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Decision 91-01-018 January 15, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Alternative Regulatory Frameworks for Local Exchange Carriers.	I.87-11-033 (Filed November 25, 1987)
In the Matter of the Application of PACIFIC BELL (U 1001 C), a corporation, for authority to increase intrastate rates and charges applicable to telephone services furnished within the State of California.	Application 85-01-034 (Filed January 22, 1985; amended June 17, 1985 and May 19, 1986)
Application of General Telephone Company of California (U 1002 C), a California corporation, for authority to increase and/or restructure certain intrastate rates and charges for telephone services.	Application 87-01-002 (Filed January 5, 1987)
And Related Matters.	I.85-03-078 OII 84 C.86-11-028 I.87-02-025 C.87-07-024
In the Matter of the Application of Pacific Bell (U 1001 C), a corporation, to amend General Order 96-A.	Application 90-03-008 (Filed March 7, 1990)

ORIGINAL

(Appearances are listed in Appendix A.)

INTERIM OPINION REGARDING THE PROCESSING OF GENERAL ORDER 96-A CENTREX CONTRACTS OF LOCAL EXCHANGE TELECOMMUNICATIONS UTILITIES

Summary

On October 19, 1990 Pacific Bell (Pacific) filed a petition to clarify and/or modify Decisions (D.) 89-10-031 and D.90-04-031, and for emergency relief. Pacific requested emergency relief in the form of an order: (1) directing the Commission Advisory and Compliance Division (CACD) to begin reviewing 15 Centrex[1] contracts which had already been submitted to it for review as well as any other Centrex contracts thereafter submitted and (2) approving Pacific's advice letters for those Centrex contracts if the services therein were priced at or above the higher of direct embedded cost or a rate equivalent to 1MB + EUCL,[2] and otherwise complied with the General Order (GO) 96-A contract guidelines.

Simultaneously, Pacific requested that D.89-10-031 and D.90-04-031 be clarified and/or modified to provide clear direction to all parties as to how imputation should be calculated in all GO 96-A Centrex contracts.

This interim decision grants, in part, the relief requested by Pacific in its petition, by allowing Pacific to file advice letters transmitting all such existing and future Centrex contracts that are priced above direct embedded cost or a rate equivalent to 1MB + EUCL. This interim decision authorization

1 "Centrex" as used herein means Pacific's Centrex service, GTE-California Incorporated (GTEC) Centranet or equivalent Local Exchange Telephone Company (LEC) services.

2 1MB is defined as "individual line measured business service" and EUCL is defined as "end user common line charge" which is imposed by the Federal Communications Commission.

is consistent with the stipulated terms of the parties to these proceedings, and is intended to continue until a further decision is issued, as may be appropriate, by the Commission based on the evidentiary record related to such contracts.

Background

To assure the orderly processing of LEC contracts, we directed CACD to develop guidelines for contract filing (D.87-12-067, December 9, 1987). CACD developed those guidelines and to guard against any anticompetitive effect therefrom, declared that all services offered under these contracts had to be priced at or above their fully allocated costs. When we approved the Phase I Settlement of I.87-11-033 with certain modifications, we changed the price floor to direct embedded costs and established the requirement that Centrex contract prices had to be priced at or above the higher of 1MB + EUCL[3] or direct embedded costs for Pacific (D.88-09-059, Appendix A, p. 14). Other LECs may offer their Centrex equivalent services below the 1MB + EUCL rate as long as the offered rate is greater than their direct embedded costs.

In subsequent rulings, we have held that the principles of unbundling, nondiscriminatory access, and imputation should be reflected in the prices for Category I services offered by all LECs (D.89-10-031, the Phase II decision), and the contract prices offered by LECs for those same products and services (D.90-04-031). Pacific contends that we did not specifically indicate how imputation was to be calculated or applied (Petition, pp. 4-5), and as a result, offered Centrex contracts priced in accordance with what it believed to be the correct imputation pricing principles (Id., p. 6).

3 An example rate computation for a Centrex service contract with 160 stations and comparable PBX offering contract rates is set forth on pages 2 and 3 of Appendix B.

Believing that it was correct, Pacific submitted its contracts for CACD's review. CACD, by letter, formally advised Pacific that it would not recommend approval of any Centrex contracts with prices developed using Pacific's imputation method because it believed that method did not comply with D.89-10-031 and D.90-04-031. Although extensive discussions ensued between CACD and Pacific, no agreement was reached on the imputation issue. As a result, Pacific did not feel confident to file advice letters seeking Commission approval of the contracts.

Pacific contends that the CACD's interpretation has created a critical situation which needs Commission resolution in order to meet customers' demands. Pacific also asserted that the Centrex contracts were negotiated in good faith and it should be allowed to consummate those existing and future Centrex contracts.

When Pacific filed its petition, it requested that hearings, if required, commence on October 29, 1990. Several parties protested Pacific's request for emergency relief. The Division of Ratepayer Advocates (DRA) contended that Pacific had not established that any emergency relief was required or justified, but did not oppose Pacific's petition in principle. GTEC filed comments in support of Pacific's petition.

Hearings were not scheduled on Pacific's petition on October 29, 1990 as it had requested. However, on November 2, 1990 during a prehearing conference scheduled in Pacific's Application (A.) 90-03-008, seeking to modify GO 96-A to eliminate preapproval of government contracts, DRA suggested that the petition be consolidated with the Application to Modify. In addition, DRA mentioned that Pacific intended to file an Application to Recategorize Centrex Service as a Category II Service, and that this additional filing should be consolidated with the Application to Modify GO 96-A.

Though extensive discussions were held on the consolidation issue, no consensus was reached between the parties,

largely because Pacific had not yet filed its Application to Recategorize Centrex Service as a Category II Service and the parties had not yet had a chance to react to it.[4] At the conclusion of the prehearing conference, the assigned Administrative Law Judge (ALJ) suggested that Pacific file its planned Application to Recategorize Centrex As Category II by November 9, 1990, and directed the parties to file their comments regarding the propriety of consolidating that Application with A.90-03-008 by November 26, 1990. Further, the ALJ directed the parties to come to a prehearing conference on December 4, 1990, prepared to state whether they would support or oppose consolidation of some or all of the proceedings. Lastly, the ALJ set December 5 and 6 for hearings on Pacific's A.90-03-008.

At the December 4, 1990 prehearing conference, the ALJ noted that the parties seemed disposed to consolidate A.90-03-008 and the petition, but not A.90-11-010. The ALJ then ordered the consolidation of A.90-03-008 with the petition. After subsequent discussion by the parties regarding the imputation issues raised by the petition, the ALJ narrowed his consolidation ruling only to the issue of whether Pacific should be granted interim relief. The ALJ deferred any consideration of final imputation principles until such time as the Commission decides the imputation issue in Phase III of I.87-11-033 or some other proceeding.

Subsequent to this ruling, all of the parties conferred. Pacific, as the moving party in the Petition for Emergency Relief, drafted a Stipulation which the ALJ directed be placed in the record (p. 1 of Exhibit 1 contains a revised, current version of the stipulation reached by the parties). The Stipulation addresses

4 Pacific filed the Application of Pacific Bell to Categorize Centrex Service As A Whole and PBX Loops as Category II Services and to Adopt Pricing Flexibility for Centrex and PBX Service on November 9, 1990. (A.90-11-010.)

Pacific's request that CACD be directed to promptly resume processing GO 96-A Centrex contracts using the pricing methodology that had previously been approved in Phase I. Some of the parties concurred with the Stipulation while others stated that they would not oppose it. Pursuant to the Stipulation, all GO 96-A Centrex contracts, which are priced at or above the higher of direct embedded costs or 1MB + EUCL and meet the other contract guidelines previously negotiated between CACD and each LEC, would be approved.

On December 6, 1990, after further discussion, all parties agreed to waive their rights under Public Utilities (PU) Code § 311(d) and Rule 77.1 et. seq. of the Commission's Rules of Practice and Procedure, regarding the issuance of a proposed decision on Pacific's Petition for Emergency Relief as long as the adopted decision approves, in its entirety, the terms of Exhibit 1. The purpose of this waiver is to enable CACD to quickly resume the processing of GO 96-A Centrex contracts.

On December 10, 1990, Pacific filed a Motion for Entry of an Interim Decision asking the Commission to adopt a proposed interim decision pursuant to a Stipulation of the parties.

On December 14, 1990, Pacific filed an amendment to its December 10, 1990 motion stating four reasons for the amendment as follows:

1. MCI had opposed the December 10, 1990 motion; however, after further discussion on December 11, 1990, MCI agreed to the revised Stipulation (as set forth on page 1 of Appendix B to this order).

   Pacific then distributed the revised Stipulation to the other parties on December 12, 1990, and noted that no party opposed the revised Stipulation. Therefore, Pacific requests that this revised Stipulation be referred to and incorporated as part of the interim decision resolving this matter.

2. Pacific had noted in its original motion that DRA had stated that it would not oppose the revised Stipulation and an interim decision. Pacific now asserts that DRA agrees with and will support the revised Stipulation and interim decision.

3. In the original motion at pages 4 and 5, Pacific indicated that it would file the additional authorizations to the original Stipulation for a specific interim decision, when received. Pacific, by December 14, 1990, had received the additional authorizations and accordingly it appended them to the revised motion (see Appendix C to this order for review of all authorizations).

4. Pacific has also agreed to compare functionally equivalent Centrex and PBX systems as set forth on pages 2 and 3 of Exhibit 1 in the evidentiary record of A.90-03-008. Accordingly, it provided that specific reference in its amended motion. Pacific further agrees to use those example calculation references to designate the basis by which Pacific would offer to provide its customers comparable Centrex-equivalent service contracts if they desired to alternatively choose to purchase their own PBX systems in lieu of taking Centrex service.

Discussion

The parties have stated their accord regarding CACD resuming the processing of GO 96-A Centrex contracts, notwithstanding the fact that their respective positions are not in total alignment. Though varying degrees of support or lack of opposition have been expressed, we believe that the Stipulation is fair and reasonable.

Accordingly, we will adopt the Stipulation as proposed and authorize Pacific to file advice letters so the CACD may promptly resume processing GO 96-A Centrex contracts using the pricing methodology previously approved for Pacific using the

example calculations on pages 2 and 3 of Appendix B to this order as a guide in performing the price floor calculations. However, in so doing, we do not make light of the comments of the parties regarding the reservations which attend their support of this resolution, nor give them short shrift. However, we adopt this Stipulation primarily because it is only an interim measure, it will be nonprecedential in nature, and is fashioned solely to allow the telecommunications utilities to realize the pricing flexibility we intend for them as expressed in our earlier decisions (D.87-12-067; D.88-09-059). We interpret the parties' expressed reservations as being largely directed at the potential for limiting their ability to fully advocate their respective positions on the broader issue of how contracts should be priced using imputation, and they will be fully afforded the opportunity to do so.

Therefore, we wish to make clear that this interim measure shall remain in effect only so long as is necessary for us to fully consider the issues raised by Pacific. Our intent through this order is not to modify, amend, or otherwise change GO 96-A nor the contracting guidelines which have been developed, in any way whatsoever. Finally, so there is no doubt of how this interim measure will proceed, we will adopt as a price floor for Pacific's Centrex or Centrex-equivalent contracts of other LECs.

> The higher of IMB + EUCL per Centrex station line or direct embedded cost of Centrex loops and features.

It is further understood that Pacific and all other LECs will also offer Centrex-equivalent services under contract to customers who prefer to use a customer-owned PBX of a similar capacity. In all such cases Pacific and the LECs will use

comparable pricing for functionally equivalent Centrex and PBX systems on a nondiscriminatory basis (See Appendix B, pages 2 and 3 for examples of comparable pricing of functionally equivalent Centrex and PBX systems). At such time as these further proceedings are held, all parties will have an opportunity to present their positions regarding how contracts should reflect the imputation principles we have enunciated. For this reason, we accept and concur with the waiver of Section 311(d) and Rule 77.1 relative to this interim order.

Last, we address the steps that the CACD may take when it finds that a contract does not meet the Phase I pricing standard. CACD may, pursuant to this order, recommend that such contracts not be approved, as has been its practice in the past.

Findings of Fact

1. Pacific has requested a review of, and concurrence in, the basis by which it plans to file advice letters transmitting its proposed Centrex contracts.

2. There is a need to have the CACD promptly resume the processing of advice letters for approval of Centrex contracts which telecommunications utilities file.

3. The parties to this proceeding agree that Pacific's existing and ongoing Centrex contracts should be processed and approved, as appropriate, consistent with the provisions of this order.

4. The Settlement standard approved herein for evaluating anticompetitive effects of Pacific's Centrex or other equivalent LEC services is that the services should be priced at or above the higher of 1MB + EUCL or direct embedded costs.

5. The appropriate EUCL for purposes of evaluating, in the interim, whether Centrex contracts meet the pricing guidelines, is the applicable multiline business EUCL.

6. It is reasonable to require Pacific and the other LECs to provide comparable Centrex-equivalent contract offers to customers with comparably sized PBXs and which customers desire to purchase their own PBX systems in lieu of taking Centrex service from Pacific or the LECs.

Conclusions of Law

1. For the interim period, until such time as the Commission can make clear how imputation should be implemented in the Centrex contracts of telecommunications utilities, and issues a final decision thereon, CACD should use the pricing standards enunciated in the Settlement (as described in Appendix B hereto) to satisfy the Commission's obligation to guard against anticompetitive pricing.

2. Pacific and other LECs may file Centrex contracts using the Settlement standard approved herein for evaluating anticompetitive effects of Centrex and Centrex-like services.

3. CACD's remedy for Centrex contracts not priced at or above the floor established for such services should be to recommend rejection of the given contract and that its associated advice letter not be approved by the Commission.

4. When a Centrex contract is not priced at or above the floor established for its services, the Commission should reject that advice letter and the associated contract.

5. All active parties in this proceeding have waived their rights under PU Code § 311(d) and Rule 77.1 et. seq. to allow prompt issuance of this interim order.

6. The question of what imputation methodology should be applied to Centrex contracts should be determined separately from the need for interim relief to allow that issue to be examined fully.

7. This order should be made effective today to allow Pacific and the LECs to file advice letters transmitting executed Centrex contracts without further delay.

8. Pacific and the LECs should be required to offer similar contracts for Centrex-equivalent services to customers choosing the alternative of owning their own PBX.

INTERIM ORDER

IT IS ORDERED that:

1. Pacific Bell (Pacific) and other California local exchange telephone companies (LECs) may file advice letters for Centrex contracts and, in the interim, shall use the pricing methodology approved by the Commission in D.88-09-059. For Pacific's Centrex or other equivalent LEC services, the contract price should be at or above the higher of 1MB + EUCL or direct embedded customer specific costs in accordance with the example calculations set forth in Appendix B hereto.

2. For customers who prefer to purchase their own PBX, Pacific and the other California LECs shall offer equivalent trunk capability under contract rates and terms similar to those set forth in the example offerings contained in Appendix B to this order.

3. Insofar as this interim order permits Pacific and other California (LECs) to discriminate to the extent that the Centrex contract terms allowed under this order are less than equivalent tariff rates, such limited discrimination shall be deemed reasonable, provided that any similarly situated customer who so requests will be offered equivalent contract terms to those in Appendix B for similar services and features provided by trunks through a customer-owned PBX.

4. The parties, by reaching the consensus outlined herein, have waived, for the purposes of this interim order only, their rights under PU Code § 311(d) and Rule 77.1.

5. This interim decision shall not be relied upon as setting any precedent in any existing or any future Commission decision or order regarding these contractual issues.

This order is effective today.

Dated January 15, 1991, at San Francisco, California.

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY

NEAL J. SHULMAN, Executive Director

List of Appearances

Respondent and Applicant: Marlin D. Ard, Thomas J. Ballo, David P. Discher, Ronald R. McClain, and Janet Major, Attorneys at Law, for Pacific Bell.

Respondent, Applicant, and Interested Party: Kenneth K. Okel, Robert N. Herrera, and Michael L. Allan, Attorneys at Law, for GTE California Incorporated.

Respondents and Interested Parties: Randolph W. Deutsch, Attorney at Law, for AT&T Communications of California, Inc. and Messrs. Cooper, White & Cooper, by E. Garth Black, Alvin H. Pelavin and Mark P. Schreiber, Attorneys at Law, for Roseville Telephone Company, Calaveras Telephone Company, California-Oregon Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, The Ponderosa Telephone Company, The Volcano Telephone Company, and Winterhaven Telephone Company.

Respondents: Messrs. Orrick, Herrington & Sutcliffe, by Robert J. Gloistein, Attorney at Law, for Contel of California, Inc.; Messrs. Beck, Young, French & Ackerman, by Jeffrey F. Beck and Sheila A. Brutoco, Attorneys at Law, for CP National, Citizens Utilities Company of California, Evans Telephone Company, GTE West Coast Incorporated, Kerman Telephone Company, Pinnacles Telephone Company, Sierra Telephone Company, The Siskiyou Telephone Company, and Tuolumne Telephone Company; and Seth M. Lubin, Attorney at Law, for US Sprint Communications Company Limited Partnership.

Protestant: Morrison & Foerster, by James M. Tobin, Attorney at Law, for McCaw Cellular Communications, Inc.

Interested Parties: Earl Nicholas Selby, Stephen B. Bowen, and Richard G. Avila, Attorneys at Law, for Bay Area Teleport; Messrs. Armour, Goodin, Schlotz & MacBride, by Thomas J. MacBride, Jr., Attorney at Law, for the California Association of Long Distance Telephone Companies; Alan J. Gardner and Carrington Phillip, Attorneys at Law, for California Cable Television Association; Messrs. Graham & James, by Martin A. Mattes and Richard L. Goldberg, Attorneys at Law, for California Payphone Association and CENTEX Telemanagement, Inc.; Messrs. Blumenfeld & Cohen, by Jeffrey Blumenfeld and Glenn B. Manishin, for CENTEX Telemanagement, Inc.; Messrs. Thelen, Marrin, Johnson & Bridges, by Ellen S. Deutsch, Attorney at Law, for Citizens

Utilities of California; Peter O. Nyce, Jr., Attorney at Law, for The Department of Defense and all other Federal Executive Agencies; Messrs. Widler & Berlin, Chartered, by Andrew D. Lipman and Russell M. Blau, Attorneys at Law, for Metropolitan Fiber Systems of California, Inc.; Richard B. Severy, for MCI Telecommunication Corporation; Thomas J. Long, Attorney at Law, for Toward Utility Rate Normalization (TURN); Messrs. Gold, Marks, Ring & Pepper, by Alan L. Pepper, Attorney at Law, for Western Burglar & Fire Alarm Association; C. Hayden Ames, for Chickering & Gregory; Peter A. Casciato, Attorney at Law, for Cable & Wireless/Dun & Bradstreet Corporation and Cellular Resellers Associates; Messrs. Morrison & Foerster, by Dhruv Khanna, Attorney at Law, and Suzanne Toller, for Teleport Communications Group and McCaw Cellular Communications, Inc.; M. L. Lambert, for TCS Network Services; Jerry O'Brien and Diane Martinez, Attorneys at Law, for API Alarm Systems; August A. Sairanen, for State of California, General Services Department; Norman T. Stout, for Northern Telecom; John H. Engel, Attorney at Law, and Arthur J. Smithson, for Citizens Utilities Company of California; Steven Hoffer and Mark E. Brown, Attorneys at Law, for MCI Telecommunications Corporation; Messrs. Armour, Goodin, Schlotz & McBride, by James D. Squeri and Barbara Snider, Attorneys at Law, for GTE Mobilnet of Santa Barbara; C. Kingston Cole, Attorney at Law, for Kingston Cole & Associates; Messrs. Farrand, Cooper & Bruiniers, by Wayne B. Cooper, for Radio Relay Corporation of California; Messrs. Dinkelspiel, Donovan & Reder, by David A. Simpson, Attorney at Law, for Los Angeles Cellular Telephone Company; Phyllis A. Whitten, Attorney at Law, for US Sprint Communications Company; Messrs. Jackson, Tufts, Cole & Black, by Joseph S. Faber and William H. Booth, Attorneys at Law, for California Bankers Clearing House Association and the County of Los Angeles; Fred Glynn, for San Francisco Research Group; William Irving, for County of Los Angeles; and Robert Feraru, Public Advisor.

Division of Ratepayer Advocates: Rufus G. Thayer, Lionel B. Wilson, Attorneys at Law, John M. Luetza, Timothy J. Sullivan, and Kevin P. Coughlan.

(END OF APPENDIX A)

REVISED
EXHIBIT 1

STIPULATION TO RESOLVE PACIFIC BELL'S
EMERGENCY PETITION

The parties to this proceeding stipulate as follows:

That, until such time as the Commission decides in either the Phase III proceeding of OII 87-11-033 or such other proceeding as the Commission may so designate, the manner in which imputation shall be applied to Pacific Bell's Centrex, GTE-California Inc.'s Centranet or equivalent services offered by other LECs provided under contract by the applicable LEC, that the CACD shall be directed to process in accordance with agreed to contract review guidelines, all such G.O. 96-A Centrex contracts submitted to it by the LECs using as their price floor the standard of D.88-09-059, which is the higher of 1MB + EUCL per Centrex station line or direct embedded costs of Centrex loops and features. In accordance with Commission Resolution No. 13069, Great Western Bank, issued on May 26, 1989, with respect to Centrex contracts, the LECs shall offer PBX trunks under contract to the end user customer under the same terms and conditions and at the same revenue to cost ratio that was offered to the end user under the Centrex contract.

This Stipulation is agreed to by the parties for the sole purpose of avoiding extensive hearings at this time on the issue of the appropriate imputation methodology and will not bind any party in any other proceeding in the State of California or any other state. Additionally, all parties to the Stipulation have agreed to waive the requirements of California Public Utilities Code Section 311.d and Rule 77.1 et seq. of the Commission's Rules of Practice and Procedure solely with respect to a Commission Decision limited to the adoption of the Stipulation.

Since this Stipulation represents an interim compromise, the stipulating parties entered into it on the basis that the Stipulation not be construed as a precedent or policy statement of any kind for or against any of the parties in any current or future proceeding. Furthermore, the stipulating parties expressly recognize that this Stipulation should not be construed as reflecting any stipulating parties' views or position concerning the underlying principles applicable to a future or permanent standard of imputation for these or other services.

Appendix B

ILLUSTRATIVE PRICE FLOORS
96-A CONTRACTS
CENTREX/PBX

Pacific Rates (Monthly)

1MB	=	$8.35	A/O 9-88
EUCL	=	4.12	A/O 7-1-90
		$12.47	Total per Centrex lines

Or

Direct embedded costs on a customer specific basis

Whichever is higher

And

In a competitive situation -
the customer would also be offered
PBX trunks at the same rev/cost ratio

Pacific Rates

PBX Trunks

$8.35 Basic
12.25 Assured

TERM:

EUCL - End User Common Line charge F.C.C. imposed

1MB - Individual line measured rate business service

PBX Trunk - Private Branch Exchange access line

DIRECT EMBEDDED COSTS - The historical costs (projected over the contract period) of providing products and services as reflected by the accounting records of the company. These costs are historical and reflect past decisions and directions. They include all costs of the company including maintenance expense, capital related expenses including return and income tax and depreciation, administrative costs, other operational expenses such as right to use fees, and wage related expenses including relief, pension and Social Security taxes, except some common corporate overheads.

COMPARISON OF CENTREX TO PBX TRUNK SERVICE

	Centrex DEC Per Line	1MB+EUCL	Centrex Price Per Line*	R/C
Cut	$11.14	$12.47	$13.37	1.2
Growth	$10.46	$12.47	$12.55	1.2

This price is for a 160-line Centrex with growth to 200 lines. It includes the following features: touchtone, call forward - don't answer, call forward - busy, call forward - variable unlimited, call forward - variable limited, call transfer, three way calling, call hold, wiring, and flexible route selection. DID/DOD is inherent in the Centrex service.

Price floor = Higher of 1MB + EUCL or Direct Embedded Costs (DEC)

	PBX Trunk DEC per Line	PBX Trunk Price per Line*	R/C
Basic, cut	$10.49	$12.58	1.2
Assured, cut	$12.83	$15.40	1.2
Growth	$ 8.04	$ 9.64	1.2

The price for the PBX trunks uses a 10:1 PBX trunk to station line ratio, based on a PBX wired for 160 station lines at cut, with growth to 200 station lines. It includes the following features: DID, DOD, 2-way trunks, two DID call blocks, touchtone, and hunting.

* Price we would quote the customer.

(END OF APPENDIX B)

AUTHORIZATIONS

(The attachments in this Appendix C include correspondence leading to authorizations and stipulations.)

Christopher L. Rasmussen
Senior Counsel
2600 Camino Ramon, Room 2W901
San Ramon, California 94583
(415) 823-0387

PACIFIC BELL
A Pacific Telesis Company

December 7, 1990

Friends:

Re: A90-03-008 and the Stipulation on Pacific's Emergency Petition

I have attached a copy of the complete Motion with my handwritten revisions as agreed to yesterday and a final (I hope) copy with the revisions typed in. I believe I recorded all the changes and have included all of them in the draft. However, in light of Marty Mattes and other opposition to pages 2 & 3 of Exhibit 1, I have deleted them from the Motion and Draft Interim Decision.

I have also attached an authorization for you to sign as appropriate and fax back to me. My fax numbers are (415) 867-0150 and (415) 867-3869. By so doing, you agree to let me attach it to our Motion as part of Exhibit 3 thereto, provided, of course, that the submitted Stipulation and draft Interim Ruling is identical to the copy faxed to you.

Finally, I have attached the MCI version of the Stipulation and a related authorization. If this version is also acceptable to you, please sign it as well and depending on whether MCI joins the party, I will use the appropriate authorization.

Sincerely,

Attachments

GRAHAM & JAMES

ONE MARITIME PLAZA
THIRD FLOOR
SAN FRANCISCO, CALIFORNIA 94111

TELEPHONE (415) 954-0200

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WRITER'S DIRECT DIAL NUMBER

December 7, 1990

VIA FACSIMILE

Christopher L. Rasmussen
Jan Major
Attorneys at Law
2600 Camino Ramon
San Ramon, CA 94583

Re: Stipulation on Pacific's Emergency Petition as Consolidated with A.90-03-008

Dear Chris and Jan:

Attached please find copies of the two authorization forms, signed by me on behalf of CENTEX Telemanagement, Inc., that you faxed to me this afternoon. By my signing these forms, CENTEX Telemanagement agrees to either of the two versions of the "Exhibit 1" stipulation that you faxed to me along with the forms. CENTEX Telemanagement is satisfied with either version, because it considers the additions, included at MCI's request in the second version, to be implicit in the first version as well.

However, CENTEX Telemanagement's authorization and agreement are conditioned upon one change being made to the "Draft Interim Decision" that was included in the fax package you sent me today. The change CENTEX Telemanagement requires is the deletion of the words "raised by Pacific" from the third line of the second to last paragraph before the heading, "Findings of Fact".

In addition, CENTEX Telemanagement proposes, but does not require, the following additional changes to the "Draft Interim Decision," for purposes of accuracy and clarity. Referencing the "clean" version of that document, the additional proposed changes are as follows:

Page 3, line 19: Add "Centrex" at the end of the line.

Christopher L. Rasmussen
Jan Major
December 7, 1990
Page 2

Page 6, line 7: Add "concerned about the Petition for Emergency Relief" after "parties".

Page 6, lines 21-22: Delete "that" after "agreed," and delete "the need for" after "accommodating".

Page 8, lines 5-6: Delete "the need to clarify" after "regarding".

Page 8, lines 17-19: Revise the last sentence to read as follows: "As has been its practice in the past, CACD shall reject that contract and not recommend its approval."

Page 9, Conclusion 2: Delete "and Centrex-like" before "services".

Page 9, Conclusion 5: Delete "because it can be examined fully" at the end of the sentence.

We hope that you will succeed in pulling a semblance of consensus together soon. If you need to speak with me on Monday, I shall be at the I.87-11-033 prehearing conference at the PUC in the morning, but I expect to be in my office in the afternoon.

With best regards,

Very truly yours,

Martin A. Mattes
of
GRAHAM & JAMES

MAM:mam
Enclosures (2)
cc: Christopher Ungson

Our file: CENT1.1

AUTHORIZATION

Subject to the requirement of one change in the Draft Interim Decision, as reflected in my letter of December 7, 1990, Centex agrees to the Stipulation, attached hereto, and to the entry of the Draft Interim Decision, attached hereto, both of which are to be attached to Pacific Bell's Motion for Entry of an Interim Decision Regarding the Processing of G.O. 96-A Centrex Contracts. The above party agrees to waive its rights under Section 311(d) of the California Public Utilities Code and Rule 77.1 et seq. to the extent set forth in the Draft Interim Decision and Stipulation. The above party also agrees to allow Pacific Bell to include a faxed signed copy of this authorization (without the attachments hereto) as part of Exhibit 3 to the Motion, provided the above-referenced attachments to the Motion are the same as the attachments hereto.

By: Martin A. Mattes

Dated: December 10, 1990

Martin A. Mattes
Graham & James
Attorneys for Centex
One Maritime Plaza
Third Floor
San Francisco, California 94111

AUTHORIZATION

The California Cable Television Association ("CCTA") is not a party to the stipulation attached hereto. CCTA, however, does not oppose the stipulation, and to the entry of the Draft Interim Decision Regarding Processing of G.O. 96-A Centrex Contracts. CCTA agrees to waive its rights under Section 311(d) of the California Public Utilities Code and Rule 77.1 et seq. to the extent set forth in the Draft Interim Decision and Stipulation. CCTA also agrees to allow Pacific Bell to include a faxed, signed copy of this authorization (without the attachments hereto) as part of Exhibit 3 of the motion, provided the above referenced attachments to the Motion are the same as the attachments hereto.

This authorization is based on Pacific Bell's Motion for Entry of an Interim Decision Regarding the Processing of G.O. 96-A Contracts (and related exhibits) faxed to CCTA at 2:55 p.m. on December 7, 1990. Any changes to that motion and/or related exhibits material or otherwise, will render this authorization null and void.

By: Carrington F. Phillip

CARRINGTON F. PHILLIP
Attorney for California
Cable Television
Association
4341 Piedmont Avenue
Oakland, California 94611
(415) 428-2225

Dated: December 10, 1990

AUTHORIZATION

US Sprint Communications Company Limited Partnership agrees to the revised Stipulation, attached hereto, and to the entry of the Draft Interim Decision, attached hereto, both of which are to be attached to Pacific Bell's Motion for Entry of an Interim Decision Regarding the Processing of C.O. 96-A Centrex Contracts. The above party agrees to waive its rights under Section 311(d) of the California Public Utilities Code and Rule 77.1 et seq. to the extent set forth in the Draft Interim Decision and Stipulation. The above party also agrees to allow Pacific Bell to include a faxed signed copy of this authorization (without the attachments hereto) as part of Exhibit 3 to the Motion, provided the above-referenced attachments to the Motion are the same as the attachments hereto.

By: Dated: December 10, 1990

Cheryl Houser
Attorney for US Sprint
Communications Company
Limited Partnership
700 Airport Boulevard, B3-1
Burlingame, California 94010
(415) 375-3376

LAW OFFICES OF
COOPER, WHITE & COOPER
101 CALIFORNIA STREET SIXTEENTH FLOOR
SAN FRANCISCO CALIFORNIA 94111
(415) 433-1900

A PARTNERSHIP INCLUDING
PROFESSIONAL CORPORATIONS
TELECOPIER (415) 433-5530
TELEX 261877 COOP

CONTRA COSTA OFFICE
1333 N CALIFORNIA BLVD
WALNUT CREEK
CALIFORNIA 94596
(415) 935-0700

December 9, 1990

By Telecopier (867-0150 or 867-3869)

Christopher J. Rasmussen
Senior Counsel
Pacific Bell Legal Department
2600 Camino Ramon, Location 2W901
San Ramon, California 94583

Re: Application to Amend General Order 96-A
And Related Matters

Dear Chris:

We revert to your letter of December 7, 1990 in this matter. Enclosed please find our written authorizations approving the various stipulations regarding continuing application of the cost standards established in Decision 88-09-059 (September 1988) on an interim basis to Centrex and equivalent contracts.

Please contact us if you have any questions or need further assistance.

Very truly yours,

Mark P. Schreiber

Enclosures

AUTHORIZATION

Roseville Telephone Company, Calaveras Telephone Company, California-Oregon Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, The Ponderosa Telephone Company, The Volcano Telephone Company, and Winterhaven Telephone Company, "Telcos", agree to the Stipulation, attached hereto, and to the entry of the Draft Interim Decision, attached hereto, both of which are to be attached to Pacific Bell's Motion for Entry of an Interim Decision Regarding the Processing of G.O. 96-A Centrex Contracts. The above party agrees to waive its rights under Section 311(d) of the California Public Utilities Code and Rule 77.1 et seq. to the extent set forth in the Draft Interim Decision and Stipulation. The above party also agrees to allow Pacific Bell to include a faxed signed copy of this authorization (without the attachments hereto) as part of Exhibit 3 to the Motion, provided the above-referenced attachments to the Motion are the same as the attachments hereto.

By: Mark P. Schreiber Dated: December 10, 1990

Mark P. Schreiber
Cooper, White & Cooper
Attorneys for "Telcos"
101 California Street, 16th Floor
San Francisco, California 94111

EXHIBIT 1

MCI's Version

STIPULATION TO RESOLVE PACIFIC BELL'S
EMERGENCY PETITION

The parties to this proceeding stipulate as follows:

That, until such time as the Commission decides in either the Phase III proceeding of OII 87-11-033 or such other proceeding as the Commission may so designate, the manner in which imputation shall be applied to Pacific Bell's Centrex, GTE-California Inc.'s Centranet or equivalent services offered by other LECs provided under contract by the applicable LEC, that the CACD shall be directed to process in accordance with agreed to contract review guidelines, all such G.O. 96-A Centrex contracts submitted to it by the LECs using as their price floor the standard of D.88-09-059, which is the higher of 1MB + EUCL or direct embedded costs. In accordance with Commission Resolution No. 13069, Great Western Bank, issued on May 26, 1989, with respect to Centrex contracts, the LECs shall offer PBX trunks under contract to the end user customer under the same terms and conditions and at the same revenue to cost ratio that was offered to the end user under the Centrex contract.

This Stipulation is agreed to by the parties for the sole purpose of avoiding extensive hearings at this time on the issue of the appropriate imputation methodology and will not bind any party in any other proceeding in the State of California or any other state. Additionally, all parties to the Stipulation have agreed to waive the requirements of California Public Utilities Code Section 311.d and Rule 77.1 et seq. of the Commission's Rules of Practice and Procedure solely with respect to a Commission Decision limited to the adoption of the Stipulation.

Since this Stipulation represents an interim compromise, the stipulating parties entered into it on the basis that the Stipulation not be construed as a precedent or policy statement of any kind for or against any of the parties in any current or future proceeding. Furthermore, the stipulating parties expressly recognize that this Stipulation should not be construed as reflecting any stipulating parties' views or position concerning the underlying principles applicable to a future or permanent standard of imputation for these or other services.

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Alternative Regulatory Frameworks for Local Exchange Carriers.	I.87-11-033 (Filed November 25, 1988)
In the Matter of the Application of PACIFIC BELL (U 1001 C), a corporation, for authority to increase intrastate rates and charges applicable to telephone services furnished within the State of California.	Application 85-01-034
Application of General Telephone Company of California, a California corporation (U 1002 C) for authority to increase and/or restructure certain intrastate rates and charges for telephone services.	Application 87-01-002
In the Matter of Alternative Regulatory Frameworks for Local Exchange Carriers.	Investigation 87-11-033
And Related Matters.	I.85-03-078 OII 84 C.86-11-028 I.87-02-025 C.87-07-024 A.88-07-020
In the Matter of the Application of Pacific Bell (U 1001 C), a corporation, to amend General Order 96-A	Application 90-03-008

AMENDMENT TO MOTION OF PACIFIC BELL (U 1001 C)
FOR ENTRY OF AN INTERIM DECISION
REGARDING THE PROCESSING OF G.O. 96-A CONTRACTS

On December 10, 1990, Pacific Bell ("Pacific") filed a Motion for Entry of an Interim Decision Regarding the Processing of G.O. 96-A Contracts ("Motion") which asked the Commission to adopt a proposed Interim Decision pursuant to a Stipulation of the parties. This amendment is being filed for several reasons. First, in the Motion at page 4, Pacific indicated that MCI opposed the Stipulation and entry of the proposed Interim Decision. After further discussions, on December 11, 1990, MCI agreed to a revised Stipulation. The revised Stipulation is attached hereto as Exhibit 1.

Pacific distributed the revised Stipulation to the other parties on December 12, 1990. Copies of MCI's and other parties' agreement with or non-opposition to the revised Stipulation are attached hereto as Exhibit 2. Since no party opposes the revised Stipulation, Pacific requests that this revised Stipulation be referred to and incorporated as part of the Interim Decision resolving this matter.

Second, in the Motion at page 4, Pacific indicated that DRA had stated that they would not oppose the revised Stipulation and Interim Decision. DRA has now indicated to Pacific that they agree with and will support the Stipulation and Interim Decision. Pacific has attached a copy of DRA's December 13, 1990 letter to that effect as part of Exhibit 2 hereto.

Third, in the Motion at pages 4 and 5, Pacific indicated that it would file the additional authorizations to the original

Stipulation and Interim Decision when received. Pacific has now received all such authorizations and they are attached hereto as part of Exhibit 3. As of today, all active parties in this proceeding (except MCI) have either agreed to the original Stipulation and Interim Decision or indicated they will not oppose the original Stipulation and Interim Decision. GTE-C, AT&T, BAT, US Sprint, MCI, Centex, DRA, the smaller LECs, and Pacific have agreed to the original Stipulation. The FEA/DOD and CCTA have stated they do not oppose the original Stipulation.

Fourth, pages 2 and 3 to Exhibit 1 to the record, which were requested by ALJ Amaroli (TR. Volume 1, p.23) to illustrate the calculation of the pricing floor standard agreed to by the parties to the original Stipulation and to compare functionally equivalent Centrex and PBX systems, were not referred to in the original Stipulation (Exhibit 1 to the Motion) nor the Draft Interim Decision (Exhibit 2 to the Motion). Similarly, they are not attached to nor referred to in the revised Stipulation (Exhibit 1 hereto). This was done because all the parties in this proceeding do not agree as to what "costs" are included in "direct embedded costs."[1] Nevertheless, the parties to the revised Stipulation believe that pages 2 & 3 to Exhibit 1 to the record should be used as a guide by CACD in performing the price

[1] Pacific and CACD have agreed for some time on the definition of direct embedded costs and the studies supporting Pacific's G.O. 96-A contracts are calculated using this agreed to definition.

floor calculations agreed to in both the original and the revised Stipulations. Thus, the parties to this proceeding agree and/or do not oppose that the following language be added to the Interim Decision on page 7 in the second full paragraph on line 4 at the end of the sentence ending with the phrase "Phrase I":

> "... and using pages 2 and 3 of Exhibit 1 to to the record in this proceeding as a guide in performing the price floor calculations."

Finally, so that the record is clear, Pacific believes that the parties have agreed to or indicated that they will not oppose the following price floor for G.O. 96-A Centrex or Centrex-equivalent contracts:

> The higher of 1MB + EUCL per Centrex station line or direct embedded costs of Centrex loops and features

Wherefore, Pacific respectfully requests that the Commission enter the Interim Decision, attached to its December 11, 1990 Motion as Exhibit 1, as amended hereby, and incorporate therein as Exhibit 1, the revised Stipulation (Exhibit 1 hereto) instead of the original Stipulation (Exhibit 1 to the Motion), ordering the CACD to promptly resume processing G.O. 96-A Centrex contracts in accordance with agreed to Stipulation and Interim Decision.

Dated this 14th day of December, 1990, at San Francisco, California.

Respectfully submitted,

Janet G. Major

CHRISTOPHER L. RASMUSSEN
RONALD R. McCLAIN
JANET G. MAJOR

2600 Camino Ramon
San Ramon, California 94583
Telephone: (415) 823-9358

Attorneys for Pacific Bell

REVISED
EXHIBIT 1
DECEMBER 14, 1990

REVISED STIPULATION TO RESOLVE
PACIFIC BELL'S EMERGENCY PETITION

REVISED
EXHIBIT 1

STIPULATION TO RESOLVE PACIFIC BELL'S
EMERGENCY PETITION

The parties to this proceeding stipulate as follows:

That, until such time as the Commission decides in either the Phase III proceeding of OII 87-11-033 or such other proceeding as the Commission may so designate, the manner in which imputation shall be applied to Pacific Bell's Centrex, GTE-California Inc.'s Centranet or equivalent services offered by other LECs provided under contract by the applicable LEC, that the CACD shall be directed to process in accordance with agreed to contract review guidelines, all such G.O. 96-A Centrex contracts submitted to it by the LECs using as their price floor the standard of D.88-09-059, which is the higher of LMB + EUCL per Centrex station line or direct embedded costs of Centrex loops and features. In accordance with Commission Resolution No. 13069, Great Western Bank, issued on May 26, 1989, with respect to Centrex contracts, the LECs shall offer PBX trunks under contract to the end user customer under the same terms and conditions and at the same revenue to cost ratio that was offered to the end user under the Centrex contract.

This Stipulation is agreed to by the parties for the sole purpose of avoiding extensive hearings at this time on the issue of the appropriate imputation methodology and will not bind any party in any other proceeding in the State of California or any other state. Additionally, all parties to the Stipulation have agreed to waive the requirements of California Public Utilities Code Section 311.d and Rule 77.1 et seq. of the Commission's Rules of Practice and Procedure solely with respect to a Commission Decision limited to the adoption of the Stipulation.

Since this Stipulation represents an interim compromise, the stipulating parties entered into it on the basis that the Stipulation not be construed as a precedent or policy statement of any kind for or against any of the parties in any current or future proceeding. Furthermore, the stipulating parties expressly recognize that this Stipulation should not be construed as reflecting any stipulating parties' views or position concerning the underlying principles applicable to a future or permanent standard of imputation for these or other services.

EXHIBIT 2
DECEMBER 14, 1990

AUTHORIZATIONS IN CONNECTION WITH THE REVISED STIPULATION

AUTHORIZATION

MCI Telecommunications Corporation agrees to the revised Stipulation, attached hereto, and to the entry of the Draft Interim Decision, attached hereto, both of which are to be attached to Pacific Bell's Motion for Entry of an Interim Decision Regarding the Processing of S.O. 96-A Centrex Contracts. The above party agrees to waive its rights under Section 311(d) of the California Public Utilities Code and Rule 77.1 et seq. to the extent set forth in the Draft Interim Decision and Stipulation. The above party also agrees to allow Pacific Bell to include a faxed signed copy of this authorization (without the attachments hereto) as part of Exhibit 1 to the Motion, provided the above-referenced attachments to the Motion are the same as the attachments hereto.

By: Mark E. Brown

Mark E. Brown
Attorney for MCI Telecommunications Corporation
201 Spear St., 9th Floor
San Francisco, California 94105

Dated: December 10, 1990

AUTHORIZATION

Pacific Bell agrees to the Stipulation, attached hereto, and to the entry of the Draft Interim Decision, attached hereto, both of which are to be attached to Pacific Bell's Motion for Entry of an Interim Decision Regarding the Processing of G.O. 96-A Centrex Contracts. The above party agrees to waive its rights under Section 311(d) of the California Public Utilities Code and Rule 77.1 et seq. to the extent set forth in the Draft Interim Decision and Stipulation. The above party also agrees to allow Pacific Bell to include a faxed signed copy of this authorization (without the attachments hereto) as part of Exhibit 3 to the Motion, provided the above released attachments to the Motion are the same as the attachments hereto.

By: Charles L. Rasmussen

Dated: 12/12/90

C. L. Rasmussen
Attorney for Pacific Bell
2600 Camino Ramon
San Ramon, California 94583

STATE OF CALIFORNIA
GEORGE DEUKMEJIAN, Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

December 13, 1990

Christopher L. Rasmussen, Esq.
Pacific Bell
2600 Camino Ramon, Room 2W901
San Ramon, CA 94583

Re: A.90-03-008 and the
Stipulation on Pacific's Emergency Petition

Dear Mr. Rasmussen:

This replies to your letter dated December 12, 1990 received by FAX this morning. The DRA has reviewed the Revised Exhibit 1 (the MCI version of the proposed stipulation) and will join in the stipulation. Accordingly, you are authorized to represent in your filing that DRA agrees to join in the stipulation attached to your letter referenced above.

Very truly yours,

Rufus G. Thayer
Staff Counsel

RGT:cip

BECK, YOUNG, FRENCH & ACKERMAN
A PROFESSIONAL CORPORATION
ONE MARKET PLAZA
SAN FRANCISCO, CALIFORNIA 94105

JEFFREY F. BECK
SARAH ACKERMAN
SAMUEL P. YOUNG
JAMES H. FRENCH
SHEILA A. BRUTOCO
STEVEN G. HELLERIA

MAILING ADDRESS
P.O. BOX 19040
RINCON STATION
SAN FRANCISCO, CA 94119-0040

December 13, 1990

VIA FACSIMILE

Christopher L. Rasmussen
Senior Counsel
Pacific Bell
2600 Camino Ramon
Room 2W901
San Ramon, CA 94583

Re: Our File No. 8323-6463-1

Dear Chris:

The matters described in your letter of December 12 are acceptable to our client companies, and you may consider this letter the additional authorization you solicited.

Sincerely,

BECK, YOUNG, FRENCH & ACKERMAN

Jeffrey F. Beck

JFB:nog
801.ltr
cc: Sheila A. Brutoco

AUTHORIZATION

US Sprint Communications Company Limited Partnership agrees to the Stipulation, attached hereto, and to the entry of the Draft Interim Decision, attached hereto, both of which are to be attached to Pacific Bell's Motion for Entry of an Interim Decision Regarding the Processing of G.O. 96-A Centrex Contracts. The above party agrees to waive its rights under Section 311(d) of the California Public Utilities Code and Rule 77.1 et seq. to the extent set forth in the Draft Interim Decision and Stipulation. The above party also agrees to allow Pacific Bell to include a faxed signed copy of this authorization (without the attachments hereto) as part of Exhibit 3 to the Motion, provided the above-referenced attachments to the Motion are the same as the attachments hereto.

Dated: December 13, 1990

US SPRINT COMMUNICATIONS COMPANY
LIMITED PARTNERSHIP

Cheryl Houser
Regulatory Attorney/West
US Sprint Communications Company
Limited Partnership
700 Airport Boulevard, B3-1
Burlingame, California 94010

FAX TRANSMISSION

US Sprint. TODAY'S DATE 12/12 TIME 11:00 NO. OF PAGES 1

GRAHAM & JAMES

ONE MARITIME PLAZA
THIRD FLOOR
SAN FRANCISCO, CALIFORNIA 94111

TELEPHONE (415) 954-0200

TELEX:
W.U. 340143 CHALGRAY SFO
M.C.I. 67565 GJ SFO

CENTRAL FACSIMILE:
(415)391-2493
OPERATOR:
(415)954-0200, EXT. 512

OTHER OFFICES
LOS ANGELES, CA
LONG BEACH, CA
NEWPORT BEACH, CA
PALO ALTO, CA
NEW YORK, NY
WASHINGTON, DC
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TOKYO
BEIJING
LONDON
MILAN

IN ASSOCIATION WITH
DEACONS
SOLICITORS AND NOTARIES
HONG KONG

AFFILIATED OFFICES
RIYADH
JEDDAH
BAHRAIN
KUWAIT
BRUSSELS
JAKARTA

FACSIMILE TRANSMISSION COVER SHEET

DATE: December 13, 1990

NUMBER OF PAGES TRANSMITTED (including this page): 1

Attention: Chris Rasmussen

Your File: A.90-03-008

Our File: CENT1.1

From: Martin Matles

City/Country: San Ramon

Telecopier #867-0150

Main Office #823-5387

COVER MESSAGE: This is to indicate that CENTEX Telemanagement, Inc. has no objection to the changes to the Stipulation on Pacific Bell's Emergency Petition (that has been consolidated with CPUC Application 90-03-008) that you described in the first and last paragraphs of your letter of December 12, 1990 addressed to "Friends" and received by me by telecopy at 4:30 p.m. on that date. CENTEX Telemanagement, Inc. hereby authorizes those changes to the Stipulation.

CENTEX Telemanagement does still condition its support on one change to the "Draft Interim Decision", which change was set forth in the second paragraph of my letter to you dated December 7, 1990. I appreciate your having included that letter in Exhibit 3 to Pacific Bell's Motion for Entry of an Interim Decision, filed December 10.

Merry Christmas!

Marty Matles

If any pages are not received or legible, please contact the facsimile operator at (415) 954-0200, ext. 512. Between 11:00 and 7:00 a.m. (Pacific Time), please leave a message.

TOTAL P.01

Randolph W. Deutsch
Senior Attorney

795 Folsom Street
San Francisco, CA 94107
Phone (415) 442-5550

December 1, 1990

VIA FACSIMILE

Christopher L. Rasmussen, Esq.
Jan Major, Esq.
Pacific Bell
2600 Camino Ramon
San Ramon, Ca. 94583

Re: Stipulation on Pacific Bell's Emergency Centrex Petition Consolidated with A.90-03-008.

Dear Chris:

Attached please find an executed copy of the authorization form provided to AT&T that indicates AT&T's concurrence in the Stipulation reached concerning Pacific Bell's Emergency Petition to continue offering Centrex contracts under the Phase I Decision in I.87-11-033 for an interim period of time. AT&T has joined in this Stipulation to avoid a lengthy hearing on an interim measure, to protect end-user customers and to provide Pacific Bell with an opportunity to present its position before the Commission without the pressure of the need for an immediate decision.

AT&T wishes to make it a matter of record, however, that it continues to support the position taken by the Commission's Advisory and Compliance Division ("CACD"), as we understand that position, on the imputation of monopoly building blocks into Centrex contracts ordered in Decision 89-10-031 (the Phase II decision as modified by Decision 90-04-031). At the appropriate time AT&T will renew its advocacy of that imputation requirement.

Please attach this letter to the AT&T authorization form submitted to the Commission.

Sincerely,

Randy

AUTHORIZATION

AT&T Communications of California, Inc. ("AT&T") agrees to the revised Stipulation, attached hereto, and to the entry of the Draft Interim Decision, attached hereto, both of which are to be attached to Pacific Bell's Motion for Entry of an Interim Decision Regarding the Processing of G.O. 96-A Centrex Contracts. The above party agrees to waive its rights under Section 311(d) of the California Public Utilities Code and Rule 77.1 et seq. to the extent set forth in the Draft Interim Decision and Stipulation. The above party also agrees to allow Pacific Bell to include a faxed signed copy of this authorization (without the attachments hereto) as part of Exhibit 3 to the Motion, provided the above-referenced attachments to the Motion are the same as the attachments hereto.

By: Randolph W. Deutsch

Dated: December 18, 1990

Randolph W. Deutsch
Attorney for AT&T
795 Folsom Street
San Francisco, CA 94107
(415) 442-3550

EXHIBIT 3
DECEMBER 14, 1990

ADDITIONAL AUTHORIZATIONS IN CONNECTION WITH THE ORIGINAL STIPULATION

AUTHORIZATION

The Department of Defense and all other Federal Executive Agencies does not oppose the revised Stipulation, attached hereto, and to the entry of the Draft Interim Decision, attached hereto, both of which are to be attached to Pacific Bell's Motion for Entry of an Interim Decision Regarding the Processing of G.O. 96-A Centrex Contracts. The above party agrees to waive its rights under Section 311(d) of the California Public Utilities Code and Rule 77.1 et seq. to the extent set forth in the Draft Interim Decision and Stipulation. The above party also agrees to allow Pacific Bell to include a faxed signed copy of this authorization (without the attachments hereto) as part of Exhibit 3 to the Motion, provided the above-referenced attachments to the Motion are the same as the attachments hereto.

By: Cecil O. Simpson, Jr.

Cecil O. Simpson
Attorney for the DOD/FEA
Department of the Army,
Judge Advocate General
901 North Street
Arlington, Virginia 22203-1837

AUTHORIZATION

The Department of Defense and all other Federal Executive Agencies does not oppose the Stipulation, attached hereto, and to the entry of the Draft Interim Decision, attached hereto, both of which are to be attached to Pacific Bell's Motion for Entry of an Interim Decision Regarding the Processing of G.O. 96-A Centrex Contracts. The above party agrees to waive its rights under Section 311(d) of the California Public Utilities Code and Rule 77.1 et seq. to the extent set forth in the Draft Interim Decision and Stipulation. The above party also agrees to allow Pacific Bell to include a faxed signed copy of this authorization (without the attachments hereto) as part of Exhibit 3 to the Motion, provided the above-referenced attachments to the Motion are the same as the attachments hereto.

By: Cecil O. Simpson, Jr.

Cecil O. Simpson
Attorney for the DOD/FEA
Department of the Army,
Judge Advocate General
901 North Street
Arlington, Virginia 22203-1837

AUTHORIZATION

AT&T Communications of California, Inc. ("AT&T") agrees to the Stipulation, attached hereto, and to the entry of the Draft Interim Decision, attached hereto, both of which are to be attached to Pacific Bell's Motion for Entry of an Interim Decision Regarding the Processing of G.O. 96-A Centrex Contracts. The above party agrees to waive its rights under Section 311(d) of the California Public Utilities Code and Rule 77.1 et seq. to the extent set forth in the Draft Interim Decision and Stipulation. The above party also agrees to allow Pacific Bell to include a faxed signed copy of this authorization (without the attachments hereto) as part of Exhibit 3 to the Motion, provided the above-referenced attachments to the Motion are the same as the attachments hereto.

By: Randolph W. Deutsch

Dated: December 18, 1990

Randolph W. Deutsch
Attorney for AT&T
795 Folsom Street
San Francisco, CA 94107
(415) 442-3550

CERTIFICATE OF SERVICE

I, Alex Kositsky, certify that the following is true and correct:

I am a citizen of the United States, State of California, am over eighteen years of age, and am not a party to the within cause.

My business address is 140 New Montgomery Street, San Francisco, CA 94105.

On December 14, 1990, I served the attached "AMENDMENT TO MOTION OF PACIFIC BELL (U 1001 C) FOR ENTRY OF AN INTERIM DECISION REGARDING THE PROCESSING OF G.O. 96-A CONTRACTS" and related matters by placing true copies thereof in envelopes addressed to the parties shown on the attached list, which envelopes, with postage thereon fully prepaid, except where otherwise noted, I then sealed and deposited in a mailbox regularly maintained by the United States Government in the City and County of San Francisco, State of California.

Executed this 14th day of December, 1990, at San Francisco, California.

PACIFIC BELL
140 New Montgomery Street
San Francisco, CA 94105

By: _____
Alex Kositsky

BAY AREA TELEPORT
1141 Harbor Bay Parkway
Suite 101
Alameda, California 94501
(415) 769-5300

December 14, 1990

VIA FACSIMILE

Christopher L. Rasmussen, Esq.
Pacific Bell
2600 Camino Ramon, Room 2W901
San Ramon, California 94583

RE: Stipulation on Pacific Bell's Petition for Clarification and/or Modification of Decisions 89-10-031 and 90-04-031 and Emergency Relief

Dear Chris:

I have received your letter of December 12, 1990 (Attachment 1 hereto). In that letter, you indicate that Pacific Bell and MCI have reached agreement based on the revisions to the Stipulation specified in your letter and contained in the single page document attached to your letter entitled "REVISED EXHIBIT 1, STIPULATION TO RESOLVE PACIFIC BELL'S EMERGENCY PETITION" (Attachment 2 hereto).

Bay Area Teleport agrees to the Stipulation as worded in Attachment 2, and to entry of the Proposed Interim Decision. I feel constrained to point out that there are, to my knowledge, at least three versions of the Stipulation in circulation at this point: (1) the initial Stipulation, to which MCI objected; (2) a Stipulation with certain modifications, carrying the caption "MCI's Version" at the top, which in fact was not MCI's version, because of the omission of certain language sought by MCI; and (3) the Stipulation which is Attachment 2 hereto, which includes the language sought by MCI. To remove any possibility of confusion over which of the three Stipulations Bay Area Teleport is agreeing to, let me clarify that Bay Area Teleport agrees to the third Stipulation; that is, the one found on Attachment 2 hereto.

By this letter, acting on behalf of Bay Area Teleport, I waive Bay Area Teleport's rights under Section 311(d) of the California Public Utilities Code and Rule 77 of the Commission's Rules of Practice and Procedure, to the extent set forth in the Draft Interim Decision and Stipulation. Bay Area Teleport's agreement to the Stipulation is conditioned upon Pacific Bell's inclusion of this letter and all attachments thereto in Exhibit 3 of its Motion.

Sincerely yours,

Stephen P. Bowen
General Counsel

Attachments (2)

Christopher L. Rasmussen
Senior Counsel
2005 Camino Ramon, Room 2N481
San Ramon, California 94583
(415) 823-4581

PACIFIC BELL
A Pacific Telesis Company

ATTACHMENT 1

December 12, 1990

Friends:

Re: A90-03-008 and the Stipulation on Pacific's Emergency Petition

Late yesterday afternoon, MCI indicated that they would agree to the Stipulation and entry of the Proposed Interim Decision if the Stipulation is amended as set forth in the attachment hereto. It differs from the one we faxed to you late on Friday afternoon, attached to a handwritten note of Jan Major by the insertion of the words "per Centrex station line" in the 10th line of the 2nd paragraph after the phrase "1MB + EUCL" and before the word "or".

The phrase is consistent with Appendix A, page 14, to D.88-09-059 (September 28, 1988) and Appendix A, page 15 to D.88-08-059 (August 24, 1988) which uses "per line" language. It is acceptable to us. If this revised Stipulation is acceptable to you, and I have no reason to believe it won't be, please fax back to me an additional "authorization."

Once I receive your new authorizations I will file an amendment to our Motion, filed on December 10, 1990, which I served on all of you, indicating that MCI has joined the party, substituting the revised Stipulation, and attaching the new authorization.

Finally, several of you have indicated that I may have misunderstood Marty Mattes' objection to pages 2 and 3 to Exhibit 1. You believe he was simply indicating that there is no "agreement" between the parties as to what is included in "direct embedded costs." You have suggested that the comparative calculations/illustrations on pages 2&3 of Exhibit 1 should be used as a guide by CACD in performing the price floor calculations. We agree. Unless any of you object, I would suggest we add the following to the proposed

Interim Decision on Page 7 in the second full paragraph on line 4 at the end of the sentence ending with the phrase "Phase I":

> "...and using pages 2 and 3 of Exhibit 1 to the record in this proceeding as a guide in performing the price floor calculations."

Please advise.

Sincerely,

Attachment

ATTACHMENT 2

REVISED
EXHIBIT 1

STIPULATION TO RESOLVE PACIFIC BELL'S
EMERGENCY PETITION

The parties to this proceeding stipulate as follows:

That, until such time as the Commission decides in either the Phase III proceeding of OII 87-11-033 or such other proceeding as the Commission may so designate, the manner in which imputation shall be applied to Pacific Bell's Centrex, GTE-California Inc.'s Centranet or equivalent services offered by other LECs provided under contract by the applicable LEC, that the CACD shall be directed to process in accordance with agreed to contract review guidelines, all such G.O. 96-A Centrex contracts submitted to it by the LECs using as their price floor the standard of D.88-09-059, which is the higher of 1MB + EUCL per Centrex station line or direct embedded costs of Centrex loops and features. In accordance with Commission Resolution No. 13069, Great Western Bank, issued on May 26, 1989, with respect to Centrex contracts, the LECs shall offer PBX trunks under contract to the end user customer under the same terms and conditions and at the same revenue to cost ratio that was offered to the end user under the Centrex contract.

This Stipulation is agreed to by the parties for the sole purpose of avoiding extensive hearings at this time on the issue of the appropriate imputation methodology and will not bind any party in any other proceeding in the State of California or any other state. Additionally, all parties to the Stipulation have agreed to waive the requirements of California Public Utilities Code Section 311.d and Rule 77.1 et seq. of the Commission's Rules of Practice and Procedure solely with respect to a Commission Decision limited to the adoption of the Stipulation.

Since this Stipulation represents an interim compromise, the stipulating parties entered into it on the basis that the Stipulation not be construed as a precedent or policy statement of any kind for or against any of the parties in any current or future proceeding. Furthermore, the stipulating parties expressly recognize that this Stipulation should not be construed as reflecting any stipulating parties' views or position concerning the underlying principles applicable to a future or permanent standard of imputation for these or other services.

(END OF APPENDIX C)