

3. MCI states in its Comments on page 12, item d, that SWBT has failed to provide sufficient access to directory assistance and, therefore, fails to meet checklist items (ii) and (xii) because it offers access to DA databases only on a “read only” basis. Further, David Agatston, in his Affidavit ¶¶ 32-33, states that SWBT has failed to implement checklist item (xii) because FCC Rules require provision of DA listings in both “read only” and magnetic tape or electronic formats.
4. SWBT provides operator handled access to DA database, magnetic tape of DA database, electronic feed of DA database, and direct access (read only) access to the DA database. The LSP chooses the desired methods. (Keener Affidavit ¶¶ 6-11, 29)
5. As outlined in Keener Affidavit ¶ 6, SWBT offers direct access (read only) to SWBT’s DA database as well as access to SWBT listing information. Access to directory listings is available via a mutual licensing agreement, as ¶ 6 explains.
6. Keener Affidavit ¶ 11 more fully describes SWBT’s willingness to enter into Appendix DAL to the Oklahoma Statement of Terms and Conditions, which is a licensing agreement whereby an LSP can receive SWBT’s listings for use in providing DA services to its customers. As part of the agreement, the LSP would also furnish to SWBT the directory listings for the LSP customers. The price structure is on a per listing basis. STC Appendix DAL fully details SWBT’s willingness to exchange directory listings in a mutually agreeable format, which includes readily accessible magnetic tape and/or electronic formats, to maintain the completeness of each company’s respective DA databases.
7. Mr. Agatston’s claim that SWBT has failed to implement checklist items (ii) and (xii) as they pertain to nondiscriminatory access to directory assistance is entirely incorrect

as is the similar claim of Time Warner (at page 7 of its Comments). SWBT offers access to Directory Assistance, in compliance with Federal Rules, in a number of ways. An LSP may choose to purchase DA services on a per call basis from SWBT and provide its end users access to DA services through SWBT operators. The DA service provided to an LSP's customers is equal in quality to the services that SWBT provides to its own customers, and can be accessed through prevailing dialing arrangements with no unreasonable dialing delay. An LSP may choose to provide its own DA services, in which case, the LSP may obtain SWBT listings by entering into a reciprocal licensing agreement such as STC Appendix DAL or directly accessing the SWBT DA database as described in STC Appendix Direct. In combination, these options fully meet the checklist requirements to provide non-discriminatory access to directory assistance.

8. This concludes my reply.

The information contained in this affidavit is true and correct to the best of my knowledge and belief.

Richard K. Keener

Richard K. Keener

Subscribed and sworn to before me this 20 day of May, 1997.



Christine D. Edwards

NOTARY PUBLIC

My commission expires:

2-14-99

OFFICE PRODUCTS



**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

Application of SBC Communications Inc.,
Southwestern Bell Telephone Company,
and Southwestern Bell Communications
Services, Inc., d/b/a Southwestern Bell
Long Distance, for Provision of
In-Region, InterLATA Services in Oklahoma

CC Docket No. 97-121

**AFFIDAVIT OF J. MICHAEL MOORE
ON BEHALF OF SOUTHWESTERN BELL TELEPHONE COMPANY.**

STATE OF Missouri)
)§
CITY OF St. Louis)

I, J. Michael Moore, being first duly sworn upon oath, do hereby depose and state as follows:

Purpose

1. The purpose of this affidavit is to reply to the comments filed on behalf of AT&T. I will address certain misleading and inaccurate comments made by Nancy Dalton and Daniel P. Rhinehart concerning prior testimony in this proceeding and SWBT's cost studies.

2. Ms. Dalton, on page 46, addresses the implementation of electronic processing of orders between AT&T and SWBT and uses my testimony in a Kansas arbitration proceeding to

claim that there are deficiencies in SWBT's Operation Support System (OSS) interface developmental efforts. I have not been involved with current efforts on behalf of SWBT to provide access to its OSS. My testimony in Kansas concerning "fallout" was based upon my prior experiences in implementing computerized systems, most of which were pre-divestiture experiences involving AT&T-developed systems. These experiences have led me to the belief that, at every stage of the utilization of a computerized system individual users of the system will employ their own personal methods that will not be consistent with the understanding of the system designers on how the system was to be used. The result is the computer will detect this inconsistency as an error and will reject the continued processing of the activity. This reject is what I call "fallout." Methods specialists and computer designers review this fallout to identify what changes need to be made to reduce these errors. In some instances, individual users will need to be retrained on standardized methods, while in other instances, the computer program will be enhanced to recognize these other methods and process the activity accordingly. Anyone who has been or is involved with the implementation of a new computer process recognizes this phenomenon and will plan for its occurrence. The fact that SWBT recognizes and is preparing to deal with fallout confirms SWBT's willingness and efforts to provide the access to SWBT's OSS that AT&T desires. Moreover it seems incredible for AT&T to claim that implementation of a computer process should occur without "fallout."

3. Next, I will address the comments of Mr. Rhinehart concerning access to cost study documentation, cost study methodology, and non-recurring costs.

4. During the past ten months SWBT has provided AT&T, MCI and others with ninety thousand pages of information in paper and electronic form, and held 10 days of training on

its cost models and cost study methods. This information supplied by SWBT has included cost studies, workpapers, investment studies, vendor prices, computer models (i.e. Bellcore developed SCIS, NCAT, and CCSCIS as well as SWBT developed LOOPVST and COSTPROG models), computer inputs, and factor development studies. This disclosure involved all states within SWBT's area, yet as Mr. Rhinehart readily admits on page 19 of his affidavit, "In general, SWBT's costing methodologies across its five state region are consistent" Thus, what the CLECs have learned in one state they have been able to apply to other SWBT states. Having received these materials, AT&T has ample information to determine the cost basis for SWBT's rates. Nevertheless, AT&T claims, on page 16, it has been unable to obtain adequate cost study documentation from SWBT. Apparently, it is necessary for AT&T to review SWBT's gas receipts and individual time sheets to evaluate the reasonableness of costs for an unbundled loop or switch port. The CLECs have had access to more cost study information than SWBT has ever had to file with the FCC or other regulators to make cost determinations.

5. Mr. Rhinehart indicates, on page 21, that SWBT's methods systematically "double count" certain expenses. He specifically mentions the development of maintenance and support access cost factors. Based upon an analysis which SWBT has performed since AT&T and MCI first raised this issue, it appears that the maintenance factor may actually be underestimating forward-looking maintenance costs, particularly the costs of loop maintenance. Specifically, there is a difference between the amount of expense currently expended by SWBT on loop maintenance and that calculated in its loop study, resulting in the TELRIC having an under-recovery of maintenance costs by more than 30% per loop. SWBT will need to address this under-recovery in future studies.

6. Moreover, even if AT&T was right about supposed "double counting," the effect on SWBT's cost results would be minor. The maximum possible effect of the alleged "double counting" can be approximated by assuming, contrary to the facts, that all "M" or rearrangement and change expenses were related to service activation. These extreme assumption would lead to the conclusion that no more than approximately 3.8% of the monthly loop cost could be attributed to service activation, and the actual number would likely be less.

7. AT&T also raised the question of whether support asset costs are over-recovered in the maintenance factor and labor rates. As explained above, there is no over recovery. However, even if AT&T were correct, any over-recovery would occur in the maintenance factor rather than labor costs since it is appropriate to recover non-recurring labor costs from the cost causer.

8. Mr. Rhinehart also asserts, on page 23, that certain inputs to SWBT's cost studies are historic. While SWBT views 1995 costs as its most current costs at the time the studies had been performed, to AT&T 1995 expenses are historic. SWBT does examine current costs as a basis for its projections of future costs. For instance, SWBT looks at the current maintenance expenses involved with fiber facilities, to calculate future fiber maintenance costs. It looks at current maintenance expenses for digital switches in estimating future digital switching expenses. From current expenses, factors are developed representing relationships for estimating future costs. These factors are then used with total forward-looking investment to calculate forward-looking costs.

9. Mr. Rhinehart is critical, on page 23, of SWBT because it does not offset inflation by future productivity gains. Productivity gains occur as a result of the deployment and utilization

of new technology in place of old antiquated embedded technology. In a study (such as these undertaken by SWBT under the 1996 Act and FCC rules) which assumes only the use of new efficient technology and the operating expenses of that new technology, SWBT believes that the productivity improvement is already inherent in the calculation of costs. In fact, the productivity to be realized is “flash cut” into the study by assuming all old technology has been replaced by efficient forward-looking technology. Thus, there is no basis for additional productivity gain beyond that already reflected in the study.

10. Another example of historic costs which AT&T objects to is the use of SWBT’s current manual processes. AT&T would have SWBT estimate the work time associated with unidentified activities that might be expected in the future. SWBT reflected in its cost studies currently engineered processes because there is lack of information on the degree to which each of the CLECs will utilize mechanized interfaces, there is no sound basis upon which to estimate future work time.

11. Concerning the use of current fills for projecting actual utilization, SWBT used current fills because there are contradictory indications of how competition will affect fill. On one hand there is the view that other CLECs will offer new services that will stimulate demand for resold services or unbundled elements and, therefore, fill will increase. On the other hand there is the view that facility based competitors will take current SWBT customers off of SWBT’s network which will reduce fill. And then there is the hybrid scenario in which an LSP will establish a presence in local markets through resale and then migrate to a facilities-based system. All of these scenarios are dependent upon the business plans of competitors and their relative success in

the marketplace. SWBT has elected to use current patterns of use until there is some actual basis to sort out which scenario is the most successful and affects fill.

12. AT&T argues that SWBT should have used currently approved depreciation rates which are based upon embedded plant. SWBT has used "economic depreciation rates," as required in 47 C.F.R §51.505(b)(3).

13. Mr. Rhinehart, on page 26, claims that SWBT has failed to reflect forward-looking costs in its "Forward looking Common Cost" study. SWBT's common cost study is based upon its current real world common costs. It adjusts them to remove a portion arguably attributed to retail-related activities. It then adds General Network Supervision and Wholesale Marketing and Service expenses to identify the total amount of common costs to be recovered from individual network elements.

14. SWBT's 1995 expenses reflect prior efforts to reduce costs as a result of realized efficiencies. Prior expense reduction programs occurred in 1984, 1985, 1986, 1989, 1991, and 1993. SWBT's common costs are already among the lowest of comparable telecommunications firms.¹ For instance, using SWBT's methodology and the FCC's Statistics of Communications Common Carriers for 1989-1995, AT&T's ratio of common costs to total expenses is higher than SWBT's for the three most recent years for which comparable figures are available.

¹ Ratio of Common Costs to Total Expenses

	1989	1990	1991	1992	1993	1994	1995
AT&T	0.1410	0.1535	0.1799	0.2773	0.2599	0.1964	
RBOCS EXCL SWBT	0.2199	0.2153	0.2376	0.1903	0.1825	0.2242	0.2290
SWBT	0.1831	0.2153	0.2096	0.1938	0.2075	0.1568	0.1603

15. Contrary to AT&T's allegation, on page 27, SWBT's building factor does reflect TELRIC principles. AT&T implication is that SWBT does not require the level of central office building space it has today due to newer technologies, centralization of workforce, centralized spare parts, etc. AT&T ignores the fact that today's central offices must include frame space and new digital circuit equipment that was not contemplated at the time many of the buildings were built. When this additional demand for space is taken into account, the surplus space alleged by AT&T does not exist.

16. SWBT measured actual space requirements in a sample of central offices reflecting current technologies, workforce deployment and spare part levels. The final results of this review showed that almost 90% of the sample central office space is in use currently. Less than thirteen percent was available for growth. Therefore, SWBT's field studies show the digital building space is in productive use without the cavernous unused space and investment portrayed by AT&T.

17. AT&T asserts, on page 29, that SWBT's unbundled loops are treated as design circuits and are therefore incorrectly more costly than the "POTS" circuits. As discussed by other SWBT affiants, the AT&T assertion that SWBT "considers all unbundled loop[as] design services" is wrong. Unbundled elements do, however, require different work functions than "POTS" loops because of their very nature as described below.

18. Specifically, the (CPC) Circuit Provisioning Center is required to conduct work associated with unbundled loops. As opposed to a normal "POTS" loop, an unbundled loop requires a separate type of circuit inventorying. "POTS" loops that are comprised of line equipment, jumpers, switch line cards, etc., can be tracked under systems such as Loop

Maintenance Operations Systems (LMOS) that use a telephone number identifier to track all associated equipment. Unbundled loops must be tracked in Trunk Integrated Record Keeping System (TIRKS) by a separate identifier, with additional information that allows SWBT to know which other unbundled components the loop connect with, if any. Without this database, SWBT cannot properly maintain the unbundled loop, never knowing where it resides, where it routes, what type it is, or to which other elements it connects. Regular "POTS" systems are simply not designed for unbundled loops. It is therefore imperative that CPC activities occur in order to provide unbundled loops. Simply put, there is just no way around this type of involvement when provisioning unbundled loops and therefore the costs for such activities are properly recovered.

19. With regards to other non-recurring charges, AT&T would like the Commission to believe that AT&T's requests of SWBT will simply be to take an existing bundled service currently provided by SWBT and have SWBT provide the associated loop and switch port to AT&T as individual unbundled elements. This overly simplistic model fails to take account of AT&T's requests for new service and for unbundled elements for private line type services.

20. All requests from AT&T are not going to simply be a conversion of an existing SWBT customer to an AT&T customer using unbundled elements from SWBT. Unbundled elements will be used by AT&T in the provision of services to new telecommunication users. Some of these will be for basic local exchange service, and others will be for private line or access-like service. SWBT administrative routines must be capable of handling either situation. Routines for basic local exchange services are incapable of handling the varied facility and equipment configurations. The varied requests of AT&T and other CLECs also may require the

involvement of work groups who do not perform any work with basic local exchange service. The costs of these additional administrative requirements is reflected in SWBT's cost studies.

21. SWBT's practice is to recover Right-to-Use (RTU) or licensing fees in its non-recurring charges. However, because of SWBT's belief that these should be paid by the CLECs, as discussed by another SWBT affiant, these fees were not included in the calculation for feature-related non-recurring charges associated with unbundled elements.

The information contained in this affidavit is true and correct to the best of my knowledge and belief.

Michael Moore

Subscribed and sworn to before me this 21st day of May,
1997.

Kathy B Hummert

My commission expires:

May 23, 1997

KATHY B HUMMERT
NOTARY PUBLIC STATE OF MISSOURI
ST. LOUIS COUNTY
MY COMMISSION EXP. MAY 23, 1997

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In The Matter of Application of SBC Communications Inc., Southwestern Bell Telephone Company, and southwestern Bell Communications Services, Inc., d/b/a Southwestern Bell Long Distance, for Provision of In-Region, InterLATA Services in Oklahoma	CC Docket No. 97-121
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**REPLY AFFIDAVIT OF DEANNA SHEFFIELD
ON BEHALF OF SOUTHWESTERN BELL TELEPHONE CO.**

**STATE OF TEXAS §
 §
COUNTY OF DALLAS §**

I, Deanna Sheffield, being of lawful age and duly sworn upon my oath, do hereby depose and state as follows:

1. My name is Deanna Sheffield. I am an Account-Manager--Competitive Provider Account Team for Southwestern Bell Telephone Company ("SWBT"). In this job position I have administrative responsibilities for implementation of requests for physical and virtual collocation for the accounts of Brooks Fiber ("Brooks"), Cox Communications ("Cox") and Dobson Wireless ("Dobson"). This affidavit will supplement the information contained in my prior affidavit, filed in opposition to the ALTS Motion to Dismiss, relating to the status of SWBT's collocation efforts in Oklahoma.

2. Brooks claims that it "initiated the collocation process as much as ten months ago," and

states that, despite its efforts, “none of the collocations have been completed at this time” (Brooks Comments at p. 20). While it is true that Brooks originally placed two physical collocation orders in July of 1996, and two more in August of 1996, Brooks neglects to mention that it subsequently made such significant changes to these requests -- including changes to the amount of floor space, the amount of power, the number of DS1s, DS3s and VF pairs, and the equipment Brooks intended to place in the space -- that it eventually had to resubmit these four applications in their entirety in early December, 1996. These applications were further modified with regard to the power requirements on December 20, 1997.

3. Based on the revisions received in December, SWBT calculated completion dates for the four jobs to be in early April 1997. Three of the four jobs were completed by the agreed upon date of April 11, 1997, and the fourth job was completed on April 25, 1997 due to a modification requested by Brooks on April 7, 1997. As of May 12, SWBT has turned over a total of 11 collocation areas in Oklahoma to Brooks. Once these spaces are turned over, Brooks and its vendor(s) are responsible for installing their equipment. Only after Brook’s installation work is finished can final testing and interconnection between SWBT and Brooks be completed. Brooks does not currently have “working” collocation with SWBT, because Brooks has not yet completed its installation work in any of the 11 collocation areas referenced above.

4. Contrary to Brooks’ statement in footnote 16 of its comments, construction lead times of five months have not been “typical.” Of the 11 jobs completed in Oklahoma, 7 were completed in less than 85 days, and only one took 140 days.

5. Brooks implies that the numerous revisions and changes to its collocation orders have been the result of SWBT’s “overly bureaucratic” collocation processing procedures. However,

the fact that these orders were completely rewritten demonstrates uncertainty and confusion on the part of Brooks concerning the nature and extent of its requirements for the establishment of its network. As set out in the affidavit of Jan Falkinburg, SWBT's collocation procedures have been designed to address the special construction, equipment, power and space needs and requirements of individual CLECs. Working together, SWBT and Brooks have used those procedures to assist each other to develop and implement Brooks' requests.

6. The DOJ references Dobson's reply to the ALTS Motion in a way which makes it seem that Dobson it is still negotiating terms for physical collocation with SWBT, after first requesting interconnection negotiations on December 13, 1996. In fact, Dobson first requested collocation on February 24, 1997. SWBT's final quote was issued on April 11, and was accepted by Dobson on April 21, with a completion date of July 28. Thus both SWBT and Dobson have agreed upon the terms for collocation, and the installation job has been in the implementation process since April 21, 1997.

7. After first requesting interconnection on October 15, 1996, Cox complains that it received "four different responses from SWBT in the six months" after it made that request. The affidavit of Jeff Storey does not mention that these revisions to SWBT's original estimate were made as a result of discussions and negotiations with Cox. As a result of these negotiations, SWBT agreed to modify its pricing policy on the installation of a power plant. Where SWBT's original quote to Cox included up front recovery of SWBT's cost of installing power equipment and plant (such as batteries, rectifiers, frames, etc.), SWBT subsequently revised its policy to recover costs based on the "amps" of power requested by the LSP rather than the equipment cost. This change in policy, which resulted from negotiations with Cox and other LSPs, substantially reduced the

projected costs for Cox's collocation.

8. Cox, Dobson and Brooks all argue that SWBT's pricing for collocation is not tariffed or cost based. In fact, SWBT's prices are based on the actual costs incurred as a result of the individual and unique requests and requirements of the collocating company. These costs may include space preparation charges associated with wire mesh cage installation; air conditioning work (including ductwork); electrical work (including AC power, florescent lights, and exit lights); and fiber conduit to bring the collocator's fiber from the cable vault to the collocation cage. Charges for SWBT provided equipment could include the Point of Termination (POT) frame (including the framework itself, the DSX termination panels and power panels); cable rack material and the cables for trunk transmission facilities as requested by the collocator. Almost half the construction costs contained in SWBT's April 11, 1997 Dobson "Physical Collocation Quote" attached to the Dobson Comments relate to necessary equipment costs such as these. Finally, SWBT charges monthly "per square foot rate" that covers building costs such as water, sewer, contract labor, insurance, etc. and a "per amp" usage rate for power. Each collocator is provided estimated costs that are 'trued-up' after the job has been completed and SWBT receives bills from its subcontractors. Thus SWBT ensures that the collocator is charged only the actual cost for the buildout of the collocation job. More than half the estimated monthly recurring charge contained in SWBT's Dobson quote are related to Dobson's power needs.

9. In response to the DOJ's evaluation concerning the complaints of Metro Access Network (MAN) relating to physical collocation arrangements in Texas (not in Oklahoma), attached as Exhibit 1 is a copy of the Joint Stipulation and Agreement between SWBT and MAN. This Stipulation sets out the agreement reached by the parties relating to physical collocation issues

and all other interconnection issues between SWBT and MAN in Texas. As a result of this agreement, MAN withdrew its petition for arbitration of SWBT's collocation rates, resolving the DOJ's apparent concerns on this issue.

10. As SWBT has worked through collocations jobs in Oklahoma as well as the other four states in SWBT's territory, we have continued to evolve and improve our policies, procedures, and methods for the implementation of collocation. A discussion of these policies and procedures is contained in the affidavit of Jan Falkinburg. This process, which has resulted both from negotiations and discussions with the collocators, as well as internal policy meetings, has attempted to determine what the collocator's individual requirements are while ensuring fair and consistent treatment across all companies and all states. SWBT has worked diligently on the collocation implementation process in order to accommodate the specific needs of each collocator. Based on my experience, I believe SWBT is providing physical collocation as required under its LSP contracts and the law.

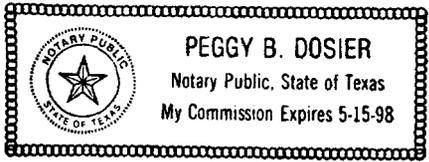
The foregoing affidavit is true and correct to the best of my knowledge, information, and belief.

Deanna Sheffield
Deanna Sheffield
Account Manager - Competitive Provider Account Team
SOUTHWESTERN BELL TELEPHONE COMPANY

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

Subscribed and sworn before me, the undersigned authority, on this 20th day of May May, 1997.

Peggy B. Dosier
NOTARY PUBLIC



 **Southwestern Bell Telephone**

May 22, 1997

Honorable Kathleen Hamilton
Administrative Law Judge
Public Utility Commission of Texas
1701 N. Congress Avenue
Austin, Texas 78701

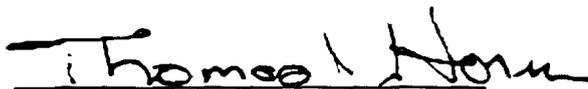
Thomas J. Horn
Attorney

Re: Docket No. 17065; *Petition of Man Access Network, Inc. Arbitration with Southwestern Bell Telephone Company*

Dear Judge Hamilton:

Metro Access Network, Inc. (MAN) and Southwestern Bell Telephone Company (SWBT) have reached a resolution of any and all matters identified by MAN in its petition for arbitration. As such, MAN withdraws its comments previously filed in this docket on April 30, 1997, obviating the need for a response by SWBT.

The terms of the settlement are reflected in the enclosed Joint Stipulation and Agreement. MAN and SWBT agree that for purposes of settling the issues in this proceeding, this Joint Stipulation and Agreement is reasonable and in the public interest. MAN and SWBT further request that the presiding officer and the Commission adopt this stipulation as the settlement of all issues. Following approval of this stipulation and the terms of the settlement, the parties intend to incorporate the settlement terms into the whole interconnection agreement previously agreed to in all other respects but for the physical collocation issues. Upon approval of the completed interconnection agreement, the parties state and believe that there are no issues remaining that need the services of this Commission for purposes of mediation or arbitration.



Thomas J. Horn
Attorney for
Southwestern Bell Telephone Company



Mary C. Albert
Counsel for
Metro Access Network, Inc.

cc: Mr. James R. Galloway, Commission Filing Clerk, PUC (hand delivered)
General Counsel, PUC (hand delivered)
Office of Public Utility Counsel, PUC (hand delivered)
Central Records, PUC (hand delivered)

1616 Guadalupe, Room 600
Austin, Texas 78701-1298

Phone 512 870-5768
Fax 512 870-3420

PUC DOCKET NO. 17065

PETITION OF METRO ACCESS NETWORK, INC.: ARBITRATION WITH SOUTHWESTERN BELL TELEPHONE COMPANY § PUBLIC UTILITY COMMISSION OF TEXAS §

JOINT STIPULATION AND AGREEMENT

COME NOW, Metro Access Network, Inc. ("MAN" or "Applicant"), and Southwestern Bell Telephone Company ("SWBT") and agree to this Joint Stipulation and Agreement and settlement of certain issues as described below for purposes of this proceeding. MAN and SWBT jointly agree and stipulate as follows:

I. Withdrawal of Arbitration

MAN will withdraw its arbitration petition with prejudice subject to the Public Utility Commission of Texas ("Commission") approval of a settlement incorporating the following conditions:

1. **The Four Physical Collocation Arrangements That Are Directly Subject to the Arbitration**

The prices for these collocation arrangements (See, Petition filed February 12, 1997, Table 1 at p. 6) will be the February, 1997 price quotes previously provided to MAN by SWBT. These interim prices are based on SWBT's interim collocation method (which is the "TCG Interim" agreement approved December 12, 1996). These interim prices will be true-up against SWBT's physical collocation tariff rates when those rates are established by the Commission and become effective. No interest will apply to the true-up. In addition to the true-up, it is understood that amounts paid subject to the interim pricing method will also be subject to "rebate" provisions – i.e., refunding portions of common costs paid by the first collocator when and if additional collocators deploy in the same central office.

2. The Two Physical Collocation Arrangements That Have Already Been Paid For and Constructed (See, Petition, Exhibit B)

The prices paid by MAN will not be subject to true-up against SWBT's physical collocation tariff rates for the Dallas Taylor and San Antonio Capital central offices (See, Exhibit B). MAN has indicated that it has paid the associated price quotes for these two collocations under protest and has reserved such rights as it may possess to seek after-the-fact recovery of such portions of those price quotes which it considers excessive. Nothing in this settlement is intended to affect the situation with those collocation arrangements -- i.e., the settlement neither withdraws that reservation of rights, nor does it constitute any acquiescence by SWBT regarding the effectiveness of said reservation. It is understood that amounts paid will also be subject to "rebate" provisions -- i.e., refunding of portions common costs paid by the first collocator when additional collocators, if any, deploy in the same central office.

3. Any Additional Physical Collocation Applications Filed by MAN Prior to the Time SWBT's Physical Collocation Tariff is Resolved and Becomes Effective

On an interim, subject to true-up basis, the prices for all such additional collocations filed prior to effectiveness of the physical collocation tariff will be based on the same method as used to develop the February, 1997 price quotes previously provided to MAN by SWBT. These interim prices are based on SWBT's interim collocation method (which is the "TCG Interim" method), and will be true-up against SWBT's physical collocation tariff rates when those rates are approved by the Texas PUC and become effective. No interest will apply to the true-up. It is understood that amounts paid subject to the interim pricing method will also be subject to "rebate" provisions -- i.e., refunding of portions common costs paid by the first collocator when additional collocators, if any, deploy in the same central office.

4. Standard/Non-Standard Central Office Distinction Under Interim Pricing

It is understood that the interim pricing method includes the same "standard/non-standard" central office designations and pricing policy as contained in SWBT's interconnection agreement with Teleport Communications Group, Inc. Dated November 19, 1997. Agreement to this standard/non-standard designation for purposes of interim pricing is not intended to constitute acquiescence in the reasonableness or lawfulness of that policy for any other purposes, including for purposes of the permanent physical collocation tariff.

5. Physical Collocation Applications Filed by MAN After SWBT's Physical Collocation Tariff is Resolved and Becomes Effective

Prices will be per the Tariff once effective as approved by the Commission.

6. No Prejudice to Rights Regarding Collocation Issues

Agreement by MAN to use the "TCG Interim" method for interim pricing is agreed to so as to provide a basis for MAN to move forward expeditiously with the applications for collocations with SWBT in Texas, and such agreement does not constitute any acquiescence by MAN in the reasonableness of such pricing (or in the pricing methods which underly specific rates) or in other terms and conditions of the interim method. The settlement would not in any way prejudice the parties with respect to their positions in any pending or future regulatory docket or judicial proceeding.

7. Settlement in Lieu of Merits Determination

MAN and SWBT request the Commission not to decide MAN's arbitration petition on the merits, but instead to approve the settlement.