

Anthony K. Conroy
Senior Counsel

Southwestern Bell Telephone
One Bell Center
Room 3516
St. Louis, Missouri 63101
Phone 314 235-6060
Fax 314 247-0014
Email ac7526@momail.sbc.com



FILED

MAY 4 2000

Missouri Public
Service Commission

May 3, 2000

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

TM-2000-738

Dear Judge Roberts:

Enclosed for filing with the Missouri Public Service Commission in the above-referenced case is an original and 8 copies of a verified Application of Southwestern Bell Telephone Company for Authority to Transfer Certain Support Assets to SBC Management Services, Inc.

In addition, enclosed please find an original and 8 copies of a Motion to Expedite Review and Approval of the Application of Southwestern Bell Telephone Company for Authority to Transfer Certain Support Assets to SBC Management Services, Inc., which I ask that you also file in this case.

Please stamp "Filed" on the extra copy of each pleading and return the copy to me in the enclosed self-addressed, stamped envelope.

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

Very truly yours,

A handwritten signature in cursive script that reads "Anthony K. Conroy".

Anthony K. Conroy

Enclosure

cc: Attorneys of Record

FILED

BEFORE THE PUBLIC SERVICE COMMISSION MAY 4 2000
OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In the Matter of the Application of)
Southwestern Bell Telephone Company)
for Authority to Transfer Certain Support)
Assets to SBC Management Services, Inc.)

Case No. TM-2000-738

**APPLICATION OF SOUTHWESTERN BELL TELEPHONE COMPANY
FOR AUTHORITY TO TRANSFER CERTAIN SUPPORT ASSETS
TO SBC MANAGEMENT SERVICES, INC.**

COMES NOW Southwestern Bell Telephone Company (SWBT), and for its verified Application (Application) for Authority to Transfer Certain Support Assets to SBC Management Services, Inc., states to the Missouri Public Service Commission (Commission) as follows:

I. Introduction and Description of the Transaction

Pursuant to this verified Application, SWBT seeks expedited¹ review and Commission approval of SWBT's application 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, to SBC Management Services, Inc. (SBC-MSI). SBC-MSI is a Delaware corporation and a wholly-owned subsidiary of SBC Communications Inc. (SBC). SBC-MSI provides professional administrative services to SBC and its subsidiaries. The assets which SWBT seeks authority to transfer to SBC-MSI are those assets located in Missouri currently utilized by SWBT attorneys and other support personnel in the SWBT legal department primarily to provide legal services to SWBT and on occasion to affiliates of SWBT.

¹ Contemporaneously with the filing of its application in this case, SWBT has also filed a Motion to Expedite Review and Approval of Application of Southwestern Bell Telephone Company for Authority to Transfer Certain Support Assets to SBC Management Services, Inc., in which SWBT requests that the Commission complete its review of and approve SWBT's application by July 1, 2000.

Contemporaneously with the transfer of assets to SBC-MSI for which SWBT seeks authority pursuant to this application, SWBT will also transfer all of its employees in its Missouri legal department to SBC-MSI. These same personnel will utilize the assets which are the subject of this application, to provide, on a centralized basis, legal support services to SWBT and other SBC subsidiaries.² In Missouri, a total of 11 legal department personnel, including 6 attorneys and 5 other employees, will be transferred to SBC-MSI. The furniture, file cabinets, library materials etc. which these employees currently utilize in connection with their provision of legal support services for SWBT are the same assets these employees will utilize to perform legal support services for SWBT and its affiliates once the assets are transferred to SBC-MSI, and it is these assets which are the subject of this application.

After the transfer, the provision of legal services by SBC-MSI to SWBT will be in compliance with the FCC's rules governing affiliate transaction. In addition, SWBT commits 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 as are safe and adequate and otherwise in compliance with applicable labor and regulation.

SWBT's proposed transfer of assets to SBC-MSI will not be detrimental to the public interest. See 4 CSR 240-2.060(7)(D). SWBT seeks authority to transfer the support function assets which are the subject of this application in order 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 will

² As described in detail herein, the assets which are the subject of this application are not necessary or useful in the provision of telecommunications services to the public by SWBT, but instead are used to provide legal support services to SWBT. Accordingly, Commission approval may not be required under Section 392.300 RSMo (1994). Nevertheless, without waiving its position that Commission approval is unnecessary for those assets, SWBT is requesting approval here and the Commission need not resolve this legal issue.

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 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 will comply with the Federal Communications Commission's (FCC's) affiliate transaction rules in connection with the transfer of assets described herein. Pursuant to the FCC's affiliate transaction rules, SWBT 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 will 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 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. 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, 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 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 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, this Commission can ensure that this transfer of assets will not result in increased wholesale rates.

II. Information Required Pursuant to 4 CSR 240-2.060(1) and 2.060(7)³

1. SWBT submits its Application pursuant to Commission rule 2.060(1) and 2.060(7).
2. Pursuant to the requirement of Commission rule 2.060(1)(A), the applicant's legal name is Southwestern Bell Telephone Company. SWBT 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. The electronic mail address, fax number and telephone number for applicant's attorney are contained in the signature block on page 8 of this Application.
3. Pursuant to the requirement of Commission rule 2.060(1)(B), attached to this Application as Appendix 1 is SWBT's Certificate of Good Standing from the Missouri Secretary of State.
4. Pursuant to the requirement of Commission rule 2.060(1)(H), SWBT is a "local exchange telecommunications company" and a "public utility" and is authorized to and does

³ As used herein, all citations to the Commission's rules are to 4 CSR 240-.

provide "telecommunications service" within the state of Missouri, as each of those terms are defined in §386.020 RSMo (1998).

5. Pursuant to the requirement of Commission rule 2.060(1)(I), all correspondence, communications and orders and decisions of the Commission in this matter should be sent to SWBT as follows:

Paul G. Lane
Leo J. Bub
Anthony K. Conroy
Mary B. MacDonald
Attorneys for Southwestern Bell Telephone Company
One Bell Center, Room 3518
St. Louis, Missouri 63101

6. 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 (3) years of the date of this application. Pursuant to Commission rule 2.060(2), applicant will furnish this information prior to the Commission granting the authority sought herein.

7. Pursuant to the requirement of Commission rule 2.060(1)(L), no annual report or assessment fees are overdue from applicant.

8. Pursuant to the requirement of Commission rule 2.060(7)(A), SWBT seeks authority to transfer all of the assets located in Missouri currently utilized by attorneys in the SWBT legal department to SBC-MSI. These assets include desks, chairs, file cabinets, library materials and shelving, and other furniture. SWBT 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 Commission Staff prior to the Commission making a final determination on this application. 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.

9. Pursuant to the requirement of Commission rule 2.060(7)(B), Appendix 2 to this Application is a copy of the agreement between SWBT and SBC-MSI, pursuant to which the assets which are the subject of this Application will be transferred from SWBT to SBC-MSI.

10. Pursuant to the requirement of Commission rule 2.060(7)(C), Appendix 3 to this Application is a certified copy of the consent of the board of directors of SWBT, authorizing the transfer of assets which is the subject of this application from SWBT to SBC-MSI.

11. Pursuant to the requirement of Commission rule 2.060(7)(D), as described herein, the proposed transfer of assets from SWBT to SBC-MSI will not be detrimental to the public interest. The assets which will be transferred to SBC-MSI are currently used by SWBT attorneys in Missouri to administratively support SWBT's provision of telecommunications services in Missouri. In order to achieve greater operating efficiencies among SWBT and its affiliates, the legal support function currently performed internally within SWBT (using SWBT assets located in Missouri and elsewhere) and by various affiliates of SWBT will be consolidated and performed on a centralized basis by SBC-MSI. After the transfer of assets from SWBT to SBC-MSI, attorneys and other legal department employees of SBC-MSI will continue to utilize these assets and others to provide the same support functions to SWBT, as well as other SBC affiliates, on a centralized basis. SWBT will continue to comply with all applicable FCC affiliate transaction rules, both in connection with the initial transfer of assets to SBC-MSI and in all subsequent transactions with SBC-MSI.⁴ SWBT will book the greater of fair market value and

⁴ See, 47 CFR §32.27.

net book value for all assets transferred to SBC-MSI. SWBT will book as expense the fully distributed cost of legal services provided by SBC-MSI to SWBT.⁵

12. As described above, the transfer of assets which is the subject of this Application will have no impact on any retail rates charged by SWBT and will be transparent to SWBT's retail customers in Missouri. Nor does SWBT anticipate that the proposed transfer will cause its rates to wholesale customers to increase, but, in any event, the Commission retains control over the rates charged by SWBT pursuant to the arbitration provisions of Section 252 of the federal Telecommunications Act of 1996. SWBT is not seeking authority to transfer any assets or equipment (including switches, cables, etc.) it currently uses to provide telecommunications services in Missouri.

13. Pursuant to Commission rule 2.060(7)(E), SBC-MSI is not subject to the jurisdiction of the Commission under Chapter 392, and will not be subject to Commission jurisdiction after the transfer of assets described herein is completed.

14. As described in paragraph 8 of this application, SWBT has not completed its inventory of the specific assets located in Missouri which it will transfer to SBC-MSI. With respect to the requirement of Commission rule 2.060(7)(F), however, 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.

⁵ The FCC affiliate transaction rules require SWBT to book the lower of fully distributed cost or prevailing price for services received from SBC-MSI. It is not anticipated that SBC-MSI will provide services to unaffiliated third parties, hence a prevailing price as defined by the FCC's affiliate transaction rules will not exist.

WHEREFORE, Southwestern Bell Telephone Company respectfully requests that the Commission issue an Order authorizing the transfer of the assets described in this Application to SBC Management Services, Inc.

Respectfully submitted,

SOUTHWESTERN BELL TELEPHONE COMPANY

BY Anthony Conroy
PAUL G. LANE #27011
LEO J. BUB #34326
ANTHONY K. CONROY #35199
MARY B. MACDONALD #37606
Attorneys for Southwestern Bell Telephone Company
One Bell Center, Room 3516
St. Louis, Missouri 63101
314-235-6060 (Telephone)
314-247-0014 (Facsimile)
e-mail address: anthony.conroy@sbc.com

VERIFICATION OF APPLICATION

I, Jan Newton, an Officer of Southwestern Bell Telephone Company and pursuant to 4 CSR 240-2.060(F), hereby swear and affirm that I am authorized to speak on behalf of the Applicant Southwestern Bell Telephone Company and to attest to the veracity of the statements contained in this Application.



Jan Newton

State of Missouri)
)
City of St. Louis) SS

I, Maryann Purcell, a Notary Public do hereby certify that on this 24th day of April, 2000, personally appeared before me Jan Newton, who declared that all of the information contained herein above is true, to the best of her knowledge and belief.

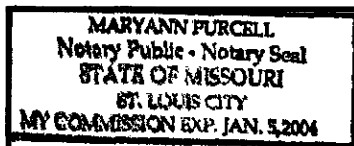




Notary Public

My Commission Expires:

January 5, 2004



CERTIFICATE OF SERVICE

Copies of this document were served on the following parties by pre-paid U. S. Postage
on May 3, 2000.

Anthony K. Conroy
Anthony K. Conroy

DAN JOYCE
MISSOURI PUBLIC SERVICE COMMISSION
301 W. HIGH STREET, SUITE 530
JEFFERSON CITY, MO 65101

MICHAEL DANDINO
OFFICE OF THE PUBLIC COUNSEL
301 W. HIGH STREET, SUITE 250
JEFFERSON CITY, MO 65101

APPENDIX 1

No. T00000020

STATE OF MISSOURI



Rebecca McDowell Cook
Secretary of State

CORPORATION DIVISION

CERTIFICATE OF CORPORATE GOOD STANDING

I, REBECCA MCDOWELL COOK, Secretary of State of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

SOUTHWESTERN BELL TELEPHONE COMPANY

was incorporated under the laws of this State on the 24th day of AUGUST, 1882, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 2nd day of MAY, 2000.


Secretary of State



APPENDIX 2

ASSET TRANSFER AGREEMENT

This Agreement is made and entered into as of the 24th day of April 2000, by and between Southwestern Bell Telephone Company ("SWBT"), a Missouri corporation, and SBC Management Services, Inc. ("SBC-MSI"), a Delaware Corporation.

WHEREAS, SWBT is the owner of certain property consisting of administrative and legal support service assets such as computers, furniture, communications equipment and library materials, (collectively, the "Property").

WHEREAS, SWBT is an affiliate of SBC-MSI;

WHEREAS, SWBT desires to transfer to SBC-MSI, and SBC-MSI desires to receive from SWBT, the Property, upon the following terms:

NOW, THEREFORE, SWBT AND SBC-MSI agree as follows:

1. Upon receipt of all appropriate regulatory approvals, if any required, SWBT agrees to transfer the Property to SBC-MSI for fair and valuable consideration.
2. SBC-MSI agrees to acknowledge receipt of the Property in writing.

IN WITNESS WHEREOF, SWBT and SBC-MSI have caused this Agreement to be executed in duplicate counterparts, each of which will be deemed an original instrument, by their duly authorized representatives as of the date set forth above.

SOUTHWESTERN BELL
TELEPHONE COMPANY

SBC MANAGEMENT SERVICES, INC.

By: 

Wayne S. Alexander
President and Chief Executive Officer

By: 

Donald E. Kiernan
Senior Executive Vice President,
Chief Financial Officer and Treasurer

APPENDIX 3

SOUTHWESTERN BELL TELEPHONE COMPANY
SECRETARY'S CERTIFICATE

I, Wayne A. Wirtz, do hereby certify that I am the duly appointed, qualified and acting Assistant Secretary of Southwestern Bell Telephone Company, a Missouri corporation, and have custody of the records and seal of said corporation; and I further certify that attached hereto as Exhibit A is a true, complete and correct copy of corporate resolutions duly adopted by the Executive Committee of the Board of Directors on April 24, 2000, and said resolutions have not been modified, amended or rescinded and remain in full force and effect on the date hereof.

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of said corporation as of this 24th day of April 2000.



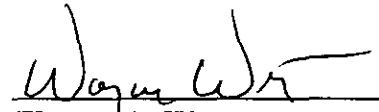

Wayne A. Wirtz
Assistant Secretary

EXHIBIT A

WHEREAS, the Company desires to transfer and convey the Company owned property consisting of administrative and legal support service assets such as computers, furniture, communications equipment and library materials (collectively, the "Property") to its affiliate company, SBC Management Services, Inc. ("SBC-MSI");

WHEREAS, the purpose of the transfer is to centralize the administrative and legal support service assets in SBC-MSI ; and

NOW THEREFORE, it is

RESOLVED, that effective April 24, 2000, the Company, upon obtaining the necessary regulatory approvals, authorizes the proper officers of the Company to transfer and convey the Property to SBC-MSI for fair and valuable consideration, and upon such terms and conditions as they deem proper and convenient; and

RESOLVED FURTHER, that the proper officers of the Company are authorized to execute and deliver any and all documents, instruments and agreements and to take such other or further actions as they shall deem necessary or desirable to fully effectuate the foregoing resolutions.

RESOLVED FURTHER, that for purposes of the foregoing resolution, the proper officers of the Company are the President, any Vice President, the Treasurer or any Assistant Treasurer, the Secretary or any Assistant Secretary.

**CONSENT OF THE EXECUTIVE COMMITTEE
OF THE BOARD OF DIRECTORS OF
SOUTHWESTERN BELL TELEPHONE COMPANY**

THE UNDERSIGNED, being all of the members of the Executive Committee of the Board of Directors of Southwestern Bell Telephone Company (the "Company"), a Missouri corporation, hereby each consent to and deem it advisable to adopt and hereby do adopt the following resolutions, without a meeting, which consents shall have the same force and effect as a unanimous vote at a meeting duly held:

WHEREAS, the Company desires to transfer and convey the Company owned property consisting of administrative and legal support service assets such as computers, furniture, communications equipment and library materials (collectively, the "Property") to its affiliate company, SBC Management Services, Inc. ("SBC-MSI");

WHEREAS, the purpose of the transfer is to centralize the administrative and legal support service assets in SBC-MSI ; and

NOW THEREFORE, it is

RESOLVED, that effective April 24, 2000, the Company, upon obtaining the necessary regulatory approvals, authorizes the proper officers of the Company to transfer and convey the Property to SBC-MSI for fair and valuable consideration, and upon such terms and conditions as they deem proper and convenient; and

RESOLVED FURTHER, that the proper officers of the Company are authorized to execute and deliver any and all documents, instruments and agreements and to take such other or further actions as they shall deem necessary or desirable to fully effectuate the foregoing resolutions.

RESOLVED FURTHER, that for purposes of the foregoing resolution, the proper officers of the Company are the President, any Vice President, the Treasurer or any Assistant Treasurer, the Secretary or any Assistant Secretary.

Action taken as of this 24th day of April 2000.



Royce S. Caldwell



Wayne S. Alexander