

SEP 23 1996

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On June 10, 1996, Pacific Bell filed its amendment to its application. The amendment contains the following changes to the application. Specifically, the application is amended to read as follows:

Decision 96-09-069 September 20, 1996

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Pacific Bell (U. 1001-C) for (an affiliate))
Exemption Pursuant to Public Utilities Code Section 853(b) or in the Alternative, Authority Pursuant to Public Utilities Code Section 851)
Application: 95-10-019 (Filed October 4, 1995)
for Space Use Arrangements)

ORIGINAL

OPINION

On October 4, 1995, Pacific Bell filed an application seeking approval, pursuant to Public Utilities Code (P.U.) § 851, of various space lease agreements with nonaffiliated entities as well as with affiliated companies. On April 10, 1996, the Commission issued an interim opinion in this proceeding approving 37 such agreements with nonaffiliated entities. Decision (D.) 96-04-045.

In that decision, the Commission also found that Pacific Bell's application lacked sufficient documentation for the Commission to determine the nature and extent of Pacific Bell's space lease agreements with its affiliates, as well as whether Pacific Bell is properly charging for these arrangements. The Commission allowed Pacific Bell 60 days to amend its application to remedy these deficiencies. To assist Pacific Bell in preparing its amendment, the Commission set out a list of seven requirements for Pacific Bell to address:

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On June 10, 1996, Pacific Bell filed its amendment to its application. The amendment consisted of documents addressing all the deficiencies in the application. Specifically, the amendment contained exhibits showing:

In the Matter of the Application of Pacific Bell (Exception Pursuant to Public Utilities Code Section 221) the Alternative, Authority Pursuant to Public Utilities Code Section 221 for Space Use Arrangements and Management Decision-Making and Billing Process;

- a summary chart distilling the information from the other exhibits which concisely addressed the Commission's information request;
- a flow chart describing the property management decision-making and billing process;
- the property management transfer pricing rules;

■ Pacific Telesis' affiliate transactions policies, guidelines and reporting requirements;

■ Pacific Bell's inter-entity transfer pricing guidelines; and

■ all documents which comprise space lease agreements with eight affiliates, in three parts, a general services agreement, a property management pricing schedule, and property management appendices which show the location of the property, its description, the affiliate use of the space, the cost, and the reason it is available for non-Pacific Bell use.

The documents also corrected Pacific Bell's earlier filing in several respects. Specific additions include three Pacific Telesis' Legal Group (PTLG) leases; two at Los Angeles locations and one in San Francisco, and a deletion for a Pacific Bell Mobile Services site in San Diego where no Pacific Bell employees are located.

After reviewing all the documentation, the Federal Communications Commission, Advisory and Compliance Division (ACAD) requested that Pacific Bell provide an example of actual inter-corporate billing demonstrating that Pacific Bell's actual practices conform to their policies and guidelines. On June 28, 1996, Pacific Bell provided such documentation to ACAD, which found that it was consistent with the guidelines and policies.

Discussion

As stated in D.96-04-045, the Commission reviews Code § 851 transactions to ensure that the transactions will not impair the utility's ability to provide service to the public. The Commission also must ascertain whether the transaction is accounted for properly. This requires ensuring that any revenue from the transaction is accounted for correctly, and that the utility's rate base, depreciation and other accounts accurately reflect the transaction. When the transaction is with affiliates, as here, the Commission's review also includes determining whether the transaction may have any anticompetitive effects or result in cross-subsidization of nonregulated enterprises.

A. Impairment of Ability to Serve the Public

In its amendment to its application, Pacific Bell asserts that its affiliate leases in no way impair their ability to serve their customers. Second Amendment to Application at 7.

In support of this assertion, Pacific Bell carefully analyzed each location where affiliates lease space to determine the reason Pacific Bell no longer needed the space. The most common explanation was that technology advancement

and miniaturization had allowed Pacific Bell to perform its needed functions in a more compact area thus opening up excess space in these locations.

The second most common explanation for the space lease to an affiliate was that the affiliate employees that occupy those areas were previously employees of Pacific Bell and that their job function had been transferred to the affiliate. The employees, who continued to provide the same services to Pacific Bell, simply remained in their previous location.

No evidence showing that the leases would impair Pacific Bell's ability to serve the public was presented in this proceeding. Accordingly, Pacific Bell has met this requirement for §851 approval.

B. Proper Accounting

Pacific Bell asserts that it has properly accounted for the revenue from the space lease agreements by crediting it to an above-the-line account. Second Amendment to Application at 7.

The transactions reviewed by CACD confirmed that revenue from the selected affiliate lease was indeed being credited to Account 5264.9, an above-the-line account.

As stated in its application, Pacific Bell has not determined the original cost and current book cost for the space at issue because the space is part of larger buildings and properties which are used for utility purposes. As with the third-party leases approved in D.96-04-045, we infer that the leased premises remain part of Pacific Bell's rate base and are reflected in its depreciation accounts.

Under the New Regulatory Framework (NRF) these accounts no longer have the significance they had under traditional regulation; nevertheless, proper accounting remains important for calculation of rate of return, which serves as a meaningful check on the results of NRF.

The documents provided by Pacific Bell show that the affiliate leases are for a small percentage of the total building space. At most locations, the affiliates lease less than 1% of the total available space. The only significant exception is the building at 140 New Montgomery Street in San Francisco, where affiliates lease about 30% of the building. This is Pacific Bell's headquarters building, which contains some of its executive offices, corporate communications, and some PTLG personnel. In its Second Amendment to its application, Pacific Bell represents that all affiliate employees at this site were Pacific Bell employees until their job function was transferred to other affiliates.

The documentation and analysis supplied by Pacific Bell supports its decision to leave these sites in the base accounts and to credit the revenue above the line. Thus Pacific Bell has demonstrated that the accounting for these transactions is in order.

C. Anticompetitive Effects or Cross-Subsidization of Nonregulated Enterprises

When a utility undertakes a § 851 transaction with an affiliate, the Commission also reviews the transaction to ensure that there are no anticompetitive effects nor any cross-subsidization of nonregulated enterprises. (See Pacific Bell, 45 CPUC 2d 109, 125 (1992) (D.92-07-072).)

1. Anticompetitive Effects

The analysis of anticompetitive effects requires reviewing the arrangements to determine if collocation with Pacific Bell may bestow any benefits on its affiliates to the detriment of the affiliates' competitors.

Certain of Pacific Bell's affiliates receive great benefits from being located with Pacific Bell. These affiliates, however, are not using the location to gain benefits from Pacific Bell in their competitive efforts with other companies. Most notable among the affiliates are PTLG and Pacific Bell Network Integration (PBNI). In the Second Amendment to the application, Pacific Bell states that PBNI provides support to Pacific Bell 100% of the time. Although no similar percentage is provided for PTLG, given that legal services were only recently transferred out of Pacific Bell and its affiliates, it is reasonable to conclude that the bulk of PTLG's work remains with those companies. Both PTLG and PBNI are substantially exclusive service providers to Pacific Bell. Pacific Bell bears the responsibility of ensuring that these are the most efficient and effective sources for these services and, under NRF, bears the consequences if they are not.

In contrast, certain Pacific Bell affiliates are in direct competition with other firms in various markets. These affiliates may benefit from collocation with Pacific Bell by, for example, consumers mistakenly believing that they are

¹ Pacific Bell has requested Commission approval for the lease and sale of specific Pacific Bell assets to Pacific Telesis and PTLG in Application (A.) 95-12-054.

dealing with Pacific Bell's Affiliates where this sort of anticompetitive effect may occur due to collocation are: Pacific Bell Video Services, Pacific Bell Internet, Pacific Bell Mobile Services, and Pacific Bell Communications (PB Com). The anticompetitive effects, if any, of PB Com are being considered by the Commission in A.96-03-007. In reviewing the activities of the remaining affiliates at the Pacific Bell sites, the majority of the activities are limited to equipment location. For example, Pacific Bell Video Services leases a portion of the basement at a site in San Jose for use as its superheadend site which houses its network backbone equipment. No sites are identified as being used for retail sites for customer interaction. Further, no evidence has been presented showing that locating these affiliates with Pacific Bell is having any anticompetitive effect.

2. Cross-Subsidization of Nonregulated Enterprises

The most significant potential means of cross-subsidization of affiliate operations is through the provision of services from the utility to the affiliate at below-cost prices. The Commission has established that all non-tariffed goods and services provided by Pacific Bell to its affiliates shall be at the higher of market price or full cost plus 10% (D.86-01-026) showed that PB Com and PB Int.

To implement this requirement, Pacific Bell has a detailed procedure set out in its document entitled Standard Instructions 80, Inter-Entity Pricing Guidelines. The specific pricing formula for leases is found at Appendix A, p. 11.

to the transactions with PB Int and PB Com. Copies of the

In its Second Amendment to its application, Pacific Bell indicated that the actual calculations of its space lease and prices have been updated, resulting in lower charges to its affiliates. When Pacific Bell filed its application, it was charging affiliates \$1.80 per square foot for administrative and parking space. Since then, Pacific Bell has recalculated its rates because (1) its Real Estate Department updated its square footage data for land and buildings and (2) the pricing model's charge for working capital has been changed to reflect the current commercial paper rate. The result of these two changes has brought the full cost plus 10% price down to not over \$1.65, which remains above the market price of \$1.54.

The Property Management Appendices sheets for all Bell affiliate leases reflect the updated price of \$1.65 and sensitive

Pacific Bell's policies and procedures appear to be fully consistent with the Commission's directives. The specific calculation of the updated price similarly appears in line with the Commission's decisions.

To ensure that the policies were being fully translated into actual invoices and transfers of payments to Pacific Bell, CACD requested confirmatory documentation. Such documentation was provided on June 28, 1996. The documentation was for the month of April 1996 and for the Pacific Bell affiliates, PTLG and PB Com. It showed that PTLG was leasing 88,830 square feet of land and building space and that Pacific Bell was charging \$157,621.54. The documentation also showed the PB Com was leasing 19,171 square feet of land and building space, and paid \$439,494.46 for April 1996. The transfer pricing land and building rate was correctly applied to the transactions with PTLG and PB Com. Copies of the

actual checks from the affiliates for the appropriate amounts were also provided to CACD. Finally, CACD traced the payments from the affiliates through Pacific Bell's books to Account 5264.9, Other Incidental Regulated Revenue - Other. This is not an above-the-line account. The documents confirm that Pacific Bell is charging its affiliates in a manner consistent with the Commission's directives.

In conclusion, cross-subsidization of nonregulated enterprises, for purposes of reviewing this application, occurs when Pacific Bell provides its affiliates with space leases priced below cost. Pacific Bell has adopted policies and pricing guidelines which are intended to comply with Commission mandates to forestall such subsidization. Based on a limited, but randomly selected, review of actual charges and payments by an affiliate, Pacific Bell's actual procedures appear to conform to Commission directives.

Conclusion

Pacific Bell submitted its Second Amendment to this application which addressed only its leases with affiliated entities. The volume of the Amendment, however, slightly exceeded that of the initial application. The information provided clearly, concisely, and directly responded to the Commission's request for further information in D9604#405.

Review of the information provided shows that Pacific Bell's leases with its affiliates do not impair its ability to serve the public as the property is surplus to Pacific Bell's needs. Pacific Bell's accounting for the revenue from the leases and the cost of the buildings appears to be in order. Finally, no evidence has been submitted which

reveals any anticompetitive effects or cross-subsidization of nonregulated enterprises from these leases.

Accordingly, Pacific Bell has met the requirements for authorization pursuant to § 851 to enter into these leases.

Findings of Fact

1. Pacific Bell submitted its Second Amendment to its application on June 10, 1996, which fully addressed the informational deficiencies noted in D.96-04-045.

2. Pacific Bell represented that the space leased to affiliates is no longer necessary for utility operations.

3. Pacific Bell represented that its space leasing policies and prices are in conformance with the Commission's decisions and rules governing affiliate transactions, including accounting directives.

4. Based on the evidence presented by Pacific Bell and the records reviewed by CACD, Pacific Bell's accounting for the leases is in order.

5. No evidence has been presented which would support a finding that Pacific Bell's leases to affiliates result in anticompetitive effects or cross-subsidization of unregulated enterprises.

Conclusions of Law

1. Pacific Bell's leases with its affiliates set out in Attachment 1 meet the Commission's standards for § 851 approval.

2. Pacific Bell should be authorized to enter into the leases set out in Attachment 1 and the cost of the leases should be recovered from the lessees. Finally, no evidence has been submitted which

ORDER

IT IS ORDERED that:

1. Pacific Bell is authorized, pursuant to Public Utilities Code § 851, to enter into the leases with the affiliated entities as set out in Attachment 1.

2. This proceeding is closed.

This order is effective today.

Dated September 20, 1996, at San Francisco, California.

P. GREGORY CONLÓN
President
DANIEL Wm. FESSLER
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners

ATTACHMENT 1.

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Pacific Bell Property Leases with Affiliates

1. Leases with Pacific Telesis Group (PTG)

a. 2600 Camino Ramon, San Ramon, CA

PTG occupies 7,162 square feet of administrative space at this location. Walls and cubicles separate PTG and Pacific Bell employees located in this building. The space used by PTG in this building represents .04% of the building's total space. PTG uses this administrative space for corporate communications and corporate television activities. PTG employees have use of all common areas in the building.

b. 525 B Street, San Diego, CA

PTG occupies 1,434 square feet of administrative space in rooms 1702, 1715, and 1728. This represents 1.37% of the space in the building. There are wall separations between the affiliate space and Pacific Bell space. PTG uses this space for corporate communications and corporate television activities. PTG employees have use of all common areas in the building.

c. 666 Folsom Street, San Francisco, CA

PTG occupies 300 square feet in the basement parking lot (one space). This represents .06% of the building and parking lot space. A PTG employee uses this space for parking.

d. 148 Natoma Street, San Francisco, CA

PTG leases 3,000 square feet in the parking lot (10 spaces). This lease represents 14.33% of the lot space. PTG uses the space for employee parking.

140 New Montgomery Street, San Francisco, CA

PTG occupies 38,978 square feet of administrative space at this building. There is a wall separation between PTG and Pacific Bell employees located in this building. PTG leased space in this building represents

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11.11% of the total square footage of the building. PTG uses this administrative space for corporate communications, corporate television, public affairs activities, executive offices, and the Telesis Pioneers Group. The PTG employees have the use of all common areas in the building.

f. 2700 Watt Avenue, Sacramento, CA

PTG occupies a total of 4,868 square feet at this location. It also has 1,583 square feet of space (5 spaces) in the parking lot. There are wall separations between the affiliate space and Pacific Bell space within the building. The square footage leased by the affiliate represents 1.22% of the building and parking lot space. PTG uses the space for corporate communications and public affairs activities. The parking lot is used for employees' automobiles. PTG employees have use of all common areas of the building.

g. 11270 and 11272 Magnolia Boulevard, No. Hollywood, CA

PTG has 1,000 square feet of administrative space on the first floor in room 106. This represents .86% of the building space. The space is separated by cubicles from the rest of the area. This space is used as a telecommuting location for Pacific Bell employees. PTG pays for the space, but only Pacific Bell employees use the space.

h. 1018 Ingraham, Los Angeles, CA (parking lot associated with 1010 Wilshire

Boulevard) PTG occupies 300 square feet of parking space in the parking lot. PTG has 507 square feet of space in the parking lot (two spaces). This represents 5.61% of the space in the lot. Parking for the PTG employees who work at 1010 Wilshire Boulevard.

i. 637 St. Paul, Los Angeles, CA (parking lot associated with 1010 Wilshire Boulevard)

PTG has 9,316 square feet of space in the parking lot (31 spaces). This represents 5.61% of the lot space. Parking for the PTG employees who work at 1010 Wilshire Boulevard. There is a wall separation between PTG and Pacific Bell employees located in this building. PTG leased space in this building.

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j. 1010 Wilshire Boulevard, Los Angeles, CA

PTG occupies a total of 11,148 square feet at this location. This represents 3.46% of the space in the building. All of the space in the building is administrative space. There are cubicle partitions between the affiliate space and Pacific Bell space. PTG uses the space for corporate communications and public affairs activities. PTG employees have use of all common areas of the building.

2. Leases with Pacific Telesis Legal Group (PTLG)

a. 2600 Camino Ramon, San Ramon, CA

PTLG occupies a total of 11,173 square feet of administrative space in the far end of the west wing on the 2nd floor. This represents 59% of the total building space. There are walls and cubicles that separate PTLG space from Pacific Bell space. PTLG uses the space for attorneys and their support staff. PTLG employees have use of all common areas in the building.

b. 148 Natoma Street, San Francisco, CA (parking lot for 140 New Montgomery)

PTLG occupies 5,400 square feet in the parking lot (18 spaces). This represents 25.80% of the lot space. PTLG uses the space for employee parking.

c. 140 New Montgomery Street, San Francisco, CA

PTLG occupies 48,567 square feet of administrative and parking space at this location. There are wall separations between the affiliate space and Pacific Bell space on those floors where both Pacific Bell and PTLG are located within the building. This leased space represents 13.83% of the building's space. PTLG uses the building space and parking lot for attorneys and their support staff. The PTLG employees have the use of all common areas in the building. This represents 3.88% of the building's space. PTLG uses the space for its attorneys and their support staff. PTLG employees have use of all common areas of the building.

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d. 525 B Street, San Diego, CA

PTLG occupies 4,690 square feet of administrative space on the 9th floor. This represents 4.15% of the building space. There are wall and cubicle separations between the affiliate space and Pacific Bell space. PTLG uses the space for attorneys and their support staff. PTLG employees have use of all common areas in the building.

e. 2700 Watt Avenue, Sacramento, CA

PTLG occupies a total of 2,313 square feet at this location. There is a wall or cubicle separation between the affiliate space and the Pacific Bell space. The combined leased building and parking lot space represent .58% of the entire space. PTLG uses the space for an attorney and the support staff.

The parking lot is used for parking for the PTLG employees. PTLG employees have use of all common areas of the building and parking lot.

f. 1018 Ingraham, Los Angeles, CA (parking lot associated with 1010 Wilshire Boulevard)

PTLG has 425 square feet of space in the parking lot (two spaces). This represents 4.70% of the space in the lot. PTLG employees who work at 1010 Wilshire Boulevard park in the leased space.

g. 637 St. Paul, Los Angeles, CA (parking lot associated with 1010 Wilshire Boulevard)

PTLG has 7,826 square feet of square in the parking lot (26 spaces). This represents 4.71% of the parking lot. PTLG employees who work at 1010 Wilshire Boulevard park in the leased space. There are walls and cubicles separating PTLG space and Pacific Bell space on those floors where both Pacific Bell and PTLG are located within the building.

PTLG occupies 11,837 square feet at this location on the 15th floor in room 1501. This represents 3.68% of the space in the building. All of the space is administrative space. There are walls and cubicles separating PTLG space and Pacific Bell space. PTLG uses the space for its attorneys and their support staff. PTLG employees have use of all common areas of the building.

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3. Leases with Pacific Bell Mobile Services (PBMS)

a. 516 Third Street, Santa Rosa, CA

PBMS occupies 722 square feet of central office space at this location in room 101. This represents .65% of the space in the building. There are secured partitions separating PBMS equipment. PBMS uses the space to house its switching equipment which will be used to provide personal communication services. Interaction with Pacific Bell personnel is limited because PBMS employees are not permanently located in the building.

b. 555 Pine Street, San Francisco, CA

PBMS occupies 800 square feet of central office space in room 201 of the building. There are secured partitions separating the PBMS equipment. PBMS uses the space to house its switching equipment, which will be used to provide personal communication services. Interaction with Pacific Bell personnel is limited because PBMS employees are not permanently located in the building.

c. 9610 Granite Ridge, San Diego, CA

PBMS subleases the entire building (100%) from Pacific Bell, including the parking lot. This administrative space is used for the PBMS San Diego Regional Office. It houses PBMS employees responsible for such items as engineering, cell site acquisition, and permitting. There are no Pacific Bell employees at this location.

d. 120 Ray Street, Pleasanton, CA

PBMS occupies 772 square feet of central office space in room 100C. This represents 4.10% of the building space. There are secured partitions separating the PBMS equipment. PBMS uses the space to house its switching equipment which will be used to provide personal communication services. Interaction with Pacific Bell personnel is limited because PBMS employees are not permanently located in the building.

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e. 1587 Franklin Street, Oakland, CA

PBMS occupies 3,589 square feet of central office space in room 2900A. This represents .83% of the building space. There are secured partitions separating the PBMS equipment. PBMS uses the space to house its switching equipment which will be used to provide personal communication services. Interaction with Pacific Bell personnel is limited because PBMS employees are not permanently located in the building.

f. 305 Hope Street, Mountain View, CA

PBMS occupies 700 square feet of central office space on the second floor of the building in rooms 201F and 201J. This represents 1.10% of the building space. There are secured partitions separating the PBMS equipment. PBMS uses the space to house its switching equipment which will be used to provide personal communication services. Interaction with Pacific Bell personnel is limited because PBMS employees are not permanently located in the building.

4. Leases with Pacific Bell Video Services (PBVS) (formerly Pacific Telesis Video Services)

a. 1700 Space Park Drive, Santa Clara, CA

PBVS leases 420 square feet at this location in the basement. This represents .36% of the space in the building. There is a wall separation between PBVS space and Pacific Bell space. This site will be used to house video equipment. No interaction occurs between Pacific Bell and PBVS employees because this is a proposed future site.

b. 485 S. Monroe Street, San Jose

PBVS leases 424 square feet at this location in room 030 in the basement. This represents .38% of the space in the building. There is a fence separation between PBVS space and Pacific Bell space. This space is a super head end site for PBVS. It houses PBVS network backbone equipment, analog broadcast equipment used for weather channels and preview channels, and advertising insertion equipment used to overlay broadcast advertisements from local advertisers. There is a full time

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keycard access to the building restricted to authorized employees. PBVS employees follow a prescribed route to PBVS space and access to common areas is restricted to rest rooms and common hallways.

d. 1615 Foxworthy Avenue, San Jose, CA
PBVS occupies 181 square feet of central office space in room 100C. This represents 60% of the space in the building. There is a wall separating PBVS space and Pacific Bell space. This space is a digital interactive site for PBVS. It houses PBVS network backbone equipment, a video server to provision digital interactive services, and network equipment for high speed data services products. There is 24 hour keycard access to the building restricted to authorized employees. PBVS employees follow a prescribed route to PBVS space and access to common areas is restricted to rest rooms and common hallways.

e. 7847 Linda Vista, San Diego, CA
PBVS is not currently leasing this space. Pacific Bell anticipates that PBVS will lease this space in the future. Pacific Bell anticipates that the site will be used to house video equipment.

e. 9059 Mira Mesa, San Diego, CA

PBVS is not currently leasing this space. Pacific Bell anticipates that PBVS will lease this space in the future. Pacific Bell anticipates that the site will be used to house video equipment.

f. 1401 Enea Circle, Concord, CA
PBVS occupies 186 square feet of central office space in room 202. This represents 58% of the space in the building. A wall separates the affiliate space and Pacific Bell space. This space is used to house a server and testing equipment for head-end equipment certification. PBVS employees have use of the common areas of the building.

PBVS occupies 26 square feet of central office space in room 202. This represents 0.5% of the space in the building. There is a wall separating between affiliate space and Pacific Bell space. The space is used for placement of PBVS cable racks. PBVS employees are not

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5. Leases with Pacific Bell Internet (PBI)

a. 1700 Space Park Drive, Santa Clara, CA

PBI occupies 44 square feet of central office space at this location. This represents .04% of the building space. There is a wall separation between affiliate space and Pacific Bell space. The space is used for placement and support of PBI's equipment racks. PBI employees are not permanently located at this location. However, PBI employees monitor their equipment and when in the building, they have use of all common areas of the building.

b. 611 Folsom Street, San Francisco, CA

PBI occupies 80 square feet of central office space in the basement at this location. This represents .04% of the building space. There is a separation between affiliate space and Pacific Bell space. The space is used for placement and support of PBI's equipment racks. PBI employees are not permanently located at this location. However, PBI employees monitor their equipment and when in the building, they have use of all common areas of the building. There is 24 hour security at this location, sign in and proper identification are required.

c. 650 Robinson Street, San Diego, CA

PBI occupies 46 square feet of central office space in room 405 at this location. This represents .02% of the space in the building. There is a wall separation between affiliate space and Pacific Bell space. The space is used for placement of three PBI cable racks. PBI employees are not permanently located at the location. However, PBI employees monitor their equipment and when in the building, they have use of all common areas.

d. 1423 J Street, Sacramento, CA

PBI occupies 56 square feet of central office space in room 695 at this location. This represents .02% of the space in the building. There is a wall separation between affiliate space and Pacific Bell space. The space is used for placement of PBI's cable racks. PBI employees are not

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permanently located at the location. However, PBI employees monitor their equipment and when in the building, they have use of all common areas in the building.

e. 420 S. Grand Avenue, Los Angeles, CA

PBI occupies 103 square feet of central office space in room 300 at this location. This represents .04% of the space in the building. There is a wall separation between affiliate space and Pacific Bell space. The space is used for placement of PBI's cable racks. PBI employees are not permanently located at the location. However, PBI employees have access to the space to monitor their equipment. When they are at the location, they have use of all common areas in the building.

6. Leases with Pacific Bell Network Integration (PBNI)

a. 370 3rd Street, San Francisco, CA

PBNI occupies a total of 572 square feet of administrative space at this location. This represents .13% of the building space. There are cubicle partitions separating PBNI and Pacific Bell employees. PBNI employees design, sell, and service network integration activities in support of Pacific Bell marketing teams for Pacific Bell customers, at the customer's requests. PBNI employees have work space near the Pacific Bell account teams and have access to all common areas of the building.

b. 2700 Watt Avenue, Sacramento, CA

PBNI leases 126 square feet in room 4180 at this location. This represents .03% of the building space. This is administrative space. Cubicle partitions separate PBNI from the Pacific Bell space. PBNI employees design, sell, and service network integration activities in support of Pacific Bell marketing teams for Pacific Bell customers, at the customer's requests. PBNI employees have work space near the Pacific Bell account teams and have access to all common areas of the building.

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1010 Wilshire Boulevard, Los Angeles, CA

PBNI leases 120 square feet in room 800 at this location. This represents .04% of the building space. This is administrative space. Cubicle partitions separate PBNI from the Pacific Bell space. PBNI employees design, sell, and service network integration activities in support of Pacific Bell marketing teams for Pacific Bell customers, at the customers' requests. PBNI employees have work space near the Pacific Bell account teams and have access to all common areas of the building.

200 W. Harbor Place, Anaheim, CA

PBNI leases 120 square feet in room 830 at this location. This represents .06% of the building space. This is administrative space. Cubicle partitions separate PBNI from the Pacific Bell space. PBNI employees design, sell, and service network integration activities in support of Pacific Bell marketing teams for Pacific Bell customers, at the customers' requests. PBNI employees have work space near the Pacific Bell account teams and have access to all common areas of the building.

7. Leases with Pacific Bell Communications (PBCOM)

140 New Montgomery Street, San Francisco, CA

PBCOM occupies a total of 17,971 square feet of administrative space at this location. PBCOM employees are restricted to their space and the common areas of the building. There are door code locks on the doors on the 5th and 8th floors. This organization is using the space temporarily until its complex in Pleasanton is completed in July 1996. The amount of space occupied by PBCOM represents 5.12% of the building space. PBCOM is temporarily using the space at 140 New Montgomery. The space is all administrative space. PBNI employees have work space near the Pacific Bell account teams and have access to all common areas of the building.

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8. Leases with Telesis Technologies Laboratory (TTL)

a. 7240 Johnson Drive, Pleasanton, CA

TTL has 300 square feet of space in the parking lot (one space). This represents 1.91% of the lot space. TTL uses this space for parking a truck that is used by one of its technicians.

(END OF ATTACHMENT 1)