

Report of Independent Accountants on Applying Agreed-Upon Procedures

To the Management of SBC Communications Inc.

We have performed the procedures enumerated in Appendix A, which were agreed to by management of SBC Communications Inc. (“SBC”) and the Joint Federal/State Oversight Team (“Joint Oversight Team”)¹ (collectively, the “Specified Users”), solely to assist these specified parties in evaluating management’s assertion that SBC complied with the requirements of Section 272 of the Communications Act of 1934, as Amended (“Section 272 Requirements”)², during the period from July 10, 2000 to July 9, 2001 (“the Engagement Period”). This engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Specified Users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Appendix A either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results obtained are documented in Appendix A. These procedures and the results are not intended to be an interpretation of any legal or regulatory rules, regulations, or requirements.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on SBC’s compliance with the Section 272 Requirements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The Specified Users of this report determined and agreed to the procedures to be performed in this engagement, including agreement on the information that was to be obtained as a result of executing those procedures and the information that was to be included in the report. The findings within this report represent the results obtained from performing those procedures. As provided for in the regulations, the Joint Oversight Team as a Specified User prepared Attachment B-1, *Comments of the Joint Oversight Team for the SBC Communications Inc. Section 272 Agreed-Upon Procedures Engagement*, describing items in addition to the findings

¹ The “Joint Federal/State Oversight Team” is comprised of staff members from 11 state regulatory agencies and the Federal Communications Commission (“FCC”). SBC operates in the following 13 states: Arkansas, Kansas, Missouri, Oklahoma, Texas, California, Nevada, Illinois, Indiana, Michigan, Ohio, Wisconsin, and Connecticut. Representatives from Nevada and Michigan did not participate with the Joint Federal/State Oversight Team.

² These requirements are contained in 47 U.S.C. Section 272(b), (c), and (e) of the Communications Act of 1934, as Amended (the “Act”), and in 47 C.F.R. Section 53.209(b) of the Federal Communications Commission’s rules and regulations.

To the Management of SBC Communications Inc.

resulting from the application of the agreed-upon procedures that the Joint Oversight Team believes should also be disclosed in this report. SBC as a Specified User prepared Attachment B-2, *SBC Communications Inc.'s letter dated December 14, 2001 and SBC Management Response*, providing additional information regarding findings in the report. We were not engaged to and did not perform any procedures related to Attachments B-1 and B-2. However, we have provided Attachment B-3, *Comments of Ernst & Young for the SBC Communications Inc. Section 272 Agreed-Upon Procedures Engagement*, which contains additional information regarding the Joint Oversight Team's comments.

This report is intended solely for the information and use of management of SBC and the Joint Federal/State Oversight Team, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



December 17, 2001

APPENDIX A

Results of Agreed-Upon Procedures

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APPENDIX A

Results of Agreed-Upon Procedures

OBJECTIVE I. Determine whether the separate affiliate required under Section 272 of the Act has operated independently of the BOCs.

1. Inspected the certificates of incorporation, bylaws, and articles of incorporation of each Section 272 affiliate³ and noted that the inspected documents stated that each Section 272 affiliate was established as a corporation separate from the SBC BOCs⁴.
2. Obtained and inspected the corporate entities' organizational charts of the SBC BOCs, Section 272 affiliates, and SBC Communications Inc. and confirmed with legal representatives of the BOCs, Section 272 affiliates, and SBC Communications Inc. the legal, reporting, and operational corporate structure of the Section 272 affiliates. Noted that the inspected organizational charts and written confirmations from legal representatives stated that SBCS is a wholly owned subsidiary of SBC Communications Inc., and ACI is a wholly owned subsidiary of Ameritech Corporation, which in turn is 100% owned by SBC Communications Inc.
3. Obtained the functional organizational chart for each Section 272 affiliate as of March 31, 2001 (the end of the ninth month of the Engagement Period). Noted that the charts did not include a summary of the number of employees by department and location. SBC was unable to recreate the March 31, 2001 organization chart and summary requested because the organizational charts are updated monthly and the March 31, 2001 information was not retained. Therefore, obtained the functional organizational detail which listed the number of employees, street addresses where employees were located, and departmental functions for each location as of August 1, 2001, as shown in Attachment A-1.

³ The words "Section 272 affiliates" used throughout this representation refer to the following companies, collectively, Southwestern Bell Communications Services, Inc. ("SBCS") doing business as Southwestern Bell Long Distance ("SBCLD") and Ameritech Communications, Inc. ("ACI").

⁴ The words "SBC BOCs" refer to the SBC operating telephone companies, operating as incumbent local exchange carriers ("ILECs"), and include the following: Illinois Bell Telephone Company; Indiana Bell Telephone Company, Incorporated; Michigan Bell Telephone Company; Nevada Bell; The Ohio Bell Telephone Company; Pacific Bell Telephone; Southwestern Bell Telephone Company ("SWBT"); and Wisconsin Bell, Inc. Although The Southern New England Telephone Company ("SNET") and The Woodbury Telephone Company are not BOCs as defined by the Act, for purposes of the Biennial Audit, they are treated as SBC BOCs with respect to the structural, transactional, and nondiscriminatory requirements of Sections 272 (b) and 272 (e) to the extent they are included in Objectives I through XI.

4. Obtained, from the Section 272 affiliates, a list and description of services rendered to the Section 272 affiliates during the first nine months of the Engagement Period by the SBC BOCs, by other affiliates, and by unaffiliated companies. Noted that the lists included the location of both the providing and receiving entity for all services involving operations, installation, and maintenance (“OI&M”).
5. By review of the listings obtained in procedures 3 and 4 above and SBC representation, noted that none of the Section 272 affiliates obtained OI&M services for transmission and switching facilities from the SBC BOCs or any other affiliated entity. However, noted that the Section 272 affiliates obtained OI&M services from unaffiliated entities. Obtained a listing of OI&M services provided to the Section 272 affiliates by unaffiliated entities. Noted that this listing included the location of the service provider and the primary location where the Section 272 affiliate received the service. The listing indicated that all services were provided to facilities owned by the Section 272 affiliates. Attachment A-2 lists the unaffiliated entities providing OI&M service to the Section 272 affiliates during the Engagement Period.
6. SBC represented that the SBC BOCs did not provide research and development (“R&D”) activities to the Section 272 affiliates for the first nine months of the Engagement Period. SBC represented that the SBC BOCs did not offer or perform any R&D services on behalf of the Section 272 affiliates or unaffiliated entities during the Engagement Period
7. Obtained the balance sheet of each Section 272 affiliate as of March 31, 2001 and a detailed listing of all fixed assets (“listing”) including capitalized software. Noted that the listing agreed to the balance sheet with the exception of rounding differences of \$756 and \$781 for SBCS and ACI, respectively. Noted that the detailed fixed asset listing for SBCS and ACI totaled \$39,791,754 and \$66,676,219, respectively.

Verified by observation that the listings obtained above, which included 480 assets for SBCS and 2,735 assets for ACI, included information in the five required fields of data: description, location of each item, date of purchase, price paid and recorded, and from whom the asset was purchased or transferred. Noted that all 16,075 required data fields were populated except for 119 assets of SBCS and 337 assets of ACI that did not include information in one data field, “from whom the asset was purchased or transferred.”

Determined which fixed assets related to transmission and switching facilities, including capitalized software, and the land and buildings where those facilities are located by reviewing the descriptions of the assets on the listing and noting which general ledger account numbers included transmission and switching facilities. Obtained verification from SBC that the general ledger account numbers identified representing all transmission and switching facilities, including capitalized software, and the land and buildings where those facilities were located as of July 9, 2001 were included in the

listings. The population of the transmission and switching facilities fixed assets is summarized below.

Table 1 – Summary of Transmission & Switching Facilities Fixed Assets as of March 31, 2001

<u>Section 272 Affiliate</u>	<u>Total Number of Items</u>	<u>Total Fixed Asset Balance</u>
ACI	757	\$ 28,991,754
SBCS	169	22,941,521
Total	<u>926</u>	<u>\$ 51,933,275</u>

Of the population of transmission and switching facilities fixed assets described above, randomly selected 100 items and inspected documentation, which revealed ownership of 97 of the 100 items selected. Noted per inspection of invoices that none of the 97 items selected were purchased jointly by the Section 272 affiliate and the SBC BOCs. SBC was unable to prove ownership of three items selected from ACI totaling \$33,799.32. SBC explained that the reasons for the inability to locate documentation supporting ownership of these items were due to the age of the asset (four to six years) and/or the fixed asset system conversions that have occurred since the assets were acquired.

OBJECTIVE II. Determine whether the separate affiliate required under Section 272 of the Act has maintained books, records, and accounts in the manner prescribed by the Commission that are separate from the books, records, and accounts maintained by the BOCs.

1. Obtained the general ledger of each Section 272 affiliate as of March 31, 2001 and matched the title on the general ledger with the name of the affiliate on the certificate of incorporation and noted that a separate general ledger was maintained. Reviewed the general ledgers for special codes to link the Section 272 affiliates to the SBC BOCs and noted none.
2. Obtained and documented the accounting procedures and policies utilized by each Section 272 affiliate during the Engagement Period. This documentation includes an understanding of the accounting systems, processes, transaction flows, and control points affecting revenue, accounts receivable, cash receipts, purchasing, accounts payable, cash disbursements, payroll, fixed assets, and recording of affiliate transactions.

Noted that each Section 272 affiliate maintained a separate general ledger from the SBC BOCs and obtained accounting support from SBC Services, Inc., an affiliated central

services organization. Noted that SBC Services, Inc. establishes accounting policies and procedures for most SBC affiliates (including Section 272 affiliates) and maintains the Section 272 affiliates' general ledgers and other financial accounting systems in accordance with an affiliate agreement. These accounting systems include billing and collections, purchasing, accounts payable, cash disbursements, payroll, and fixed assets. Noted that a unique company code is established for each of the Section 272 affiliates and is required for all transactions. Also noted, through inquiry, that access to the Section 272 affiliates' company codes is restricted to authorized users within the Section 272 affiliates' and SBC Services, Inc.'s organizations. The Section 272 affiliates follow the accounting practices used by the other SBC non-incumbent local exchange carrier affiliate companies. Noted through inquiry that the Section 272 affiliates do not maintain written accounting procedures and policies related to the financial systems noted above.

Noted per review of supporting documentation that SBC has formalized its accounting procedures and policies in a set of Operating Procedures ("OPs"). Section 10.502 of OP 6 includes a description of the requirements and restrictions applicable to transactions with the Section 272 affiliates as specified in Section 272 of the Act. As any procurement activity by an SBC BOC from a Section 272 affiliate would result in an affiliate transaction, OP 6 refers to OP 125 – "*Nontariffed Activities and affiliate Transactions*," for complete instructions on affiliate transactions. SBC has established written controls to require any SBC BOC purchase from a Section 272 affiliate comply with Section 272, including the SBC BOCs' nondiscriminatory procurement obligations. The internal control in place is that any nontariffed affiliate transaction must be approved by the Affiliate Oversight Group prior to the purchase; additionally, the approval process includes a review of the SBC BOCs' nondiscrimination obligations.

3. Obtained a list of all collections from the sale of the Section 272 affiliates' trade accounts receivable to other SBC affiliates for the month ended March 31, 2001. Receivables are sold to the SBC BOCs with recourse back to the Section 272 affiliates for uncollectible accounts. Verified that collection of the trade accounts receivable was reflected in the accounts of each Section 272 affiliate by tracing the collections to each Section 272 affiliate's general ledger without exception.

For the month ended March 31, 2001, randomly selected 10 cash disbursements and five payroll transactions for each Section 272 affiliate and verified that the selected transactions were funded by and appropriately reflected in the general ledger of each Section 272 affiliate by tracing these transactions to the Section 272 affiliate's general ledger without exception. Traced the selected cash disbursements to the March 2001 bank statements for each Section 272 affiliate.

Documented the process for how each Section 272 affiliate receives credit for collections and how each Section 272 affiliate funds payments processed on its behalf through the SBC Services, Inc. affiliate. All transactions for each of the Section 272 affiliates and any

other SBC affiliate are funded through the consolidated cash management process in which an intercompany note payable/receivable is established each month by SBC for each of the affiliates. The note funds intercompany transactions and transactions with third parties that are disbursed through the applicable Section 272 affiliate bank account. Each of the Section 272 affiliates has zero balance bank accounts (“ZBAs”). SBC funds the ZBAs on a daily basis as checks clear and records an increase in the note receivable balance on its general ledger due from the Section 272 affiliate. The Section 272 affiliate records a corresponding increase to the note payable to SBC on its general ledger. Reductions to the note are made at such times that cash collections, intercompany receivables, and equity infusions are made to the Section 272 affiliate. Receipts from direct billings and billings through the SBC BOCs for the Section 272 affiliates are deposited in central lockboxes maintained by the Section 272 affiliates. These amounts reduce the note payable balances on the Section 272 affiliates’ books, reducing the amount owed to SBC.

Intercompany transactions are recorded on SBC’s Treasury Intercompany Payment System (“TIPS”), which was developed internally by SBC.

4. Obtained each Section 272 affiliate’s financial statements as of March 31, 2001 and a listing of all lease agreements, including the associated annualized payments or receipts in effect during the Engagement Period. Identified, in the workpapers only, five ACI leases and one SBCS lease that had annual payments or receipts of \$500,000 or more during the first nine months of the Engagement Period. Obtained copies of the five ACI leases and the SBCS lease identified above and noted that all leases selected for testing were appropriately recorded as operating leases in accordance with generally accepted accounting principles.

OBJECTIVE III. Determine whether the separate affiliate required under Section 272 of the Act has officers, directors, and employees that are separate from those of the BOCs.

1. Obtained SBC’s and the Section 272 affiliates’ policies and procedures for transferring, sharing, and loaning employees between each other and identified and documented the types of internal controls that were in place during the Engagement Period to prevent one from being an officer, or director, or employee of both an SBC BOC and a Section 272 affiliate at the same time. Noted, based on inspection, that these policies and procedures covered all SBC affiliates, including the SBC BOCs and the Section 272 affiliates. The policies and procedures provided by SBC are noted below:

Transfers

Noted that policies and procedures for employee transfers are specified in the business rules for recording employee status events in the payroll systems. These procedures require any employee “status changing” event, including movement or transfer between affiliates, to be documented by a Personnel Change Record (“PCR”) form. This form

requires that the payroll charging direction for a transferred employee is redirected to the “receiving” affiliate. The rules specifically advise that PCRs must be processed timely to provide that a transferred employee does not receive a paycheck from both a former and new employing affiliate.

Noted that SBC also has an automated approach to detect any errors occurring if PCRs are not processed timely or correctly. The SBC Human Resources Organization Service Center generates a weekly report that compares the social security numbers for all employees in the four payroll systems in use in SBC during the Engagement Period. This report is designed to compare the systems in order to verify that no employee is receiving pay from more than one affiliate within the four payroll systems.

Sharing & Loan of Employees

Noted that SBC policy prohibits the provision of any good or service between SBC BOCs and Section 272 affiliates that does not follow the FCC’s Accounting Safeguard rules. Also noted that the sharing and loan of employees not properly documented with a written agreement and compensated according to the FCC’s requirements would be prohibited by SBC policy. Noted that the SBC policy defines that any service provided by employees of either the SBC BOC or the Section 272 affiliate to the other would be deemed an affiliate transaction and would be structured under the provisions of OP 125 (described in response to Objectives V & VI, Procedure 2).

Officers/Directors

Noted that SBC’s policy defines officers as any individual that has been designated to hold a corporate office that has been authorized by the SBC BOCs’ or Section 272 affiliates’ (collectively referred to as “subsidiaries”) bylaws. Officers and directors are not required to be employees of the subsidiary. Noted that the policies, procedures, and internal controls for officers and directors are similar.

Noted that the internal control to prevent one from being an officer or director of both an SBC BOC and Section 272 affiliate is the manual review of each entity’s board and officer listings prior to effecting a change to the board of directors or officers of an affiliate. All subsidiary corporate memberships (directors and officers) are managed centrally through SBC’s Legal Department. The Legal Department is assigned to review all changes in the composition of the SBC BOCs and Section 272 affiliates for individuals active at both an SBC BOC and Section 272 affiliate.

Employees

Noted that there is an internal control to detect and prevent an employee’s “dual employment” with the SBC BOCs and the Section 272 affiliates which includes the company’s payroll systems’ built-in controls which prevent an employee from being paid from multiple affiliate payrolls within the same payroll system. Noted that although the company has multiple payroll systems, employees continue to be paid

through their original payroll system, regardless of which affiliate they subsequently transfer to. The current employing affiliate always recognizes the employee's payroll expense.

In addition, also noted that supplemental controls include paycheck/advice distribution through the employee's supervisor (or designate), rather than directly from the payroll organization to the employee.

SBC disclosed during the June through August 2000 timeframe three employees who transferred from an SBC BOC to ACI reported for duty to ACI prior to or after their transfer effective date and were requested to return to their former posts to train their successors. According to the ACI transfer policy, employees are not to begin work in their new positions until their effective payroll date and should not perform services in their old positions on or after the effective date. SBC represented that procedures were put in place during third quarter 2000 to improve the employee transfer policy at ACI. Additionally, the employee transfer policy was covered with the ACI leadership team during September 2000.

2. Inquired of SBC and documented that the Section 272 affiliates and the SBC BOCs maintain separate boards of directors and separate officers. For each SBC BOC and Section 272 affiliate, reviewed the minutes of the board of directors meetings held during the Engagement Period. Obtained a list of the names of officers and directors of the SBC BOCs and Section 272 affiliates, including the dates of service for each officer and/or board member for the Engagement Period. Compared the list of officers and directors of the SBC BOCs with the list of officers and directors of the Section 272 affiliates, and noted no officers or directors simultaneously on both lists.

Read the minutes of the meetings of the boards of directors in which the boards of directors were elected for each Section 272 affiliate and each SBC BOC. Noted no individuals served as a director or officer of an SBC BOC or a Section 272 affiliate at the same time.

3. Obtained the functional organizational chart for each Section 272 affiliate as of March 31, 2001. Inspected the functional organizational charts and noted no departments reporting either functionally or administratively (directly or indirectly) to an officer of an SBC BOC. In addition, SBC represented that no department of the Section 272 affiliates reported either directly or indirectly to an officer of an SBC BOC.
4. Obtained the payroll registers for each Section 272 affiliate that included the social security numbers of all the directors, officers, and employees as of March 31, 2001 and designed and executed a program which electronically compared the social security numbers of directors, officers, and employees on the Section 272 affiliates' payroll registers to the electronic employee records for the SBC BOCs. Noted that four

individuals were listed on both the Section 272 affiliates' listings and the SBC BOCs' listings. Documented below the reason and number of employees appearing on both lists.

Testing indicated the following duplication of employee social security numbers between the Section 272 affiliates and the following SBC BOCs:

Table 2

		Number of Duplicates
ACI	Illinois Bell	3
ACI	Wisconsin Bell	1

Noted by review of the payroll registers that while the employee names appeared on both the SBC BOCs' and ACI's payroll registers, only the ACI payroll register included payments to the employees. The SBC BOC payroll register listing included the employee name with no corresponding payment. Also noted by review of the employee transfers obtained in Procedure 5 below that the four duplicates transferred between the SBC BOCs and ACI with effective dates of March 2001 and April 2001. SBC represented that the duplicate employees were only paid by the affiliate by which they were employed and appeared on the other register with no pay.

5. Obtained lists of Section 272 affiliate employees from February 8, 1996 to June 4, 2001 for ACI and June 6, 2001 for SBCS, which included all officers and employees who transferred from an SBC BOC at any time to a Section 272 affiliate. From these listings, extracted a listing of all officers and employees (24 in total) that transferred from an SBC BOC to a Section 272 affiliate after July 10, 2000. For the 24 transferred officers and employees, confirmed that during the Engagement Period the officers and employees did not use any SBC BOC proprietary information (e.g., customer proprietary network information ("CPNF"), Network Planning Manuals, Plant Traffic Practices, OI&M Practices) obtained while they were employees of the SBC BOC while working at a Section 272 affiliate, and that none of the above information was made available to them through friends and acquaintances still employed by the SBC BOC. All confirmations were obtained in writing, and three employee confirmations were also supported with follow-up interviews that clarified their written responses. Also reviewed the PCRs for 23 of the 24 transferred employees to determine whether SBC's internal controls for employees transferred were implemented. Noted that the PCRs reviewed were executed according to the policies and procedures inspected in Procedure 1 above. Noted that SBC could not locate one PCR form.

6. Obtained the lists of employees of the Section 272 affiliates from February 8, 1996 through March 31, 2001. Selected a random sample of 100 employees from the lists obtained and inspected SBC's personnel files which indicated the employee's employment history within the SBC BOC family of companies. Noted that of the 100 randomly selected employees, 19 ACI employees and four SBCS employees had also been employees of an SBC BOC or another affiliate during the period from February 8, 1996 through March 31, 2001. Documented at Attachment A-3 the number of employees and dates each person was employed by the SBC BOCs, any other affiliate, and the Section 272 affiliates since February 8, 1996. Noted no employees listed on Attachment A-3 that repeatedly transferred back and forth between the Section 272 affiliates, the SBC BOCs, and other affiliates.
7. Obtained the methodology used to calculate annual bonuses for officers and management employees of each Section 272 affiliate. Inquired and determined the methodology used is tied to the combined results of the Section 272 affiliates and the SBC BOCs. Noted that management bonus rates were based on "Network Services" financial results that include the results of the SBC BOCs, the Section 272 affiliates, and other wireline affiliates. Noted that the actual team payout ratio for 2000 was 50% compared to the target team payout of 100%.

Obtained the actual calculations used to determine the annual bonuses paid to all officers and senior managers and a representative sample of 25 middle and lower level managers. Recalculated the bonuses using the methodology provided by SBC and agreed the bonus amount to the applicable payroll register for payment to each individual.

OBJECTIVE IV. Determine that the separate affiliate required under Section 272 of the Act has not obtained credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the BOCs.

1. Documented, in the workpapers, that the Section 272 affiliates had no debt agreements/instruments or credit arrangements with unaffiliated lenders and major suppliers of goods and services in effect during the Engagement Period.

Documented that SBC Communications Inc. and Ameritech Corporation, the "holding companies," extended credit to the Section 272 affiliates through the consolidated cash management process.

2. Using the lease agreements obtained in Objective II, Procedure 4 (those exceeding \$500,000), documented that there were no instances in which a Section 272 affiliate's lease agreement had recourse to an SBC BOC's assets either directly or indirectly through another affiliate.

3. Requested positive written confirmation from the Section 272 affiliates' lessors for all leases with unaffiliated entities with annual payments in excess of \$500,000 (one SBCS lease and two ACI leases) and for 10 leases judgmentally selected with annual payments less than \$500,000. Received responses from eight out of 13 requests sent; the responses confirmed that there was no recourse either directly or indirectly to the assets of any of the SBC BOCs. For one ACI lease with annual payments in excess of \$500,000, received a response indicating that the lessor would not respond to a confirmation request.
4. Obtained documentation and noted the balance of accounts payable (receivable) of each Section 272 affiliate to (from) and/or advances from (to) the SBC BOCs as of March 31, 2001 as follows:

Table 3

	ACI	SBCS
Ameritech Illinois	\$ (206,590)	\$ —
Ameritech Indiana	1,603	—
Ameritech Ohio	4,484	—
Ameritech Michigan	5,619	—
Ameritech Wisconsin	8,925	—
SWBT	—	11,162,162
SNET	17,795	—
Pacific Bell	14,772	388,876
Nevada Bell	—	—
Total payable (receivable) to (from) SBC BOCs	<u>\$ (153,392)</u>	<u>\$ 11,551,038</u>

OBJECTIVE V. Determine whether the separate affiliate required under Section 272 of the Act has conducted all transactions with the BOCs on an arm's length basis with the transactions reduced to writing and available for public inspection.

OBJECTIVE VI. Determine whether or not the BOCs have accounted for all transactions with the separate affiliate in accordance with the accounting principles and rules approved by the Commission.

1. Documented, as follows, the procedures used by the SBC BOCs to identify, track, respond to, and take corrective action to competitors' complaints relating to alleged violations of the Section 272 Requirements.

SBC represented that the following procedures were used by the SBC BOCs to identify, track, and respond to complaints relating to alleged violations of the Section 272 Requirements during the Engagement Period. The SBC BOCs have assigned a point of contact for competitors' complaints through their respective Industry Markets Account

Team (“Account Team”) or the Access Service Office. The Account Team is responsible for conducting an appropriate investigation and/or taking appropriate action for resolution of all complaints. If the competitors are not satisfied with the resolution of the complaint, they may escalate their complaint to a higher level of management within SBC. This escalation process is in place to provide a forum to respond to the competitors’ issues/concerns, which ultimately may be addressed or resolved at an officer level (i.e., President – Industry Markets). Competitors not satisfied with the resolution of their concern/complaint may at their discretion file a complaint with an appropriate regulatory agency. Each SBC BOC has designated representatives in its state regulatory groups to address both formal and informal complaints lodged with the corresponding state regulatory commissions. In addition, SBC has assigned representatives within its Federal Regulatory group to address FCC formal and informal complaints. Finally, SBC has established a 272 Compliance Team, including representatives from each SBC organization, group, business unit, etc. affected, or potentially affected, by the Section 272 Requirements, to address any Section 272 related issues and complaints.

Obtained from the SBC BOCs a list of all FCC formal complaints, as defined in 47 CFR 1.720; FCC informal complaints, as defined in 47 CFR 1.716; and any written complaints made to a state regulatory commission from competitors filed during the first nine months of the Engagement Period involving alleged noncompliance with the Section 272 Requirements, including complaints submitted by competitors related to the provision or procurement of goods, services, facilities, and information, or in connection with the establishment of standards.

- Allegations of cross-subsidies (***no complaints received***)
2. Obtained from the SBC BOCs and each Section 272 affiliate current written procedures for transactions with affiliates and compared these procedures with the FCC Rules and Regulations, including Sections 32.27, 53.203(e), and 64.901; Paras. 122, 137, 183, and 265 of the *Report and Order* in CC Docket No. 96-150, issued December 24, 1996, concerning Accounting Safeguards Under the Telecommunications Act of 1996 (11 FCC Red 17539 (1996)); and Paras. 180, 193, and 218 of the *First Report and Order and Further Notice of Proposed Rulemaking* in CC Docket No. 96-149, issued December 24, 1996, concerning Non-Accounting Safeguards under Sections 271 and 272 of the Act. Noted that the SBC BOCs’ written policies and procedures did not address the certification statement required by CC Docket 96-150, paragraph 122.
 3. Inquired and documented how the SBC BOCs and each Section 272 affiliate disseminate the FCC Rules and Regulations by noting that the SBC 272 Oversight Team, operating at the parent company level, has overall responsibility to coordinate dissemination of the obligations created by the Section 272 Requirements across the entire company including both the SBC BOCs and the Section 272 affiliates. At the corporate level, SBC represented that the 272 Oversight Team established a 272 compliance web site and

posted various training and reference materials on an Intranet site. SBC represented that the 272 Oversight Team has designated a training coordinator for each impacted business unit.

The following types and frequency of training were noted:

SBC BOCs:

SBC represented that the training provided by the SBC BOCs addressed key topics such as what services could be provided to the Section 272 affiliates, the required terms and conditions for providing services, the protection of proprietary information, and permitted and prohibited activities when performing joint marketing. Managers with a need to know were provided with training on Section 272 issues.

SBC represented that the SBC BOCs developed numerous documents containing the Methods and Procedures (“M&P”) associated with the Section 272 long distance approval. M&P were a primary training tool to require that employees performed specific business procedures in compliance with the Section 272 Requirements.

In addition, SBC represented that employees of the SBC BOCs and the Section 272 affiliates attended training presented by the 272 Oversight Team. This training was presented in live sessions at various company locations in 2000 and 2001.

SBC represented that the 272 Oversight Team also made training materials available to employees of the SBC BOCs and Section 272 affiliates via the Intranet. SBC maintained an Intranet site with various training materials and on-line courses available to all employees.

SBC represented that frequency of the training was focused on initial training once the Section 272 affiliate had obtained long distance approval. SBC represented that frequency of refresher training will be determined in 2001.

Section 272 affiliates:

The Section 272 affiliates were designed and organized to be structurally separate from the SBC BOCs. Separate operating procedures were developed for the Section 272 affiliates’ business activities, and these procedures specifically addressed the restrictions and requirements on interaction with the SBC BOCs, as imposed by the Section 272 Requirements and other FCC rules. SBC represented that M&P at the Section 272 affiliates were designed pursuant to restrictions and requirements of the Section 272 Requirements. SBC represented that M&P were a primary training tool to require that employees performed specific business procedures in compliance with the Section 272 Requirements.

SBC policies related to Section 272 Requirements:

Code of Business Conduct

SBC represented that each SBC employee is expected to abide by the standards embodied in the SBC Code of Business Conduct. Toward this objective, all employees have the following responsibilities with regard to the Code's administration.

- Ensuring that each employee they supervise annually receives and reads a copy of the Code of Business Conduct and signs a copy of the Acknowledgment Form annually;
- Ensuring that employees are aware that they may make a good faith report of a violation or suspected violation of the law or the Code without fear of reprisals;
- Ensuring that any standards and procedures developed for their areas comply with the Code and are communicated to affected employees;
- Reporting any possible violations of the Code of Business Conduct and/or situations which could result in Code violations or be perceived as Code violations to higher level management.

Competition Guidelines

SBC represented that the Company's Competition Guidelines are supplemental to the Code of Business Conduct, and employees are required to review the Competition Guidelines every three years (annually in Texas) with the review documented in the employee's record.

Section 272 Employee Compliance Guide

SBC represented that the 272 Oversight Team developed an employee compliance guide specifically for SBC Section 272 Requirements. This guide is available to employees on the SBC Intranet web site. SBC also represented that upon obtaining Section 271 authorization in a particular SBC state, employees are provided with reminder notices of their obligations to comply with the Section 272 Requirements and are directed to refer to the Section 272 employee compliance guide.

Supervision of employees responsible for ensuring compliance with these rules:

SBC represented that the 272 Oversight Team defined responsibilities for each business unit to name a primary and secondary training contact. SBC represented that the role of the Primary Contact was to ensure that all of the business unit's employees are appropriately trained.

In addition, SBC represented that it also maintains a company-wide Section 272 Compliance Program which includes a designated Compliance Coordinator for each business unit. SBC represented that the Coordinator's responsibilities include training.

Interviewed those employees responsible for developing and recording in the books or records of the carrier transactions affected by these rules and noted that they were aware of the Section 272 Requirements and affiliate transaction rules. These employees included four employees from the Affiliate Oversight Group, two employees from Ameritech Services, Inc. responsible for recording Ameritech BOC transactions, two employees from SBC Services, Inc. responsible for recording SBC BOC transactions for SWBT, Pacific Bell, and Nevada Bell, and one employee responsible for Section 272 affiliate transactions.

4. Inquired and described the process that a Section 272 affiliate must follow to request any type of service from the SBC BOCs and the approval process within the SBC BOCs to fulfill a request for service from a Section 272 affiliate, noting that the Section 272 affiliate does not request services directly from the department that provides the service. The following are the steps in the request process that each Section 272 affiliate must follow:

The process for provision of services is as follows:

- Step 1: An affiliate agreement is in place prior to any transactions between an SBC BOC and a Section 272 affiliate.
- Step 2: A Section 272 affiliate contacts the Account Team representing the SBC BOC to request the service and describe the components of the request.
- Step 3: For services provided under tariff or prevailing price agreements, the Account Team completes the Section 272 affiliate's request for service.
- Step 4: For services provided under affiliate agreements, the SBC BOC determines whether a service can be offered to the Section 272 affiliate. The SBC BOC estimates the recurring and nonrecurring labor, expense, and capital required to provide the service to the Section 272 affiliate.
 - Step 4a: The Account Team negotiates with the SBC BOC and notifies the Section 272 affiliate whether the SBC BOC is willing to provide the service.
 - Step 4b: An affiliate agreement is drafted by the SBC BOC, signed by the SBC BOC, and sent to the Section 272 affiliate for signature.
 - Step 4c: Once the affiliate agreement has been signed by both parties, the contract is considered executed and the agreement and any applicable documents are posted on the SBC Internet site at <http://www.sbc.com/PublicPolicy/Regulatory>.

The approval process within the SBC BOCs to fulfill a request for service from a Section 272 affiliate is as follows:

- Step 1: The SBC BOC employees contact the Account Team regarding all requests related to the procurement of any affiliated SBC BOC good, service, facility, or information.
 - Step 2: All requests from a Section 272 affiliate are directed to the existing customer contact point appropriate for the service being requested.
 - Step 3: All other nontariffed proposed affiliate transactions are submitted to the Affiliate Oversight Group prior to the provision or receipt of any service.
 - Step 4: The Affiliate Oversight Group provides the final guidance and approval on which services can or cannot be provided to the Section 272 affiliate.
5. Obtained the written agreements for services provided under affiliate agreements and contracts between the SBC BOCs and the Section 272 affiliates that were in effect through March 31, 2001. SBC represented that services provided under tariff from the SBC BOCs to the Section 272 affiliates had no written agreement other than the applicable tariff. Copies of the tariffs were not obtained in this procedure. Included copies of the obtained agreements in the workpapers and noted names of parties, type of service, price, terms, and conditions. Compared these agreements with the list of services provided by the SBC BOCs to the Section 272 affiliates in Objective I, Procedure 4 and noted no exceptions.

In addition, noted those agreements still in effect, and for those agreements no longer in effect, indicated the termination date. Noted that three agreements between Illinois Bell and ACI, one agreement between Michigan Bell and ACI, and one agreement between SWBT and SBCS were terminated during the Engagement Period. SBC represented that no agreements were terminated prematurely during the Engagement Period because the service agreements between the SBC BOCs and the Section 272 affiliates are not term agreements. Inquired and documented that the SBC BOCs' policy is to not provision services to the Section 272 affiliates without a written agreement. SBC represented that none of the Section 272 affiliates obtained any services from an SBC BOC without a written agreement.

The affiliate agreements in effect as of March 31, 2001 were posted on the SBC Internet site at:

<http://www.sbc.com/PublicAffairs/PublicPolicy/Regulatory>

6. Viewed the SBC Internet site at <http://www.sbc.com/PublicAffairs/PublicPolicy> as of March 29, 2001 and noted that all agreements and pricing addendums, 450 in total, obtained in Procedure 5 above were posted on the Internet, except for 25 agreements or pricing addendums noted in Attachment A-4. Noted that there were no asset transfers between the Section 272 affiliates and the SBC BOCs included in the agreements obtained in Procedure 5 and no asset transfers were posted on the Internet as of March 29, 2001. SBC has represented that only furniture valued at \$5,000 was transferred from an SBC BOC to SBCS in 1996.

Table 4 – Summary Differences Between Agreements Posted on the Internet and the Agreements Located in the Central Files

Description	Number of Differences from Total Population of 450 Agreements and Pricing Addendums
Agreements or Pricing Addendums posted on the Internet at March 29, 2001, but not located in Central Files	17
Agreements or Pricing Addendums included in the Central Files, but not posted on the Internet at March 29, 2001	25

Compared the prices and terms and conditions of services and assets in the agreements obtained in Objectives V and VI, Procedure 5 to those shown on the SBC Internet site. Noted certain exceptions listed on Attachment A-4 and as summarized in Table 4 above. Noted that the information provided on the Internet is sufficiently detailed to allow evaluation for compliance with the FCC’s accounting rules because entire agreements are posted on the SBC Internet site. Noted that all the details needed to allow evaluation for compliance with the FCC’s accounting rules are made available. Noted that the Internet posting of the agreements included rates, terms, conditions, frequency, effective dates, termination dates, description of services, and method of pricing.

By physical inspection of the SBC BOC central files at the locations listed in the table below, noted that the same information was made available for public inspection at the principal place of business of the SBC BOCs, except as noted on Attachment A-4. Noted that SBC did not make any claim of confidentiality for nondisclosure.

Table 5 – Central File Locations

SBC BOC	Address	City, State
SWBT	530 McCullough	San Antonio, Texas
Nevada Bell	645 E. Plumb Lane, B120	Reno, Nevada
Pacific Bell	140 New Montgomery, 2501	San Francisco, California
SNET	310 Orange Street	New Haven, Connecticut

Illinois Bell	225 E. Randolph, 29C	Chicago, Illinois
Indiana Bell	240 N. Meridian Street, Room 1483	Indianapolis, Indiana
Michigan Bell	444 Michigan Avenue, Room 1550	Detroit, Michigan
Ohio Bell	45 Erieview Plaza, Room 1500	Cleveland, Ohio
Wisconsin Bell	722 N. Broadway, Floor 13	Milwaukee, Wisconsin

Documented the policies that the Section 272 affiliates have in place for posting these transactions on a timely basis and noted that these procedures are posted on the SBC Internet site at:

<http://www.sbc.com/PublicAffairs/PublicPolicy/Regulatory/affdocs/MethodsProc-Rev.doc>

For the random sample of 100 affiliate agreements and related pricing addendums obtained in Procedure 5 above, performed the following:

- Noted by inquiry and observation that the 100 agreements or pricing addendums were posted for public inspection within 10 days of their occurrence except for the following:
 - SWBT to SBCS – Premise Sales Support Pricing Addendum dated June 4, 2000 was posted to the Internet on July 13, 2000.
 - Nevada Bell to SBCS – Employee Concession Pricing Addendum effective April 1, 2001 was posted to the Internet on May 8, 2001.
 - Nevada Bell to SBCS – Joint Marketing and Sales Support Pricing Addendum effective March 20, 2001 was posted to the Internet on May 8, 2001.
 - For 12 of the 100 postings tested, Internet posting dates could not be verified since these agreements were executed prior to October 8, 1999 and SBC did not retain support for the Internet posting dates.

For 39 of the 100 postings tested, support obtained for the Internet posting date was internal correspondence or employee file notes provided by the Section 272 affiliate. These agreements or pricing addendums were posted to the Internet prior to the Section 272 affiliate’s implementation of the posting procedures which produce system-generated verification of the posting dates.

7. For nontariffed services and for services for which a prevailing market price (“PMP”) has not been established, or which are not subject to agreements filed with a public service commission, documented the SBC BOCs’ and the Section 272 affiliates’ process for developing fully distributed cost (“FDC”). Documented and identified the type of costs

included in FDC and documented SBC's calculation of FDC for the services selected by the Joint Oversight Team.

The following summarizes the documentation provided by SBC regarding the processes the SBC BOCs and the Section 272 affiliates utilized to develop FDC:

The process employed by the SBC BOCs for developing FDC is documented in OP 125. The SBC BOCs develop an FDC factor that is applied to all service-specific labor costs in order to capture all costs related to the service provided. Types of costs included in the FDC factor include executive and planning salaries and expenses, general and administrative salaries and expenses, and support asset costs. After the FDC factor is applied to the specific labor costs, an inflation factor, a commission assessment factor, and an Affiliate Oversight Group cost factor are also applied to arrive at the rate charged to the Section 272 affiliate for the service. The inflation factor is used to represent any inflation-driven cost changes since the cost study was developed. The commission assessment factor is only used by SWBT and is applied to recover the costs of fees individually assessed by each state and used to fund the state's regulatory commission. The Affiliate Oversight Group factor is applied to recover the costs of salaries, benefits, and overhead related to operations of the Affiliate Oversight Group.

Selected the following services for which FDC studies were tested for the actual development of FDC and types of costs included in FDC:

- Pacific Bell – Business Communications services' FDC study was reviewed. Noted that the types of costs included in the service-specific labor costs included average costs per hour for wages, paid absences, special payments, wage increases, social security, relief, pensions, other benefits, other expenses, support assets, clerical support, supervision, and supervision support. The total service-specific labor cost per hour was then increased by the FDC factor described above, the inflation factor, the Affiliate Oversight Group factor, and the overall markup of 10% mandated by the State of California's affiliate transaction requirements to arrive at the total FDC rate per hour charged to SBCS.
- SWBT – Residential service center long distance sales services' FDC study was reviewed. Noted that the types of costs included in the service-specific labor costs included average costs per hour for wages, paid absences and breaks, premium time, wage increases, social security, other benefits, other direct employee-related expenses, support assets, secretarial support, supervision of next level, fully allocated other expenses, general supervision and staff support, and general expenses. The total service-specific labor cost per hour was then increased by the FDC factor described above, the inflation

factor, the Affiliate Oversight Group factor, and the commission assessment factor to arrive at the total FDC rate per hour charged to SBCS.

- SBCS – Switched toll free service and dedicated voice access/data over voice service were reviewed. Noted that types of costs included tariffed and contract rates charged to other entities plus markup factor for overhead costs.

8. For nontariffed services for which a PMP has not been established, or which are not subject to agreements filed with a public service commission, documented the process the SBC BOCs and the Section 272 affiliates follow to make an estimate of fair market value (“FMV”). Obtained documentation of the calculation of the estimate of FMV for the following services selected by the Joint Oversight Team.

Noted, per review of the documentation obtained above, the processes the SBC BOCs and the Section 272 affiliates follow to make an estimate of FMV are as follows:

The SBC BOCs obtain estimates of FMV from an independent third-party source for those services that would reasonably be expected to occur in an open market between unrelated parties. Generally the independent third party is a consultant that obtains price quotes from three to five unaffiliated companies nationwide which perform comparable services in the marketplace. For specific cases where services would not occur in the open market, the Affiliate Oversight Group would work with the Section 272 affiliate to determine the methodology that would best provide a good faith estimate for FMV for those services. The Section 272 affiliates established FMV by internally developing an analysis of rates charged by three major competitors (AT&T, MCI, and Sprint) for comparable services.

Selected the following services for which SBC developed a good faith estimate of FMV and obtained documentation supporting the FMV determinations:

- SWBT – A good faith estimate of FMV was reviewed for Consumer Telemarketing Sales and Referrals services. The development of FMV was determined through independent third-party studies.
- Pacific Bell – A good faith estimate of FMV was reviewed for Marketing and Sales Management services. The development of FMV was determined through independent third-party studies.
- SBCS – A good faith estimate of FMV was reviewed for Switched Toll Free services and Dedicated Voice Access/Data Over Voice services. The development of FMV was prepared internally by comparing rates of comparable services from three major competitors.

9. Obtained a listing and dollar amounts of all services rendered by month by each SBC BOC to each Section 272 affiliate during the first nine months of the Engagement Period and identified services made available to the Section 272 affiliate that were not made available to third parties. SBC represented that the services not made available to third parties included only joint marketing activities. For the first nine months of the Engagement Period, the listings obtained indicated total billings from the SBC BOCs to the Section 272 affiliates for services that were not made available to third parties of \$55,077,209 to SBCS and \$1,386,295 to ACI. With Joint Oversight Team approval, selected a judgmental sample of 35 of the largest monthly billed amounts for each service not made available to third parties and compared unit charges to PMP, FDC, or FMV, as appropriate. The sampled billed amounts totaled \$18,406,566 for SBCS and \$474,829 for ACI. Noted that the sampled amounts were priced at the higher of FDC or FMV, or PMP in accordance with the affiliate transaction standards and were recorded in the books of the SBC BOCs in accordance with the affiliate transaction standards, except as listed below:

- Noted in the September 2000 billing from Pacific Bell to SBCS for Consumer Markets Group services, the unit price used for billing was \$1.00 per listing compared to the FDC rate of \$118.42 per hour. No supporting information was provided that converted the FDC rate of \$118.42 per hour to the billed rate of \$1.00 per listing. SBC represented that the rate of \$1.00 per listing was an estimate, which will be trueed up once a time in motion study rate is established. As of the date of this report, SBC has not provided documentation that this true-up has been made.

Documented, for the sampled items, the amounts the Section 272 affiliate has recorded for the services in its books of record and the amounts the Section 272 affiliate has paid for the services to the SBC BOCs. Payment of all sampled billed amounts by the Section 272 affiliate was verified by tracing the amount billed for service to the monthly invoice, then tracing the invoice amount to an SBC BOC payable account on the Section 272 affiliate's general ledger, and then noting such payable account was cleared through the month-end cash settlement journal entry between the Section 272 affiliate and the parent company.

10. Obtained a summary listing of the total dollar amounts of all services rendered by month to SWBT and Pacific Bell by SBCS during the first nine months of the Engagement Period. This summary listing indicated total billings of \$124,617 to Pacific Bell and \$732,379 to SWBT. SBC represented that no services were provided by SBCS to Nevada Bell, SNET, Indiana Bell, Illinois Bell, Michigan Bell, Ohio Bell, or Wisconsin Bell during the first nine months of the Engagement Period. SBC represented that telecommunications services were provided by ACI to the SBC BOCs during the first nine months of the Engagement Period through a contractual billing agreement with Ameritech Services, Inc.

From the summary listing obtained above, selected a judgmental sample, as approved by the Joint Oversight Team, of six services for one month as listed in Table 6 below. SBC represented that services provided by SBCS were billed on numerous invoices every month. Requested and obtained a detailed listing, by invoice, of the amounts billed by SBCS to Pacific Bell and SWBT for the services and month selected in the sample. Noted that this listing did not agree to the summary listing provided above due to errors in the compilation of the summary listing by SBCS. The total of the invoices provided by SBCS in the detailed listing and selected for testing is noted in Table 6 below. For each SBC BOC invoice provided, compared unit charges to PMP, FDC, or FMV, as appropriate, and noted that these services were billed by SBCS in accordance with the affiliate transaction standards. Noted for the invoices provided that all unit rates charged for each service agreed to SBCS's affiliate agreements with the SBC BOCs without exception.

Additionally, for the invoices obtained above, documented the amount that the SBC BOC recorded for the service in its general ledger. Also documented the amount the SBC BOC paid for the service to SBCS as noted in the table below.

Table 6 – Sample Summary of Services Provided by SBCS to SBC BOCs

Services Provided from SBCS to SBC BOCs	Monthly Amounts Selected by the Joint Oversight Team for Testing			
	Month	Total Services Billed to SBC BOCs per Summary Listing	Total Services Billed to SBC BOCs per Detailed Listing by Invoice	Amounts Paid and Recorded by SBC BOCs for Services Provided by SBCS
Switched Toll Free Service to Pacific Bell	March 2001	\$69,681.99	\$69,681.99	\$34,403.47
Switched Toll Free Service to SWBT	February 2001	168,038.35	36,858.82	18,947.22

Dedicated Toll Free Service to SWBT	March 2001	3,310.71	0.00	N/A
Dedicated Voice Access/Data Over Voice to SWBT	November 2000	145,593.50	169,735.39	34,152.80
Long Distance Telephone Number to SWBT	February 2001	2,214.91	0.00	N/A
Private Line to SWBT	February 2001	1,473.85	2,472.38	0.00 *

* SBCS's records indicated that SWBT had not paid this invoice, and SBC represented that this amount is under investigation.

11. Inquired and obtained representation from SBC that employee benefit plans for each Section 272 affiliate were maintained by SBC Management Services, Inc. and were funded by SBC Communications Inc. Noted per SBC representation that the costs of the benefit plans are charged to the Section 272 affiliates based on either specific cost assignment or an allocation methodology. In addition, SBC represented that the Section 272 affiliates were billed on a monthly basis for all plan expenses through an affiliate billing process.

12. Obtained a listing of central services organizations that rendered services to each Section 272 affiliate (see Objective I, Procedure 4), and the respective monthly billings for the first nine months of the Engagement Period. With the Joint Oversight Team approval, selected a judgmental sample of central services affiliates invoices for the months of August 2000 (seven invoices) and February 2001 (11 invoices) for testing. Obtained copies of invoices or reports sent by the central services organizations in lieu of invoices for the sampled months to the Section 272 affiliates. Payment of the sampled billed amounts from invoices or reports sent in lieu of invoices was verified by tracing the amount billed for service to an affiliate payable account on the Section 272 affiliate's general ledger and then noting such payable account was cleared through the month-end cash settlement journal entry with the parent company. Payments for all sampled billed amounts were traced through the monthly cash settlement process without exception. See documentation of SBC's cash management process at Objective II, Procedure 3.

Noted that the costing methodology used by all central services organizations is FDC as documented in SBC's Cost Allocation Manual ("CAM"). Also noted, from inspection of the central services organizations' cost allocation policies and procedures, that each central services organization uses the charging hierarchy of first using direct assignment, then direct attribution, then indirect attribution, and then allocations with loadings to arrive at FDC.

13. Obtained, as of March 31, 2001, the balance sheet of each Section 272 affiliate and a detailed listing of all fixed assets and performed the required procedures as documented in Objective I, Procedure 7 above. SBC represented that only furniture valued at \$5,000 was transferred from the SBC BOCs, either directly or through another affiliate, or from other affiliates to the Section 272 affiliates since February 8, 1996. SBC also represented that no items were purchased from the SBC BOCs, either directly or indirectly through another affiliate, or from other affiliates by the Section 272 affiliates from February 8, 1996 through the end of the Engagement Period.
14. SBC represented that the SBC BOCs did not provide to the Section 272 affiliates any assets and/or services priced pursuant to Section 252(e) or statements of generally available terms pursuant to Section 252(f) during the Engagement Period.
15. Inquired and SBC represented that no part of the SBC BOCs' Official Services⁵ network was transferred or sold to a Section 272 affiliate from February 8, 1996 through the end of the Engagement Period.
16. Inquired and documented that since February 8, 1996 the only asset transferred from the SBC BOCs to the Section 272 affiliates was furniture valued at \$5,000, transferred in 1996. Obtained representation from SBC that given the size of the total transfer, the interstate price cap indices were not impacted, rate base was not reduced, nor was the revenue requirement adjusted to reflect a gain or reduced operating cost due to this transfer.
17. SBC represented that there has been no construction to reconfigure the SBC BOCs' telephone network to connect with the Section 272 affiliates from February 8, 1996 through the end of the Engagement Period.

⁵ The words "official services" mean those services permitted by the United States District Court for the District of Columbia in *United States v. Western Elec. Co. Inc.* See 569 F. Supp. 1057, 1098, n.179 (1983) (defined as "communications between personnel or equipment of an Operating Company located in various areas and communications between Operating Companies and their customers"), and its progeny. See also *Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended*, CC Docket No. 96-149, First Report and Order and Further Notice of Proposed Rulemaking, 11 FCC Rcd 21905, 22008, 22054 (1996); cf. *Petition of U S West Communications, Inc. for a Declaratory Ruling Regarding the Provision of National Directory Assistance*, CC Docket 97-172, Memorandum Opinion and Order, paras. 21-22 (FCC 99-133) (Sept. 27, 1999).

OBJECTIVE VII. Determine whether or not the BOCs have discriminated between the separate affiliate and any other entity in the provision or procurement of goods, services, facilities, and information, or the establishment of standards.

1. The procedures used by the SBC BOCs to identify, track, respond to, and take corrective action to competitors' complaints are documented in Objectives V and VI, Procedure 1.

Obtained from the SBC BOCs a list of all FCC formal complaints, as defined in 47 CFR 1.720; FCC informal complaints, as defined in 47 CFR 1.716; and any written complaints made to a state regulatory commission from competitors filed during the first nine months of the Engagement Period involving alleged noncompliance with the Section 272 Requirements, including complaints submitted by competitors related to the provision or procurement of goods, services, facilities, and information, or in connection with the establishment of standards.

- Allegations of discriminatory provision or procurement of goods, services, facilities, or customer network services information (excludes CPNI) or the establishment of standards (*no complaints received*)

2. Obtained the SBC BOCs' written procurement procedures, practices, and policies for services and goods provided by each Section 272 affiliate. Noted upon inspection of the documentation obtained that no stated purchasing preferences were contained in the SBC BOCs' procedures. Noted per the documentation obtained that, in order to purchase goods or services from an affiliate, there are procedures the SBC BOCs must follow to comply with the Section 272 Requirements.

Noted that OP 6 – SBC Supplier Contracting is the SBC BOCs' primary guidance for procurement practices. The procurement process, including the bidding and vendor qualification/selection process, is performed by SBC Services, Inc. (an administrative affiliate) on behalf of all affiliated SBC entities, including the SBC BOCs. Section 4 of OP 6 details the supplier/contractor selection process. This section documents the dissemination process for requests for proposal ("RFPs") and the absence of purchasing preferences favoring the Section 272 affiliates.

Documented that the SBC BOCs' bidding process, the selection process, and how the SBC BOCs disseminate RFPs to affiliates and third parties are part of a six-step contracting process as follows:

- Step 1: Needs Assessment – initial identification of the needs, project scope, and the start of the documentation.

- Step 2: Supplier Search – identification of potential suppliers to meet client and company requirements.
- Step 3: Competitive Analysis – determination of quote methodology; competitive quote process or direct awards; and development of decision matrix to be used to evaluate responses.
- Step 4: Supplier Selection and Contract Negotiation – evaluation of supplier responses to RFPs, quotation and information, and negotiation of contracts.
- Step 5: Contract Approval and Documentation – documentation of all required contract documents and procedures required for contract approval including financial analysis summary, project scope documents, financial risk/dependency letter, legal approvals, and executed documents.
- Step 6: Contract Implementation and Administration – implementation and administration of the agreement upon execution by both parties.

Also noted that Section 10.502 of OP 6 includes a description of the requirements and restrictions applicable to transactions with the Section 272 affiliates as specified in Section 272 of the Act. As any procurement activity by an SBC BOC from a Section 272 affiliate would result in an affiliate transaction, OP 6 refers to OP 125 – “*Nontariffed Activities and affiliate Transactions*,” for complete instructions on affiliate transactions. SBC has established written controls to require any SBC BOC purchase from a Section 272 affiliate comply with Section 272, including the SBC BOCs’ nondiscriminatory procurement obligations. The internal control in place is that any nontariffed affiliate transaction must be approved by the Affiliate Oversight Group prior to the purchase; additionally, the approval process includes a review of the SBC BOCs’ nondiscrimination obligations.

3. SBC has represented that there were no SBC BOC procurement awards to Section 272 affiliates during the Engagement Period. In addition, inquired and SBC represented that there were no bids submitted by the Section 272 affiliates to the SBC BOCs during the Engagement Period.
4. Obtained a list of all goods, services, facilities, and customer network services information, excluding CPNI as defined in Section 222(f)(1) of the Act and exchange access services and facilities inspected in Objective IX, made available to each Section 272 affiliate by the SBC BOCs. SBC has represented that the only media used to inform unaffiliated entities of these services is the SBC Internet site, which contains a listing of services provided under tariff and affiliate agreements. Compared all services from the listings above to the SBC Internet site as of July 27, 2001. Based upon the comparison,

noted that all services on the listings were located on the SBC Internet site at <http://www.sbc.com/PublicAffairs/PublicPolicy/Regulatory>.

5. Obtained the following listing of services provided by the SBC BOCs to the Section 272 affiliates and to unaffiliated carriers. As directed by the Joint Oversight Team, this listing does not include services provided under affiliate agreements, exchange access services, and interLATA network services that are the subject of other procedures in this report.

Table 7

Service	Purchased by SBCS from SBC BOCs	Purchased by ACI from SBC BOCs
Local Exchange Services	Yes	Yes
Billing & Collection Services (“B&C”)	Yes	Yes
Enhanced Care Services	Yes	No
Account Maintenance Services	Yes	Yes
Equal Access Consulting Services	Yes	No

Obtained a listing of all unaffiliated carriers that purchased the same services from the SBC BOCs and the total amount of each service purchased by each unaffiliated carrier for the nine months ended March 31, 2001. For account maintenance services, carrier codes were provided in lieu of carrier names. Noted during the performance of other procedures that SBCS purchased local exchange services from SWBT totaling \$33,919 for the first nine months of the Engagement Period that were not included on the listing obtained above and, therefore, were not tested in this procedure.

The Joint Oversight Team selected B&C services and local exchange services for March 2001 for testing. Noted that SBCS purchased B&C services from SWBT and ACI purchased B&C services from Indiana Bell, Illinois Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell. For 38 unaffiliated carriers purchasing B&C services from SWBT and 34 unaffiliated carriers purchasing B&C services from Indiana Bell, Illinois Bell, Michigan Bell, Ohio Bell, or Wisconsin Bell, compared the rates, terms, and conditions on their March 2001 billing to the rates, terms, and conditions on the Section 272 affiliates’ March 2001 billing from the comparable SBC BOC. The results of this comparison are shown on Attachment A-5a for SBCS and Attachment A-5b for ACI. SBC represented that the differences noted may result from differences in the customer’s choices among the following contractual options: invoice billing; message billing; volume discount pricing; standard pricing; per page billing; and/or rate element billing.

SBC also disclosed that certain billings to ACI from the SBC BOCs for B&C services were inaccurately billed to ACI from July 2000 through November 2000. SBC represented that these billing inaccuracies were corrected in December 2000.

Noted that SBCS purchased local exchange services from Pacific Bell and ACI purchased local exchange services from Indiana Bell, Illinois Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell. As approved by the Joint Oversight Team, requested March 2001 invoices for 18 unaffiliated carriers purchasing local exchange services from Pacific Bell and 10 unaffiliated carriers purchasing local exchange services from Indiana Bell, Illinois Bell, Michigan Bell, Ohio Bell, or Wisconsin Bell.

Pacific Bell provided copies of Customer Service Records (“CSRs”) for seven billing account numbers (“BANs”) billed to SBCS as of March 2001 and 18 BANs billed to nine unaffiliated carriers. Compared the rates, by Universal Service Order Code (“USOC”), charged to SBCS to those charged to the unaffiliated carriers. For all the USOCs billed to SBCS, noted 16 USOCs that were also billed to the unaffiliated carriers. Noted that of these 16 comparable USOCs, 13 of the rates agreed without exception and three contained differences which are included in Attachment A-5c. SBC represented that the terms and conditions associated with these billings were the same for SBCS and the unaffiliated carriers. Obtained documentation verifying SBCS’s payment to Pacific Bell and Pacific Bell’s receipt of payment for the seven SBCS BANs provided above.

For the local exchange services provided by Indiana Bell, Illinois Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell, SBC provided a file containing USOCs, billed units, and billed amounts for the month of March 2001 for ACI facilities in Rosemont, Illinois; Muncie, Indiana; and Brookfield, Wisconsin, and ten unaffiliated retail customers (SBC was unable to identify and provide unaffiliated carrier information). SBC represented that this file was extracted from the Ameritech Customer Information System (“ACIS”). SBC represented that ACIS does not designate customers as “retail carriers” or “retail non-carriers.” Sorted the information provided by USOC and class of service and compared the rates per USOC charged to ACI and the unaffiliated customers. Noted no comparable USOCs between the ACI location in Rosemont, Illinois, and the unaffiliated retail customers. Noted 30 comparable USOCs and classes of service between the ACI locations in Muncie and Brookfield and the unaffiliated retail customers. Noted that of these 30 comparable USOCs and classes of service, 24 compared to the rates charged to unaffiliated customers without exception and differences were noted in six USOC/class of service comparisons. Attachment A-5c lists the differences noted. SBC represented that tariff rates may vary depending on the term length selected by the customer. Obtained documentation verifying ACI’s payment to Illinois Bell, Indiana Bell, and Wisconsin Bell for the ACI BANs listed on the file above.

6. Documented that the SBC BOCs’ process for disseminating information pursuant to CC Docket No. 96-149, *First Report and Order*, Para. 16, about network changes, the establishment or adoption of new network standards, and the availability of new network services to each Section 272 affiliate and to unaffiliated entities is centralized with the SBC Network Services organization. The Network Services organization is made up of employees from SBC Management Services, Inc. Network Services maintains an internal

Intranet page that documents the business requirements, criteria, and process flows for disseminating network standards. SBC uses Internet postings and Accessible Letters to notify unaffiliated entities, including the Section 272 affiliates. SBC's procedures address dissemination of information to both the Section 272 affiliates and unaffiliated entities. The documentation supporting the SBC BOCs' process for notification of network changes contains no distinction between notification processes for Section 272 affiliates and unaffiliated entities.

Once a project plan is reviewed, a determination is made by Legal and Regulatory as to whether notice is required. If notice is required, the project is control numbered, then determined as either short-term or long-term. Then the notification document is prepared and the project is forwarded on to the Facility Equipment Engineer for preparation of the project package and to the Engineering Single Point of Contact ("SPOC"). The Engineering SPOC reviews the notification document for compliance and then forwards the notification document to the regulatory department. The regulatory department then files the notification document for all long-term projects with the FCC. The regulatory department informs all telephone exchange providers of short-term projects by mail, then files the notification document for short-term projects with the FCC after five days. These notices are posted on the SBC Internet site at <http://www.sbc.com/PublicAffairs>. This section is organized by SBC network disclosures, then by each SBC BOC.

7. Obtained and inspected scripts that SBC BOCs' customer service representatives recite to new customers calling to establish new local telephone service from the three randomly selected call centers in Objective VII, Procedure 8. The call centers selected were located in Lubbock, Texas; Houston, Texas; and Des Peres, Missouri. Per review of these scripts, noted that the scripts contained the following:
 - language that attempts to sell interLATA services;
 - language that informs the consumers that there are other providers of interLATA services; and
 - language offering to identify the other providers to the consumer if they are interested.

Noted per observation at the call centers that if a customer is interested in hearing the list of other providers, the call center representative clicks a button on the computer screen and a list of all the interLATA service providers is randomly generated and appears on the computer screen. SBC represented that the call center representatives are instructed to read the list of providers until the customer stops them. Further noted that because the list is randomly generated every time the customer requests this information, the providers are listed in different order so that all providers have the same chance of being read to customers first. Obtained this randomly generated listing from a call center representative and retained it in the workpapers.

Visited the Internet sites of the SBC BOCs, www.swbell.com, www.ameritech.com, www.pacbell.com, www.nevadabell.com, and www.snet.com, noting that the consumers are not informed on the Internet that there are other providers of interLATA services and, therefore, the other providers are not identified to the consumers. Further noted that only existing SBC BOC customers are able to order long-distance service over the Internet. Any new customers requesting service are instructed to call an SBC BOC representative for service. SBC represented that the equal access disclosure is then made over the telephone to the new customers. Obtained SBC representation stating, “the equal access obligation would not be required because such inbound ordering on the SBC Internet site of SBC long distance service is limited to existing customers.” Verified this information per review of the Section 272 Requirements.

8. Observed five SBC BOC service representatives for one-half hour each, at each of the three call centers listed in Procedure 7 above. Noted the service representatives responding to inbound callers requesting to establish new local telephone service to whom the sales representatives attempted to market the Section 272 affiliates’ interLATA service.

Of the calls monitored, noted 20 calls which related to establishing new local telephone service and in which the sales representative informed the customer of other providers of intraLATA and/or interLATA services and informed the customer of their right to make the selection. Of the 20 calls, noted two calls in which the sales representative attempted to market the Section 272 affiliates’ interLATA service. In both calls, the marketing attempt was made after informing the customer of their options and rights.

In addition, listened in on phone calls that were not related to the establishment of new telephone service. The primary topics of these calls were technical problems with phone service, requests for additional services (caller ID, voicemail, call forwarding, etc.), and requests for status of in-process orders or disconnects.

9. SBC has represented that the Section 272 affiliates do not have a separate sales force and do not market exchange services on behalf of the SBC BOCs or as a reseller.

OBJECTIVE VIII. Determine whether or not the BOCs and an affiliate subject to Section 251(c) of the Act have fulfilled requests from unaffiliated entities for telephone exchange service and exchange access within a period no longer than the period in which they provide such telephone exchange service and exchange access to themselves or their affiliates.

1. The procedures used by the SBC BOCs to identify, track, respond to, and take corrective action to competitors’ complaints are documented in Objectives V and VI, Procedure 1.

Obtained from the SBC BOCs a list of all FCC formal complaints, as defined in 47 CFR 1.720; FCC informal complaints, as defined in 47 CFR 1.716; and any written complaints made to a state regulatory commission from competitors filed during the first nine months of the Engagement Period involving alleged noncompliance with the Section 272 Requirements, including complaints submitted by competitors related to the provision or procurement of goods, services, facilities, and information, or in connection with the establishment of standards.

- Allegations of discriminatory processing of orders for, and provisioning of, exchange access and exchange services and unbundled network elements, and discriminatory resolution of network problems (*no complaints received*)

2. Obtained the written information disclosure process that the SBC BOCs follow to collect performance data for the documentation of time intervals for processing of orders, provisioning of service, and performance of repair and maintenance services for themselves or their affiliates and for unaffiliated entities for exchange access services and presubscribed interexchange carrier (“PIC”) change orders. Attachment A-6 lists the business rules for the Section 272 (e)(1) performance measurements, as obtained from SBC. SBC represented that the Section 272 affiliates do not resell local or intraLATA toll service and do not lease any unbundled network elements (“UNEs”) from the SBC BOCs.

Noted that the written information disclosure process indicates that the 272 (e)(1) Information Disclosure Report will be produced quarterly, not later than 60 days after the close of the calendar quarter, and reports are available to interested parties upon request.

3. Obtained data tracked and maintained by the SBC BOCs during the first nine months of the Engagement Period, by month and quarter, indicating time intervals for processing of orders (for initial installation requests, subsequent requests for improvement, upgrades, or modifications of service, or repair and maintenance), provisioning of service, and performance of repair and maintenance services for themselves and their affiliates and for unaffiliated entities, as customers, for exchange access services and PIC change orders, as noted in Attachment A-7. SBC represented that the Section 272 affiliates do not resell local or intraLATA toll service and do not lease any UNEs from the SBC BOCs. In addition, noted the differences in time in fulfilling each type of request for the same services from the SBC BOCs or their affiliates and from unaffiliated entities.

4. Obtained the data tracked and maintained by SWBT during the Engagement Period in Procedure 3. Provided the results to the Joint Oversight Team. The Joint Oversight Team selected for testing: Performance Measure (“PM”) #1 (Successful Completion According to Customer Desired Due Date) for March 2001 for Oklahoma, PM #5 (Mean Time to Restore) for March 2001 for Kansas, and PM #6 (Time to Restore PIC After Trouble Report) for February 2001 and PM #7 (Mean Time to Clear Network Trouble) for November 2000 for Texas.

Obtained the raw data from SWBT for each PM selected and, using a data analysis program, recalculated selected PMs 1 and 5 without exception. PM 6 was not able to be recalculated as the supporting documentation for the selected month was no longer available. SBC represented that the supporting data used to calculate PM 6 was not retained during the period October 2000 through March 2001 as the system used to calculate PM 6 replaced the prior month data with current month data upon calculation. SBC also represented that in April 2001 SBC began using a different system to calculate PM 6 results and the underlying data is now retained. The Joint Oversight Team selected PM 7 as an alternative. Recalculated PM 7 (Mean Time to Clear Network Trouble) for Texas for the month of November 2000 and noted that measure 7 agreed without exception.

5. SBC represented that the SBC BOCs track and maintain the data as described in Procedure 2 above. Therefore, this step was not applicable.
6. Inquired and documented how the SBC BOCs make available to unaffiliated entities information regarding service intervals in providing any service to themselves or their affiliates and to unaffiliated entities. The service intervals are calculated and validated by the SBC BOCs for SBC and its affiliates and unaffiliated entities. Unaffiliated entities, Section 272 affiliates, and the FCC must contact the SBC BOCs to request service interval results for SBC and its affiliates. The results for SBC and its affiliates are provided to unaffiliated entities upon request. Unaffiliated entities may request the results from their account team contacts within the SBC BOC.

OBJECTIVE IX. Determine whether or not the BOCs and an affiliate subject to Section 251(c) of the Act have made available facilities, services, or information concerning its provision of exchange access to other providers of interLATA services on the same terms and conditions as they have to their affiliate required under Section 272 that operates in the same market.

1. The procedures used by the SBC BOCs to identify, track, respond to, and take corrective action to competitors’ complaints are documented in Objectives V and VI, Procedure 1.

Obtained from the SBC BOCs a list of all FCC formal complaints, as defined in 47 CFR 1.720; FCC informal complaints, as defined in 47 CFR 1.716; and any written complaints made to a state regulatory commission from competitors filed during the first nine months of the Engagement Period involving alleged noncompliance with the Section 272 Requirements, including complaints submitted by competitors related to the provision or procurement of goods, services, facilities, and information, or in connection with the establishment of standards.

- Allegations of discriminatory availability of exchange access facilities (*no complaints received*)
2. Obtained a list of exchange access services and facilities with their related rates offered to each Section 272 affiliate and noted that these services and facilities were made available at the same rates and on the same terms and conditions to all carriers through the use of generally available tariffs. Obtained summaries of all exchange access services and facilities from the relevant SBC Internet site, <https://www2.sbcprimeaccess.com>. SBC notifies carriers through the use of accessible letters that are mailed or electronically sent and posted on the Internet at <https://www2.sbcprimeaccess.com>. Obtained the index to the Internet site that listed all accessible letters related to exchange access services and facilities. SBC represented that other media are used such as trade shows, customer meetings, published product guides, etc.; however, these media are only available at different times, such as when a trade show takes place. SBC did not provide examples of these forms of media as none were currently being utilized.
 3. Obtained a listing of all invoices for exchange access services and facilities, by BAN, issued to the Section 272 affiliates by the SBC BOCs for the month of January 2001. From the listings obtained, randomly selected 50 BANs and obtained copies of these invoices. The listing of the total billed amounts for January 2001 and sample selection is summarized below.

Table 8

From SBC BOC	Number of BANs Listed	Total Invoiced Amounts for January 2001	Number of BANs Sampled	Total Sampled Invoices
SWBT	54	\$2,085,829	24	\$1,635,292
Ameritech	181	961,905	19	294,087
Pacific Bell	11	56,032	6	880
SNET	5	638	1	176
Total	251	\$3,104,404	50	\$1,930,435

From the 50 invoices obtained above, extracted 100 different USOCs charged to the Section 272 affiliates. The USOCs selected are documented at Attachment A-8a. SBC produced a query of these USOCs with associated rates charged to the Section 272 affiliates and 10 unaffiliated carriers from the SBC BOCs' Carrier Access Billing System ("CABS") for the month of January 2001. Using the resulting data from this query, compared the rates, by USOC, state, and class of service, charged to the 10 unaffiliated carriers and the Section 272 affiliates. Differences are listed on Attachment A-8b. For the USOCs queried, 29 had comparable USOC/class of service combinations between the Section 272 affiliates and 10 unaffiliated carriers. Seven of the comparable USOC/class of service combinations billed to other carriers were billed at rates different from the rates billed to the Section 272 affiliates. SBC represented that the rate differences were due to the following reasons:

- For USOCs 1J5HS and 1L5XX, variances are due to zone and term differences.
- For USOCs 1OXHX, TUZPX, and 1L5XX, variances are due to volume differences.
- For USOC TMECS, variances are due to zone and term differences.

To test the comparability of terms and conditions offered to the Section 272 affiliates and unaffiliated carriers, the Joint Oversight Team approved a judgmental selection of invoices from 13 unaffiliated carriers to compare to the terms and conditions offered to the Section 272 affiliates and affiliated carriers. For the judgmental sample of one invoice from a different unaffiliated carrier from each of the 13 states served by SBC, compared the terms and conditions and noted no differences.

4. For the 50 invoices obtained in Procedure 3 above, attempted to trace the amount invoiced for exchange access services to each Section 272 affiliate and determine whether the amount invoiced was recorded by the SBC BOC and paid by the Section 272 affiliate. For 25 of the 50 invoices determined that the SBC BOCs recorded the amounts invoiced and that SBCS paid the amounts invoiced, with the exception of one invoice in which there was a difference of \$590.29 between the amount charged by the SBC BOC and the amount paid by SBCS. SBCS did not provide documentation of payment for six of the 50 invoices from Procedure 3 above, totaling \$49,568.35. SBCS represented that these invoices did not relate to the Section 272 affiliate and were improperly included in the listing of invoices obtained in Procedure 3 above.

Nineteen of the 50 invoices obtained in Procedure 3 above related to ACI. SBC provided no payment or receipt documentation, from either ACI or the SBC BOCs, relating to these BANs. SBC represented that these BANs were assigned to Williams Communications as of September 30, 2000 and after this date ACI was no longer responsible for payment of these accounts. These accounts were improperly included in the listing of invoices obtained in Procedure 3 above.

OBJECTIVE X. Determine whether or not the BOCs and an affiliate subject to Section 251(c) of the Act have charged their separate affiliate under Section 272, or imputed to themselves (if using the access for their provision of their own services), an amount for access to their telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service.

1. SBC has represented that there are no written agreements, other than tariffs, that Section 272 affiliates and other interexchange carriers (“IXCs”) have with the SBC BOCs for exchange access services. Exchange access services are offered via tariff.
2. Inquired of SBC and documented at Attachment A-9 those LATAs of the SBC BOCs that have price flexibility for interLATA interstate and interLATA intrastate access services.
3. As noted in Procedure 1 above, SBC has represented that the Section 272 affiliates and other interexchange carriers do not have written agreements other than tariffs with the SBC BOCs for exchange access services. Therefore, no testing was performed.
4. Obtained a list of five interLATA services offered by the SBC BOCs and discussed the list with the appropriate SBC representative, who indicated that the list was comprehensive. Compared the services appearing on the list with the incidental interLATA services disclosed in the SBC BOCs’ CAM and noted no differences. Compared the nonregulated incidental interLATA services listed in the SBC BOCs’ CAM with those defined as incidental in Section 271(g) of the Act and those interLATA services allowed under FCC order and noted no differences.
5. Obtained a statement of revenue, by month, of incidental interLATA services provided by the SBC BOCs for the first nine months of the Engagement Period, and performed a trend analysis. For increases of more than 10% from month to month, inquired of SBC and obtained explanations for the differences as noted below:

Table 9

SWBT
Service: E911
Trend: Revenues decreased from \$712,863 in August 2000 to a deficit of \$1,867,598 in September 2000. Revenues then in turn increased to \$2,087,514 in October 2000.
SBC Explanation: The fluctuations are a result of a customer credit in September 2000 and the subsequent correction in October 2000. Customer credits in September 2000 reflect the loss of a Texas customer to another provider. The credits should have been split between regulated and nonregulated revenues but were all booked to the non-regulated revenues account. The October increase reflects the adjustment to reclassify the appropriate credit amount to the nonregulated account.

Illinois Bell, Indiana Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell
Service: E911
Trend: Revenues increased from \$3,280,043 in July 2000 to \$3,897,885 in August 2000.
SBC Explanation: The fluctuation is a result of credits for previous over-billings in Indiana and an erroneous journal entry crediting a one-time SONET charge to the 911 product account.
Trend: Revenues increased from \$3,208,679 in September 2000 to \$6,434,984 in October 2000. Revenues increased from \$2,159,239 in November 2000 to \$3,253,488 in December 2000.
SBC Explanation: The fluctuations are a result of year to date corrections in Indiana during October 2000 for 911 revenues erroneously booked to Centrex and SONET revenues erroneously booked to 911 and subsequently reversed in November 2000.

SWBT
Service: National Directory Assistance
Trend: Revenues increased from \$2,613,987 in July 2000 to \$10,263,614 in August 2000. Revenues increased from \$1,275,258 in September 2000 to \$2,172,824 in October 2000 and \$2,405,035 in November 2000. Revenues increased from \$1,531,752 in December 2000 to \$2,662,115 in January 2001.
SBC Explanation: The fluctuations are due to an ongoing reclassification of National Listing Service (“NLS”) revenues from local to nonregulated revenues. A year to date reclassification occurred in August 2000 causing the significant upward fluctuation in revenues.

Illinois Bell, Indiana Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell
Service: National Directory Assistance
Trend: Revenues increased from \$2,303,756 in August 2000 to \$2,588,828 in September 2000. Revenues increased from \$1,994,509 in January 2001 to \$2,402,939 in February 2001.
SBC Explanation: The fluctuations are a result of manual journal entries associated with wholesale billing of services. These manual journal entries are received and booked every two to three months and are not recorded on a monthly basis. In addition, SBC has represented that for any usage-based charge, month-to-month swings are considered normal. However, in the case of the wholesale market, these swings are more pronounced.

Pacific Bell
Service: National Directory Assistance
Trend: Revenues increased from \$1,744,399 in July 2000 to \$2,102,566 in August 2000. Revenues increased from \$1,634,913 in December 2000 to \$1,891,697 in January 2001.
SBC Explanation: The fluctuations are a result of a mechanized accrual and reversal

process, embedded in the billing system, for unbilled usage. This process is used to associate the billing with the same month as the usage (e.g., January usage billed in February is treated as revenues earned in January). In addition, a price increase took effect in January 2001.

SWBT
Service: SS7 Signaling (Line Information Data Bases (“LIDB”), Calling Name (“CNAM”), etc.)
Trend: Revenues increased from \$356,920 in September 2000 to \$6,312,727 in October 2000. Revenues increased from a deficit of \$253,789 in November 2000 to \$1,783,146 in December 2000 and to \$2,391,075 in January 2001. Revenues increased from \$80,613 in February 2001 to \$1,686,849 in March 2001.
SBC Explanation: The fluctuations are a result of SBC’s migration of LIDB and CNAM billing from both the mechanized and manual Pacific Bell billing systems to the SWBT mechanized billing system. The fluctuations are a result of billing errors, and subsequent corrections, associated with this billing change. The SWBT billing system not only billed the Pacific Bell customers but also billed Pacific Bell for service. In addition, fine-tuning the transition from manual billing to mechanized billing caused considerable “out of period” billing.

Pacific Bell
Service: SS7 Signaling (LIDB, CNAM, etc.)
Trend: Revenues increased from \$225,693 in August 2000 to \$983,375 in September 2000. Revenues increased from \$332,181 in October 2000 to \$3,707,965 in November 2000.
SBC Explanation: The fluctuations are a result of SBC’s migration of LIDB and CNAM billing from both the mechanized and manual Pacific Bell billing systems to the SWBT mechanized billing system. The fluctuations are a result of billing errors, and subsequent corrections, associated with this billing change. The SWBT billing system not only billed the Pacific Bell customers but also billed Pacific Bell for service. In addition, fine-tuning the transition from manual billing to mechanized billing caused considerable “out of period” billing.

- From the list of services obtained in Procedure 4 above, selected one interLATA service offered by the BOCs and not through an affiliate. The service selected was National Directory Assistance. Obtained an analysis prepared by the BOCs used to calculate the amount the BOCs have imputed (charged) to themselves for access, switching, and transport. Obtained usage details, rates imputed and tariff rates for each item in the analysis. Compared the rates imputed to the tariff rates and noted no differences. Traced the amounts imputed by the BOCs to the general ledger and noted that the entry was a debit to nonregulated operating revenues (decrease) and a credit to regulated revenues (increase).

7. For exchange access services and local exchange services, documented, in the table below, the total amount that the Section 272 affiliates recorded on their books and compared it to the total amount that the Section 272 affiliates paid to the SBC BOCs for these services and to the amount of corresponding revenue reflected in the SBC BOCs' books during the nine months ended March 31, 2001. SBC represented that the Section 272 affiliates purchased no unbundled network elements from the SBC BOCs during the Engagement Period. Noted, through inquiry, that SBCS purchased local exchange service from Pacific Bell and SWBT and exchange access service from SWBT, Pacific Bell, Illinois Bell, Indiana Bell, and Michigan Bell. ACI purchased both exchange access and local exchange service from Illinois Bell, Indiana Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell and exchange access service from SWBT.

Table 10

For the Nine Months Ended March 31, 2001	SBCS Exchange Access Service	SBCS Local Exchange Service from Pacific Bell	SBCS Local Exchange Service from SWBT	ACI Exchange Access Service	ACI Local Exchange Service
Amount recorded on books of Section 272 affiliate	\$14,718,835	\$420,026	\$33,919	\$5,089,865	\$619,791
Amount paid by Section 272 affiliate to SBC BOCs	11,654,368	420,026	28,973	4,545,256	619,791
Amount of corresponding revenue recorded by SBC BOCs	14,415,927	418,828	23,411	4,566,772	380,675 ⁶

SBC represented that all of ACI's exchange access service and local exchange service were transferred to Williams Communications on October 1, 2000 and most of the ACI differences noted above are due to the SBC BOCs' continuing to record after October 1, 2000 as ACI revenue instead of revenue from Williams Communications.

SBC represented that differences between the Section 272 affiliates' recorded amounts and the SBC BOCs' recorded amounts are also due to the Section 272 affiliates' including tax amounts in their totals, while tax amounts are excluded from the SBC BOC

⁶ SBC represented that the recorded amount of SBC BOC local service revenue included amounts from ACI for the period August 2000 through March 2001 as July 2000 detail revenue amounts were no longer available.

amounts, and timing differences, such as when the SBC BOC records revenue in one month while the affiliate pays the bill and records the expense in a subsequent month. SBC also represented that amounts under dispute from SBCS for exchange access service from the SBC BOCs total \$2,964,768.

OBJECTIVE XI. Determine whether or not the BOCs and an affiliate subject to Section 251(c) of the Act have provided any interLATA facilities or services to their interLATA affiliate and made available such services or facilities to all carriers at the same rates and on the same terms and conditions, and allocated the associated costs appropriately.

1. The procedures used by the SBC BOCs to identify, track, respond to, and take corrective action to competitors' complaints are documented in Objectives V and VI, Procedure 1.

Obtained from the SBC BOCs a list of all FCC formal complaints, as defined in 47 CFR 1.720; FCC informal complaints, as defined in 47 CFR 1.716; and any written complaints made to a state regulatory commission from competitors filed during the first nine months of the Engagement Period involving alleged noncompliance with the Section 272 Requirements, including complaints submitted by competitors related to the provision or procurement of goods, services, facilities, and information, or in connection with the establishment of standards. Noted three complaints filed during the Engagement Period. Of the three complaints filed during the first nine months of the Engagement Period, noted that two complaints were resolved while one remained open and under investigation.

- Allegations of discriminatory availability of interLATA facilities or services not at the same rates and not on the same terms and conditions as the interLATA affiliates (*three complaints received*)
 1. On September 22, 2000, AT&T Communications of Texas, L.P. filed a complaint with the Public Utility Commission of Texas alleging that the long distance rates offered in Texas by SBCS did not cover its own operating expenses, and thus were being subsidized by SWBT. The Public Utility Commission of Texas has scheduled a hearing regarding this complaint on December 17, 2001.
 2. On April 27, 2001, AT&T Communications of the Southwest, Inc. filed testimony in SBCS's application with the Oklahoma Corporation Commission ("OCC") to determine if its interexchange services are subject to effective competition, alleging that SBCS had a competitive advantage over other IXC's since SWBT's access charges were not based on costs. On June 12, 2001, the OCC issued an order in SBCS's favor determining that SBCS was subject to effective competition.

3. On March 6, 2001, AT&T Communications of the Southwest, Inc. filed an emergency motion in SBCS's tariff approval docket pending with the Kansas Corporation Commission, alleging that SBCS's rates were unlawful, unduly, preferential, and anti-competitive. On May 15, 2001, an agreement was reached between SWBT, AT&T, and others that reduced SWBT's intrastate access rates to parity with SWBT's interstate access rates, and AT&T agreed to withdraw its complaints in SBCS's tariff proceedings.
2. SBC represented that there is not a list of interLATA network services and facilities with their related rates offered by the SBC BOCs to the Section 272 affiliates. All rates charged to the Section 272 affiliates and unaffiliated carriers for interLATA network services and facilities are tariffed rates and are publicly available on the Internet. Obtained a list of tariffs showing rate information for the interLATA network services and facilities offered by the SBC BOCs to the Section 272 affiliates.

Obtained invoices for interLATA network services and facilities for one month rendered by the SBC BOCs to the Section 272 affiliates and other IXCs that received services from the SBC BOCs. The Joint Oversight Team, after discussions with SBC, selected November 5, 2000 billings to SBCS and one unaffiliated carrier for testing.

3. The November 5, 2000 billings to SBCS and the unaffiliated carrier included one invoice each. Inspected underlying details of the invoice to SBCS and the invoice to the unaffiliated carrier and compared rates charged and applied to SBCS and the unaffiliated carrier and noted that there was only one USOC that resulted in charged amounts. This USOC was detailed in four instances on each invoice. Compared each instance noting no variance among the invoices.

SBC represented that the USOC PT8JX is for a Dedicated End Office Trunk in SWBT FCC Tariff 73 Page 6-185. The rate listed in the tariff was \$18.00. Both SBCS and the unaffiliated carrier were charged the \$18.00 rate for this USOC on the November 2000 invoice. No rate difference was noted.

The remaining USOCs detailed on each invoice were the same, each with no charge denoted. Additionally, noted the basic monthly access charge for SBCS was \$828.00, 46 units at \$18.00 each, with an additional tax of \$81.93 for federal taxes and local state tax (Kansas); this brings SBCS's monthly access charge to a total of approximately \$910.00. The basic monthly access charge for the unaffiliated carrier was \$864.00, 48 units at \$18.00 each; noted a tax-exempt status per the unaffiliated carrier's invoice detail. SBC represented that the variance in the total monthly access charge between SBCS and the unaffiliated carrier is due to the unaffiliated carrier ordering two more services and the unaffiliated carrier's tax-exempt status.

Noted that the terms and conditions detailed on the bills to SBCS and the unaffiliated carrier were the same.

SBC represented that ACI did not receive interLATA services from the SBC BOCs during the Engagement Period.

4. Using the invoices obtained in Procedure 3 above, traced the amount invoiced to the Section 272 affiliate for interLATA facilities and services and determined the amount invoiced was the amount recorded by the SBC BOC and paid by the Section 272 affiliate. For this purpose, obtained screen prints from SBCS's accounting system that detailed customer account and payment history. Additionally, obtained screen prints from the SBC BOC that showed the amount booked as revenue. Additionally, agreed the dollar amount per the SBC BOC accounting system to the payment amount per SBCS's accounting system. Obtained the voucher payment support from SBCS for the payment made. Documentation obtained from SWBT indicated that SBCS paid the November 5, 2000 invoice on January 17, 2001. Obtained copies of SBCS's December 5, 2000 invoice from SWBT for this account and noted that late fees related to the unpaid balance from the November 5, 2000 invoice were charged to SBCS on the December 1 invoice from SWBT.

In addition to the procedures discussed above, SBC made the following representations regarding compliance with the Section 272 Requirements:

- In an Ex Parte letter to the FCC dated August 8, 2000, SBC disclosed the circumstances leading to a delay in compliance with the nondiscriminatory requirements under Section 272 (c)(1) related to Ameritech's offering of in-region nonlocal directory assistance.
- SBC represented that disclosure was made to the FCC on September 29, 2000 regarding Pacific Bell's provision of interLATA foreign exchange service to approximately 30 customers in California. SBC represented that this results from the customers claiming that Pacific Bell has a grandfathered obligation to provide service across the LATA boundary. This claim is currently under review by the California Public Utilities Commission.

Section 272 Affiliates
Employees and Departments by Location

Attachment A-1
Objective I, Procedure 3

ACI

Location			Department								
			Affiliate Services	Billing and Revenue Assurance	Customer Care	Finance	Network Operations	Network Planning and Engineering Data and Voice	Operator Services	Total	
Street Address	City	State									
310 W. Wisconsin Ave.	Milwaukee	WI								34	34
3773 South Madison Avenue	Muncie	IN								102	102
555 So. Executive Drive	Brookfield	WI	1					69	8		78
9450 West Bryn Mawr Ave.	Rosemont	IL			146						146
9525 West Bryn Mawr Ave.	Rosemont	IL	10	58	4	1			7	4	84
Total			11	58	150	1	69	15	140	444	

SBCS

Department	Location: 5850 West Las Positas Blvd., Pleasanton, CA
Affiliate Services	25
Billing and Revenue Assurance	2
Business Operations	36
Customer Care	92
Employee Communications	9
Finance	30
Legal	1
Marketing	32
Network Operations	6
Network Planning and Engineering	9
President of SBCS and ACI	1
Product Design and Architecture	12
Product Design and Development Data	13
Product Development	27
Regulatory	16
Total	311

Vendor	Section 272 Affiliate	Section 272 Affiliate Location
Planning and Engineering		
Vendor A	ACI	9525 West Bryn Mawr Ave., Rosemont, IL
Vendor B	ACI	9525 West Bryn Mawr Ave., Rosemont, IL
Vendor C	ACI	9525 West Bryn Mawr Ave., Rosemont, IL
Vendor D	ACI	9525 West Bryn Mawr Ave., Rosemont, IL
Vendor E	ACI	9525 West Bryn Mawr Ave., Rosemont, IL
Vendor F	ACI	9525 West Bryn Mawr Ave., Rosemont, IL
Vendor D	SBCS	5850 West Las Positas Blvd., Pleasanton, CA
Network Operations		
Vendor G	ACI	9525 West Bryn Mawr Ave., Rosemont, IL
Vendor H	ACI	9525 West Bryn Mawr Ave., Rosemont, IL
Vendor I	ACI	9525 West Bryn Mawr Ave., Rosemont, IL
Vendor J	ACI	9525 West Bryn Mawr Ave., Rosemont, IL
Vendor K	ACI	9525 West Bryn Mawr Ave., Rosemont, IL
Vendor L	ACI	9525 West Bryn Mawr Ave., Rosemont, IL
Vendor G	SBCS	5850 West Las Positas Blvd., Pleasanton, CA
Vendor K	SBCS	5850 West Las Positas Blvd., Pleasanton, CA
Vendor L	SBCS	5850 West Las Positas Blvd., Pleasanton, CA

Note: SBC represented that the OI&M services listed above were received by the Section 272 affiliates throughout their systems; therefore an individual location of the service provided was not feasible. Therefore, the primary address of the Section 272 affiliate is listed as the receiving location.

Employee Reference	Company	Start Date	End Date
1	ACI	October 14, 1996	April 1, 1997
	Ameritech Services, Inc.	April 1, 1997	May 1, 1998
	Ameritech Center Phase I	May 1, 1998	-
2	Michigan Bell	December 9, 1992	November 1, 1995
	ACI	November 1, 1995	October 1, 2000
	Ameritech Services, Inc.	October 1, 2000	November 1, 2000
	ACI	November 1, 2000	December 31, 2000
3	ACI	January 13, 1997	April 1, 1997
	Ameritech Information Services	April 1, 1997	September 9, 1998
4	Ameritech Mobile Communications	March 10, 1997	May 30, 1999
	AMP	May 30, 1999	October 9, 1999
	ACI	August 14, 2000	September 16, 2000
5	Ameritech Services, Inc.	May 20, 1996	April 1, 2000
	ACI	April 1, 2000	April 1, 2000
	Ameritech Services, Inc.	April 1, 2000	-
6	ACI	October 30, 1996	November 1, 1997
	Illinois Bell	November 1, 1997	December 26, 1997
7	Ameritech Services, Inc.	January 15, 1996	January 1, 1997
	Ameritech Center Phase I	January 1, 1997	August 1, 1998
	ACI	August 1, 1998	October 16, 1999
8	Wisconsin Bell	October 6, 1997	November 3, 1997
	ACI	July 26, 1999	July 27, 1999
	ACI	August 24, 1999	September 9, 1999
9	ACI	June 1, 1996	April 1, 2000
	Ameritech Services, Inc.	April 1, 2000	-
10	ACI	June 19, 1995	August 1, 2000
	Ameritech Services, Inc.	August 1, 2000	-
11	ACI	March 16, 1998	April 1, 2000
	Ameritech Services, Inc.	April 1, 2000	-
12	Michigan Bell	December 9, 1992	January 1, 1994
	Ameritech Services, Inc.	January 1, 1994	June 1, 1995
	ACI	June 1, 1995	April 1, 1997
13	ACI	May 26, 1998	November 19, 2000
	Ameritech Services, Inc.	November 19, 2000	-
14	ACI	June 23, 1997	April 1, 2000
	Ameritech Services, Inc.	April 1, 2000	-

Employee Reference	Company	Start Date	End Date
15	ACI	September 11, 1995	June 1, 1997
	INT	June 1, 1997	August 1, 1998
	Ameritech Center Phase I	August 1, 1998	March 17, 2000
16	Illinois Bell	December 1, 1992	July 1, 2000
	ACI	July 1, 2000	November 16, 2000
17	Wisconsin Bell	June 5, 1995	December 2, 1995
	ACI	November 9, 1998	December 3, 1998
18	ACI	March 2, 1998	March 13, 1998
	Ameritech Services, Inc.	May 15, 2000	-
19	ACI	December 30, 1996	June 1, 2000
	Ameritech Services, Inc.	June 1, 2000	-
20	Pacific Bell	February 17, 1978	March 15, 1997
	SBCS	January 1, 2001	February 28, 2001
21	Pacific Bell	May 7, 1980	March 15, 1998
	SBCS	February 15, 2001	February 28, 2001
22	Pacific Bell	March 2, 1981	December 31, 1996
	SBCS	June 16, 2000	February 28, 2001
23	Pacific Bell	April 2, 1997	February 28, 1998
	SBCS	April 1, 1999	-

Note: Employee names have been replaced with a reference number.

Internet Posting Exceptions

Attachment A-4
Objectives V, VI, Procedure 6

Agreement	Contract #	Affiliate Providing Service	Affiliate Receiving Service	Effective Date	Present at Physical Location	On the Internet at March 29, 2001	Prices, Terms, & Conditions Same as Internet
Intellectual Property License Agreement	300-600-501	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property/Proprietary Information	300-600-501	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property/Proprietary Information Pricing Addendum 2000	300-600-501	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property License Agreement	300-600-502	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property/Proprietary Information	300-600-502	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property/Proprietary Information Pricing Addendum 2000	300-600-502	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property License Agreement	300-600-503	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property/Proprietary Information	300-600-503	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property/Proprietary Information Pricing Addendum 2000	300-600-503	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property License Agreement	300-600-504	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property/Proprietary Information	300-600-504	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property/Proprietary Information Pricing Addendum 2000	300-600-504	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property License Agreement	300-600-505	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property/Proprietary Information	300-600-505	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Intellectual Property/Proprietary Information Pricing Addendum 2000	300-600-505	Illinois Bell	SBCS	November 13, 2000	No	Yes	Yes
Sublease Agreement, 9022 Bowling Green, Greenville, MI		Michigan Bell	ACI	March 1, 1997	No	Yes	Yes
Employee Concession: Schedule 899	Schedule 899	Nevada Bell	SBCS	January 1, 2001 to December 31, 2001	Yes	No	Yes ¹
Intellectual Property/Proprietary Information	820-600-501	Nevada Bell	SBCS	November 13, 2000	Yes	Yes	Could not download

Internet Posting Exceptions

Attachment A-4
Objectives V, VI, Procedure 6

Agreement	Contract #	Affiliate Providing Service	Affiliate Receiving Service	Effective Date	Present at Physical Location	On the Internet at March 29, 2001	Prices, Terms, & Conditions Same as Internet
Intellectual Property Pricing Addendum	820-600-501	Nevada Bell	SBCS	November 13, 2000	Yes	Yes	Could not download
Joint Marketing and Sales Support: November 15, 2000	810	Nevada Bell	SBCS	November 15, 2000 to December 31, 2001	Yes	No	N/A
Joint Marketing and Sales Support Pricing Addendum, November 15, 2000	810	Nevada Bell	SBCS	November 15, 2000	Yes	No	N/A
Intellectual Property Pricing Addendum	600-100	Pacific Bell	SBCS	January 1, 2000	No	No	N/A
Employee Concession Schedule 699	Schedule 699	Pacific Bell	SBCS	January 1, 2001 to December 31, 2001	Yes	No	Yes ¹
Billing Services Pricing Addendum 10/1/99	511	Pacific Bell	SBCS	October 1, 1999	Yes	No	No
Business Communication Services Pricing Addendum, February 11, 2000	510	Pacific Bell	SBCS	February 11, 2000	Yes	No	No
Consumer Markets Group Pricing Addendum, November 11, 2000	513	Pacific Bell	SBCS	November 2, 2000	Yes	No	Yes ¹
Consumer Markets Group Pricing Addendum, March 19, 2001	513	Pacific Bell	SBCS	March 19, 2001	Yes	No	Yes ¹
Consumer Markets Group Pricing Addendum, August 8, 2000	513	Pacific Bell	SBCS	August 10, 2000	Yes	No	Yes ¹
Network Operations Services	622	Pacific Bell	SBCS	January 1, 2000 to December 31, 2000	Yes	No	No
Network Operations Services Pricing Addendum, October 1, 1999	622	Pacific Bell	SBCS	October 1, 1999	Yes	No	No
Network Operations Services Pricing Addendum, February 4, 2000	622	Pacific Bell	SBCS	February 4, 2000	Yes	No	No
Temporary Projects	526	Pacific Bell	SBCS	January 1, 1999	Yes	Yes	No; Term on Internet agreement starts from 1/1/98
Global Sales Support Pricing Addendum, October 31, 2000	999	SNET	ACI	October 31, 2000	Yes	No	No
Premise Sales Support	977	SWBT	SBCS	January 1, 2000 to December 31, 2000	Yes	No	No
Premise Sales Support Pricing Addendum, February 8, 2000	977	SWBT	SBCS	February 8, 2000	Yes	No	No
Premise Sales Support Pricing Addendum, July 10, 2000	977	SWBT	SBCS	July 10, 2000	Yes	No	No
Premise Sales Support Pricing Addendum, January 18, 2000	977	SWBT	ACI	January 18, 2000	Yes	No	No
Temporary Projects Pricing Addendum	26	SWBT	SBCS	May 17, 2000	Yes	No	No
Temporary Projects Pricing Addendum	26	SWBT	SBCS	March 27, 2000	Yes	No	No
Temporary Projects Pricing Addendum	26	SWBT	SBCS	March 16, 2000	Yes	No	No
Temporary Projects Pricing Addendum	26	SWBT	SBCS	January 14, 2000	Yes	No	No

Internet Posting Exceptions

Attachment A-4
Objectives V, VI, Procedure 6

Agreement	Contract #	Affiliate Providing Service	Affiliate Receiving Service	Effective Date	Present at Physical Location	On the Internet at March 29, 2001	Prices, Terms, & Conditions Same as Internet
Operator Services Support Pricing Addendum, January 10, 2000	995	SWBT	SBCS	January 10, 2000	Yes	No	No
Operator Services Support Pricing Addendum, May 20, 2000	995	SWBT	SBCS	May 20, 2000	Yes	No	No
SBCSI/Operator Services Recording Agreement Addendum	995	SWBT	SBCS	June 26, 2000	Yes	No	No

¹ Prices, terms, and conditions for all agreements compared to the agreements on the Internet as of March 29, 2001. For these noted agreements, the prices, terms, and conditions were compared to the agreements posted to the Internet after the March 29, 2001 test date.

Comparison of Billing & Collection Rates
SBCS and Unaffiliated Carriers

Attachment A-5a
Objective VII, Procedure 5

Invoice Item	# of Carriers Billed at a Different Rate	Bill Rates		
		SBCS	Other Carrier	Difference
B1D3 - Interstate transmission charge - received - TX	31	\$ -	\$ 0.0010	\$ (0.0010)
B1D3 - Intrastate transmission charge - received - TX	24	-	0.0010	(0.0010)
B1G2A - Interstate bill message processing - tier 1 - ALL	9	0.0300	0.1000	(0.0700)
B1G2A - Intrastate bill message processing - tier 1 - AR OK MO	9	0.0300	0.1000	(0.0700)
B1G2A - Intrastate bill message processing - tier 1 - KS	1	0.0200	0.1000	(0.0800)
	13	0.0200	0.0300	(0.0100)
B1G2A - Intrastate bill message processing - tier 1 - TX	17	0.0300	0.1000	(0.0700)
B1G2B - Interstate bill message processing - tier 2 - ALL	9	0.0300	0.0500	(0.0200)
B1G2B - Intrastate bill message processing - tier 2 - AR OK MO	9	0.0300	0.0500	(0.0200)
B1G2B - Intrastate bill message processing - tier 2 - KS	1	0.0200	0.0500	(0.0300)
	13	0.0200	0.0300	(0.0100)
B1G2B - Intrastate bill message processing - tier 2 - TX	1	0.0300	0.1000	(0.0700)
	16	0.0300	0.0500	(0.0200)
B1G2C - Interstate bill message processing - tier 3 - ALL	9	0.0100	0.0500	(0.0400)
B1G2C - Intrastate bill message processing - tier 3 - AR OK MO	9	0.0100	0.0500	(0.0400)
B1G2C - Intrastate bill message processing - tier 3 - KS	1	0.0200	0.0500	(0.0300)
	13	0.0200	0.0100	0.0100
B1G2C - Intrastate bill message processing - tier 3 - TX	17	0.0100	0.0500	(0.0400)
B1K2 - Interstate bills rendered - ALL	3	-	0.4000	(0.4000)
	1	-	0.5333	(0.5333)
	32	-	0.4033	(0.4033)
B1K2 - Intrastate bills rendered - AR OK MO	3	-	0.4000	(0.4000)
	1	-	0.5300	(0.5300)
	27	-	0.4033	(0.4033)
B1K2 - Intrastate bills rendered - KS	16	-	0.5550	(0.5550)
	1	-	0.5300	(0.5300)
	14	-	0.4033	(0.4033)
B1K2 - Intrastate bills rendered - TX	14	-	0.4000	(0.4000)
	16	-	0.4033	(0.4033)
	1	-	0.5300	(0.5300)
B1M1F - Interstate mechanized toll adjustments - ALL	4	-	0.0300	(0.0300)
B1M1F - Intrastate mechanized toll adjustments - AR OK MO TX	3	-	0.0300	(0.0300)
	1	-	0.0250	(0.0250)
B1M1F - Intrastate mechanized toll adjustments - KS	1	-	0.0250	(0.0250)
	2	-	0.0233	(0.0233)
B1M2 - Intrastate special charge per adjustment - TX	14	-	0.9000	(0.9000)
B1Q1 - Interstate phrase summary text record - ALL	2	-	0.0045	(0.0045)
B1Q1 - Intrastate phrase summary text record - ALL	1	-	0.0045	(0.0045)
B2G3 - Interstate invoice summary record - ALL	2	-	0.0500	(0.0500)
B2G3 - Intrastate invoice summary record - AR OK MO	2	-	0.0500	(0.0500)
B2G3 - Intrastate invoice summary record - KS	2	-	0.0200	(0.0200)
B2G3 - Intrastate invoice summary record - TX	2	-	0.0233	(0.0233)
D6C - Interstate records transmitted to carrier - TX	24	-	0.0010	(0.0010)
D6C - Intrastate records transmitted to carrier - KS AR OK MO	1	-	0.0010	(0.0010)
D6C - Intrastate records transmitted to carrier - TX	10	-	0.0001	(0.0001)
	11	-	0.0010	(0.0010)

Comparison of Billing & Collection Rates
 ACI and Unaffiliated Carriers

Attachment A-5b
 Objective VII, Procedure 5

Invoice Item	# of Carriers Billed at a Different Rate	Bill Rates		
		ACI	Other Carrier	Difference
Casual Bills Rendered - interstate - ALL	1	\$ 0.4440	\$ 0.0300	\$ 0.4140
Casual Bills Rendered - intrastate - ALL	1	\$ 0.4440	\$ 0.0300	\$ 0.4140
Messages billed - interstate - ALL	2	\$ 0.1000	\$ 0.0700	\$ 0.0300
	1	\$ 0.1000	\$ 0.0600	\$ 0.0400
	25	\$ 0.1000	\$ 0.0500	\$ 0.0500
Messages billed - intrastate - ALL	2	\$ 0.1000	\$ 0.0700	\$ 0.0300
	1	\$ 0.1000	\$ 0.0600	\$ 0.0400
	25	\$ 0.1000	\$ 0.0500	\$ 0.0500

Comparison of Rates Charged by SBC BOCs to Section 272 Affiliates to Rates Charged by SBC BOCs to Other Unaffiliated Entities

Differences Noted in Rates Charged by Indiana Bell and Wisconsin Bell				
USOC	Class of Service	State	Customer	Unit Rate
CKC	CYRJX	Indiana	ACI-Muncie	\$ 25.00
CKC	CYRJX	Indiana	Two Other Customers	30.00
CKC	CYRJX	Indiana	One Other Customer	27.50
CKC	CYRJX	Indiana	Two Other Customers	23.00
NRSX1	CYRJX	Indiana	ACI-Muncie	13.50
NRSX1	CYRJX	Indiana	Two Other Customers	18.50
NRSX1	CYRJX	Indiana	One Other Customer	14.50
NRSX1	CYRJX	Indiana	One Other Customer	13.00
LTG6X	MZC	Wisconsin	ACI-Brookfield	.96
LTG6X	MZC	Wisconsin	One Other Customer	.48
LTG6X	MZC	Wisconsin	One Other Customer	.66
LTG6X	MZC	Wisconsin	Two Other Customers	2.00
TZ4X3	MZC	Wisconsin	ACI-Brookfield	160.00
TZ4X3	MZC	Wisconsin	One Other Customer	60.00
TZ4X3	MZC	Wisconsin	One Other Customer	68.00
TZ4X3	MZC	Wisconsin	One Other Customer	49.00
TZ4X3	MZC	Wisconsin	Two Other Customers	86.50
WF8	MZC	Wisconsin	ACI-Brookfield	12.00
WF8	MZC	Wisconsin	One Other Customer	8.00
ZPAZD	MZC	Wisconsin	ACI-Brookfield	430.00
ZPAZD	MZC	Wisconsin	One Other Customer	182.75

Comparison of Rates Charged by SBC BOCs to Section 272 Affiliates to Rates Charged by SBC BOCs to Other Unaffiliated Entities

Differences Noted in Rates Charged by Pacific Bell		
USOC	Customer	Unit Rate
1L5XX	SBCS	\$26.67
1L5XX	One Other Carrier	28.86
9PZCX	SBCS	\$.05
9PZCX	One Other Carrier	.04
TMECS	SBCS & Two Other Carriers	\$165.94
TMECS	One Other Carrier	170.00

Service Category 1
Successful Completion According to Customer Desired Due Date
Definition: The percentage of orders completed on or before the customer desired due date.
Exclusions: <input type="checkbox"/> Spare Span facilities (SWBT only) <input type="checkbox"/> Unbundling
Business Rules: This service category includes the N, T, and C Service Orders with Activity Codes of A and R (Establish and Add in PB region). The orders counted will be the completed In Effect (“IE”) orders. Both channelized and nonchannelized orders will be counted. Orders missed due to customer reasons will be included in the denominator and counted as “made” in the numerator. The Miss Codes designated as customer misses in each for 2000 are: <input type="checkbox"/> AIT – C and D <input type="checkbox"/> PB – C <input type="checkbox"/> SNET – C and D <input type="checkbox"/> SWBT – A, C, and D Beginning 2001, all companies exclude A, C, and D. Results will be tracked for two entity categories: 1. SBC and affiliates, and 2. Nonaffiliated telecommunications providers. All ACNAs within the 13-state territory have been classified into SBC and Affiliates, Nonaffiliates, and Retail. Retail customers of SBC are not part of this reporting process. The SBC and Affiliates category includes the SBC BOCs, SBC data affiliates, SBC Internet affiliates, SBC Wireless companies, SBC Messaging companies, and SBC Long Distance companies. Nonaffiliated telecommunications providers include IXCs, CLECs, ISPs, Paging companies, and Wireless providers. The results will be reported by product. The products of interest are: <input type="checkbox"/> DS0 – Defined as all DS0, ISDN, both analog and digital. <input type="checkbox"/> DS1 – Defined as all DS1, T1, and ISDN Prime circuits. <input type="checkbox"/> DS3 – Defined as all DS3, T3, and higher speed (i.e., OC3, OC12) circuits.
Reporting Period: Reports shall be produced quarterly and shall contain data beginning with the month in which 271 authorization was received in the state. The states and dates where SBC has received 271 authorization are: <input type="checkbox"/> Texas – July 10, 2000 <input type="checkbox"/> Kansas – March 7, 2001 <input type="checkbox"/> Oklahoma – March 7, 2001

Service Category 1
Reported Products: The results will be reported by product. The products of interest are: <input type="checkbox"/> DS0 – Defined as all DS0, ISDN, both analog and digital. <input type="checkbox"/> DS1 – Defined as all DS1, T1, and ISDN Prime circuits. <input type="checkbox"/> DS3 – Defined as all DS3, T3, and higher speed (i.e., OC3, OC12) circuits.
Calculation: $\frac{[(\text{Completion Date less than or equal to the CDDD}) + (\text{Completion Date greater than CDDD when the miss code} = \text{customer})]}{[\text{Total IE N/T/C orders with Appropriate Activity Codes}]}$ If no CDDD, do not count; if no ACNA, do not count.

Service Category 2
Time from BOC Promised Due Date to Circuit being placed in service (measured in terms of percentage installed within each successive 24-hour period, until 95% installation completed)
Definition: The percentage of orders placed in service by the due date and in each successive 24-hour period until 95% of orders are in service.
Exclusions: <input type="checkbox"/> Spare Span facilities (SWBT only) <input type="checkbox"/> Unbundling
Business Rules: This service category includes the N, T, and C Service Orders with Activity Codes of A and R (Establish and Add in PB region). All completed In Effect (“IE”) orders will be counted, both channelized and nonchannelized. Orders missed due to customer reasons will be included in the denominator and counted as “made” in the numerator. The Miss Codes designated as customer misses in each region for 2001 are: <input type="checkbox"/> AIT – C and D <input type="checkbox"/> PB – C <input type="checkbox"/> SNET – C and D <input type="checkbox"/> SWBT – A, C, and D Beginning 2001, all companies exclude A, C, and D. Results will be tracked for two entity categories: 1. SBC and affiliates, and 2. Nonaffiliated telecommunications providers. All ACNAs within the 13-state territory have been classified into SBC and Affiliates, Nonaffiliates, and Retail. Retail customers of SBC are not part of this reporting process. The SBC and Affiliates category includes the SBC BOCs, SBC data affiliates, SBC Internet affiliates, SBC Wireless companies, SBC Messaging companies, and SBC Long Distance companies. Nonaffiliated telecommunications providers include IXCs,

Service Category 2

CLECs, ISPs, Paging companies, and Wireless providers.

The results will be reported by product. The products of interest are:

- DS0 – Defined as all DS0, ISDN, both analog and digital.
- DS1 – Defined as all DS1, T1, and ISDN Prime circuits.
- DS3 – Defined as all DS3, T3, and higher speed (i.e., OC3, OC12) circuits.

Results will be reported by calendar days in AIT, SNET, and SWBT. PB will report results based on business days.

- Effective 04/01/01 AIT; 05/01/01 SNET, SWBT will report business days for standardization purposes.

Reporting Period:

Reports shall be produced quarterly and shall contain data beginning with the month in which 271 authorization was received in the state. The states and dates where SBC has received 271 authorization are:

- Texas – July 10, 2000
- Kansas – March 7, 2001
- Oklahoma – March 7, 2001

Reported Products:

The results will be tracked and reported by product. The products included are:

- DS0 – Defined as all DS0, ISDN, both analog and digital.
- DS1 – Defined as all DS1, T1, and ISDN Prime circuits.
- DS3 – Defined as all DS3, T3, and higher speed (i.e., OC3, OC12) circuits.

Calculation:

[Total IE N/T/C orders with the Appropriate Activity Codes with a (Completion Date less than or equal to the Due Date) or (a Completion Date greater than Due Date when missed for customer reasons)] (Counted as Day Zero) / [Total IE N/T/C orders with the Appropriate Activity Codes]. Add completed orders for each due date increment until 95% of the total is reached.

If no ACNA, do not count.

Service Category 3
Time to Firm Order Confirmation (measured in percentage received in each successive 24-hour period)
Definition: The percentage of firm order confirmations sent within each successive 24-hour period until 95% is achieved.
Exclusions: <input type="checkbox"/> Non DS0, DS1, and DS3 orders
Business Rules: This service category includes the percentage of all Access Service Request orders from date received to date confirmed within a 24-hour period until 95% is achieved. This percentage also includes any customer errors. Results will be tracked for two entity categories: 1. SBC and affiliates, and 2. Nonaffiliated telecommunications providers. All ACNAs within the 13-state territory have been classified into SBC and Affiliates, Nonaffiliates, and Retail. Retail customers of SBC are not part of this reporting process. The SBC and Affiliates category includes the SBC BOCs, SBC data affiliates, SBC Internet affiliates, SBC Wireless companies, SBC Messaging companies, and SBC Long Distance companies. Nonaffiliated telecommunications providers include IXC, CLECs, ISPs, Paging companies, and Wireless providers. The results will be reported by product. The products of interest are: <input type="checkbox"/> DS0 – Defined as all DS0, ISDN, both analog and digital. All voice grade channel service (L*) and digital high capacity channel service HC0 (HS). <input type="checkbox"/> DS1 – Defined as all DS1, T1, and ISDN Prime circuits. All digital high capacity channel service HC1 (HC) and digital high capacity channel service fractional T1 (HX). <input type="checkbox"/> DS3 – Defined as all DS3, T3, and higher speed (i.e., OC3, OC12) circuits. All digital high capacity channel service HC3 (HF).
Reporting Period: Reports shall be produced quarterly and shall contain data beginning with the month in which 271 authorization was received in the state. The states and dates where SBC has received 271 authorization are: <input type="checkbox"/> Texas – July 10, 2000 <input type="checkbox"/> Kansas – March 7, 2001 <input type="checkbox"/> Oklahoma – March 7, 2001

Service Category 3
Reported Products:
The results will be reported by product. The products included are:
<input type="checkbox"/> DS0 – Defined as all DS0, ISDN, both analog and digital. All voice grade channel service (L*) and digital high capacity channel service HC0 (HS).
<input type="checkbox"/> DS1 – Defined as all DS1, T1, and ISDN Prime circuits. All digital high capacity channel service HC1 (HC) and digital high capacity channel service fractional T1 (HX).
<input type="checkbox"/> DS3 – Defined as all DS3, T3, and higher speed (i.e., OC3, OC12) circuits. All digital high capacity channel service HC3 (HF).
Calculation:
Total IE orders with a firm order confirmation / Total IE orders. Add firm order confirmations for each successive daily increment until 95% of the total is reached.

Service Category 4
Time from PIC Change Request to Implementation
Definition:
The percentage of complete and accurate PIC change requests implemented within each successive 6-hour period until 95% is achieved.
Exclusions:
<input type="checkbox"/> PIC requests where there is no underlying access arrangement in the central office <input type="checkbox"/> PIC requests for lines that are PIC protected <input type="checkbox"/> PIC requests that are originated through service orders <input type="checkbox"/> PIC requests for lines that are not able to be PIC'ed
Business Rules:
<p>This service category includes PIC only change requests from Long Distance providers that have established access service within the central office serving the line for which the request was intended. Only complete and accurate mechanized PIC requests for lines that can be PIC'ed are counted. PIC protected lines are excluded from the measure. This measurement applies to each state in which SBC or an affiliate has received section 271 authorization. The states and dates where SBC has received 271 authorization are:</p> <input type="checkbox"/> Texas – July 10, 2000 <input type="checkbox"/> Kansas – March 7, 2001 <input type="checkbox"/> Oklahoma – March 7, 2001
<p>Results will be tracked for two entity categories: 1. SBC and affiliates, and 2. Nonaffiliated telecommunications providers. All CICs within the 13-state territory have been classified into SBC and Affiliates, and Nonaffiliates. The SBC and Affiliates category includes the SBC</p>

Service Category 4
BOCs, SBC data affiliates, SBC Internet affiliates, SBC Wireless companies, SBC Messaging companies, and SBC Long Distance companies. Nonaffiliated telecommunications providers include IXCs, CLECs, ISPs, Paging companies, and Wireless providers. The results will be tracked by CIC for Nonaffiliated providers.
Effective 09/01 Texas can now be reported as a whole instead of by the previous three entities of Dallas, Houston, and San Antonio.
Reporting Period
This service category applies to each state in which SBC or an affiliate has received section 271 authorization. Reports shall be produced quarterly and shall contain data beginning with the month in which 271 authorization was received in the state. The states and dates where SBC has received 271 authorization are: <input type="checkbox"/> Texas – July 10, 2000 <input type="checkbox"/> Kansas – March 7, 2001 <input type="checkbox"/> Oklahoma – March 7, 2001
Calculation:
(Number of PIC requests where request date & time to completion date & time is within six hours) / (the total number of requests), divided into 6 hour intervals starting 0 hours to 5.99 hours.

Service Category 5
Mean Time to Restore
Definition:
The percentage of circuits restored within each successive 1-hour period after the trouble is reported.
Exclusions:
<input type="checkbox"/> Spare Span facilities (SWBT only) <input type="checkbox"/> Unbundling <input type="checkbox"/> Channelized circuits <input type="checkbox"/> Non-CR trouble reports <input type="checkbox"/> Nonnetwork troubles (IEC, CPE, INF)
Business Rules:
This service category includes the percentage of all nonchannelized, customer reported, measured trouble reports cleared in each 1-hour period until 95% is attained. Trouble reports will be excluded if they are found to be CPE problems outside the SBC network or within the ILEC or CLEC provided facilities, or should have been classified as informational.

Service Category 5

Results will be reported for two entity categories: 1. SBC and affiliates, and 2. Nonaffiliated telecommunications providers. All ACNAs within the 13-state territory have been classified into SBC and Affiliates, Nonaffiliates, and Retail. Retail customers of SBC are not part of this reporting process. The SBC and Affiliates category includes the SBC BOCs, SBC data affiliates, SBC Internet affiliates, SBC Wireless companies, SBC Messaging companies, and SBC Long Distance companies. Nonaffiliated telecommunications providers include IXCs, CLECs, ISPs, Paging companies, and Wireless providers.

The results will be reported by product. The products of interest are:

- DS0 – Defined as all DS0, ISDN, both analog and digital.
- DS1 – Defined as all DS1 and ISDN Prime circuits.
- DS3 – Defined as all DS3 and higher speed (i.e., OC3, OC12) circuits.

Reporting Period:

Reports shall be produced quarterly and shall contain data beginning with the month in which 271 authorization was received in the state. The states and dates where SBC has received 271 authorization are:

- Texas – July 10, 2000
- Kansas – March 7, 2001
- Oklahoma – March 7, 2001

Reported Products:

The results will be tracked by product. The products included are:

- DS0 – Defined as all DS0, ISDN, both analog and digital.
- DS1 – Defined as all DS1 and ISDN Prime circuits.
- DS3 – Defined as all DS3 and higher speed (i.e., OC3, OC12) circuits.

Calculation:

$$\frac{[\text{Total nonchannelized, CR, measured trouble reports cleared}]}{[\text{Total nonchannelized, CR, measured trouble reports}]}$$
, for each 1-hour increment until 95% is reached.
If no ACNA, do not count.

Service Category 6

Time to Restore PIC After Trouble Report

Definition:

The percentage of PIC troubles cleared within each successive 1-hour period until 95% is achieved.

Exclusions:

- All categories of reports except category one (CD) and category two (CR) reports
- Trouble reports where trouble is not found in SBC Network

Service Category 6

- Trouble reports that are not classified as Type Codes 260, 871, 885, 886, 872, 873, 874
- Subsequent reports
- Trouble reports where the PIC and/or LPIC effective dates cannot be determined
- Trouble reports where the customer has no PIC or LPIC assigned

Business Rules:

This service category includes trouble reports that are reported to SBC by either the end-user customer or the LD provider where trouble was found in the SBC network and closed to disposition code 052X. The duration in hours from receipt of the trouble report until it is cleared will be used to calculate this measure. The trouble reports will have the following descriptions and type codes:

- Can't Call Long Distance (CCLD) – Type Code = 260
- PIC Verify or Repair – Type Code = 871, 885, 886, 872, 873, 874

This measurement applies to each state in which SBC or an affiliate has received section 271 authorization. The states and dates where SBC has received 271 authorization are:

- Texas – July 10, 2000
- Kansas – March 7, 2001
- Oklahoma – March 7, 2001

Trouble reports received after the date(s) above are included in this service category.

Results will be reported for two entity categories:

1. SBC and Affiliates
2. Nonaffiliated long distance providers

The SBC and Affiliates category includes the SBC affiliated companies providing long distance service (BOCs, data affiliates, Internet affiliates, Wireless companies, and SBC Long Distance companies). Nonaffiliated long distance providers include IXCs, CLECs, ISPs, Paging companies, and Wireless companies.

Reporting Period:

This service category applies to each state in which SBC or an affiliate has received section 271 authorization. Reports shall be produced quarterly and shall contain data beginning with the month in which 271 authorization was received in the state. The states and dates where SBC has received 271 authorization are:

- Texas – July 10, 2000
- Kansas – March 7, 2001
- Oklahoma – March 7, 2001

Service Category 6
Trouble reports received after the date(s) above are included in this service category.
Reports Produced for Subcategories:
1. IntraLATA long distance provider (LPIC) 2. InterLATA long distance provider (PIC)
The relevant entity and subcategory will be determined based on the PIC and/or LPIC designation that is present on the end-user account. When an account has both a PIC and LPIC assigned, then the associated trouble report will be counted twice, once base.
If unable to determine the PIC or LPIC assignments that were relevant to the time period when a trouble ticket was open, then that trouble ticket will be excluded from the measure.

Service Category 7
Mean Time to Clear Network Trouble
Definition:
The average number of hours to clear network trouble.
Exclusions:
<input type="checkbox"/> Spare Span facilities (SWBT only) <input type="checkbox"/> Unbundling <input type="checkbox"/> Channelized circuits <input type="checkbox"/> Non-CR trouble reports <input type="checkbox"/> Nonnetwork troubles (IEC, CPE, INF)
Business Rules:
<p>This service category includes the Responsible Duration on all nonchannelized, customer reported, measured trouble reports. The results will be measured in hours and decimal hours. Trouble reports will be excluded if they are found to be CPE problems outside the SBC network or within the ILEC or CLEC provided facilities, or should have been classified as informational. Results will be reported for two entity categories: 1. SBC and affiliates, and 2. Nonaffiliated telecommunications providers. All ACNAs within the 13-state territory have been classified into SBC and Affiliates, Nonaffiliates, and Retail. Retail customers of SBC are not part of this reporting process. The SBC and Affiliates category includes the SBC BOCs, SBC data affiliates, SBC Internet affiliates, SBC Wireless companies, SBC Messaging companies, and SBC Long Distance companies. Nonaffiliated telecommunications providers include IXCs, CLECs, ISPs, Paging companies, and Wireless providers.</p> <p>The results will be reported by product. The products of interest are:</p> <input type="checkbox"/> DS0 – Defined as all DS0, ISDN, both analog and digital. <input type="checkbox"/> DS1 – Defined as all DS1 and ISDN Prime circuits.

Service Category 7
Reporting Period: Reports shall be produced quarterly and shall contain data beginning with the month in which 271 authorization was received in the state. The states and dates where SBC has received 271 authorization are: <input type="checkbox"/> Texas – July 10, 2000 <input type="checkbox"/> Kansas – March 7, 2001 <input type="checkbox"/> Oklahoma – March 7, 2001
Reported Products: The results will be reported by product. The products of interest are: <input type="checkbox"/> DS0 – Defined as all DS0, ISDN, both analog and digital. <input type="checkbox"/> DS1 – Defined as all DS1, T1, and ISDN Prime circuits.
Calculation: [Total Responsible Duration on all nonchannelized, CR, measured trouble reports] / [Total nonchannelized, CR, measured trouble reports] If no ACNA, do not count.

Performance Measurement No. 1 Successful Completion According to Desired Due Date (measured in a percentage)										
State	Month	DS0 BOC & Affiliates	DS0 Non- Affiliates	Variance	DS1 BOC & Affiliates	DS1 Non- Affiliates	Variance	DS3 BOC & Affiliates	DS3 Non- Affiliates	Variance
Texas	July 2000	75.00%	86.71%	(11.71%)	73.72%	84.74%	(11.02%)	79.17%	92.65%	(13.48%)
	August 2000	79.61%	86.58%	(6.97%)	74.54%	81.89%	(7.35%)	62.24%	92.76%	(30.52%)
	September 2000	87.14%	86.53%	0.61%	70.23%	82.12%	(11.89%)	68.52%	87.50%	(18.98%)
	October 2000	89.13%	88.46%	0.67%	74.31%	80.14%	(5.83%)	78.86%	93.19%	(14.33%)
	November 2000	94.44%	88.06%	6.38%	70.21%	78.51%	(8.30%)	86.84%	93.33%	(6.49%)
	December 2000	94.23%	84.01%	10.22%	75.35%	75.28%	0.07%	85.71%	94.48%	(8.77%)
	January 2001	89.39%	86.29%	3.10%	75.00%	68.47%	6.53%	78.86%	85.11%	(6.25%)
	February 2001	92.93%	73.73%	19.20%	60.47%	74.48%	(14.01%)	76.27%	86.14%	(9.87%)
	March 2001	90.57%	58.93%	31.64%	75.19%	76.29%	(1.10%)	75.37%	87.02%	(11.65%)
Oklahoma	March 2001	76.47%	87.31%	(10.84%)	81.97%	72.82%	9.15%	90.00%	68.18%	21.82%
Kansas	March 2001	93.33%	87.12%	6.21%	95.19%	80.49%	14.70%	100.00%	81.25%	18.75%

Performance Measurement No. 2 Time from BOC Promised Due Date to Circuit Being Placed in Service (measured in terms of percentage installed within each successive 24 hour period, until 95% installation completed)										
State	Month	DS0 BOC & Affiliates	DS0 Non- Affiliates	Variance	DS1 BOC & Affiliates	DS1 Non- Affiliates	Variance	DS3 BOC & Affiliates	DS3 Non- Affiliates	Variance
Texas	July 2000	6 Days	Due Date	6 Days	12 Days	5 Days	7 Days	22 Days	Due Date	22 Days
	August 2000	10 Days	1 Day	9 Days	15 Days	8 Days	7 Days	21 Days	Due Date	21 Days
	September 2000	6 Days	Due Date	6 Days	16 Days	8 Days	8 Days	48 Days	Due Date	48 Days
	October 2000	Due Date	1 Day	-1 Day	11 Days	10 Days	1 Day	3 Days	Due Date	3 Days
	November 2000	Due Date	1 Day	-1 Day	17 Days	13 Days	4 Days	7 Days	Due Date	7 Days
	December 2000	Due Date	2 Days	-2 Days	34 Days	21 Days	13 Days	9 Days	Due Date	9 Days
	January 2001	7 Days	3 Days	4 Days	41 Days	26 Days	15 Days	17 Days	4 Days	13 Days
	February 2001	2 Days	12 Days	-10 Days	17 Days	14 Days	3 Days	10 Days	8 Days	2 Days
	March 2001	7 Days	5 Days	2 Days	11 Days	12 Days	-1 Day	26 Days	2 Days	24 Days
Oklahoma	March 2001	1 Day	1 Day	0	6 Days	13 Days	-7 Days	14 Days	1 Day	13 Days
Kansas	March 2001	112 Days	10 Days	102 Days	Due Date	4 Days	-4 Days	Due Date	42 Days	-42 Days

Performance Measurement No. 3 Time to Firm Order Confirmation (FOC) (the percentage of firm order confirmations sent within each successive 24-hour period until 95% is achieved)										
State	Month	DS0 BOC & Affiliates	DS0 Non- Affiliates	Variance	DS1 BOC & Affiliates	DS1 Non- Affiliates	Variance	DS3 BOC & Affiliates	DS3 Non- Affiliates	Variance
Texas	July 2000	1 Day	N/A	1 Day vs. N/A	4 Days	Greater Than 5 Days	4 Days vs. Greater than 5 Days	3 Days	Greater Than 5 Days	3 Days vs. Greater than 5 Days
	August 2000	N/A	1 Day	N/A vs. 1 Day	3 Days	5 Days	-2 Days	1 Day	Greater Than 5 Days	1 Day vs. Greater than 5 Days
	September 2000	N/A	N/A	-	2 Days	4 Days	-2 Days	2 Days	Greater Than 5 Days	2 Days vs. Greater than 5 Days
	October 2000	N/A	1 Day	N/A vs. 1 Day	1 Day	Greater than 5 Days	1 Day Vs. Greater Than 5 Days	1 Day	Greater than 5 Days	1 Day vs. Greater than 5 Days
	November 2000	N/A	N/A	-	1 Day	Greater than 5 Days	1 Day Vs. Greater Than 5 Days	1 Day	Greater than 5 Days	1 Day vs. Greater than 5 Days
	December 2000	N/A	N/A	-	1 Day	Greater than 5 Days	1 Day Vs. Greater Than 5 Days	1 Day	Greater than 5 Days	1 Day vs. Greater than 5 Days
	January 2001	N/A	1 Day	N/A Vs. 1 Day	2 Days	2 Days	-	1 Day	5 Days	-4 Days
	February 2001	N/A	N/A	-	1 Day	2 Days	-1 Day	5 Days	Greater than 5 Days	5 Days vs. Greater than 5 Days
	March 2001	1 Day	N/A	1 Day Vs. N/A	1 Day	1 Day	-	1 Day	3 Days	-2 Days
Oklahoma	March 2001	N/A	N/A	N/A	1 Day	1 Day	-	1 Day	Greater Than 5 Days	1 Day vs. Greater than 5 Days
Kansas	March 2001	N/A	N/A	-	1 Day	1 Day	-	1 Day	Greater Than 5 Days	1 Day vs. Greater than 5 Days

Note: N/A displayed when no orders were received during the period noted.

Performance Measure Differences

Attachment A-7
Objective VIII, Procedure 3

Performance Measurement No. 4 Time to Restore and trouble duration (percentage restored within each successive 1 hour interval, until resolution of 95% of incidents)																											
Texas																											
DSO	BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates				
Period	July 2000		Variance	August 2000		Variance	September 2000		Variance	October 2000		Variance	November 2000		Variance	December 2000		Variance	January 2001		Variance	February 2001		Variance	March 2001		Variance
Within 1 Hour	61.11%	34.85%	26.26%	55.56%	31.84%	23.72%	52.17%	29.62%	22.55%	54.94%	28.27%	26.67%	54.01%	29.58%	24.43%	52.47%	28.84%	23.63%	46.45%	28.71%	17.74%	43.14%	32.04%	11.10%	36.42%	29.64%	6.78%
Within 2 Hours	67.90%	48.82%	19.08%	71.93%	50.07%	21.86%	62.50%	43.98%	18.52%	66.05%	43.67%	22.38%	62.57%	47.75%	14.82%	66.67%	42.32%	24.35%	61.29%	43.98%	17.31%	50.33%	45.99%	4.34%	50.00%	48.96%	1.04%
Within 3 Hours	73.46%	61.28%	12.18%	77.78%	64.65%	13.13%	69.57%	54.97%	14.60%	75.93%	58.07%	17.86%	68.45%	60.97%	7.48%	73.46%	55.51%	17.95%	75.48%	58.41%	17.07%	65.36%	59.43%	5.93%	59.88%	62.53%	(2.65%)
Within 4 Hours	79.63%	71.21%	8.42%	82.46%	74.48%	7.98%	78.26%	66.72%	11.54%	83.33%	70.40%	12.93%	75.94%	70.49%	5.45%	79.63%	64.75%	14.88%	81.29%	67.72%	13.57%	70.59%	68.48%	2.11%	69.14%	71.19%	(2.05%)
Within 5 Hours	85.19%	78.20%	6.99%	84.21%	82.12%	2.09%	80.98%	75.92%	5.06%	86.42%	77.70%	8.72%	79.68%	77.13%	2.55%	81.48%	71.76%	9.72%	85.16%	75.16%	10.00%	75.16%	75.88%	(0.72%)	77.78%	78.39%	(0.61%)
Within 6 Hours	89.51%	82.32%	7.19%	87.13%	86.31%	0.82%	85.87%	83.25%	2.62%	88.27%	84.33%	3.94%	82.35%	82.49%	(0.14%)	83.33%	86.83%	(3.50%)	88.39%	79.37%	9.02%	82.35%	81.40%	0.95%	82.72%	83.66%	(0.94%)
Within 7 Hours	92.59%	85.77%	6.82%	90.64%	89.00%	1.64%	86.96%	87.51%	(0.55%)	91.98%	87.81%	4.17%	86.10%	85.58%	0.52%	87.04%	80.18%	6.86%	90.32%	83.44%	6.88%	88.24%	85.01%	3.23%	88.27%	87.74%	0.53%
Within 8 Hours		88.30%	(88.30%)	92.98%	90.51%	2.47%	89.13%	89.90%	(0.77%)	93.21%	91.56%	1.65%	87.70%	87.79%	(0.09%)	87.65%	82.71%	4.94%	92.90%	86.68%	6.22%	89.54%	87.42%	2.12%	90.12%	90.79%	(0.67%)
Within 9 Hours		90.40%	(90.40%)	94.15%	92.37%	1.78%	94.57%	92.30%	2.27%	93.83%	93.37%	0.46%	88.77%	90.07%	(1.30%)	89.51%	84.72%	4.79%	94.84%	89.59%	5.25%	90.85%	90.70%	0.15%	93.21%	93.21%	0.00%
Within 10 Hours		92.00%	(92.00%)	95.91%	93.88%	2.03%		93.64%	(93.64%)	94.44%	95.38%	(0.94%)	91.44%	91.62%	(0.18%)	90.12%	87.11%	3.01%	96.77%	91.46%	5.31%	94.12%	92.85%	1.27%	93.83%	94.60%	(0.77%)
Within 11 Hours	93.21%	93.35%	(0.14%)		94.70%	(94.70%)	95.65%	94.76%	0.89%	95.06%		95.06%		92.96%	(92.96%)	91.36%	87.85%	3.51%		92.63%	(92.63%)	94.77%	94.32%	0.45%		95.36%	(95.36%)
Within 12 Hours	93.83%	94.61%	(0.78%)		95.94%	(95.94%)		95.59%	(95.59%)			0.00%	91.98%	93.43%	(1.45%)	91.98%	88.75%	3.23%		93.92%	(93.92%)	95.42%	95.52%	(0.10%)			0.00%
Within 13 Hours		95.20%	(95.20%)			0.00%			0.00%			0.00%	93.05%	94.43%	(1.38%)	93.21%	89.72%	3.49%		94.76%	(94.76%)			0.00%	94.44%		94.44%
Within 14 Hours			0.00%			0.00%			0.00%			0.00%		94.90%	(94.90%)	93.83%	90.09%	3.74%		95.34%	(95.34%)			0.00%	96.30%		96.30%
Within 15 Hours			0.00%			0.00%			0.00%			0.00%	93.58%	95.71%	(2.13%)	94.44%	90.61%	3.83%			0.00%			0.00%			0.00%
Within 16 Hours	94.44%		94.44%			0.00%			0.00%			0.00%			0.00%		90.98%	(90.98%)			0.00%			0.00%			0.00%
Within 17 Hours			0.00%			0.00%			0.00%			0.00%			0.00%		91.88%	(91.88%)			0.00%			0.00%			0.00%
Within 18 Hours			0.00%			0.00%			0.00%			0.00%	94.65%		94.65%		92.47%	(92.47%)			0.00%			0.00%			0.00%
Within 19 Hours	95.68%		95.68%			0.00%			0.00%			0.00%	95.19%		95.19%	95.06%	93.52%	1.54%			0.00%			0.00%			0.00%
Within 20 Hours			0.00%			0.00%			0.00%			0.00%			0.00%		94.86%	(94.86%)			0.00%			0.00%			0.00%
Within 21 Hours			0.00%			0.00%			0.00%			0.00%			0.00%		97.62%	(97.62%)			0.00%			0.00%			0.00%
Within 22 Hours			0.00%			0.00%			0.00%			0.00%			0.00%			0.00%			0.00%			0.00%			0.00%
Within 23 Hours			0.00%			0.00%			0.00%			0.00%			0.00%			0.00%			0.00%			0.00%			0.00%

Performance Measure Differences

Attachment A-7
Objective VIII, Procedure 3

Performance Measurement No. 4 Time to Restore and trouble duration (percentage restored within each successive 1 hour interval, until resolution of 95% of incidents)																											
Texas																											
DS1	BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates				
Period	July 2000		Variance	August 2000		Variance	September 2000		Variance	October 2000		Variance	November 2000		Variance	December 2000		Variance	January 2001		Variance	February 2001		Variance	March 2001		
Within 1 Hour	51.98%	30.03%	21.95%	49.00%	32.30%	16.70%	48.51%	32.21%	16.30%	46.76%	29.70%	17.06%	47.86%	31.05%	16.81%	48.45%	30.09%	18.36%	42.86%	29.76%	13.10%	42.89%	30.98%	11.91%	44.16%	30.73%	13.43%
Within 2 Hours	66.90%	50.41%	16.49%	64.61%	53.33%	11.28%	64.26%	49.94%	14.32%	62.15%	46.79%	15.36%	61.45%	49.65%	11.80%	60.14%	47.30%	12.84%	58.39%	47.33%	11.06%	59.30%	48.81%	10.49%	59.60%	48.84%	10.76%
Within 3 Hours	78.79%	65.94%	12.85%	76.59%	69.80%	6.79%	76.38%	65.74%	10.64%	75.71%	63.22%	12.49%	74.12%	65.96%	8.16%	73.75%	61.65%	12.10%	72.05%	62.94%	9.11%	71.12%	64.69%	6.43%	72.87%	64.55%	8.32%
Within 4 Hours	83.45%	74.77%	8.68%	84.03%	79.55%	4.48%	82.77%	75.40%	7.37%	81.58%	74.27%	7.31%	81.94%	75.81%	6.13%	80.43%	71.34%	9.09%	82.40%	72.76%	9.64%	80.53%	74.85%	5.68%	79.80%	75.35%	4.45%
Within 5 Hours	87.41%	82.16%	5.25%	88.93%	86.35%	2.58%	87.66%	83.16%	4.50%	86.03%	80.87%	5.16%	86.22%	81.99%	4.23%	84.01%	78.86%	5.15%	86.54%	78.63%	7.91%	86.87%	81.04%	5.83%	86.34%	83.07%	3.27%
Within 6 Hours	90.44%	86.32%	4.12%	92.92%	90.41%	2.51%	92.13%	87.83%	4.30%	89.68%	85.09%	4.59%	89.20%	86.41%	2.79%	88.31%	82.27%	6.04%	89.44%	84.31%	5.13%	91.03%	85.75%	5.28%	90.50%	88.13%	2.37%
Within 7 Hours	92.54%	89.72%	2.82%	94.92%	92.97%	1.95%	94.47%	90.88%	3.59%	91.50%	88.54%	2.96%	91.81%	89.76%	2.05%	89.50%	85.43%	4.07%	91.72%	87.85%	3.87%	92.78%	88.48%	4.30%	92.87%	91.21%	1.66%
Within 8 Hours	94.64%	92.21%	2.43%	96.19%	94.42%	1.77%	95.53%	93.16%	2.37%	93.93%	91.06%	2.87%	93.48%	91.84%	1.64%	90.93%	88.20%	2.73%	94.00%	90.44%	3.56%	94.53%	91.24%	3.29%	94.46%	93.12%	1.34%
Within 9 Hours	95.80%	93.52%	2.28%	95.83%	(95.83%)		94.98%	(94.98%)	95.34%	92.81%	2.53%	94.79%	93.85%	0.94%	92.36%	90.01%	2.35%	95.45%	92.48%	2.97%	95.40%	93.77%	1.63%	95.05%	94.45%	0.60%	
Within 10 Hours		94.61%	(94.61%)			0.00%		95.91%	(95.91%)		94.48%	(94.48%)	96.09%	95.11%	0.98%	94.51%	91.83%	2.68%		94.47%	(94.47%)		95.29%	(95.29%)		95.36%	(95.36%)
Within 11 Hours		95.52%	(95.52%)			0.00%			0.00%		95.81%	(95.81%)			0.00%	95.47%	92.56%	2.91%		95.90%	(95.90%)			0.00%			0.00%
Within 12 Hours			0.00%			0.00%			0.00%			0.00%			0.00%		93.39%	(93.39%)			0.00%			0.00%			0.00%
Within 13 Hours			0.00%			0.00%			0.00%			0.00%			0.00%		93.73%	(93.73%)			0.00%			0.00%			0.00%
Within 14 Hours			0.00%			0.00%			0.00%			0.00%			0.00%		94.16%	(94.16%)			0.00%			0.00%			0.00%
Within 15 Hours			0.00%			0.00%			0.00%			0.00%			0.00%		94.42%	(94.42%)			0.00%			0.00%			0.00%
Within 16 Hours			0.00%			0.00%			0.00%			0.00%			0.00%		94.68%	(94.68%)			0.00%			0.00%			0.00%
Within 17 Hours			0.00%			0.00%			0.00%			0.00%			0.00%		94.81%	(94.81%)			0.00%			0.00%			0.00%
Within 18 Hours			0.00%			0.00%			0.00%			0.00%			0.00%		95.16%	(95.16%)			0.00%			0.00%			0.00%

Performance Measure Differences

Attachment A-7
Objective VIII, Procedure 3

Performance Measurement No. 4 Time to Restore and trouble duration (percentage restored within each successive 1 hour interval, until resolution of 95% of incidents)																											
Texas																											
DS3	BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates		BOC & Affiliates	Non-Affiliates	
Period	July 2000	Variance	August 2000	Variance	September 2000	Variance	October 2000	Variance	November 2000	Variance	December 2000	Variance	January 2001	Variance	February 2001	Variance	March 2001	Variance	March 2001	Variance	March 2001	Variance	March 2001	Variance	March 2001	Variance	March 2001
Within 1 Hour	50.00%	77.78%	(27.78%)	40.00%	25.00%	15.00%	43.48%	62.50%	(19.02%)	36.36%	27.27%	9.09%	71.43%	33.33%	38.10%	90.91%	54.55%	36.36%	28.57%	50.00%	(21.43%)	35.29%	23.08%	12.21%	47.62%	50.00%	(2.38%)
Within 2 Hours	75.00%	100.00%	(25.00%)	66.67%	66.67%	0.00%	65.22%	81.25%	(16.03%)	54.55%	45.45%	9.10%	66.67%	(66.67%)	0.00%	61.90%	63.64%	(1.74%)	64.71%	61.54%	3.17%	61.90%	85.71%	(23.81%)	61.90%	85.71%	(23.81%)
Within 3 Hours	100.00%		100.00%	75.00%	(75.00%)	73.91%		73.91%		63.64%	(63.64%)	85.71%		85.71%	100.00%	81.82%	18.18%	80.95%	72.73%	8.22%	82.35%	69.23%	13.12%	71.43%		71.43%	
Within 4 Hours			0.00%		0.00%		87.50%	(87.50%)	63.64%	90.91%	(27.27%)	100.00%		100.00%		90.91%	(90.91%)	85.71%		85.71%		92.31%	(92.31%)				0.00%
Within 5 Hours			0.00%		83.33%	(83.33%)	78.26%	93.75%	(15.49%)	72.73%		72.73%		83.33%	(83.33%)	100.00%	(100.00%)	90.48%	86.36%	4.12%	88.24%		88.24%	85.71%	92.86%	(7.15%)	
Within 6 Hours			0.00%	86.67%	100.00%	(13.33%)	86.96%		86.96%		0.00%			0.00%		0.00%		90.91%	(90.91%)		100.00%	(100.00%)		100.00%	(100.00%)		
Within 7 Hours			0.00%	93.33%		93.33%		100.00%	(100.00%)	81.82%		81.82%		100.00%	(100.00%)		0.00%	100.00%	95.45%	4.55%			0.00%			0.00%	
Within 8 Hours			0.00%		0.00%			0.00%		0.00%		0.00%		0.00%		0.00%				0.00%		0.00%		0.00%			0.00%
Within 9 Hours			0.00%		0.00%			0.00%		0.00%		0.00%		0.00%		0.00%				0.00%		0.00%		0.00%		95.24%	95.24%
Within 10 Hours			0.00%		0.00%			0.00%		0.00%		0.00%		0.00%		0.00%				0.00%		0.00%		0.00%			0.00%
Within 11 Hours			0.00%	100.00%		100.00%		0.00%	90.91%		90.91%		0.00%		0.00%	0.00%	94.12%		94.12%								0.00%
Within 12 Hours			0.00%		0.00%	91.30%		91.30%		0.00%		0.00%		0.00%		0.00%				0.00%		0.00%					0.00%
Within 13 Hours			0.00%		0.00%			0.00%		0.00%		0.00%		0.00%		0.00%				0.00%		0.00%					0.00%
Within 15 Hours			0.00%		0.00%			0.00%		100.00%	(100.00%)		0.00%		0.00%		0.00%			0.00%		0.00%		0.00%			0.00%
Within 16 Hours			0.00%		0.00%			0.00%		0.00%		0.00%		0.00%		0.00%				0.00%		0.00%		0.00%			0.00%
Within 21 Hours			0.00%		0.00%	100.00%		100.00%		0.00%		0.00%		0.00%		0.00%				0.00%		0.00%		0.00%			0.00%
Within 23 Hours			0.00%		0.00%			0.00%		0.00%		0.00%		0.00%		0.00%		100.00%		100.00%							0.00%
Within 27 Hours			0.00%		0.00%			0.00%	100.00%		100.00%		0.00%		0.00%		0.00%			0.00%		0.00%					0.00%

Performance Measurement No. 4									
Time to Restore and trouble duration									
(percentage restored within each successive 1 hour interval, until resolution of 95% of incidents)									
Oklahoma									
Period	DS0			DS1			DS3		
	BOC & Affiliates	Non-Affiliates	Variance	BOC & Affiliates	Non-Affiliates	Variance	BOC & Affiliates	Non-Affiliates	Variance
Within 1 Hour	60.98 %	33.55 %	27.43 %	41.46 %	30.85 %	10.61 %	100.00 %		100.00 %
Within 2 Hours	68.29 %	49.34 %	18.95 %	58.54 %	47.52 %	11.02 %			0.00 %
Within 3 Hours	80.49 %	63.16 %	17.33 %	71.54 %	62.77 %	8.77 %			0.00 %
Within 4 Hours	82.93 %	71.05 %	11.88 %	82.93 %	78.01 %	4.92 %			0.00 %
Within 5 Hours	87.80 %	76.32 %	11.48 %	87.80 %	86.88 %	0.92 %			0.00 %
Within 6 Hours	92.68 %	80.92 %	11.76 %	92.68 %	91.13 %	1.55 %			0.00 %
Within 7 Hours	95.12 %	84.87 %	10.25 %	96.75 %	93.62 %	3.13 %			0.00 %
Within 8 Hours		86.18 %	(86.18%)		93.97 %	(93.97%)			0.00 %
Within 9 Hours		88.82 %	(88.82%)		95.39 %	(95.39%)			
Within 10 Hours		92.76 %	(92.76%)						
Within 11 Hours			0.00 %						
Within 12 Hours		93.42 %	(93.42%)						
Within 13 Hours		94.74 %	(94.74%)						
Within 14 Hours		95.39 %	(95.39%)						
Kansas									
Within 1 Hour	58.82 %	30.71 %	28.11 %	37.50 %	28.57 %	8.93 %			0.00 %
Within 2 Hours	64.71 %	47.86 %	16.85 %	51.39 %	46.33 %	5.06 %	33.33 %	66.67 %	(33.34%)
Within 3 Hours	73.53 %	61.43 %	12.10 %	66.67 %	62.16 %	4.51 %	66.67 %		66.67 %
Within 4 Hours	82.35 %	72.86 %	9.49 %	81.94 %	73.36 %	8.58 %			0.00 %
Within 5 Hours	91.18 %	78.57 %	12.61 %	87.50 %	80.69 %	6.81 %	100.00 %	100.00 %	0.00 %
Within 6 Hours	94.12 %	86.43 %	7.69 %	93.06 %	88.03 %	5.03 %			0.00 %
Within 7 Hours	97.06 %	88.57 %	8.49 %		91.89 %	(91.89%)			0.00 %
Within 8 Hours		89.29 %	(89.29%)	94.44 %	93.44 %	1.00 %			0.00 %
Within 9 Hours		90.00 %	(90.00%)	95.83 %	94.98 %	0.85 %			0.00 %
Within 10 Hours		91.43 %	(91.43%)		95.75 %	(95.75%)			
Within 11 Hours		92.86 %	(92.86%)			0.00 %			
Within 12 Hours		93.57 %	(93.57%)			0.00 %			
Within 15 Hours			0.00 %			0.00 %			
Within 17 Hours		95.00 %	(95.00%)						

Performance Measurement No. 5							
Mean time to clear network/average duration of trouble							
(Measured in hours)							
DS0				DS1			
Texas							
Period	BOC & Affiliates	Non-Affiliates	Variance	Period	BOC & Affiliates	Non-Affiliates	Variance
July 2000	2.96	4.36	(1.40)	July 2000	2.28	4.24	(1.96)
August 2000	2.17	4.18	(2.01)	August 2000	2.49	3.03	(0.54)
September 2000	2.70	3.80	(1.10)	September 2000	2.16	2.92	(0.76)
October 2000	3.43	3.38	0.05	October 2000	2.52	3.40	(0.88)
November 2000	4.95	3.94	1.01	November 2000	2.52	3.14	(0.62)
December 2000	3.03	4.74	(1.71)	December 2000	2.88	3.87	(0.99)
January 2001	2.33	4.15	(1.82)	January 2001	2.54	3.56	(1.02)
February 2001	3.25	3.74	(0.49)	February 2001	2.42	3.13	(0.71)
March 2001	3.42	3.36	0.06	March 2001	2.44	3.01	(0.57)
Oklahoma							
March 2001	1.68	3.69	(2.01)	March 2001	2.29	2.83	(0.54)
Kansas							
March 2001	1.97	3.56	(1.59)	March 2001	2.78	3.13	(0.35)

Performance Measurement No. 6						
Time from PIC change request to implementation						
(Measured in terms of percentage implemented within each successive 6 hour period, until 95% completed)						
Texas						
BOC & Affiliates			Non-Affiliates			Variance
Period			Period			
July 1 – September 30, 2000	Dallas	7-12 hours	July 1 – September 30, 2000	Dallas	7-12 hours	N/A
	Houston	0-6 hours		Houston	7-12 hours	N/A
	San Antonio	0-6 hours		San Antonio	7-12 hours	N/A
October 1 – December 31, 2000			October 1 – December 31, 2000	Dallas	0-6 hours	N/A
				Houston	0-6 hours	N/A
				San Antonio	0-6 hours	N/A
January 1 – March 31, 2001	Dallas	0-6 hours	January 1 – March 31, 2001	Dallas	0-6 hours	0
	Houston	0-6 hours		Houston	0-6 hours	0
	San Antonio	0-6 hours		San Antonio	0-6 hours	0
Oklahoma						
January 1 – March 31, 2001		7-12 hours	January 1 – March 31, 2001		0-6 hours	7-12 hours vs. 0-6 hours
Kansas						
January 1 – March 31, 2001		0-6 hours	January 1 – March 31, 2001		0-6 hours	0

Performance Measurement No. 7						
Time to restore PIC after trouble incident						
(Measured by percentage restored within each successive 1 hour interval, until resolution of 95% restored)						
	PIC			LPIC		
	BOC & Affiliates	Non-Affiliates	Variance	BOC & Affiliates	Non-Affiliates	Variance
Period	Within (Hrs)	Within (Hrs)	Within (Hrs)	Within (Hrs)	Within (Hrs)	Within (Hrs)
Texas						
July 2000	143	94	49	130	96	34
August 2000	154	126	28	147	122	25
September 2000	144	115	29	139	117	22
October 2000	143	93	50	92	97	(5)
November 2000	140	119	21	147	109	38
December 2000	123	124	(1)	140	95	45
January 2001	143	94	49	123	123	-
February 2001	156	79	77	146	72	74
March 2001	97	69	28	94	63	31
Oklahoma						
March 2001	43	93	(50)	92	70	22
Kansas						
March 2001	29	48	(19)	33	48	(15)

USOCs and Class of Service Codes Billed to
 Section 272 Affiliates in January 2001
 Selected for Testing

Attachment A-8a
 Objective IX, Procedure 3

USOC or Class of Service Code	Description
HZK3X	Megalink Custom High Capacity 44.736
S25EX	Special Access Service Surcharge
TMECS	Channel Termination
TUZPX	Electrical Channel Termination
XDH1X	Digital High Capacity 1.544 MBPS
1J5HS	Special Transport Per Mile
1L5XX	Special Transport Per Mile
1OXHX	Special Transport Fixed
T6ECS	Channel Termination
XDD4X	Digital - Digital Data 4 - Class of Service
BHMTT	Busy Hour Minutes Of Capacity
BHMOT	Busy Hour Minutes of Capacity
PT8JX	End Office Trunk Port DS1 Digital
TPP6X	Line or Trunk
BHMFA	Busy Hour Minutes of Capacity
EF2A4	Entrance Facility Voicegrade 4 Wire
TPP9X	Line or Trunk
SP1A1	DS1 Interconnect Cross Connect
NRB1X	Access Order Charge/ Interstate
DS1X5	DS1 Service - 5 Year Plan Discount
CCDS1	EISCC Per Termination
FC6XB	Central Office Node
FC6YX	STS - 1 DS3 C.O. Access Ports
FECAX	Dedicated Ring Fee Alternate Wire Center
FECFX	Dedicated IOF Ring Fee
FEC LX	Dedicated Local Loop Access Ring Fee
FH5XC	Central Office Node
FP5XC	Premises Node Dedicated Node
FP6BX	DS3 Premises Access Ports
XDSD3	Class of Service for Sonet DS3
XDSL2	Class of Service for OC - 12 Sonet Ring
BHMDL	SWITCHED - BUSY HOUR MINUTES
BHM DA	SW-BUSY HOUR MINUTES
CF3CB	SW-COMMON SWITCH OPTIONAL FEATURE
NRBCL	CENTRAL OFFICE CONNECT & DESIGN CHG.
NRBDE	DESIGN & C.O. CONNECTION CHARGE ADDN. TRUNKS
U7CPE	SWITCHED ACCESS - OPTIONAL FEATURE CARRIER ID PARM (CIP) - PER END OFC
1YLXA	CHANNEL MILEAGE - LOCAL TRANSPORT - ZONE A
1YLBX	CHANNEL MILEAGE - LOCAL TRANSPORT - ZONE B
1YLXC	CHANNEL MILEAGE - LOCAL TRANSPORT - ZONE C

USOCs and Class of Service Codes Billed to
 Section 272 Affiliates in January 2001
 Selected for Testing

Attachment A-8a
 Objective IX, Procedure 3

USOC or Class of Service Code	Description
1YLXD	CHANNEL MILEAGE - LOCAL TRANSPORT - ZONE D
1YLXE	CHANNEL MILEAGE - LOCAL TRANSPORT - ZONE E
1YTX1	CHANNEL MILEAGE - LOCAL TRANSPORT - SWITCHED & SPECIAL ACCESS
1YTX2	CHANNEL MILEAGE - LOCAL TRANSPORT - SWITCHED & SPECIAL ACCESS
1YTX3	CHANNEL MILEAGE - LOCAL TRANSPORT - SWITCHED & SPECIAL ACCESS
1YTX4	CHANNEL MILEAGE - LOCAL TRANSPORT - SWITCHED & SPECIAL ACCESS
1YTX5	CHANNEL MILEAGE - LOCAL TRANSPORT - SWITCHED & SPECIAL ACCESS
1YZX1	SPCL-CHANNEL MILEAGE
1YZX2	SPCL-CHANNEL MILEAGE
1YZX3	SPCL-CHANNEL MILEAGE
1YZX4	SPCL-CHANNEL MILEAGE
1YZZ3	SPECIAL DS1 - SHARED FACILITY CHANNEL CHANNEL MILEAGE PER MIL - ZONE 3
1Y6EC	CHANNELIZED SRVING AREA TRANSPORT 10.1 + MILES
AS3RG	REGENERATOR - RING APPLICATION PROV ONLY
AV1X1	SPCL - SWC AVOIDANCE - 1ST CHANNEL
AV1X2	SPCL - SWC AVOIDANCE - 1ST CHANNEL
AV1X4	SPCL - SWC AVOIDANCE - 1ST CHANNEL
AYVX2	SPCL - SWC AVOIDANCE ARGMT - ADDL CHANNEL
CF3CL	CLEAR CHANNEL CONDITIONING
CLYX1	OPTINET - CLEAR CHANNEL CAPABILITY - PER PORT ARRANGED
CLYX2	OPTINET - CLEAR CHANNEL CAPABILITY - PER PORT ARRANGED
CLYX3	OPTINET - CLEAR CHANNEL CAPABILITY - PER PORT ARRANGED
CLYX4	OPTINET - CLEAR CHANNEL CAPABILITY - PER PORT ARRANGED
CMO1X	DS1 MULTIPLEXER CROSS CONNECTION PER CENTRAL OFFICE
CMO31	DS3 MULTIPLEXER CROSS CONNECTION PER OFFICE ZONE 1
CMO32	DS3 MULTIPLEXER CROSS CONNECTION PER OFFICE ZONE 2
CMO33	DS3 MULTIPLEXER CROSS CONNECTION PER OFFICE ZONE 3
CM6	SPCL - CHANNEL MILEAGE TERMINATION - PER POINT OF MILEAGE TERMINATION
CXCEX	MISC - EXPANDED INTERCONNECTION DS3 CROSS CONNECTION
CZ4X1	SPCL - CHANNEL MILEAGE TERMINATION - PER POINT OF MILEAGE TERMINATION
CZ4X2	SPCL - CHANNEL MILEAGE TERMINATION - PER POINT OF MILEAGE TERMINATION
CZ4X3	SPCL - CHANNEL MILEAGE TERMINATION - PER POINT OF MILEAGE TERMINATION
CZ4X4	SPCL - CHANNEL MILEAGE TERMINATION - PER POINT OF MILEAGE TERMINATION
CZ8XB	CHANNEL TERMN - PER CO TERMN ZONE B
CZ8XC	CHANNEL TERMN - PER CO TERMN ZONE C
CZ8XD	CHANNEL TERMN - PER CO TERMN ZONE C
CZ8XE	CHANNEL TERMN - PER CO TERMN ZONE C
CZ8X2	CHANNEL TERMN - PER CO TERMN
CZ8X3	CHANNEL TERMN - PER CO TERMN
CZ8X4	CHANNEL TERMN - PER CO TERMN

USOCs and Class of Service Codes Billed to
 Section 272 Affiliates in January 2001
 Selected for Testing

Attachment A-8a
 Objective IX, Procedure 3

USOC or Class of Service Code	Description
CZ8X5	CHANNEL TERMN - PER CO TERMN
DZQX1	SPCL - INTER WIRE CENTER DIVERSITY ARGMT - LOC
DZQX2	SPCL - INTER WIRE CENTER DIVERSITY ARGMT - LOC
DZQX3	SPCL - INTER WIRE CENTER DIVERSITY ARGMT - LOC
DZQX4	SPCL - INTER WIRE CENTER DIVERSITY ARGMT - LOC
FC5EX	OC - 48 SONET DEDICATED RING NODE CENTRAL OFFICE
FP5EA	OC - 48 CUS PREM - ADD'L NODE
FP5EX	OC - 48 SONET DEDICATED RING NODE CUSTOMER PREMISES
MJW1C	DS1 TO VOICE MULTIPLEXING - ZONE C
MJW3A	DS3 TO DS1 MULTIPLEXING - ZONE A
MJW3B	DS3 TO DS1 MULTIPLEXING - ZONE B
MJW3C	DS3 TO DS1 MULTIPLEXING - ZONE C
MKW13	DS1 TO VOICE MULTIPLEXING - LOCAL TRANSPORT
MKW31	DS3 TO DS1 MULTIPLEXING - LOCAL TRANSPORT
MKW32	DS3 TO DS1 MULTIPLEXING - LOCAL TRANSPORT
MKW33	DS3 TO DS1 MULTIPLEXING - LOCAL TRANSPORT
MPEDX	OC - 12 SERVICE - ADD - DROP MULTIPLEXING
MPEFX	OC - 48 SONET DEDICATED RING ADD - DROP PER ARGMT
MXJBX	DS3 ADD - DROP MULTIPLEXER
NRBB1	CUSTOMER CONNECTION CHARGE

USOC	Class of Service	State	Interexchange Carrier (“IXC”)	Unit Rate
1J5HS	HZK3X	Michigan	SBCS	\$45.00
1J5HS	HZK3X	Michigan	Other IXCs	50.00
			Other IXCs	106.00
			Other IXCs	135.00
1OXHX	HZK3X	Michigan	SBCS	450.00
1OXHX	HZK3X	Michigan	Other IXCs	450.00
			Other IXCs	475.00
			Other IXCs	500.00
			Other IXCs	1,350.00
			Other IXCs	1,425.00
			Other IXCs	1,500.00
TMECS	XDH1X	Ohio	SBCS	180.00
TMECS	XDH1X	Ohio	Other IXCs	100.00
			Other IXCs	180.00
TUZPX	HZK3X	Michigan	SBCS	975.00
TUZPX	HZK3X	Michigan	Other IXCs	975.00
			Other IXCs	1,050.00
			Other IXCs	1,125.00
			Other IXCs	2,920.00
			Other IXCs	3,060.00
			Other IXCs	3,350.00
			Other IXCs	5,810.00
			Other IXCs	9,230.00
1L5XX	XDH1X	Connecticut	SBCS	10.05
1L5XX	XDH1X	Connecticut	SBCS	10.09
1L5XX	XDH1X	Connecticut	SBCS	10.93
1L5XX	XDH1X	Connecticut	Other IXCs	9.63
1L5XX	XDH1X	Connecticut	Other IXCs	10.05
			Other IXCs	10.09
			Other IXCs	10.93
1L5XX	XDSD3	Connecticut	SBCS	25.00
1L5XX	XDSD3	Connecticut	Other IXCs	0.90
			Other IXCs	1.79
			Other IXCs	2.68
			Other IXCs	3.57
			Other IXCs	4.47
			Other IXCs	5.36

USOC	Class of Service	State	Interexchange Carrier ("IXC")	Unit Rate
			Other IXCs	6.25
			Other IXCs	8.04
			Other IXCs	8.93
			Other IXCs	9.82
			Other IXCs	10.72
			Other IXCs	11.61
			Other IXCs	12.50
			Other IXCs	13.40
			Other IXCs	14.29
			Other IXCs	15.18
			Other IXCs	16.07
			Other IXCs	16.97
			Other IXCs	17.88
			Other IXCs	17.88
			Other IXCs	18.75
			Other IXCs	19.65
			Other IXCs	20.54
			Other IXCs	21.43
			Other IXCs	22.32
			Other IXCs	23.15
			Other IXCs	24.11
			Other IXCs	25.00
TMECS	XDH1X	Connecticut	SBCS	130.00
TMECS	XDH1X	Connecticut	SBCS	170.00
TMECS	XDH1X	Connecticut	SBCS	175.00
TMECS	XDH1X	Connecticut	Other IXCs	130.00
			Other IXCs	170.00
			Other IXCs	175.00

<u>MSAs</u> ¹	Dedicated Transport and Carrier Side of Special Access		End User Side of Special Access	
	PHASE I ²	PHASE II ³	PHASE I	PHASE II
AMERITECH MSAs				
Appleton, WI	x			
Champaign/Urbana, IL	x	x	x	x
Chicago, IL	x			
Cleveland/Lorain/Elyria, OH	x	x		
Columbus, OH	x	x	x	
Davenport/Rock Island/ Moline, IA-IL	x			
Decatur, IL	x			
Dayton, OH	x	x		
Evansville/Henderson, IN-KY	x	x	x	
Flint, MI	x			
Green Bay, WI	x			
Indianapolis, IN	x	x		
Kalamazoo, MI	x	x		
Madison, WI	x		x	
Milwaukee/Waukesha, WI	x	x	x	

¹ MSAs are defined as Metropolitan Status Area.

² Phase I Pricing Flexibility as stated in the Federal Communications Commission's Memorandum Opinion and Order Adopted (DA 01-670) (WP K2-1200) March 13, 2001 and released March 14, 2001 is defined in section II paragraph 5 as follows, "A Price cap LEC that obtains Phase I relief is allowed to offer, on one day's notice contract tariffs (A contract tariff based on an individually negotiated service contract) and volume and term discounts for qualifying services, so long as the services provided pursuant to contract are removed from price caps. To protect those customers that may lack competitive alternatives, a price cap LEC receiving Phase I flexibility must maintain its generally available price cap constrained tariffed rates for these services. To obtain Phase I relief, a price cap LEC must meet triggers designed to demonstrate that competitors have made irreversible, sunk investments in the facilities needed to provide the services at issue. In particular, to receive pricing flexibility for dedicated transport and special access services (other than channel terminations to end users), a price cap LEC must demonstrate that unaffiliated competitors have collocated in at least 15 percent of the LEC's wire centers within an MSA, or have collocated in wire centers accounting for 30 percent of the LEC's revenues from these services within an MSA. In both cases, the price cap LEC also must show, with respect to each wire center, that at least one collocator is relying on transport facilities provided by a transport provider other than the incumbent LEC."

³ Phase II Pricing Flexibility as stated in the Federal Communications Commission's Memorandum Opinion and Order Adopted (DA 01-670) (WP K2-1200) March 13, 2001 and released March 14, 2001 is defined in section II paragraph 5 as follows, "A price cap LEC that receives Phase II relief is allowed to offer dedicated transport and special access services free for the Commission's Part 69 rate structure and Part 61 price cap rules. The LEC, however, is required to file, on one day's notice, generally available tariffs for those services for which it receives Phase II relief. To obtain Phase II relief, a price cap LEC must meet triggers designed to demonstrate that competition for the services at issue within the MSA is sufficient to preclude the incumbent from exploiting any individual market poser over a sustained period. To obtain Phase II relief for dedicated transport and special access services (other than channel terminations to end users), a price cap LEC must demonstrate that unaffiliated competitors have collocated in at least 50 percent of the LEC's wire centers within an MSA, or have collocated in wire centers accounting for 65 percent of the LEC's revenues from these services within an MSA. Higher thresholds apply for obtaining Phase II pricing flexibility relief for channel terminations between a LEC end office and an end user customer. To obtain such relief, a price cap LEC must demonstrate that unaffiliated competitors have collocated in at least 65 percent of the LEC's wire centers within an MSA, or have collocated in wire centers accounting for 85 percent of the LEC's revenues from these services within an MSA. Once again, the LEC also must demonstrate, with respect to each wire center, that at least one collocator is relying on transport facilities provided by a transport provider other than the incumbent LEC.125

<u>MSAs</u> ¹	Dedicated Transport and Carrier Side of Special Access		End User Side of Special Access	
	PHASE I ²	PHASE II ³	PHASE I	PHASE II
Peoria/Pekin, IL	x		x	
Racine, WI	x			
Rockford, IL	x	x		
Springfield, IL	x	x	x	x
Toledo, OH	x	x	x	
South Bend, IN	x			
<u>PACIFIC BELL MSAs</u>	PHASE I	PHASE II	PHASE I	PHASE II
Los Angeles/Long Beach, CA	x			
Sacramento, CA	x	x	x	
San Diego, CA	x	x	x	
San Francisco/Oakland, CA	x	x		
San Jose, CA	x	x	x	
<u>SOUTHWESTERN BELL MSAs</u>	PHASE I	PHASE II	PHASE I	PHASE II
Austin/San Marcos, TX	x	x	x	
Amarillo, TX	x	x		
El Paso, TX	x			
Dallas/Fort Worth, TX	x	x	x	
Corpus Christi, TX	x	x	x	
Houston, TX	x	x	x	
Kansas City, KS-MO	x	x	x	
Little Rock, AR	x	x	x	
Lubbock, TX	x	x	x	x
Oklahoma City, OK	x	x	x	
San Antonio, TX	x	x	x	
St. Louis, MO-IL	x			
Springfield, MO	x	x	x	x
Tulsa, OK	x	x	x	
Topeka, KS	x	x	x	

COMMENTS OF THE JOINT OVERSIGHT TEAM FOR THE SBC COMMUNICATIONS INC. SECTION 272 AGREED-UPON PROCEDURES ENGAGEMENT

Section 272(d) of the Act requires the formation of a Joint Federal/State Oversight Team (JOT) to oversee the conduct of the agreed-upon procedures (AUP) engagement. A JOT has been formed and has overseen the conduct of this engagement, which includes the review of the report and its supporting working papers. The JOT offers the following comments:

Chronology: Ernst & Young LLP (E&Y) the independent accounting firm hired by SBC Communications Inc. (SBC) to perform the engagement provided, as required, a copy of the draft report to the JOT on September 8, 2001. At that time the results of eleven procedures remained incomplete as E&Y was awaiting information from SBC. The JOT completed its review of the draft report and working papers on September 27, 2001 and, with regard to disclosure changes to the draft report, provided written comments to E&Y on September 20 and September 27, 2001. E&Y provided another draft of the report to the JOT late in the day, on Friday November 2, 2001. As of November 6, 2001, the date when the draft report was required to be submitted to the company for its review, a number of issues still needed to be addressed. All issues were subsequently addressed with the exception of the following items related to disclosures requested by the JOT to be made in E&Y's report:

Items Needing Disclosure:

Objective I, Procedure 4: The JOT requested that the report should list the services rendered to each Section 272 affiliate by the Bell Operating Companies (BOCs), other affiliates, and unaffiliated entities. E&Y responded that the reporting of a list of services is not required by the procedure. The procedure only calls for the practitioner to "obtain" the list and description of services. The term "obtain" is defined in the 272 Biennial agreed-upon procedures and requires the practitioner to physically acquire and generally retain in the working papers, all documents supporting the work effort performed to adequately satisfy the requirements of the procedure. As such, a list of these services is included in the workpapers only and is not included in E&Y's report. SBC management agreed with E&Y's statement. The JOT believes that the procedures are flexible until completion of the report and, in the JOT's judgement, the information requested be disclosed in the report is useful in the final analyses of the contents of the report. The American Institute of Public Accountants (AICPA) standards support this view.

Objective I, Procedure 7: The report states that the listing of fixed assets obtained from the Section 272 affiliates included a column noting from whom each item was purchased or from where it was transferred, but this column was not always populated. The JOT requested that the report identify the items and the dollar amounts where this information was missing. This list includes transmission and switching facilities. E&Y added additional detail to the report stating that a total number of 119 of 480 assets for SBCS and 337 of 2,735 assets for ACI did not

include information in the data field titled “from whom the asset was purchased or transferred.” E&Y stated additional detail was not required by the procedure. SBC management agreed with E&Y’s statement and issued a separate response.

Objective II, Procedure 4: While reviewing the working papers the JOT noted that Ameritech Communications, Inc. (ACI) was subletting space to Ameritech Services, Inc. (ASI) at prices in excess of those paid by ACI to the lessor. The JOT requested that these instances be disclosed in the report in Objective V&VI, in either Procedure 10 or 12. More specifically, the items noted were:

- Ameritech Communications, Inc. (ACI) leases additional space at Columbia Center II (9450 West Bryn Mawr Ave.), Rosemont, Illinois. 2nd expansion space lease on 2nd floor, 12,265 sq. ft. for \$12,571.63/month (2001 rate). This equates to \$1.025 per square foot.
- ACI subleases 1,662 sq. ft. of floor space on 2nd floor to Ameritech Services, Inc. (ASI) at \$19.99 per square foot.
- ACI subleases to ASI another 2,665 sq. ft. at \$20.92 per square foot.
- ACI subleases to ASI 3,943 sq. ft. at \$20.92 per square foot.

ASI is a central services organization which recovers, with certain exceptions, all of its costs from the affiliates it serves, including the telephone companies. Therefore, to the extent these costs are inflated, they affect the charges to the telephone companies.

E&Y responded that procedures V&VI-10 or V&VI-12 do not direct the practitioner to review transactions from ACI (the Section 272 affiliate) to a central services affiliate. Procedure II-4 does not direct the practitioner to report on pricing contained in the leases obtained. SBC management agreed with E&Y’s statement.

Objective V&VI, Procedure 12: The JOT requested that the report should identify the central services organizations that render services to the Section 272 affiliates and the amounts billed to the Section 272 affiliates during the first nine months of the engagement period. The report should also describe when invoices or reports/schedules are rendered.

E&Y responded that the procedure only calls for the practitioner to “obtain” the list and description of services and, as described above, the reporting of this information is not required by the procedure, but it is included in the workpapers. SBC management agreed with E&Y’s statement.

Other Matters:

Objective V&VI, Procedure 9: The report indicates that in the September 2000 billing from Pacific Bell to Southwestern Bell Communications Services, Inc. (SBCS) for Consumer Markets Group services, the unit price used for billing was \$1.00 per listing compared to the fully

distributed cost (FDC) rate of \$118.42 per hour. No supporting information was provided that converted the FDC rate of \$118.42 per hour to the billed rate of \$1.00 per listing. SBC represented that the rate of \$1.00 per listing was an estimate, which will be trued up once a time in motion study rate is established. As noted in E&Y's report, SBC has not provided documentation that the true up has yet been made as of December 11, 2001. Without this information and fair market value (FMV) information, the regulatory commissions will be unable to determine whether SBCS was billed the appropriate amount for this service. SBC management issued a separate response.

Confidentiality: SBC submitted to the JOT a listing of items requesting confidential treatment and that they be redacted from the final audit report for public inspection. The JOT does not have the authority to act upon SBC's request. Accordingly, the JOT neither agrees nor disagrees with the confidentiality of these items. Confidentiality issues will be addressed by the pertinent regulatory commissions, if necessary.

Michelle A. Thomas
Executive Director
Federal Regulatory

SBC Telecommunications, Inc.
1401 J Street, N.W., Suite 1100
Washington, D.C. 20005
Phone: 202 536-6010
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December 17, 2001

Mr. Hugh Boyle
Federal Communications Commission
445 12th Street, NW
Washington, DC 20554

Mr. Brian Horst
Ernst & Young LLP
Frost Bank Towers, Suite 1900
100 West Houston Street
San Antonio, Texas 78299-2938

Re: Section 272 Biennial Audit of SBC Communications Inc.

Dear Messers Boyle and Horst:

SBC Communications Inc. ("SBC") submits these comments to Ernst & Young's audit report pursuant to Section 272(d) of the Communications Act of 1934, as amended ("the Act") and Section 53.209 of the Commission's rules. These comments are being submitted to the Joint Federal/State Oversight Team ("JOT") and to Ernst & Young ("E&Y") in accordance with Section 53.213(b) of the Commission's rules and will become part of the final audit report.

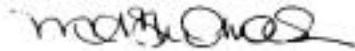
SBC is also requesting confidential treatment of certain data contained in E&Y's audit report, SBC's Comments, the JOT's Comments, and E&Y's Comments (collectively "the Final Audit Report"), under Section 0.459 of the Commission's rules, and as per paragraph 30(f) of the Agreed-Upon Procedures. These items include details about the SBC long distance companies' assets and accounts, company facility locations, and the nature and amount of services purchased by the companies. Additionally, the report includes information about non-affiliated entities that include names and rates of specific services provided to those entities. This is commercially sensitive information and is typically withheld from public disclosure. SBC therefore requests that these items be redacted from the Final Audit Report for public inspection. A proprietary version of the Final Audit Report will be submitted to the Commission under confidential seal.

The results of the Agreed-Upon Procedures, as reflected in the Final Audit Report, reveals that SBC has effectively implemented internal policies, procedures and practices to comply with the Section 272 requirements of the Act. Due to the nature of an agreed-upon procedures engagement, the practitioner has performed the procedures as agreed to by the users and has reported all results, regardless of materiality. Accordingly, the audit

report includes minor exceptions. Further, the preponderance of those exceptions relate not to Southwestern Bell Communications Services, Inc. ("SBCS"), but to Ameritech Communications, Inc. ("ACI").¹ In other instances, exceptions were noted where data and/or documentation was not available in the format required by the audit procedures due to systems limitations or system incompatibility between the SBC BOCs and the Section 272 affiliates.

SBC provides these comments to address certain procedures or results noted in the practitioner's audit report that may require additional information or clarification.

Sincerely,



Michelle A. Thomas
Executive Director – Federal Regulatory

Attachment

¹ It should be noted that SBCS is the only SBC Section 272 affiliate that has been granted 271 authorization to provide interLATA long distance services in SBC in-region states. ACI does not have 271 authority to provide in-region interLATA services.

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<p><u>Objective I, Procedure 7</u></p> <p>Verified by observation that the listings obtained above, which included 480 assets for SBCS and 2,735 assets for ACI, included information in the five required fields of data: description, location of each item, date of purchase, price paid and recorded, and from whom the asset was purchased or transferred. Noted that all 16,075 required data fields were populated except for 119 assets of SBCS and 337 assets of ACI that did not include information in one data field, "from whom the asset was purchased or transferred".</p>	<p>The purpose of this procedure is to determine whether there is joint ownership of switching and transmission facilities between the SBC 272 affiliate and the SBC BOC, and the audit report reflects that there were none.</p> <p>As part of this procedure, the auditor was instructed to verify the completeness of the SBC 272 affiliates' detailed fixed asset listings. The audit report noted unpopulated fields in less than 3 percent of the total required data fields. It was discovered that the "Vendor Name" field was not populated for certain fixed asset records. This occurred due to a fixed asset systems conversion at SBCS and ACI to a new ORACLE based system. As a result of this conversion, the vendor name was captured in another field (e.g., manufacturer name) which was not included in the listings provided to the auditors. For a limited number of older fixed assets, no vendor name was captured in the fixed asset records. The absence of a vendor name associated with certain older fixed assets does not impact the determination of whether the SBC 272 affiliate and the SBC BOC jointly owned switching and transmission facilities during the engagement period.</p>
<p><u>Objective III, Procedure 4</u></p> <p>Obtained the payroll registers for each Section 272 affiliate that included the social security numbers of all the directors, officers, and employees as of March 31, 2001 and designed and executed a program which electronically compared the social security numbers of directors, officers, and employees on the Section 272 affiliates' payroll registers to the electronic employee records for the SBC BOCs. Noted that four individuals were listed on both the Section 272 affiliates' listings and the SBC BOCs' listings. Documented below the reason and number of employees appearing on both lists.</p> <p>Noted by review of the payroll registers that while the employee names appeared on both the SBC BOCs' and ACI's payroll registers, only the ACI payroll register included payments to the employees. The SBC BOC payroll register listing included the</p>	<p>The purpose of this procedure was to determine whether an individual served simultaneously as an employee of a SBC BOC and a SBC 272 affiliate. While the administrative records indicate that four employees were included on the payroll listing (e.g., payroll register) of both a SBC BOC and a SBC 272 affiliate, the employees were only active in and paid by one entity within the payroll system, thus resulting in no overlap.</p> <p>The PeopleSoft payroll system used in the Ameritech region only allows for an employee to be currently active in, and therefore paid by, one company. Therefore, although employees may not have been removed from a prior employer company's payroll register in a timely manner, the systems do not allow two Ameritech companies to pay the employee during the same time period.</p>

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<p>employee name with no corresponding payment. Also noted by review of the employee transfers obtained in Procedure 5 below that the four duplicates transferred between the SBC BOCs and ACI with effective dates of March 2001 and April 2001. SBC represented that the duplicate employees were only paid by the affiliate for which they were employed and appeared on the other register with no pay.</p>	
<p><u>Objective V/VI, Procedure 6</u></p> <p>Viewed the SBC Internet site at [SBC web site] as of March 29, 2001 and noted that all agreements and pricing addendums, 450 in total, obtained in Procedure 5 above were posted on the Internet, except for 25 agreements or pricing addendums noted in Attachment A-4. Noted that there were no asset transfers between the Section 272 affiliates and the SBC BOCs included in the agreements obtained in Procedure 5 and no asset transfers were posted on the Internet as of March 29, 2001. SBC has represented that only furniture valued at \$5,000 was transferred from an SBC BOC to SBCS in 1996.</p> <p>Compared the prices and terms and conditions of services and assets in the agreements obtained in Objectives V and VI, Procedure 5 to those shown on the SBC Internet site. Noted certain exceptions listed on Attachment A-4 and as summarized in Table 4 above. Noted that the information provided on the Internet is sufficiently detailed to allow evaluation for compliance with the FCC's accounting rules because entire agreements are posted on the SBC Internet site. Noted that all the details needed to allow evaluation for compliance with the FCC's accounting rules are made available. Noted that the Internet posting of the agreements included rates, terms, conditions, frequency, effective dates, termination date, description of services, and method of pricing.</p> <p>By physical inspection of the SBC BOC central files at the locations listed in the table below, noted that the same information was made available for public inspection at the principal place of business of the SBC BOCs, except as noted on Attachment A-4. Noted that SBC did not make any claim of confidentiality for nondisclosure.</p>	<p>The purpose of this procedure was to determine whether the SBC BOC was properly following the FCC's affiliate transactions rules. The audit report noted SBC's extensive procedures to ensure compliance and to detect and prevent non-compliance. The requirements for affiliate transactions are complex; however, the items noted in the audit report are miniscule. Of the 25 items noted in Attachment A-4, 21 relate to either discontinued services which have been removed from the Internet web site or to joint marketing provided by the SBC BOC under section 272(g) and are not subject to the non-discrimination provisions of section 272(c). This results in a less than 1 percent (4 of 450) exception to the total Internet postings.</p> <p>SBC has taken corrective action with respect to the 17 items noted in the central files (noted in Table 4) by updating the particular pricing addendum or contract. As of today, the only outside parties that have requested access to the Central file are Ernst & Young for the Biennial Audit and one unaffiliated carrier who did not disclose the purpose for their review. It should be noted that no unaffiliated third party entity has requested service provided from the SBC BOC to the SBC 272 affiliates for the non-tariffed agreements posted on the Internet web site.</p>
<p><u>Objective V/VI, Procedure 6 – continued</u></p>	

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<p>Documented the policies that the Section 272 affiliates have in place for posting these transactions on a timely basis and noted that these procedures are posted on the SBC Internet site at:</p> <p>http://www.sbc.com/PublicAffairs/PublicPolicy/Regulatory/affdocs/MethodsProc-Rev.doc</p> <p>For the random sample of 100 affiliate agreements and related pricing addendums obtained in Procedure 5 above, performed the following:</p> <p>Noted by inquiry and observation that the 100 agreements or pricing addendums were posted for public inspection within 10 days of their occurrence except for the following:</p> <ul style="list-style-type: none"> ▪ SWBT to SBCS – Premise Sales Support Pricing Addendum dated June 4, 2000 was posted to the Internet on July 13, 2000. ▪ Nevada Bell to SBCS – Employee Concession Pricing Addendum effective April 1, 2001 was posted to the Internet on May 8, 2001. ▪ Nevada Bell to SBCS – Joint Marketing and Sales Support Pricing Addendum effective March 20, 2001 was posted to the Internet on May 8, 2001. ▪ For 12 of the 100 postings tested, Internet posting dates could not be verified since these agreements were executed prior to October 8, 1999, and SBC did not retain support for the Internet posting dates. 	<p>Since the adoption of the FCC’s 10-day Internet posting requirement (approximately 450 agreements posted to date), the SBC 272 affiliates have continued to improve the process and procedures used to post affiliate agreements to the Internet in an accurate and timely fashion. Out of 100 sampled, only three agreements were actually posted outside of the 10-day requirement. (SBC investigated and discovered that one of the alleged late Internet postings--the Nevada Bell to SBCS – Employee Concession Pricing Addendum--actually had an April 30, 2001 effective date, and was posted on May 8, 2001, within the 10-day posting requirement.) SBC will correct this posting date oversight.</p> <p>For the 12 Internet postings for which documentation could not be located, 11 were for ACI affiliate agreements signed and executed prior to the SBC/Ameritech merger. As noted, ACI is not the SBC 272 affiliate authorized to provide in-region, interLATA services for SBC states.</p> <p>With regard to the availability of system-generated verification of posting dates, as of September 2000, the SBC 272 affiliates moved from using a manual hard copy posting process to an online posting process using the software tool PubWeb. A hard copy is now maintained on file. The mechanized PubWeb posting process has built-in procedures and controls that ensure that Internet postings occur timely.</p>
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<p><u>Objective V/VI, Procedure 6 – continued</u></p> <p>For 39 of the 100 postings tested, support obtained for the Internet posting date was internal correspondence or employee file notes provided by the Section 272 affiliate. These agreements or pricing addendums were posted to the Internet prior to the Section 272 affiliate’s implementation of the posting procedures which produce system-generated verification of the posting dates.</p>	
<p><u>Objective V/VI, Procedure 9</u></p> <p>Noted that the sampled amounts were priced at the higher of FDC or FMV, or PMP in accordance with the affiliate transactions standards and were recorded in the books of the SBC BOCs in accordance with the affiliate transaction standards, except as listed below:</p> <ul style="list-style-type: none"> ▪ Noted in the September 2000 billing from Pacific Bell to SBCS for Consumer Markets Group services, the unit price used for billing was \$1.00 per listing compared to the FDC rate of \$118.42 per hour. No supporting information was provided that converted the FDC rate of \$118.42 per hour to the billed rate of \$1.00 per listing. SBC represented that the rate of \$1.00 per listing was an estimate, which will be trued up once a time in motion study rate is established. 	<p>For the affiliate transaction noted, a time and motion study was completed in August 2000 to true-up the estimated \$1.00 per listing, but was not applied to the hourly rate to revise the per listing price until April 2001. A true-up for all billings, which includes 2000 and 2001, will be processed by SBC in December 2001.</p> <p>These transactions are subject to review in the annual SBC Cost Allocation Manual (CAM) audits. Both the 2000 and 2001 rates are supported by the fully distributed cost (FDC) calculations performed in accordance with SBC’s approved FDC valuation methodologies included in SBC’s CAM on file with the FCC.</p>
<p><u>Objective V/VI, Procedure 10</u></p> <p>From the summary listing obtained above, selected a judgmental sample, as approved by the Oversight Team, of six services for one month as listed in Table 6 below. SBC represented that services provided by SBCS were billed on numerous invoices every month. Requested and obtained a detailed listing by invoice, of the amounts billed by SBCS to Pacific Bell and SWBT for the service and month selected in the sample. Noted that this listing did not agree to the summary listing provided above due to errors in the compilation of the summary listing by SBCS.</p>	<p>The audit report noted that for each SBC invoice provided under this procedure that the services were billed by SBCS in accordance with affiliate transaction standards. Discrepancies of dollar amounts from the initial request and the second request are due to billing disputes and adjustments made to a specific account(s) during the interim period between the requests. Billing for services provided by the SBC 272 affiliates to the SBC BOCs were at the agreed upon rates as shown in the audit report. The SBC 272 affiliates were able to provide sufficient information demonstrating that it had met this objective. The SBC 272 affiliates are currently working to resolve any billing</p>

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	<p>system issues in order to provide the necessary information in the requested format in the future.</p>
<p><u>Objective VII, Procedure 5</u></p> <p>The Oversight Team selected B&C services and local exchange services for March 2001 for testing. Noted that SBCS purchased B&C services from SWBT and ACI purchased B&C services from Indiana Bell, Illinois Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell. For 38 unaffiliated carriers purchasing B&C services from SWBT and 34 unaffiliated carriers purchasing B&C services from Indiana Bell, Illinois Bell, Michigan Bell, Ohio Bell, or Wisconsin Bell, compared the rates, terms, and conditions on their March 2001 billing to the rates, terms, and conditions on the Section 272 affiliates' March 2001 billing from the comparable SBC BOC. The results of this comparison are shown on Attachment A-5a for SBCS and Attachment A-5b for ACI. SBC represented that the differences noted may result from whether the customer has chosen the following contractual options: invoice billing; message billing; volume discount pricing; standard pricing; per page billing; and/or rate element billing.</p>	<p>The SBC BOCs make available Billing and Collection Services (B&C) to carriers at the same rates, terms and conditions. The differences in the rates for B&C services shown in Attachment A-5a are a result of several options available to B&C customers. The SBC BOCs offer (1) invoice billing and/or message ready billing; (2) volume discount or standard billing; and (3) per page billing (for invoice billing only) or rate element by rate element billing. Although other IXCs have selected invoice billing, SBCS is the only IXC that has chosen the per invoice page pricing option and the volume discount rating option; therefore, the B&C services purchased by the SBC 272 affiliate and by the unaffiliated carriers listed are not comparable. Consequently, the information contained in Attachment A-5a is misleading because it does not compare similar data.</p>
<p><u>Objective VII, Procedure 5 – continued</u></p> <p>Pacific Bell provided copies of Customer Service Records (“CSRs”) for seven billing account numbers (“BANs”) billed to SBCS as of March 2001 and 18 BANs billed to nine unaffiliated carriers. Compared the rates, by Universal Service Order Code (“USOC”), charged to SBCS to those charged to the unaffiliated carriers. For all the USOCs billed to SBCS, noted 16 USOCs that were also billed to the unaffiliated carriers. Noted that of these 16 comparable USOCs, 13 of the rates agreed without exception and three contained differences which are included in Attachment A-5c. SBC represented that the terms and conditions associated with these billings were the same for SBCS and the unaffiliated carriers. Obtained documentation verifying SBCS’s payment to Pacific Bell and Pacific Bell’s receipt of payment for the seven SBCS BANs provided above.</p> <p>For the local exchange services provided by Indiana Bell, Illinois Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell, SBC provided a file containing USOCs, billed units,</p>	<p>The differences noted in Attachment A-5c result from the fact that tariff rates vary depending upon the term length selected by the customer. The SBC BOCs offer discounts to customers that agree to certain term lengths on some products. This is attractive to customers who are willing to commit to a certain term length in order to receive discounts on the monthly rate charged. Although month-to-month rates are generally higher, the customer is willing to pay this higher rate in order to have the ability to disconnect service on a month-to-month basis rather than being locked in for a term. The term discounts are offered and applied universally to all (affiliated or non-affiliated) customers that agree to the term length.</p> <p>As shown above, the billable rate for an individual USOC and class of service can vary depending upon the term length elected by the customer, pursuant to tariff. For example, Attachment A-5c reflects USOC CKC, Class of Service CYRJX, State Indiana, with various unit rates noted. Under Ameritech Catalog, Indiana, Part 5 –</p>

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<p>and billed amounts for the month of March 2001 for ACI facilities in Rosemont, Illinois; Muncie, Indiana; and Brookfield, Wisconsin, and ten unaffiliated retail customers (SBC was unable to identify and provide unaffiliated carrier information). SBC represented that this file was extracted from the Ameritech Customer Information System (“ACIS”). SBC represented that ACIS does not designate customers as “retail carriers” or “retail non-carriers.” Sorted the information provided by USOC and class of service and compared the rates per USOC charged to ACI and the unaffiliated customers. Noted no comparable USOCs between the ACI location in Rosemont, Illinois, and the unaffiliated retail customers. Noted 30 comparable USOCs and classes of service between the ACI locations in Muncie and Brookfield and the unaffiliated retail customers. Noted that of these 30 comparable USOCs and classes of service, 24 compared to the rates charged to unaffiliated customers without exception and</p>	<p>Centrex Services, Section 3 – Advanced Centrex Services, the "centrex common block" represented by USOC CKC bills at the following rates dependent upon the term length elected by the customer:</p> <p style="margin-left: 40px;"> month-to-month \$30.00 36 months \$27.50 60 months \$25.00 84 months \$23.00 </p> <p>For each of the accounts listed in Attachment A-5c, the unit rate matches the elected term length. This logic (unit rate dependent upon elected term length pursuant to tariff) applies to the other USOC comparisons noted on Attachment A-5c.</p>
<p><u>Objective VII, Procedure 5 – continued</u></p> <p>differences were noted in 6 USOC/class of service comparisons. Attachment A-5c lists the differences noted. SBC represented that tariff rates may vary depending on the term length selected by the customer. Obtained documentation verifying ACI’s payment to Illinois Bell, Indiana Bell, and Wisconsin Bell for the ACI BANs listed on the file above.</p>	
<p><u>Objective VIII, Procedure 3</u></p> <p>Obtained data tracked and maintained by the SBC BOCs during the first nine months of the Engagement Period, by month and quarter, indicating time intervals for processing of orders (for initial installation requests, subsequent requests for improvement, upgrades, or modifications of service, or repair and maintenance), provisioning of service, and performance of repair and maintenance services for themselves and their affiliates and for unaffiliated entities, as customers, for exchange access services and PIC change orders, as noted in Attachment A-7.</p>	<p>A “stare and compare” of the results included in Attachment A-7 reveal variances that are very misleading in terms of the overall performance in the level of service provided to the SBC BOCs and its affiliates and to non-affiliates. These variances are statistically insignificant due to the extremely low volume of affiliate orders (or troubles) as compared to that of the non-affiliates orders for the service categories measured each month.</p>
<p><u>Objective IX, Procedure 4</u></p>	

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<p>Nineteen of the 50 invoices obtained in Procedure 3 above related to ACI. SBC provided no payment or receipt documentation, from either ACI or the SBC BOCs, relating to these BANS. SBC represented that these BANS were assigned to Williams Communications as of September 30, 2000 and after this date ACI was no longer responsible for payment of these accounts. These accounts were improperly included in the listing of invoices obtained in Procedure 3 above.</p>	<p>Due to a record-keeping error in processing the necessary changes in the SBC BOC billing systems associated with the BANS assigned to Williams on September 30, 2000, ACI's name continued to appear as the customer of record with respect to these BANS even though the bill was sent to and paid for by the actual customer, Williams. SBC has changed the ACNA to accurately reflect Williams as the customer of record associated with these BANS in the SBC BOC billing systems.</p>
<p><u>Objective X, Procedure 7</u></p> <p>SBC represented that all of ACI's exchange access service and local exchange service was transferred to Williams Communications on October 1, 2000 and most of the ACI differences noted above are due to the SBC BOCs' continuing to record after October 1, 2000 as ACI revenue instead of revenue from Williams Communications.</p>	<p>See response to Objective IX, Procedure 4 above.</p>

**COMMENTS OF ERNST & YOUNG FOR THE SBC COMMUNICATIONS INC.
SECTION 272 AGREED-UPON PROCEDURES ENGAGEMENT**

The following comments of Ernst & Young (“E&Y”) address comments of the Joint Oversight Team (“Joint Oversight Team” or “JOT”) included in Attachment B-1 to our Report of Independent Accountants on Applying Agreed-Upon Procedures related to the SBC Communications, Inc. Section 272 Agreed-Upon Procedures Engagement.

E&Y performed the procedures enumerated in our report, which were agreed to by management of SBC Communications Inc. (“SBC”) and the Joint Oversight Team in accordance with attestation standards established by the American Institute of Certified Public Accountants (“AICPA”). The Specified Users of this report determined and agreed to the procedures to be performed in this engagement, including agreement on the information that was to be obtained as a result of executing those procedures and when that information was to be included in the report. The findings within our report represent the results obtained from performing those procedures.

The agreed-upon procedures to be performed were provided to E&Y by the Joint Oversight Team in a document titled General Standard Procedures For Biennial Audits Required Under Section 272 of the Communications Act of 1934, As Amended; dated April 23, 2001 (“General Standard Procedures”). E&Y was instructed to follow the guidance in this document during the conduct of the engagement. The General Standard Procedures define the Specified Users of the report to include the FCC, the state regulatory commissions in the 13 states in which SBC operates, and the company responsible for obtaining and paying for the biennial audits. As such, SBC is a Specified User of the report. The General Standard Procedures further state that “The Joint Oversight Team is responsible for reviewing the conduct of the engagement and, after agreement with SBC, for directing the practitioner to take such action as the team finds necessary to achieve each objective.”

As confirmed in a series of conference calls with the Joint Oversight Team, SBC, and E&Y on December 12, 2001, the procedures were performed as agreed-to by the Specified Users of the report. However, the Joint Oversight Team requested additional disclosures be made in E&Y’s report which, as described below, represent changes to the definitions of terms used to define the procedures to be performed. SBC did not agree with these requested changes. Each of these requests is further addressed below:

Objective I, Procedure 4: The JOT requested that the report should list the services rendered to each Section 272 affiliate by the Bell Operating Companies (“BOCs”), other affiliates, and unaffiliated entities.

The procedure was performed as agreed-to by the Specified Users of the report. The list of services rendered to each Section 272 affiliate by the BOCs, other affiliates, and unaffiliated entities was obtained and placed in the workpapers in a manner consistent with other procedures in which the word “obtain” is also used and consistent with the definition of the term “obtain” for this engagement. The term “obtain” as stated in the procedure is a defined term within the General Standard Procedures that requires the practitioner to physically acquire and generally retain in the working papers, all documents supporting the work effort performed to adequately satisfy the requirements of the procedure. Further instructions contained in the General Standard Procedures specify certain terms for which the Specified Users’ expectation is that the practitioner will include in its report all results of those procedural steps. The term “obtain” is not included in this set of terms. As such, a list of these services is included in the workpapers only and is not included in E&Y’s report. Additional disclosures, beyond what was required by the guidance in the General Standard Procedures, were not agreed-to by the Specified Users of the report.

The JOT further states in Attachment B1: “The JOT believes that the procedures are flexible until completion of the report and, in the JOT’s judgment, the information requested be disclosed in the report is useful in the final analyses of the contents of the report. The AICPA standards support this view.” Ernst & Young agrees that the AICPA standards clearly state that the procedures to be performed may be changed during the engagement; however, the standards also explicitly require that they must be agreed upon by the specified users, and one of the Specified Users did not agree upon the JOT’s request for the described modification. Further, the findings of the procedures performed have been reported in a manner consistent with the procedures agreed upon by the Specified Users and as required by applicable professional standards.

Objective I, Procedure 7: The report states that the listing of fixed assets obtained from the Section 272 affiliates included a column noting from whom each item was purchased or from where it was transferred, but this column was not always populated. The JOT requested that the report identify the items and the dollar amounts where this information was missing. This list includes transmission and switching facilities.

E&Y added additional detail to the report stating the following:

Verified by observation that the listings obtained above, which included 480 assets for Southwestern Bell Communications Services, Inc. (“SBCS”) and 2,735 assets for Ameritech Communications, Inc. (“ACI”), included information in the five required fields of data: description, location of each item, date of purchase, price paid and recorded, and from whom the asset was purchased or transferred. Noted that all 16,075 required data fields were populated except for 119 assets of SBCS and 337 assets of ACI that did not include information in one data field, “from whom the asset was purchased or transferred.”

Inclusion of a detailed list of such assets for which the data was not included in the computer listing was not specified by the procedure.

Objective II, Procedure 4: While reviewing the working papers the JOT noted that ACI was subletting space to Ameritech Services, Inc. (“ASI”) at prices in excess of those paid by ACI to the lessor. The JOT requested that these instances be disclosed in the report in Objectives V&VI, in either Procedure 10 or 12. ASI is a central services organization, which recovers, with certain exceptions, all of its costs from the affiliates it serves, including the telephone companies. Therefore, to the extent these costs are inflated, they affect the charges to the telephone companies.

SBC provided further information to E&Y, which was subsequently provided to the Joint Oversight Team, that clarified the rent per square foot figures observed by the Joint Oversight Team. The lease to ACI was a monthly square foot rental amount that did not include recovery of operating expenses (i.e., ACI was responsible for paying the operating expenses directly) and thus appeared to be at a lower rate. The subleases to ASI were annual square foot rental amounts that included recovery of operating expenses and thus appeared to be at a higher rate. Based on the fact that there was not a specific agreed-upon procedure to test the leases between ACI and ASI and the unaudited information provided did not indicate the subleases were at a significantly higher rate than the original lease when viewed on comparable terms, disclosure within our report was not deemed necessary.

Objectives V&VI, Procedure 12: The JOT requested that the report identify the central services organizations that render services to the Section 272 affiliates and the amounts billed to the Section 272 affiliates during the first nine months of the engagement period. The report should also describe when invoices or reports/schedules are rendered.

The procedure was performed as agreed-to by the Specified Users of the report. The central services organizations that render services to the Section 272 affiliates and the amounts billed to the Section 272 affiliates during the first nine months of the engagement period were obtained and placed in the workpapers in a manner consistent with other procedures in which the word “obtain” is also used. The term “obtain” as stated in the procedure is a defined term within the General Standard Procedures that requires the practitioner to physically acquire and generally retain in the working papers, all documents supporting the work effort performed to adequately satisfy the requirements of the procedure. Further instructions contained in the General Standard Procedures communicate certain terms for which the Specified Users’ expectation is that the practitioner will include in its report all results of those procedural steps. The term “obtain” is not included in this set of terms. As such, the information above was obtained and included in the workpapers.