

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY**

July 20, 2000

CASE NO: TM-2000-738

Office of the Public Counsel
P. O. Box 7800
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General Counsel
Missouri Public Service Commission
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Paul G. Lane/Anthony K. Conroy
Leo J. Bub/ Mimi B. MacDonald
Southwestern Bell Telephone Company
One Bell Center, Room 3518
St. Louis, MO 63101

Enclosed find a certified copy of an ORDER in the above-numbered case(s).

Sincerely,

A handwritten signature in cursive script that reads "Dale Hardy Roberts".

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 20th
day of July, 2000.

In the Matter of the Application of)
Southwestern Bell Telephone Company) **Case No. TM-2000-738**
for Authority to Transfer Certain Support)
Assets to SBC Management Services, Inc.)

ORDER APPROVING TRANSFER OF ASSETS

On May 4, 2000, Southwestern Bell Telephone Company (SWBT) filed with the Missouri Public Service Commission (Commission) an application for approval to transfer certain assets to SBC Management Services, Inc. (SBC-MSI), citing Commission Rule 4 CSR 240-2.060 and Section 392.300, RSMo 1994¹.

SWBT stated that it seeks expedited review and Commission approval of its application. SWBT stated that it plans to transfer certain support assets, consisting of the assets located in Missouri utilized by SWBT attorneys and other legal department support personnel to provide legal services to SWBT, from SWBT to SBC-MSI. SWBT stated that SBC-MSI is a Delaware corporation and a wholly owned subsidiary of SBC Communications Inc. (SBC). SWBT stated that SBC-MSI provides professional administrative services to SBC and its subsidiaries.

¹ All references herein to Sections of the Revised Statutes of Missouri (RSMo), unless otherwise specified, are to the revision of 1994.

SWBT stated that it is a Missouri corporation duly authorized to conduct business in Missouri with its principal place of business in Missouri located at One Bell Center, St. Louis, Missouri 63101. SWBT noted that its contact information was on its application.

SWBT also attached its certificate of good standing from the Missouri Secretary of State. SWBT stated that it is a local exchange telecommunications company and a public utility and is authorized to and provides telecommunications service within the state of Missouri. SWBT noted that no annual report or assessment fees are overdue.

SWBT also stated that, pursuant to the requirement of Commission Rule 2.060(1)(K), applicant is reviewing its records to determine if it has any pending actions or final unsatisfied judgments or judgments against it from any state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred within three years of the date of its application. (Note: This rule is discussed below.) SWBT stated that it will furnish this information prior to the Commission granting the authority sought herein.

SWBT noted that the assets it seeks to transfer include desks, chairs, file cabinets, library materials and shelving, and other furniture. SWBT stated that it will conduct an inventory of the specific assets it proposes to transfer to SBC-MSI and will provide a list of such assets to the Staff of the Commission (Staff) prior to the Commission making a final determination on its application. SWBT stated that no franchises, permits, operating rights or certificates

of convenience or necessity are involved in the proposed transfer of support assets from SWBT to SBC-MSI.

SWBT also attached to its application a certified copy of the consent of the board of directors of SWBT, authorizing the transfer of assets which are the subject of this application from SWBT to SBC-MSI. SWBT noted that SBC-MSI is not subject to the jurisdiction of the Commission under Chapter 392 RSMo, and will not be subject to Commission jurisdiction after the transfer of assets described is completed. SWBT stated, given the relatively small amount of assets involved, the transfer of legal support assets located in Missouri from SWBT to SBC-MSI will not have a material negative impact on the tax revenues of any political subdivision of Missouri.

After the transfer, SWBT stated, the provision of legal services by SBC-MSI to SWBT will be in compliance with the rules of the Federal Communications Commission (FCC) governing affiliate transactions. In addition, SWBT stated that it will continue to receive from SBC-MSI such legal services as are necessary for it to meet its obligations in Missouri to furnish services that are safe and adequate and otherwise in compliance with applicable regulations.

SWBT stated that its proposed transfer of assets to SBC-MSI will not be detrimental to the public interest. SWBT stated that it seeks to transfer the assets to facilitate the consolidation and centralization of similar legal support functions provided to numerous subsidiaries of SBC. The consolidation and centralization which the proposed transfer of assets will accomplish, SWBT stated, will permit SWBT and other subsidiaries of SBC to operate more efficiently by

sharing the cost of legal support functions and eliminating unnecessary duplication of such functions in numerous affiliates. This consolidation, stated SWBT, of the legal support function will also allow SBC to realize additional operating efficiencies from its mergers with SNET, Pacific Telesis Group, and Ameritech.

SWBT stated that it will record the greater of the net book value or the fair market value of the assets transferred to SBC-MSI. An independent third party, SWBT stated, will then determine the fair market value of the assets, which will in turn be compared to the net book value of the assets to be transferred. SWBT stated that it will provide this information to the Commission's Staff after the analysis has been completed. SWBT estimates the net book value of the assets located in Missouri which will be transferred to SBC-MSI will not exceed \$250,000.

SWBT anticipates that, over time, efficiencies gained from consolidating and centralizing the provision of legal support services may lead to slightly lower costs of service than would otherwise be incurred. SWBT stated that the FCC's affiliate transaction rules will apply to the contract between SBC-MSI and SWBT and will ensure that SWBT does not book a rate for the receipt of legal services beyond that authorized by the FCC (i.e., the rate will be capped at the fully distributed cost incurred by SBC-MSI). But, SWBT stated that even in the event that such efficiencies do not lead to lower costs, the transfer of assets contemplated by this application will have no impact on the rates, terms, conditions, or quality level of

telecommunications services presently provided by SWBT to its retail customers in Missouri.

SWBT stated that it is subject to price cap regulation in Missouri pursuant to Section 392.245, RSMo 1998 Supp. and, as a result, its retail prices may not be increased to recover any potential additional costs which might result from the transfer of assets from SWBT to SBC-MSI. Similarly, SWBT stated that it does not anticipate that the transfer of assets will result in any increase in the costs upon which its wholesale rates are based, but in any event, the Commission retains full authority under Section 252 of the federal Telecommunications Act of 1996 to establish prices for any unbundled network elements if the parties are unable to negotiate an agreement. Accordingly, SWBT stated, the Commission can ensure that this transfer of assets will not result in increased wholesale rates.

Also on May 4, 2000, SWBT filed a motion to expedite the review and approval of its application. This motion did not comply with Commission Rule 4 CSR 240-2.080(3), requiring each pleading to include a reference to the provision under which relief is requested. The motion also did not comply with Commission Rule 4 CSR 240-2.080(17) which lists three requirements: (1) The words "Motion for Expedited Treatment" in the title of the pleading; (2) A statement explaining the harm avoided or the benefit accruing to the party's customers or the general public if the Commission acts by the date requested; and (3) A statement that the pleading was filed as soon as it could have been or an explanation why it was not. The Commission ordered SWBT on

May 11, 2000, to comply with the Commission's rules regarding motions for expedited treatment.

On May 19, 2000, SWBT filed a pleading entitled "Supplemental Motion for Expedited Treatment" which cured the defects noted by the Commission. SWBT stated that it was requesting expedited treatment under Commission Rule 4 CSR 240-2.080(17). SWBT stated that substantial benefits would accrue to SWBT if the Commission expedited the review of SWBT's application and if the Commission authorized the transfer of assets to SBC-MSI. SWBT requested that the approval of its application be done by June 30, 2000. SWBT also stated that the application was filed as soon as it could have been, given the workload of the personnel involved and the time necessary to secure required supporting documentation which was attached to its application.

On June 8, 2000, the Commission found that SWBT's request for the expedited approval of its application to transfer assets had stated good cause for such treatment. On the same date, the Commission also ordered the Staff to respond to the order, stating whether it would be able to handle this case in an expedited manner and, if so, giving suggested dates for the filing of a Staff report or recommendation. On June 13, 2000, the Staff filed its response, stating that it would file its recommendation by June 23, 2000. On June 23, 2000, the Staff filed its motion for extension of time to file its recommendation, stating that it would file it on June 30, 2000. Before the Commission could rule on that motion, the Staff filed its recommendation on June 29, 2000.

The Staff recommended that the Commission issue an order approving the transfer of assets from SWBT to SBC-MSI. Staff stated that the approval should be subject to the receipt by the Commission of an inventory of the specific assets SWBT proposes to transfer to the SBC-MSI, and, pursuant to Commission Rule 4 CSR 240-2.060(2), a statement indicating whether SWBT has any pending actions or final unsatisfied judgments or decisions against it.

On July 11, 2000, SWBT filed a supplement to its application. Included as Attachment 1 was a spreadsheet which contained an inventory of the specific legal department support assets SWBT will transfer to SBC-MSI, along with the fair market value of each of these assets, as determined by an independent third party. SWBT noted that the fair market value of all of the legal department support assets which SWBT seeks authority to transfer is \$29,260.

Also attached to the supplement as Attachment 2 was a list of formal complaints from end user customers which SWBT stated were pending on the date SWBT filed its application.

Commission Rule 4 CSR 240-2.060(1)(K) states that

[a]ll applications shall comply with the requirements of these rules and shall include the following information:...A statement indicating whether the applicant has any pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred within three (3) years of the date of the application....

Thus, no list of pending action or final unsatisfied judgments is contemplated by this rule; only a statement from the applicant regarding such actions is necessary, pursuant to the rule.

The transfer will be approved.

IT IS THEREFORE ORDERED:

1. That the application for approval of transfer of assets filed on May 4, 2000, by Southwestern Bell Telephone Company is approved and that Southwestern Bell Telephone Company is authorized to take any and all actions necessary to effect the transfer of assets to SBC Management Services, Inc., as authorized by this order.

2. That Southwestern Bell Telephone Company shall report to the Commission within ten business days of the completion of the approved transfer of assets that such has been accomplished.

3. That this order shall become effective on August 1, 2000.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Drainer, Murray, Schemenauer, and Simmons, CC., concur
Lumpe, Ch., absent

Hopkins, Senior Regulatory Law Judge

ALJ/Sec'y:

Hopkins/Boyce

Date Circulated

7-1 177-2000-738
CASE NO.

absent
Lumpke, Chair

OO
Draimer, Vice Chair

[Signature]
Murray, Commissioner

[Signature]
Schenenberger, Commissioner

[Signature]
Simmons, Commissioner

7-20
Agenda Date

Action taken:

4-095

Must Vote Not Later Than

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

I have compared the preceding copy with the original on file in this office and

I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,
Missouri, this 20th day of July 2000.

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

