scale are simply outweighed by those costs and burdens, SWBT may decide to either develop the service internally solely for itself, or to obtain it, if possible, from nonaffiliates. In either case the economies of scope and scale are lost. The perverse result is the Missouri customer would no longer benefit from the demonstrated savings of these affiliate transactions.

SNET also sells services to affiliates that represent a collection of activities SNET performs internally for its own benefit. Nemtariffed services sold to affiliates utilize minimal

incremental SWBT resources and produce revenues from previously non-revenue producing activities. Such sales benefit the ratepayer by recovering the fully distributed cost of providing the service and making contributions to SWBT's general overhead expense that would not otherwise exist. If the parent company purchased the service from another vendor, SWBT would continue to receive a representative share of the cost, but none of the revenue stream used to offset fixed overhead expenses.

The staff proposals for more burdensome Missouri specific affiliate transaction rules will result in the potential loss of these economies and will increase service costs to Missouri customers.

IV. MONREGULATED APPILIATE ACCOUNTING

There are several other issues raised by the Missouri staff that must be addressed. The first is the issue of a "chain" transaction. This is a transaction where a nonregulated affiliate might purchase supplies from another nonregulated affiliate and then sells them to SWBT, or uses the supplies to make a product that SWBT purchases. The added and burdensome rules proposed by Staff, including specification for how the nonregulated affiliates must keep their accounting records are not necessary. Additionally, they are well beyond the scope of the issues which the Commission asked to be addressed in this docket. The most obvious reason why Staff's recommendations are unmercessary is that the current federal rules, which have been

adopted in Missouri by the Commission, require that when a nonregulated affiliate uses assets or services obtained from a second nonregulated affiliate to provide services or assets to the carrier, the costs recorded by the carrier must reflect the actual costs the second affiliate incurred in creating the asset or providing the service. This rule applies unless the second affiliate has established a prevailing company price for the asset or service. The stated simply, the hierarchy of the current FCC rules apply to the original transaction to prevent an avenue for overcharging.

Further, to suggest that the nonregulated affiliates must set a price based upon ratemaking principles set by regulators in each of SWBT's states is completely inappropriate. Even in state ratemaking proceedings, the development of a revenue requirement (the quantification of all allowable costs) is independent of the development of prices for regulated goods and services. It would be burdensome for the nonregulated affiliates to identify and quantify the disallowed costs and determine whether the costs are similar to those disallowed for SWBT. It would also be impossible for each affiliate to determine a price based on regulatory ratemaking disallowances which differ by state. The affiliate, or SWBT, would then be required to transact state specific sales to appropriately price the product. There is no justification for applying regulatory ratemaking disallowances required by SWBT to nonregulated affiliates.

[&]quot;MYRITA CALLARMONAL Order, 3 FOC Rod at 84.

SWBT recommends the use of the authorized interstate rate of return for affiliate transactions. The rules dictate what SWBT may record on its books and records for affiliate transactions, including the application of a return element. Multiple return amounts by different jurisdictions for the same service are confusing and yields an inconsistent result. The use of one return, the interstate amount (which is currently 11.25) avoids that confusion and makes the process more auditable.

In regard to the issue of audit trail, SWBT does not see that any changes to existing guidelines are warranted. Retention periods for payroll records, and standard industry practices for company financial records based on internal and external audit requirements, as well as other regulatory filing requirements already exist. Further SWBT is bound by the requirements of the Securities Exchange Act of 1934 which requires adequate corporate controls. 18

V. COST STUDIES

Staff's remaining concerns about the fully distributed cost studies utilized in the sale of services by SWBT to affiliates are not warranted. These cost studies are a straight forward

¹⁸Securities Exchange Act of 1934, 15 U.S.C. 78 (m).

[&]quot;This position is supported by the conclusions of the joint staff audit of affiliate transactions that stated in paragraphs 125-126 that "The audit team has completed its review of the transactions for nontariffed services and sales of assets made by Southwestern Bell Telephone Company (SWET) to affiliates. Our examination included reviews of policies and procedures, service agreements, methodology for development of cost studies . . .

mechanism for the development of the fully distributed cost for units of services sold to affiliates. These affiliate only services are not lines of business for SWBT and represent activities that SWBT must perform for its own business operations, and as a result, incur minimal if any additional costs in the provision of the service to an affiliate. studies are a traditional full cost review involving investment cost identification (if utilized by the service) and loaded labor cost identification. The process is consistent with the Joint Cost Order requirement that direct costs be identified first, then indirect measures of cost, and finally a general measure of cost to assure all costs associated with the provision of the service are identified on a fully distributed basis. Cost studies have been an integral part of the cost of service evaluation in Missouri, and the concepts utilized by the affiliate only services are not new.

To create a new cost study mechanism as proposed by Staff would be cost prohibitive. It would require cost reporting starting at the lowest level of payroll and voucher detail, and complex financial cost allocations. Because significant amounts

Based on the audit work performed, nothing came to the attention of the audit team that would indicate that SMBT's nontarified services rendered to affiliates and sales of assets to affiliates were not accounted for in a manner consistent with the applicable PCC affiliate transaction standards. Furthermore, nothing came to the attention of the audit team that would indicate that the telephone retapayers had been adversaly affected by transactions between SMBT and affiliates resulting from noncompliance with these standards. SMBT's services were priced to recover at least fully distributed cost (FOC), when a tariff or prevailing market price (FMP) was absent."

of the costs are common, the process would be based on factors, which is exactly how current cost studies are developed. The struggle for finite detail does not produce any more accurate result. Further, the affiliate only services represent less than one half of one percent of SWBT total operating revenues in a given year. The idea of developing a full current year financial report allocation for these types of services would defy logic and create a cost burden for SWBT customers that is way out of line with the services being regulated. The cost studies yield a reasonable and accurate result and are based on processes that have been in existence and used in Missouri for years.

SWBT suggests that Staff allow SWBT personnel to explain the major cost studies during the pre-audit meeting stipulated to in this docket to assure Staff that all direct and overhead costs are applied to the affiliate only services.

VI. CONCLUSION

SWBT provided a straight forward twelve step process that would govern future audits of affiliate transactions. This process was adopted as part of the stipulation with Staff and OPC in this docket. The cornerstone to the twelve steps involves

[&]quot;SWBT's proposal was to conduct in-depth pre-audit meetings that included a twelve step process that would allow staff to determine if SWBT is in compliance with the PCC's affiliate transaction rules, and allow SWBT to update staff on any new affiliate relationships, PCC rules, or other items. The twelve steps were: 1)Copies of all affiliate purchase and sales contracts for the test period will be provided. These purchase and sales contracts will be indexed by year and by affiliate

in-depth discussions between SWBT managers responsible for affiliate transaction oversight and Staff. These types of meetings will ensure that Staff has the latest FCC guidelines and SWBT audit trail data. The review of this data will allow the Staff to determine if SWBT is in compliance with the FCC's

company. 2) Reports containing the revenue and/or expense of purchases from and sales to affiliates, by affiliate, for the test period will be provided. 3) Review of existing FCC affiliate transaction rules with emphasis on any significant changes since the last audit with the opportunity for direct interview by Staff of Company subject mater experts. This review will include an overview of what constitutes audit compliance of sales of services to affiliates. Purchases of services from affiliates will be outlined by type of affiliate: i.e., cost allocation, prevailing price, etc. 4) Review with Staff of the following sections of the CAM - a. Section IV - Chart of Affiliates, b. Section V - Transactions with Affiliates. Review any significant operational changes to the purchase or sale of services to affiliates since the last audit. 6) Provide copies of any SWBT compliance review of purchases from affiliates conducted during the test period. SWBT agrees to perform and provide compliance reviews for its transactions with Southwestern Bell Communications (SBC). 7) Provide a copies of any SWBT internal audits of affiliate transactions conducted during the test period. SWBT affiliate services group will coordinate with the SBC internal audit group to schedule timely audits of SBC and Yellow Pages prior to the next complaint case. 8) Provide the cost/price worksheets for sales of services to affiliates for the test period (to include incremental unit cost, fully distributed cost and price for each billing element. 9) Respond to specific questions concerning tariff sales or prevailing price sale to affiliates, with the understanding that affiliate companies receive tariffed and prevailing price services under the same terms and conditions as similar non-affiliated companies. 10) Present to Staff auditors an overview of the audit trail for purchases from the major affiliates (SBC, Yellow Pages, Telecom, Mobile Systems.) The audit trail for the major affiliates will include time reporting, as appropriate, cost allocation, prevailing price review, etc. 11) Present to Staff auditors an overview of sales to the major affiliates. The audit trail will include cost studies overview, pricing, billing, etc. Answer any remaining instant audit trail process question that Staff may have.

affiliate transaction rules which should remain the appropriate audit standard.

If the Commission decides that it needs to amend its current affiliate transaction rules, it can not impose such amendments on SWBT only. Staff's proposal to amend the affiliate transaction rules should be done either through a rulemaking or through an informal industrywide setting.

Respectfully submitted,

SOUTHWESTERN BELL TELEPHONE COMPANY

Ву

ALERED G. RICHTER, JR. KATHERINE C. SWALLER DIANA J. HARTER

Attorneys for Southwestern Bell Telephone Company 100 N. Tucker, Room 630 St. Louis, Missouri 63101-1976 (314) 247-8280

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing document were served to all parties on the attached Service List by first-class postage prepaid, U.S. Mail.

Dated at St. Louis, Missouri, the 2nd day of March, 1995.

WILLIAM M. BARVICK
ATTORNEY AT LAW
240 E. HIGH STREET, SUITE 202
JEFFERSON CITY, NO 65101

JAMES C. STROO WILLIAM D. KOLB GTE MIDWEST INCORPORATED 1000 GTE DRIVE, BLDG. A P.O. BOX 307 WENTZVILLE, MO 63385

MICHAEL F. DANDINO OFFICE OF THE PUBLIC COUNSEL P.O. BO 7800 JEFFERSON CITY, MO 65102 THOMAS SCHWARZ
MISSOURI PUBLIC SERVICE
COMMISSION
P.O. BOX 360
JEFFERSON CITY, MO 65102

KAREN NELSON
ASSISTANT ATTORNEY GENERAL
BROADWAY STATE OFFICE BUILDING
221 W. HIGH STREET, 8TH FLOOR
JEFFERSON CITY, MO 65101

CARL LUNLEY
LELAND B. CURTIS
CURTIS, OETTING, HEINZ,
GARRETT & SOULE, P.C.
130 S. BENISTON, SUITE 200
ST. LOUIS, MO 63105

EDWARD J. CADIEUX
MCI TELECOMUNICATIONS CORP.
100 S. FOURTH STREET, 2ND FLOOR
ST. LOUIS, NO 63102

GARY PACE
WORLD COMMUNICATIONS, INC.
1992 INNERBELT BUSINESS CENTER
ST. LOUIS, NO 63114