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Missouri Public
Service Commission

January 29, 1998

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
301 West High Street, Floor 5A
Jefferson City, MO 65101

Re: Case No. TQ-98-115

Dear Judge Roberts:

Enclosed for filing with the Commission in the above-referenced case are an original and fourteen (14) copies of Southwestern Bell Telephone Company's Initial Brief.

Also enclosed is an additional copy to be file stamped and returned to us in the enclosed self-addressed, stamped envelope.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "K. Swaller".

Enclosures

cc: Parties of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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Missouri Public
Service Commission

In the Matter of AT&T Communications of the)
Southwest, Inc.'s Petition for Second Compulsory)
Arbitration Pursuant to Section 252(b) of the)
Telecommunications Act of 1996 to Establish an)
Interconnection Agreement with Southwestern Bell)
Telephone Company.)

Case No. TO-98-115

**SOUTHWESTERN BELL TELEPHONE COMPANY'S
INITIAL BRIEF**

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**SOUTHWESTERN BELL TELEPHONE COMPANY'S
INITIAL BRIEF**

The purpose of this case is to determine permanent nonrecurring, and in a few cases recurring, rates for certain interconnection services and unbundled network elements. The rates at issue were deferred by the Commission's December 23, 1997 Report and Order in the second AT&T/SWBT arbitration. In that Order, the Commission directed its Arbitration Advisory Staff (AAS) to work separately with Southwestern Bell and AT&T to examine Southwestern Bell costs underlying the rate proposals of the two parties. From that process, The AAS produced the Costing and Pricing Report, Volume 2 ("AAS" or "Staff Report"), which was filed with this Commission on July 24, 1998.

**I. THE HEARING DID NOT AFFORD DUE PROCESS TO THE PARTIES
OR COMPORT WITH APPLICABLE ADMINISTRATIVE LAW
REQUIREMENTS**

The hearing did not provide an opportunity to present direct and rebuttal testimony, nor an opportunity for the Parties to cross-examine opposing witnesses and the AAS. Accordingly, the Parties were denied their right to due process under the United States and Missouri Constitutions. The Federal Telecommunications Act of 1996 (FTA), the right to due process contained in both the Missouri and U.S. Constitutions, the

requirements of the statutes governing the Commission, the requirements of the Commission's own rules, the Missouri Administrative Procedure Act, and the Federal and State Arbitration Acts all require that significant decisions by a State agency adjudicating Southwestern Bell's property rights require, at the least, an on-the-record proceeding before the Commission in which testimony is submitted, cross-examination is permitted and an opportunity for briefing or oral argument is provided.

While it is not apparent from the FTA whether it is Federal or State administrative process rules which apply, the process used by the Commission did not comport with either. Regardless of which set of administrative or arbitration rules apply to interconnection rate arbitrations under the FTA, all require notice and a full hearing with presentation of evidence and cross-examination before arbitrated issues can lawfully be adjudicated.

A. *The Commission's Irregular Procedure Contravenes the Parties' Due Process Rights Guaranteed by the U.S. and Missouri Constitutions.*

Whether the Commission is acting as an arbitrator or otherwise, it is a state agency that must comply with the requirements of due process mandated by Article I, Sec. 10 of the Missouri Constitution and the Fourteenth Amendment to the United States Constitution. See Elmore v. Chicago & Illinois Midland Ry, 782 F.2d 94, 96 (7th Cir. 1986). Accordingly, the rules governing the conduct of private, voluntary arbitration proceedings must be supplemented to the extent necessary to satisfy procedural due process.

At a minimum, due process requires in a proceeding of this type that the "parties be afforded a full and fair hearing at a meaningful time and in a meaningful manner."

State ex rel. Fischer v. Public Service Commission, 645 S.W.2d 39, 43 (Mo. App. 1982).

An “essential principle of due process is that a deprivation of life, liberty or property be preceded by notice and opportunity for hearing appropriate to the nature of the case.”

Cleveland Bd. Of Ed. v. Loudermill, 470 U.S. 532, 542 (1985) quoting Mullane v.

Central Hanover Bank & Trust Co., 339 U.S. 306, 313 (1950) (emphasis supplied). The

Supreme Court has described “the root requirement” of the Due Process Clause as being

“that an individual be given an opportunity for a hearing before he is deprived of any

significant property interest.” Id., at p. 542 quoting Bobbie v. Connecticut, 401 U.S. 371, 379 (1971) (emphasis in original).

The Commission’s reliance on “evidence” gathered ex parte by the Commission’s AAS without providing any party an opportunity to offer testimony and evidence in support of its own proposals or to cross-examine opposing witnesses, including the Commission’s AAS) contest “evidence” presented by the arbitration advisory staff and to object to the proposals ultimately accepted, denies to the Parties the right to a meaningful hearing. As the United States Supreme Court stated in Morgan v. United States, 304 U.S. 1 (1938):

A case in which [an agency] accepts and makes as [its] own the findings which have been prepared by the active prosecutors for the Government after an ex parte discussion with them and without according any reasonable opportunity to the respondents in the proceeding to know the claims thus presented and to contest them...is more than an irregularity in practice; it is a vital defect.

See also Ohio Bell Tel. Co. v. Public Utilities Commission, 301 U.S. 292 (1937) United

Food & Commercial Workers International Union, AFL-CIO v. SIPCO., Inc., 1992 U.S.

Dist. LEXIS 21332, at *29 (S.D. Iowa 1992), aff’d 8 F.3d 10 (8th Cir. 1993) (arbitrator’s

reliance on ex parte evidence without “opportunity to examine, object to, and cross-examine the evidence on grounds of relevance and accuracy” deprived Parties of their right to a fair hearing); Totem Marine Tug & Barge, Inc. v. North American Towing, 607 F.2d 649, 651 (5th Cir. 1979).

Moreover, it is clear that the procedures employed in this proceeding fail to satisfy the requirements of due process articulated in the United States Supreme Court’s decision in Matthews v. Eldridge, 424 U.S. 319 (1976). The nature of the Parties’ interests and the grave risk of error inherent in the Commission’s reliance on ex parte evidence in this complex proceeding clearly lead to the conclusion that the Parties were not afforded the process due them under the Missouri Constitution and the United States Constitution.

B. *The Commission’s Failure to Follow Contested Case Procedures Violated the Missouri Administrative Procedure Act and the Commission’s Own Rules.*

The Commission must observe the procedural requirements of the Missouri Administrative Procedure Act (MAPA), RSMo. Ch. 536. While the Commission’s jurisdiction over this proceeding arises under Section 252 of the FTA, 47 U.S.C. Section 252, that statute neither mandates particular procedures to be followed by the Commission nor preempts, expressly or by implication, otherwise applicable procedural requirements mandated by state law. (See 47 U.S.C. Section 252(e)(3)). The Commission itself has acknowledged that state procedural law applies to this proceeding in that it has allowed the Office of the Public Counsel to participate in this proceeding as required by Section 386.710 RSMo. (1994).¹

¹ Initial Order, p. 4.

As an agency of the state within the meaning of Section 536.010(1) RSMo. (1994), the Commission is subject to the requirements of the MAPA. See State ex rel. St. Louis Public Service Co. v. Public Service Commission, 365 Mo. 1032, 291 S.W.2d 95, 98 (Mo. banc 1956); State ex rel. Fischer v. Public Service Commission, 645 S.W.2d 39, 42 n.3 (Mo. App. 1982). As explained in State ex rel. Monsanto Company v. Public Service Commission, 716 S.W.2d 791, 796 (Mo. 1986):

The Public Service Commission is a creature of statute and can function only in accordance with statutes. Where a procedure before the Commission is prescribed by statute, that procedure must be followed.

The MAPA mandates extensive procedures governing any contested case. See Sections 536.063, 536.067, 536.070, 536.073, 536.077, 536.070, 536.090 RSMo. (1994). This proceeding is a “proceeding before an agency in which legal rights, duties or privileges of specific parties are required by law to be determined after hearing,” Section 536.010(2) RSMo. (1994), and thus, is a “contested case” with the meaning of the MAPA. As explained by the Missouri Supreme Court in State ex rel. Yarber v. McHenry, 915 S.W.2d 325, 328 (Mo. 1995), if any proceeding before any agency involves issues in which a hearing is mandated by law, including “any statute or ordinance, or any provision of the state or federal constitutions” that hearing “must be conducted according to contested case procedures.” Clearly, in a proceeding involving the establishment of permanent rates or terms of service, a hearing is mandated by several sources of law including, but not limited to, Section 252 of the FTA, Sections 386.410, 386.420 and 536.010 RSMo., Article I, Section 10 of the Missouri Constitution, and Section 1 of the Fourteenth Amendment to the U.S. Constitution. See State ex rel.

Chicago, R.I. & P.R.R. v. Public Service Commission, 355 S.W.2d 45, 52 (Mo. banc 1962); State ex rel. Fischer v. Public Service Commission, 645 S.W.2d 39, 42-44 (Mo. App. 1982); Morgan v. United States, 304 U.S. 1 (1938); Ohio Bell Telephone Company v. Public Utilities Commission, 301 U.S. 292 (1937); Interstate Commerce Commission v. Louisville & Nashville R. Co., 227 U.S. 88 (1913).

The procedure used by the Commission also violated Section 386.410 RSMo. (1994), which requires that “[a]ll hearings before the Commission...shall be governed by rules to be adopted and prescribed by the Commission.” Here, the procedures were inconsistent with the requirements of 4 CSR 240-2.110 and Section 386.420.1 which entitles the Parties the right to be heard and present evidence.

The Commission plainly violates MAPA’s requirements and its own rules governing contested cases by, inter alia, failing to conduct a hearing, depriving the Parties of an opportunity to examine the evidence upon which the Commission relied for its order, failing to provide an opportunity to the Parties to present evidence and cross-examine opposing witnesses, and failing to provide an opportunity for the Parties to submit full briefs and argument.

C. *The Commission’s Procedure Violates the Missouri Uniform Arbitration Act and the Federal Arbitration Act Which Provides the Right to be Heard, Present Evidence and Cross-Examine Witnesses.*

Even if it should be determined that the statutory procedures described above are inapplicable to this proceeding, the Commission’s procedure to establish final rates is nonetheless unlawful for failing to comply with appropriate procedural requirements. The Commission’s procedures exceeded the Commission’s powers because such procedures violate the requirements of the Missouri Uniform Arbitration Act, Section

435.370 RSMo. (1994). That section provides the Parties to an arbitration with a right to a hearing in which “the parties are entitled to be heard, to present evidence material to the controversy and to cross-examine witnesses appearing at the hearing.” Moreover, the Commission’s failure to conduct the proceedings in a manner consistent with these requirements substantially prejudiced the rights of Southwestern Bell within the meaning of Section 435.405(4) RSMo. (1994).

The Federal Arbitration Act similarly requires a hearing. Under 9 U.S.C. Section 10(a)(3), awards are to be set aside when, inter alia, the arbitrators are “guilty of misconduct...in refusing to hear evidence pertinent and material to the controversy, or of any other misbehavior by which the rights of any Party have been prejudiced.” Parties to an arbitration are entitled to a full and fair hearing on the merits, and the courts will not hesitate to overturn an award when such rights are violated. See e.g., Korikar Maritime Enterprises S.A. v. Company Belge D’Affretement, 668 F. Supp. 267, 271 (S.D.N.Y. 1987); Petrol Corp. v. Groupement D’Achat Des Carburents, 84 F. Supp. 446, 448 (D.C.N.Y. 1949).

D. *Procedural Irregularities Led to Disagreement about the Scope of the Hearing.*

A hearing without a right to respond to the opposing Party’s case created a dilemma: two very different views of the issues in the case. As directed by this Commission, Southwestern Bell filed affidavits to address the AAS Report, not to retry issues determined in the prior round of arbitrations, even though Southwestern Bell continues to disagree with many of the determinations made in that phase, and is pursuing an appeal of those decisions. AT&T, on the other hand, raised different issues, including

issues the Commission previously decided.² Because Southwestern Bell was not given an opportunity to rebut AT&T's contentions, this Commission will not have a complete record to make an informed decision and Southwestern Bell's right to a fair hearing has been denied.

II. RECURRING AND NONRECURRING RATES--TIME ESTIMATES

The primary rates at issue in this case are Southwestern Bell's nonrecurring rates for the provisioning of unbundled network elements and the assumption of 5 percent (5%) fallout applied to manual processes. The most significant modification the AAS proposed to Southwestern Bell's cost studies was a 50 percent (50%) reduction in the costs associated with the time necessary to perform manual tasks to provision the unbundled network elements. The Commission should reject the AAS's recommendation.

A. Southwestern Bell has Proven the Time Necessary to Perform Ordering and Provisioning Activity.

The affidavits filed by the Company in this case provide more than sufficient information to support the proposed rates, including the time estimates. The rates were derived from cost studies prepared under the direction and supported by cost analysts Barbara Smith and Barry Moore who relied upon the time evaluations of Southwestern Bell personnel actually involved in performing and supervising the tasks underlying the time estimates: Barbara McCrary-Bazzle, (who is responsible for 5ESS Lucent technology) Leonard Ellis, (who is responsible for TIRKS/CPC methods) Mike

² In the arbitration award issued July 31, 1997 the Commission directed use of a particular cost methodology. Additionally, the Commission directed SWBT to perform certain global modifications to the cost studies, such as use of a 10.36% cost of capital and specified lives for depreciation purposes.

Michalczyk, (who is responsible for installation and maintenance on unbundled elements) Merri Lynn Owens, (who is responsible for RCMAC activities and DMS-100 and 5ESS switch translations) James White (who is responsible for design services in installation and maintenance) and Sharon Sadlon (who is responsible for implementing new services and features for the Nortel DMS 100 switches). Each of those experts were present for Commission questions, but were generally asked few, if any, questions about their respective areas of expertise.

The primary concern of the AAS, although without cross-examination it was impossible to explore, seemed to be that the time estimates used by Barbara Smith and Barry Moore in the cost studies were not true "time and motion studies." AT&T, however, does not challenge the time estimates themselves. See Tr. 205, 212. SWBT does not know how Staff would define a time and motion study, but does know that the analysis done by Southwestern Bell personnel measured time and motion and produced accurate calculations of the actual time involved to perform the manual tasks necessary to provision UNEs. Tr. 199, 210-211. For example, Ms. Sadlon, who provided the time estimates for NORTEL switch translations, verified all tasks necessary to perform the translations, provided those tasks to the actual employees who perform such tasks, and verified the time estimates by participating in Product Teams where retail and wholesale products are created (involves determining and performing all tasks necessary to deliver a new product or service) and also validated the estimates in a lab environment. Exhibit 11 (Sadlon). Ms. Sadlon explained:

I maintain a database of time estimates using a template of the times required to populate the various tables in the NORTEL family of switches. When a time estimate packet is prepared, the template

data becomes a part of the workbook created based on the tables and the entries in the tables required to implement the feature or service.

Exhibit 11 at p. 7. Ms. Sadlon also performs the task herself in a lab environment where she times herself performing the actual translation. Finally, as Ms. Sadlon explained, the accuracy of the estimates she provided is validated by the fact that “[t]he same time estimates used to price or cost out SWBT’s competitive retail services were provided to support the pricing of UNEs.” Id. Accordingly, when SWBT is preparing cost studies for retail offerings, where the challenge is to price the service as competitively as possible, the identical time estimates used in the UNE studies are employed.³ Thus any allegation of bias is insupportable. See also, Exhibit 12 (Smith) at p. 11.

Although at the hearing AT&T witness Flappan testified that AT&T is not challenging Southwestern Bell’s time estimates, the AAS Report assumes that AT&T’s time estimate is zero and produced the 50 percent (50%) reduction recommendation by “splitting the difference.” See Tr. 205. Although Flappan’s Affidavit has many hypothetical numbers in it, the thrust of AT&T’s position is that Southwestern Bell should have a utopian, 100 percent (100%) mechanized system for all ordering and provisioning of UNEs and thus that the time for manual activity should be zero. Staff also seems to agree by imposing the 5 percent (5%) fallout assumption to manual processes. Tr. 205. AT&T’s position should be rejected because it is inconsistent with the law and because it is technically infeasible.

³ At the time the time estimates were provided, Southwestern Bell was not yet providing unbundled network elements and thus the only available data was for retail functions. See Tr. 233-234, see also Exhibit 8 (Michalczyk) para. 8.

B. *Southwestern Bell's Time Estimates Must be Accepted Because the Law Requires Unbundling of the Existing Network not a Utopian Network.*

The Telecommunication Act of 1996 ("the Act") requires that an incumbent local exchange carrier unbundle its *existing* network, not a superior yet-unbuilt network. Iowa Utilities Board, et al., vs. FCC, 120 F.3d 753, 813 (8th Cir. 1997) reversed in part, affirmed in part U.S. Supreme Court, NO. 97-826, opinion released January 25, 1999.

The Court explained:

Subsection 251(c)(2)(C) requires incumbent LECs to provide interconnection 'that is at least equal in quality to that provided by the local exchange carrier itself...' Id. Plainly, the Act does not require incumbent LECs to provide its competitors with superior quality interconnection. Likewise, Subsection 251(c)(3) does not mandate that requesting carriers receive superior quality access to network elements upon demand.

Id.⁴ The Court goes on to explain:

We also agree with the petitioners' view that Subsection 251(c)(3) implicitly requires unbundled access only to an incumbent LEC's existing network—not to a yet unbuilt superior one.

Id. (emphasis in original).

Accordingly, because under the Act Southwestern Bell is not required to provide access a superior, utopian, fully mechanized OSS, rates cannot be established based upon such a system. Instead rates must be based upon Southwestern Bell's real, now-existing OSS so that the Company is permitted to recover its cost and a reasonable profit. See 47 U.S.C.A. 252(d)(2). Further, as explained below, the fully mechanized OSS envisioned by AT&T is not an appropriate goal, because the cost of such mechanization greatly exceeds the offering.

C. *Southwestern Bell's Cost Must be Approved Because Network has Real and Necessary Manual Activities.*

Understanding the nature and design of Southwestern Bell's Operational Support Systems (OSS)—what is mechanized and what is not and why, the costs to perform necessary ordering, provisioning and maintenance activities when mechanization does not exist and finally, the costs associated with completion of those activities when they are designed to be mechanized, but they complete in a manual mode (or what is called “fall-out”) helps establish the validity of Southwestern Bell's time estimates.

1. Southwestern Bell's OSS is only mechanized where mechanization makes sense.

The AAS' recommendation to reduce all time estimates by 50 percent (50%) assumes that AT&T's time estimates, which are based upon a completely mechanized system, are valid and justify a “split the difference approach.”⁵ Southwestern Bell's OSSs are not fully mechanized, nor should they be. Exhibit 13 (Vest) at p. 6-7; Tr. 225-226. OSSs are the systems used to process orders and to provision and provide services or elements to retail and wholesale customers—systems which often need manual intervention to complete the necessary ordering and provisioning tasks. Id. As Southwestern Bell OSS expert, Randall Vest, explained in his affidavit and at the hearing, Southwestern Bell has very modern and complete OSSs. The Company is recognized as the leader in the industry in the development of OSSs. Exhibit 13 at p. 6.

⁴ Eighth Circuit 1997 reversed in part, affirmed in part, U.S. Supreme Court No. 97-826, opinion released January 25, 1999.

⁵ See Tr. 205, 212. Although AT&T does include some time estimates in Mr. Flappan's affidavit they assume a fully mechanized system and the only time estimates they believe should be considered are time estimates for fall-out.

The systems to order, provision and maintain network elements, interconnection services and resold services are the same systems used for similar activities necessary to provision services to retail customers. Tr. 230. That every function necessary to provide an unbundled network element is not mechanized is not an indication that the systems are not good. Instead, a balance of mechanization with manual activity reflects wise network and financial management—in short, Southwestern Bell upgrades its network, including its OSSs, when it makes good sense to do so, i.e., the cost to implement the upgrade is justified by the benefit to the Company and its customers and the long term cost savings it will provide. Exhibit 13 at pp. 6-7; Tr. 241-242. Mr. Vest explained the cost benefit analysis at the hearing:

Every workstation [in the OSS] is an organization, and their objectives are to try and process with [as little] manual intervention as possible. Literally their pay, their performance evaluations are based upon how well they get orders through the computers without having to utilize people. So there is tremendous emphasis on achieving more and more efficiency in these areas...

Tr. 241. He also explained that at some point more mechanization is not in anyone's best interest:

If you gave me unlimited...funds to try and save... two operators, it is true we may be able to derive some extremely costly computer to replace the two or three people doing that function, but that is just not practical. Humans still have a place in actually operating these processes as they go through.... Zero percent for the back office is just unbelievably out of line to even think that that's the most efficient business...

Tr. 258-259.

AT&T's witness on the OSS issue was Robert Flappan, who has previously testified in Missouri on cost issues, but never on OSSs. Even taking into account the

information included in AT&T's response to Southwestern Bell's Motion To Strike, there is nothing in Mr. Flappan's testimony to suggest he knows anything about the subject, nor anything in his employment background to suggest he has any personal experience with such systems. Mr. Flappan's testimony should be given little weight compared to that of Mr. Vest where OSSs have been his special area of expertise for twenty-five (25) years.

The Commission need not be an expert itself to understand and resolve this issue. It may and should rely on those who develop and implement OSS, above one who has no substantial background or expertise. And it is reasonable to rely on those who actually operate the systems, as they have a personal interest, from both an industry and company perspective, to make the system as efficient as possible. And the Commission may rely on a common sense approach that all activities are either not capable of being mechanized, or that the cost of mechanization far exceeds the benefit. But the Commission should not assume an OSS system that doesn't exist anywhere, or adopt a "split the baby" approach that is not grounded in reality.

2. Fall-out accounts for some of the manual activity.

Southwestern Bell's OSSs are not a single system into which orders are placed and elements or services are provisioned. Rather, as Mr. Vest explained and illustrated at the hearing, the operational support systems are like an assembly line in a factory where the product must stop at many different stations before it is complete and can be delivered to the customer. Tr. 223- 229. The primary stations are ordering, provisioning and maintenance, but within each of those stations there can be many different tasks and systems involved or what can be called substations. Id.; Exhibit 16 (demonstrative

exhibit prepared by Randall Vest during the hearing). Although the substations are mechanized systems, many of those stations require some manual activity which can vary from operating a computer, manually inputting translations into a switch or manually performing tasks which a system was not designed to do or was unable to complete on a particular occasion. Id. The tasks and systems at issue are described in the affidavits of Mike Michalczyk, Leonard Ellis, Merri Lynn Owens, James White, Sharon Sadlon and Barbara McCrary-Bazzle who each explained the work that is done to provision different unbundled elements and the time it takes for each of those tasks to be performed. See Exhibits 5, 7, 8, 10, 11 and 14.

a. Fall-out Defined

The terms fall-out and flow-through are used by both Parties and by the AAS in very different ways. It is important for Southwestern Bell to explain what it means when it uses the terms fall-out and flow-through so that numbers included in the Company's affidavits and provided by Company personnel in other contexts and other cases, as misconstrued by AT&T, can be better understood. Fall-out, as used by Southwestern Bell, means functions or tasks in the OSS factory that are intended to be mechanized, but which through human or system error are not completed on a mechanized basis. Flow-through is when they are successfully completed on a mechanized basis. Where there is 90 percent (90%) flow-through, there is 10 percent (10%) fall-out. Tasks which are manual, like switch translations, or the ordering for AIN or Private Line retail or resold services, have nothing to do with fall-out or flow-through because they are intentionally manual. The systems do not exist for those tasks to be mechanized because the Company

and its customers, both wholesale and retail, are better served when those tasks are performed manually. Tr. 243, 258. Mr. Vest explained:

Human intervention can include someone addressing something that did fall out, but it also can be that component where we have found it to be the most cost-efficient process, the best service....

Tr. 258.

b. Fall-out is a Station-by-Station Measurement

It is also important to recognize that no global fall-out number exists, so it is improper to simply reduce Southwestern Bell's labor costs by 50 percent (50%) or apply 5 percent (5%) to the whole assembly line, as the AAS has recommended, or assume an arbitrary fall out number. See Tr. 227. The substations in the OSS factory are not fungible. First, some tasks, like ordering of AIN or Private Line services, are always manual and so no fall-out exists. See Exhibit 12. Second, the mechanized systems each have their own unique fall-out percentages based upon frequency of errors. See e.g. Tr. 239, 241-242. As Ms. Smith explains in her affidavit, Southwestern Bell's EASE system which is used to place simple orders, like basic local service, on both a retail and resale basis, has a relatively low fall-out rate. Tr. 222. The EASE system is not used for UNEs--the subject of this case.⁶ The system in use today, which more closely approximates a UNE ordering system, is the system used for IXC access orders.⁷ It has a comparatively high fall-out rate of between thirty-four (34) and 50 percent (50%) because of the complexity of access orders. Exhibit 12 at p. 13. Even so, those fall-out rates only

⁶ In Texas where the PUC ordered Southwestern Bell to modify the retail/resale EASE system on an interim basis to help AT&T get started, AT&T waited until Southwestern Bell had complied with that Order before changing its mind and deciding not use EASE for UNE.

tell one small part of the OSS story for the basic local service and for the access service because they address only the "front office" in the OSS factory. Tr. 222-229; Exhibit 16. Once the service, resold or retail, is ordered, it must go to the next set of substations for provisioning or what Mr. Vest described as the "back office" at the hearing. Tr. 228; see also, Tr. 256. These "back office" functions include all provisioning activities. Each substation will have its own fall-out rate depending upon the complexity of the task. Id.

As described at the hearing, it is like fractions. You cannot add $\frac{1}{8}$ and $\frac{2}{3}$ by simply adding the numerator and the denominator for an answer or $\frac{3}{11}$ s. In order to get the right answer you must have a common denominator. That is why each task necessary to provision each unbundled element must be evaluated separately to determine if accurate time evaluations and costs were developed. To simply reduce costs associated with time estimates by a flat 50 percent (50%) or to pull a hypothetical universal fall-out rate out of the air, as AT&T has done, will produce the wrong answer. When a task is manual because it is designed that way or because it falls out of a mechanized system there is real time involved to provision the UNE and real time means real costs that Southwestern Bell is entitled by law to recover.

D. *Southwestern Bell is Providing Nondiscriminatory Access to its OSS.*

As the Act requires that Southwestern Bell provide nondiscriminatory access to its systems, as they exist today, and not a yet-to-be designed utopian system, the question is not whether Southwestern Bell's systems are good enough, but whether the access Southwestern Bell provides is nondiscriminatory. It is. Each order that flows through the

⁷ As Ms. Lawson explained at the hearing the Ordering and Billing Forum (OBF) has not yet developed UNE ordering standards. Tr. 233-234.

OSS factory will stop at different substations based upon the nature of the order itself. For example, preferential hunting features must go to a design substation, but a resold local line will not. The substations used to process an AT&T order are the exact same substations used to process Southwestern Bell retail orders. See Tr. 279, 229-230. When the substation is manual, rather than mechanized for Southwestern Bell, it is the same for AT&T. Id.

In their affidavits, SWBT's witnesses debunk the notion that Southwestern Bell has invented a whole new way of determining nonrecurring costs just to make AT&T pay more. The time estimation processes used in this case and the actual time estimates are the same ones Southwestern Bell uses to develop nonrecurring costs for its retail services, which this Commission has approved on many occasions. Tr. 213-214; 217-218; see also, Exhibit 14 (White) para. 3. And in those cases where AT&T has its own competitive offering and is relying upon its own facilities, AT&T has claimed that Southwestern Bell's prices are too low. See generally, TR-94-364 (rate band docket). Now, when AT&T wants to buy from Southwestern Bell, AT&T claims that the prices are too high. In fact, the time Southwestern Bell takes to perform tasks for which time evaluations were used in this case are not only reasonable, but are often the best in the industry. Mr. White explained in his affidavit:

Our overall performance clearance times for DS1 and DSO service is the best of all the other RBOCs according to the FCC for the last three years.

Exhibit 14 (White) at para. 3. It would be entirely inappropriate to arbitrarily remove SWBT's nonrecurring charges when SWBT is the most efficient provider in the country.

As Mr. Bailey testified at the hearing:

What we are talking about here is we have a right to recover our costs...and the Commission shouldn't be in a position where it is trying to incent competition by not allowing us to recover our costs. We have a right to recover our costs when we do something for AT&T.

Tr. 280-281.

A final crosscheck of Southwestern Bell time estimates is AT&T's own time estimates for the same substation-type tasks at issue in this case. AT&T prepares one set of studies to use in arbitrations like this one and another set to price their own services (Task Oriented Cost or "TOC" studies). The studies that AT&T uses to price its own services, including 1997 studies, not only validate Southwestern Bell's time estimates but also suggests that Southwestern Bell employees often perform the same tasks much more efficiently than their AT&T counterparts. Exhibit 12, p 16-17; Tr. 210. Ms. Smith compared AT&T and Southwestern Bell studies at the hearing: "I did introduce some AT&T TOC studies which were part of my Affidavit, attached as Attachments 2 and 3. [Those attachments] show that the AT&T cost time statements that they do for their own internal services are the same as what we do. They validate our study.... I also had the opportunity to look at another AT&T TOC study...which is a 1997 TOC study.... [T]he time estimates still validate our time estimates."⁸ Tr. 210. The evidence shows that Southwestern Bell's time estimates are accurate, they represent real costs that the Company must be permitted to recover. The AAS proposal to reduce those costs by 50 percent is completely arbitrary and has no basis in any evidence presented to the Commission.

⁸ The information in AT&T's study is HC, but a review shows that for provisioning DS3s, for example, AT&T takes longer for the same tasks.

III. SPECIFIC RECURRING AND NONRECURRING CHARGES

This case involves setting the permanent rates for certain nonrecurring functions necessary to order and provision of UNEs. Each cost study, reviewed on a study-by-study basis, demonstrates the real costs underlying Southwestern Bell's UNE ordering and provisioning activities. A comparison of SWBT's proposed rates to the proposals of the AAS and AT&T are included in the AAS Report, a copy of which is attached to this Brief as Attachment A.

A. *Local Switching Features ISDN and Analog (nonrecurring)*

Unbundled local switching features with ISDN and analog switch ports must be programmed into the switch or provisioned through software changes. Southwestern Bell has proposed a \$5.00 service order charge for every mechanized order, including local switching features. Staff opposes application of a service order charge to switching features requested when the unbundled switch port is provisioned, but agrees that a nonrecurring charge should apply to orders placed after the initial provisioning activity. Exhibit 12 (Smith) p. 1-2.

The \$5.00 charge originated in the Commission's December 23, 1997 Order and is necessary to defray ordering and provisioning costs for UNEs including features ordered when unbundled switching is first ordered. Whether AT&T orders UNEs to replicate a customer's existing services or not, there are expenses beyond the mere ordering activity. TR. 266-272. UNEs provisioned to AT&T must be inventoried and tracked as UNEs, not part of SWBT's network so that AT&T can test their elements as they requested in the second arbitration. In order for AT&T to test, it is necessary that elements be separately identifiable so trouble can be isolated. TR. 272. Additionally,

AT&T will need access to the elements to perform their tests. That access could take the form of collocation, but it could also take the form of access to a shared distribution frame where the elements would be cross connected. See Tr. 272; SWBT/AT&T Interconnection Agreement, Attachment 5 (UNE) para 2.5.⁹ Because either of these methods of providing AT&T with access to the UNEs they order and an ability to test those elements will require Southwestern Bell to inventory UNEs, unlike current systems which account for services and not pieces of the network, there are expenses, beyond mere ordering activity, which must be recovered in the nonrecurring charges. Tr. 269-273; See also, SWBT/AT&T Interconnection Agreement, Attachment 5 (UNE) 2.22, 11.2.0 (requires loops and cross connects to be available with and without testing).

The most significant issue with regard to provisioning analog and ISDN switch ports concerns costs related to labor. The amount of labor necessary to provision the various UNEs is a function of the extent to which the OSSs involved in the particular ordering and provisioning process are mechanized and those which are not by design or by reason of fall-out. Staff's application of a mythical 5 percent (5%) fall-out rate across the board of all of the unique OSS stations has the effect of ignoring 95 percent (95%) of Southwestern Bell's actual costs in the ordering and provisioning of local switching features both analog and ISDN.

Merri Lynn Owens, Sharon Sadlon and Barbara McCrary-Bazzle explained in their affidavits that there is substantial labor involved in provisioning switch features.

⁹ The Agreement provides for each Network Element, to the extent appropriate, SWBT will provide a demarcation point (e.g., an interconnection point at a Digital Signal Cross Connect or Light Guide Cross Connect panels or a Main Distribution Frame) and, if necessary, access to such demarcation point, as the

Exhibit 10 (Owens); Exhibit 11 (Sadlon); Exhibit 7 (McCrary-Bazzle). The time estimates provided by these witnesses were accurate and represent real costs. They are the same time estimates provided to the cost group for retail cost studies. Exhibit 12, p. 7.

B. *Unbundled Call Trace Per Activation*

This issue concerns the costs associated with the translation activities required to provision a call trace element on a per activation basis. Unbundled call trace per-activation was originally studied as a completely manual process because at the time this feature was first made available it was in fact a completely manual process.

Southwestern Bell will be automating this feature in the near future and has agreed to Staff's recommendation that the cost be determined based upon a mechanized process. Exhibit 12 (Smith, p. 6).

C. *Direct Inward Dialing (nonrecurring)*

Southwestern Bell and AT&T have agreed on the rate for this element.

D. *Unbundled PRI Port Features (nonrecurring)*

When AT&T orders features, such as hunt groups, on an unbundled PRI port, SWBT incurs costs and the nonrecurring charge is designed to recover those costs.

The primary area of contention is the time involved to perform translations necessary to provision features on unbundled PRI switch ports when AT&T orders Call Waiting on a PRI capable loop, the AT&T customer will receive that service from AT&T. Staff has recommended cutting Southwestern Bell's labor rates in half. Exhibit

Parties agree is suitable. However, where SWBT provides contiguous Network Elements to AT&T, SWBT may provide the existing interconnections.

12 (Smith) at p. 7. Southwestern Bell has offered the testimony of Sharon Sadlon. She provisions these features in her day-to-day work activities. She testified about the care taken to accurately calculate the time involved and how the very same time estimates are used in retail cost studies. See Exhibit 11 (Sadlon); see also, Exhibit 12 (Smith) at p. 7. AT&T, on the other hand, never examined Southwestern Bell's cost studies and did not offer an expert in switch translation activities.

Staff's recommendation to cut the time in half, which is completely arbitrary and is not based on any evidence, does not even meet Staff's "split the difference" rationale.

As Ms. Smith explained:

Staff agrees that port feature activations involve more work than analog or BRI port features and also agrees that they require translation work time. Accordingly, it would be incorrect to cut SWBT values in half even if there were some reason to give credibility to AT&T's estimates.

Id. There is no question that Southwestern Bell has offered the only credible evidence on this issue.

E. *Unbundled BRI CSV/CSD/Unbundled BRI Port Features (nonrecurring)*

Like the PRI discussion above, when AT&T requests that its customers be served via SWBT unbundled switching the switch must be programmed to deliver features to the BRI switch port. BRI port features, unlike other local switching features do not have any mechanized processes. Exhibit 12 (Smith) at p. 8. Accordingly, Staff's use of the translations time estimates for PRI to determine the proper rates for BRI dramatically under-accounts for the time and costs involved. All BRI translations are input manually into the switch whether it is a service for a retail customer or an unbundled switch feature. Id. Ms. Smith explained:

The basic Electronic Key Telephone System (EKTS) feature package consists of 8 features. The Call Hunting Call Appearance (CACH) feature package consists of 11 features. Like a hunt group where the translations are built by manually inputting numerous individual terminals or telephone numbers and special hunting parameters, such as rotary hunting instructions, these two BRI feature packages are manually combined or built to package the many different features.

Id. The features must also be manually reviewed by the Recent Change and Memory Administration Center (RCMAC) which handles the line translation activities. See Exhibit 10 (Owens), p. 2. This activity is one of those described by Mr. Vest which just do not make sense for Southwestern Bell to mechanize because they are so unique to the needs of individual customers, both retail and wholesale. Tr. 241-242.

F. *Unbundled Centrex Like Features—Analog/ISDN (nonrecurring)*

Unbundled Centrex-like features for both analog and ISDN lines allow AT&T to create its own Plexar™ type product. The Parties disagree on the costs to provision these switch features. Staff's recommendation with regard to unbundled Centrex-like features, to cut nonrecurring costs by 50 percent (50%), should not be accepted. Staff has incorrectly assumed that the translation activity for Centrex-like features is the same as other switching features and thus the same rates should apply. See Exhibit 12 (Smith) at pp. 8-9. In reality, unbundled Centrex-like features do not flow through the OSS environment like some other switching features do. Ms. Smith explained:

Centrex-like features... require additional manual work effort over and above what is done for local switching features. For example, Line Translation Specialists in the RCMAC group are required to manually type service orders into the system due to customer specific dialing plans and because Centrex offerings include more complex common block-based features than cannot be recognized by the MARCH [OSS] system.

Id. at p. 9.

G. *Line Information Data Base (LIDB) (recurring and nonrecurring rates)*

LIDB is a service or element provisioned via the SS7 network. Exhibit 12 at p.

10. LIDB is a database which stores information about telephone numbers to allow carriers to effectively do a credit check before completing credit card or third party calls. The primary disagreement between Southwestern Bell and Staff on LIDB rates concerns utilization of the SS7 network. Southwestern Bell's cost study used actual network utilization and Staff projected greater utilization. Id. At the same time that Staff projected growth, however, Staff also disallowed inflation. Clearly Staff has taken inconsistent positions. Ms. Smith noted:

The growth amounts also contradict Staff's position requiring the removal of inflation from the studies, since it is inconsistent to assume growth which may not be experienced, while disallowing inflation which will be experienced. The criteria seems based on artificially reducing the cost below what is actually experienced rather than any real concerns Staff may have with SWBT's cost study.

Id.

Staff's report also recommends cutting the LIDB nonrecurring rates in half because of the time estimates. Ms. Smith explained why Staff's recommendation should not be adopted:

Processing LIDB service orders is a manual effort where the Service Representative discusses with each individual customer their specific requirements to determine what they want included in their database and then actually process the order. LIDB service orders are limited to the first time the CLEC orders the service, so the low incidence of orders would not warrant mechanizing the process.

Exhibit 12, pp. 9-10. She went on to point out that, "The time to process a LIBD service order is not in any way impacted by the fall-out rate because it is a totally manual process." Exhibit 12, p. 10.

H. *Complex Service Conversion Charge-Resale/UNE Service Order-Complex*

The complex service conversion charge resale would apply whenever AT&T orders a resold or UNE combination design service, like a Plexar® arrangement. The issue with regard to these nonrecurring charge concerns the time estimates to provision these services. Staff's recommendation to cut the time estimates in half should not be adopted where the record clearly shows that the time to perform ordering tasks was properly estimated and reflects Southwestern Bell's true costs. Exhibit 12, p. 11.

Additionally, the data used in the studies was the same data used for the corresponding retail offerings both for the resale and UNE studies. Id. Ms. Smith pointed out the fallacy of Staff's assumption that the estimates are too high:

Many of SWBT's retail services, like Plexar (also known as Centrex) are considered competitive and it would not benefit SWBT to provide high time estimates for these or other services. The same principle applies to the UNE estimates.

Id. at pp. 11-12.

Staff's recommendation for UNE orders also assumes that mechanization is in place and it is not. As was explained at the hearing, Southwestern Bell is currently engaged in a study, at the request of the Oklahoma Commission, to determine the time involved for mechanized UNE ordering, but such ordering is not yet available and OBF has not yet released standards. Tr. 245-246; see also, Exhibit 12, p.12, Tr. 234.

Even if Southwestern Bell were to develop a reliable UNE ordering system, well before OBF develops standards, as Ms. Smith explained, "there are many CLECs who find it more cost effective to process their own orders manually." Id. at p. 12.

Accordingly, there will always be some manual ordering expenses. When orders are submitted manually, and in the resale arena where there are many smaller providers it happens more often than not, the ordering process is completely manual. The AAS recommendation does not take this into account. At a minimum there should be a separate charge for manually processed orders, rather than assume that all resale orders will be mechanically processed when the record clearly reflects that that is not correct.

Even if mechanization is assumed, it would be incorrect to apply a 5 percent (5%) fall-out rate, as Staff has done. The fall-out rate used by Staff is a "front office" resale-only rate as Mr. Vest explained at the hearing. Tr. 258-261. The proper fall-out rate must reflect all back office functions as well. The fall-out for access orders, which more closely approximates UNE orders (based upon the components), is in the 30 percent (30%) to 50 percent (50%) range. Exhibit 12, at p. 13. This access fall-out figure does not mean that the OSSs are not properly designed and functioning. Instead, it reflects the complexity of the orders and the fact that wholesale customers, rather than trained, Southwestern Bell employees are using the systems. See Tr. 261. As Mr. Vest explained at the hearing, it would be improper to simply set a fictitious fall-out rate and assume that that will incent Southwestern Bell to further mechanize or design systems to accept more and more complex orders because that may not produce the best customer service.

Human intervention can include someone addressing something that did fall out, but it also can be that component where we have found it to be the most cost efficient process, the best service to have that human operator do the process.

If you gave me unlimited, if you went to some of those processes and said throw reason out the door, I will give you unlimited funds to try and save these two operators, it is true we may be able to derive some extremely costly computer to replace the two or three people doing the function, but that is just not practical.

Tr. 258. Even a fully mechanized system would not necessarily produce lower costs.

Ms. Smith explained:

Well, if we did have a mechanized system, that would drive down the cost of the nonrecurring charge for the ordering from AT&T. However, you've got to look at the capital costs that are associated with putting in that system, and that may make something on the recurring side go up.

So you can't say that it's made up of computer costs and that's going to drive the cost down to some level because, while that may be true, there may be some costs that go up, too.

Tr. 248.

I. *NXX Migration (one time charge)*

The issue on NXX migration is the time involved to move an entire NXX from SWBT's switch to an AT&T switch. Staff buys into AT&T's proposal that other customers should pay for AT&T's service request by having Southwestern Bell internally recover the costs. AAS Report at p. 72.

Ms. Smith noted:

The migration requires network rerouting effort and equipment record changes. That effort is caused by the CLEC's activities but is not reflected, or compensated for, in any of the charges for individual UNEs.... Other CLECs and retail customers should not have to recover the cost being caused by one CLEC in a specific

situation. There would be no reason for SWBT to incur that cost if not for [AT&T].

Exhibit 12 at p. 16.

J. *Cross-connects (recurring rate)*

A cross connect is necessary to connect loops to ports. The primary issue concerns Staff's recommendation that cross connects be priced without a SMAS test point, which allows an individual loop to be tested when trouble is reported. As Mr. Hearst explained in his affidavit, the test points exist in the network and must remain regardless because Southwestern Bell must be able to meet the performance criteria regardless of whether the CLEC intends to do its own testing. Exhibit 6, p. 3-4. Mr. Moore further explained:

SWBT must provide for the testing of unbundled elements in order to maintain the same quality of service for wholesale (UNE) customers as it provides for [retail] customers. SWBT will require testing equipment on its facilities and the exclusion of such equipment will result in prices for such elements that are not compensatory.

Exhibit 9, p. 3.

K. *Unbundled Dedicated Transport*

Unbundled dedicated transport is an element which allows AT&T to lease the portion of the network that connects different switches to one another. Southwestern Bell agreed with the AAS recommendations and modified its cost studies accordingly. Id. at p. 4.

L. *Directory Assistance Listings*

This issue, unlike the other rate issues, is purely a legal issue because it concerns whether or not directory assistance listings can properly be treated as an unbundled

element. The AAS believes they can and has priced this service at UNE rates. Directory assistance listings are not an unbundled element and should be priced to the market. The Act defines network element as follows:

The term 'network element' means a facility or equipment used in the provision of a telecommunications service. Such term also includes features, functions, and capabilities that are provided by means of such facility or equipment, including subscriber numbers, databases, signaling systems, and information sufficient for billing and collection or used in the transmission, routing, or other provision of a telecommunications service.

47 U.S.C. § 153(29). Clearly that definition does not encompass listings. Southwestern Bell must provide access to its database and has, but the individual listings cannot be bought at UNE rates and transported to AT&T's own database. That is not contemplated by the Act.

Many of the listings in Southwestern Bell databases belong to independent companies and now also to other competitive local providers. Although Southwestern Bell is willing to enter into a mutual licensing agreement with AT&T, as it has done with numerous CLEC and independent companies, Southwestern Bell should not be compelled to sell its own listings and those of other companies at UNE rates.

SWBT is not required to unbundle its directory listing information from the DA database and provide the information in bulk format as an unbundled element—that would constitute a raiding of the database, rather than access to it and destroy Southwestern Bell and other Carrier's investment. The FCC refused to find that DAL is a UNE in either the First or Second Report and Orders. See FCC No. 96-325, para. 325 *et. seq.*, FCC No. 96-333. In the Second Report and Order, the FCC was careful to draw a distinction between the requirements of Section 251(b)(3) concerning the provision of

directory access, and the further obligations of incumbent LECs to provide "more robust" access to databases as unbundled network elements under Section 251(c)(3). The FCC concluded in the Second Request and Order that 'directory listing,' as used in §251(b)(3), is synonymous with the definition of 'subscriber list information' in §222(f)(3).¹⁰ See FCC No. 93-333, para. 135, 141, 143. Although the FCC had ample opportunity, its failure to draw the conclusion that an incumbent LEC must also provide access to directory listing as an unbundled element should not be overridden by this Commission.

IV. CONCLUSION

The primary focus of AT&T's case is that it is too expensive to compete. Southwestern Bell knows how much it costs to provide good local service to residential customers. Southwestern Bell does it every day. Brooks Fiber and ACSI know what it takes to provide competitive local service to business customers because they do it today and have for nearly a year with unbundled elements priced higher than those included in the AT&T interconnection agreement. If AT&T wants to get into the local market, they can do so by using all of the TCI and TCG systems they spent billions to acquire¹¹ or they can use Southwestern Bell's, but if it uses Southwestern Bell's systems, AT&T must pay the costs SWBT will incur. It would not be lawful to ignore SWBT's costs to incent AT&T, nor is such a process likely to be successful. AT&T will come only when they

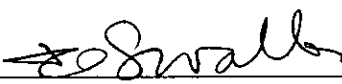
¹⁰ "Subscriber list information" is not a network element pursuant to Section 251(c)(3) and is not subject to the pricing standards for network elements pursuant to Section 252(d)(1). Subscriber list information is subject to a different cost standard under Section 222 and must be provided under nondiscriminatory and reasonable rates, terms, and conditions. See FCC No. 96-333, para. 137.

¹¹ See Exhibit 1 (Flappan) who claims that the newspaper accounts of the acquisition cannot be believed....so why did Mr. Flappan not explain AT&T's intent for their new local networks instead of relying on newspaper articles?

have to and that is when Southwestern Bell is in the long distance market offering a full line of services to customers.

Respectfully submitted,

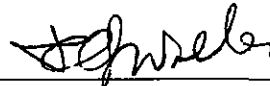
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing document were served on the following parties by Airborne Express on January 29, 1999.



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Element	Tariffed		SWBT			AT&T			Staff		
	Rate	Rate	Proposed	NRCs		Proposed	NRCs		Proposed	NRCs	
	Zone	Group	Price	First	Additional	Price	First	Additional	Price	First	Additional
Cross Connects											
4-Wire loop to Multiplexor with testing**			\$11.54	\$126.99	\$86.84	\$0.00			\$9.41	\$60.08	\$41.08
4-Wire loop to Multiplexor without testing**									\$1.06	\$60.08	\$41.08
Analog Loop to DCS - 2 wire*			\$0.40	\$100.53	\$80.45	\$0.00					
Analog Loop to DCS - 4 wire*			\$0.79	\$105.65	\$85.57	\$0.00					
Digital Loop to DCS - BRI*			\$0.40	\$100.53	\$80.45	\$0.00					
Digital Loop to DCS - PRI*			\$11.54	\$119.99	\$100.94	\$0.00					
Analog Loop to Switch Port - 2 wire*				\$56.55	\$47.94	\$0.00					
Digital Loop to Switch Port - BRI*				\$64.64	\$56.85	\$0.00					
Digital Loop to Switch Port - PRI with test equipment			\$11.54	\$106.76	\$98.98	\$0.00					
Digital Loop to Switch Port - PRI without test equipment			\$1.14	\$106.76	\$98.98	\$0.00					
* Does not include test equipment											
SS7 Links Crossconnects											
STP to Collocators Cage DS0			\$74.06	\$235.14	\$202.42	\$0.00					
STP to Collocators Cage DS1			\$53.55	\$207.13	\$174.41	\$0.00					
STP to SWB Trunk Distributing Frame			\$74.06	\$235.14	\$202.42	\$0.00					
STP to SWB DSX Frame			\$53.55	\$207.13	\$174.41	\$0.00					
Dark Fiber Cross Connect**			\$5.47	\$85.03	\$56.81	none			\$2.15	\$40.23	\$26.88
Cross Connect price from 4/13/98 response.											
Dark Fiber Records Research											
Interoffice Darkfiber				\$195.24	\$38.29						
Subloop feeder				\$648.61	\$88.02						
Dark Fiber -- Interoffice				\$195.24	\$38.29				\$97.62	\$19.15	

** Staff's proposed prices are estimates.

Element	Tariffed		SWBT			AT&T			Staff		
	Rate Zone	Rate Group	Proposed Price	NRCs		Proposed Price	NRCs		Proposed Price	NRCs	
				First	Additional		First	Additional		First	Additional
Unbundled Dedicated Transport											
DCS**											
DCS Establishment Charge					\$2,043.38	\$0.00					
Database Modification Charge					\$92.00	\$0.00					
DCS Arrangement						\$0.00					
Channel Port			\$13.70		\$20.87	\$0.00			\$11.19		\$9.87
DS-1			\$43.86		\$30.67	\$0.00			\$35.84		\$14.51
DS-3			\$307.07		\$30.67	\$0.00			\$250.85		\$14.51
Reconfiguration Charge					\$1.05	\$0.00					
Multiplexing**											
DS-1 to Voice Grade			\$199.59	\$25.61	\$15.37	\$0.00			\$162.74	\$12.12	\$7.27
DS-3 to DS-1			\$712.06	\$841.59	\$793.45	\$0.00			\$580.60	\$398.14	\$375.37
Other forms			ICB			\$0.00			ICB		
Cross Connects**											
DS-1 with testing			\$11.54	\$16.99	\$86.84	\$0.00			\$9.41		
DS-1 without testing									\$1.06		
DS-3 (see TO-97-40/63 arbitration order)						\$0.00			\$30.08	\$50.60	\$40.59
OC3			ICB			\$0.00			ICB		
OC12			ICB			\$0.00			ICB		
OC48			ICB			\$0.00			ICB		

Element	Tariffed		SWBT	NRCs		AT&T	NRCs		Staff	NRCs	
	Rate	Rate	Proposed	First	Additional	Proposed	First	Additional	Proposed	First	Additional
	Zone	Group	Price			Price			Price		
Unbundled Dedicated Transport											
Entrance Facilities											
DS1	Zone 1	Group D	\$163.27	\$273.26	\$107.87	\$0.00			\$101.18	\$129.27	\$51.03
	Zone 2	Group B	\$148.07	\$273.26	\$107.87	\$0.00			\$106.06	\$129.27	\$51.03
	Zone 3	Group A	\$131.13	\$273.26	\$107.87	\$0.00			\$107.89	\$129.27	\$51.03
	Zone 4	Group C				\$0.00			\$101.39	\$129.27	\$51.04
DS3	Zone 1	Group D	\$1,418.76	\$451.48	\$200.74	\$0.00			\$1,039.74	\$213.59	\$94.97
	Zone 2	Group B	\$1,376.91	\$451.48	\$200.74	\$0.00			\$1,103.40	\$213.59	\$94.97
	Zone 3	Group A	\$1,310.96	\$451.48	\$200.74	\$0.00			\$1,029.92	\$213.59	\$94.97
	Zone 4	Group C				\$0.00			\$1,039.74	\$213.59	\$94.97
OC3			ICB			\$0.00			ICB		
OC12			ICB			\$0.00			ICB		

** Staff's proposed prices are estimates.

Element	Rate	Tariffed	SWBT	NRCs		AT&T	NRCs		Staff	NRCs	
	Zone	Rate	Proposed	First	Additional	Proposed	First	Additional	Proposed	First	Additional
BRI Port Features*											
Basic EKTS Feature Package Per B Channel					\$11.56		\$0.21				\$0.18
CACH EKTS Feature Package Per B Channel					\$15.28		\$0.21				
PRI Port Features*											
Dynamic Channel Allocation, per PRI					\$10.24		\$0.21				\$4.84
Calling Number Delivery, per PRI					\$0.00						\$0.00
Back-up D Channel, per PRI					\$61.43		\$0.21				\$29.06
BRI CSV/CSD*											
Functionality per BRI					\$11.56		\$0.21				\$0.18
Local Switching Features											
Standard Features -- Analog line port											
Call Waiting					\$2.27		\$0.21				\$0.18
Call Forwarding Variable					\$2.27		\$0.21				\$0.18
Call Forwarding - Busy Line					\$2.27		\$0.21				\$0.18
Call Forwarding - Don't answer					\$2.27		\$0.21				\$0.18
Three-way calling					\$2.27		\$0.21				\$0.18
Speed Dialing - 8					\$2.27		\$0.21				\$0.18
Speed Dialing - 30					\$2.27		\$0.21				\$0.18
Automatic callback					\$2.27		\$0.21				\$0.18
Selective Call Rejection					\$2.27		\$0.21				\$0.18
Automatic recall/call return					\$2.27		\$0.21				\$0.18
Customer Originated call trace					\$2.27		\$0.21				\$0.18
Selective call forwarding					\$2.27		\$0.21				\$0.18
Distinctive ringing/priority call					\$2.27		\$0.21				\$0.18
Calling Number Delivery/Caller ID					\$2.27		\$0.21				\$0.18

Element	Rate Zone	Tariffed Rate Group	SWBT		AT&T		Staff	
			Proposed Price	NRCs First Additional	Proposed Price	NRCs First Additional	Proposed Price	NRCs First Additional
Calling Name Delivery/Caller ID				\$2.27	\$0.21		\$0.18	
Calling number/Name delivery block				\$2.27	\$0.21		\$0.18	
Anonymous call rejection				\$2.27	\$0.21		\$0.18	
Hunting arrangements				\$28.30	\$0.21		\$0.75	
Personalized Ring/Teen Service				\$5.44	\$0.21		\$0.18	
Combinations of features (hunting arrangement applies separately)							\$0.18	

Standard Features -- Centrex Like Offering

Automatic callback calling/business group auto callback	\$5.29	\$0.21	\$0.18
Call forwarding variable/business group call forwarding var.	\$5.29	\$0.21	\$0.18
Call Forwarding - Busy Line	\$5.29	\$0.21	\$0.18
Call Forwarding - Don't answer	\$5.29	\$0.21	\$0.18
Call hold	\$5.29	\$0.21	\$0.18
Call Pickup	\$5.29	\$0.21	\$0.18
Call transfer all calls	\$5.29	\$0.21	\$0.18
Call waiting-intragroup/business group call waiting	\$5.29	\$0.21	\$0.18
Call waiting-originating	\$5.29	\$0.21	\$0.18
Call waiting-terminating	\$5.29	\$0.21	\$0.18
Cancel call waiting	\$5.29	\$0.21	\$0.18
Class of service restriction-fully restricted sta	\$5.29	\$0.21	\$0.18
Class of service restriction-semi restricted sta	\$5.29	\$0.21	\$0.18
Class of service restriction-toll restricted sta	\$5.29	\$0.21	\$0.18
Consultation hold	\$5.29	\$0.21	\$0.18
Dial call waiting	\$5.29	\$0.21	\$0.18
Directed call pickup-with barge-in	\$5.29	\$0.21	\$0.18
Directed call pickup-without barge-in	\$5.29	\$0.21	\$0.18
Distinctive ringing & call waiting tone	\$5.29	\$0.21	\$0.18
Hunting arrangements	\$5.29	\$0.21	\$0.75
Speed calling personal (short list)/speed calling personal	\$5.29	\$0.21	\$0.18

Element	Rate Zone	Tariffed Rate Group	SWBT			AT&T			Staff		
			Proposed Price	NRCs		Proposed Price	NRCs		Proposed Price	NRCs	
				First	Additional		First	Additional		First	Additional
Three-way calling					\$5.29		\$0.21			\$0.18	
Voice/data protection					\$5.29		\$0.21			\$0.18	
Call Trace Activation, per port, per successful occurrence					\$5.74		\$0.21			\$0.18	
Unbundled Local Switching Centrex Like Features											
Analog											
Standard feature initialization per analog line port					\$4.63		\$0.21			\$0.18	
Automatic call back calling					\$5.29		\$0.21			\$0.18	
Call hold					\$5.29		\$0.21			\$0.18	
Call transfer - all calls					\$5.29		\$0.21			\$0.18	
Call forwarding - variable					\$5.29		\$0.21			\$0.18	
Call forwarding - busy line					\$5.29		\$0.21			\$0.18	
Call forwarding - Don't Answer					\$5.29		\$0.21			\$0.18	
Call pickup					\$5.29		\$0.21			\$0.18	
Call waiting - intragroup					\$5.29		\$0.21			\$0.18	
Call waiting - originating					\$5.29		\$0.21			\$0.18	
Call waiting - terminating					\$5.29		\$0.21			\$0.18	
Class of service restriction - toll restriction					\$5.29		\$0.21			\$0.18	
Speed calling-personal					\$5.29		\$0.21			\$0.18	
Dial call waiting					\$5.29		\$0.21			\$0.18	
Distinctive ringing & call waiting tone					\$5.29		\$0.21			\$0.18	
Directed call pickup - non-charge in					\$5.29		\$0.21			\$0.18	
Directed call pickup - charge in					\$5.29		\$0.21			\$0.18	
Hunting basic					\$5.29		\$0.21			\$0.75	
Circular hunting					\$5.29		\$0.21			\$0.75	
Voice data protection					\$5.29		\$0.21			\$0.18	
Class of service restriction - semi-restricted					\$5.29		\$0.21			\$0.18	
Class of service restriction - fully-restricted					\$5.29		\$0.21			\$0.18	

Element	Rate Zone	Tariffed Rate Group	SWBT			AT&T			Staff		
			Proposed Price	NRCs		Proposed Price	NRCs		Proposed Price	NRCs	
				First	Additional		First	Additional		First	Additional
Consultation hold					\$5.29		\$0.21			\$0.18	
Three way calling					\$5.29		\$0.21			\$0.18	

ISDN

Standard feature package, per device					\$4.63		\$0.21			\$0.18	
Additional call offering for CSV					\$5.29		\$0.21			\$0.18	
Automatic call back calling					\$5.29		\$0.21			\$0.18	
Call forwarding - variable					\$5.29		\$0.21			\$0.18	
Call forwarding - busy line					\$5.29		\$0.21			\$0.18	
Call forwarding - Don't Answer					\$5.29		\$0.21			\$0.18	
Call hold					\$5.29		\$0.21			\$0.18	
Call pickup					\$5.29		\$0.21			\$0.18	
Call transfer - all calls					\$5.29		\$0.21			\$0.18	
Class of service restriction - fully-restricted					\$5.29		\$0.21			\$0.18	
Class of service restriction - semi-restricted					\$5.29		\$0.21			\$0.18	
Class of service restriction - toll restriction					\$5.29		\$0.21			\$0.18	
Consultation hold					\$5.29		\$0.21			\$0.18	
Directed call pickup - non-barge in					\$5.29		\$0.21			\$0.18	
Directed call pickup - barge in					\$5.29		\$0.21			\$0.18	
Distinctive ringing					\$5.29		\$0.21			\$0.18	
Hunting - basic					\$5.29		\$0.21			\$0.75	
Circular hunting					\$5.29		\$0.21			\$0.75	
Speed dialing personal					\$5.29		\$0.21			\$0.18	
Three-way calling					\$5.29		\$0.21			\$0.18	
CSV/CSD, per BRI, per channel					\$11.56		\$0.21			\$0.18	

System Charges

System Initial Establishment per Serving Office - Analog	\$803.36	\$244.60	\$380.06	\$115.72
System Initial Establishment per Serving Office - Analog/ISDN-BRI mix	\$803.36	\$284.93	\$380.06	\$134.80

Element	Rate Zone	Tariffed	SWBT		AT&T			Staff			
		Rate Group	Proposed Price	NRCs		Proposed Price	NRCs		Proposed Price	NRCs	
				First	Additional		First	Additional		First	Additional
System Initial Establishment per Serving Office - ISDN-BRI				\$391.04	\$284.93					\$184.99	\$134.80
System Conversion per Serving Office - Add Analog to ISDN-BRI only				na	\$586.31					na	\$277.37
System Conversion per Serving Office - Add ISDN-BRI to Analog only				na	\$293.55					na	\$138.87

Element	Tariffed		SWBT	NRCs		AT&T	NRCs		Staff	NRCs	
	Rate	Rate	Proposed	First	Additional	Proposed	First	Additional	Proposed	First	Additional
	Zone	Group	Price			Price			Price		
Branding						none			Lowest intercompany compensation agreement		
Cost per call			\$0.02								
Initial Load - resale			\$2,325.00								
Subsequent load - resale			\$2,325.00								
Rating						none			Lowest intercompany compensation agreement		
Rate per initial load			\$3,650.00								
Rate per subsequent load			\$2,650.00								
Rate per subsequent reference change			\$2,650.00								

Element	Tariffed		SWBT			AT&T			Staff		
	Rate	Rate	Proposed	NRCs		Proposed	NRCs		Proposed	NRCs	
	Zone	Group	Price	First	Additional	Price	First	Additional	Price	First	Additional
White Pages for Others By Geographic Groups											
Cost for being in White Pages Directory, per listing	Group 1		\$0 6137						\$0 5269		
	Group 2		\$0.1400						\$0 1202		
	Group 3		\$0.1157						\$0 0993		
	Group 4										
One time cost to enter and delete listing	Group 1		\$0 35						\$0 30		
	Group 2		\$0 35						\$0 30		
	Group 3		\$0 35						\$0 30		
	Group 4										
Cost for being in directory per book copy-initial delivery	Group 1		\$4.22						\$3 62		
	Group 2		\$1.21						\$1 04		
	Group 3		\$1 04						\$0 89		
	Group 4										
Cost for being in a directory per book copy-subsequent delivery	Group 1		\$6.13						\$5 26		
	Group 2		\$2.35						\$2 02		
	Group 3		\$2.49						\$2 14		
	Group 4										
Additive elements to above options											
Cost per page per year any one book	Group 1		\$3,019.89						\$2,592.85		
	Group 2		\$159.04						\$136.55		
	Group 3		\$71.52						\$61.41		
Directory Assistance Listing (DAL)											
Initial load									\$0 0036		
Daily update									\$0 0045		
LSP emergency contact for non-published service, per call						\$1 6888			\$1 4500		

Staffs proposed prices are estimates

Element	Rate	Tariffed	SWBT	NRCs		AT&T	NRCs		Staff	NRCs	
	Zone	Rate	Proposed	First	Additional	Proposed	First	Additional	Proposed	First	Additional
		Group	Price			Price			Price		
LSP Complex Service conversion - resale				\$114.76						\$54.29	
LSP Simple Service Conversion - resale				\$21.85						\$5.00	
UNE Conversion charges											
Simple											
New Service Order				\$60.00		\$0.21				\$2.11	
Change Order*				\$58.00		\$0.21				\$2.09	
Record Order**				\$36.00		\$0.21				\$1.26	
Disconnect Order				\$30.00		\$0.21				\$1.29	
Complex											
New Service Order				\$245.00		\$0.21				\$105.20	
Change Order*				\$136.00		\$0.21				\$54.94	
Record Order**				\$114.00		\$0.21				\$53.88	
Disconnect Order				\$65.00		\$0.21				\$31.63	

*Also applies to Expedited, Customer not Ready, Due Date Cancel/Change orders.

**Also applies to Suspend/Restore orders.

NXX Migration	\$12,939.26	none	\$6,121.33
Access to Directory Assistance Database	ICB		ICB

Element	Rate	Tariffed	SWBT	NRCs		AT&T	NRCs		Staff	NRCs	
	Zone	Rate	Proposed	First	Additional	Proposed	First	Additional	Proposed	First	Additional
Line Information Data Base (LIDB)											
LIDB Validation Query											
LIDB Query Cost			\$0.0003856								
LIDB Service Order				\$217.10						\$102.71	
CNAM Query											
									\$0.0002606		
SMS for LIDB											
Cost per query			\$0.000284								
Manual update - initial per record updated			\$0.5311								
Manual update - ongoing, per record updated			\$0.0367								
SLEUTH											
Cost per query			\$0.005229								

Staff's proposed prices are estimates.