

BOB ANTHONY  
Commissioner

DENISE A. BODE  
Commissioner

JEFF CLOUD  
Commissioner

OKLAHOMA  
CORPORATION COMMISSION  
P.O. BOX 52000  
OKLAHOMA CITY, OKLAHOMA 73152-2000

Cause No. PUD 201500344

300 Jim Thorpe Building  
Telephone: (405) 521-2261  
FAX: (405) 521-1623

Bob Anthony, Commissioner



**FILED**  
SEP 08 2016

To: Oklahoma Corporation Commission  
From: Commissioner Bob Anthony  
Date: June 2, 2003

COURT CLERK'S OFFICE - OKC  
CORPORATION COMMISSION  
OF OKLAHOMA

Re: Billion Dollar Potential Refund to SBC Customers in Oklahoma

A May 13, 2003 *Tulsa World* editorial repeatedly misstates a fundamentally important fact about the 1986 SBC 260 case (Cause No. PUD 860000260). The editorial incorrectly calls the SBC 260 case a "long-settled 1986 Southwestern Bell telephone rate case," and then goes on to falsely state, "Bell eventually settled the case ..." In fact, the SBC 260 case has NOT been settled. There was a different 1989 SBC 662 case which was settled for what former Commissioner Ed Apple has called "an unprecedented \$640,000,000 refund for Oklahoma's ratepayers."

A lie has been perpetrated that the 1995 settlement of the 1989 SBC 662 case also settled the 1986 SBC 260 case. The *Tulsa World* editorial adopts this lie. In fact, the SBC 662 case did NOT settle the SBC 260 case. This question could be worth a billion dollars to Oklahoma consumers. The truth is found in the following attached documents:

- Item 1: A May 20, 2002 written legal opinion to the General Counsel of the Oklahoma Corporation Commission addresses "the question of whether or not Cause No. PUD 860000260 was concluded by the settlement of Cause No. PUD 890000662." The document states, "In my opinion, the answer to your question is 'no'."
- Item 2: A June 21, 1994 letter from Attorney General Susan B. Loving regarding SBC 662 settlement discussions states, "Finally, [SBC]'s proposed treatment of the [SBC] 260 remand is unacceptable."
- Item 3: The September 13, 1994 Commission proposal regarding the SBC 662 case addresses "Other Issues" by saying, "Settlement of [SBC] 260 and the future treatment of the effects of FASB 106 not to be considered in settlement of [SBC] 662."

Item 4: A March 1, 1995 letter from SBC circulates a new page 3 of a proposed settlement of the SBC 662 case. The referenced section from page 3 in part states, "... those parties agree that this [662] Agreement shall not become effective until the [SBC] 260 Settlement Agreement is approved by the Corporation Commission by a final order." Significantly, however, this provision was rejected and omitted prior to the drafting and signing of the final SBC 662 Settlement Agreement.

Item 5: A March 30, 1995 Attorney General's settlement proposal for [SBC] 662 and related cases has a section entitled "[SBC] 260 REMAND" which states, "No consideration: [SBC] 260 remand to be settled or litigated separately."

Item 6: Now, what does the final document itself say? The actual Settlement Agreement for the SBC 662 case was approved by the Commission on October 30, 1995. The signed Settlement Agreement omits any mention of the SBC 260 case or settling the SBC 260 case.

- Sec. D.2 (p. 3) of the final document states that provisions "... in this Agreement are proposed only for the purposes of achieving a compromise of all issues relating to Cause 29321 and [SBC] 662 ... "
- Sec. D.3 (p. 3) states, "The signatory parties further agree that nothing herein will be used against any party in any future Commission proceeding ... " In other words, the SBC 662 settlement can not be used against ratepayers as their rights are pursued in the SBC 260 case.
- Sec. F (p. 4) is entitled "Complete Agreement" and states, "The signatories specifically acknowledge that this Agreement embodies all of the agreements, both express and implied, among and between any of the parties hereto with respect to the subject matters addressed in these Agreements."

Did the SBC 662 case settle the SBC 260 case? This billion-dollar question should be answered at the Oklahoma Corporation Commission based on the law, the whole truth, and the facts pertaining to the SBC 260 and 662 cases.

In addition to the information I have distributed today, other documents marked "Highly Confidential" further prove that the SBC 662 case did NOT settle the SBC 260 case. Members of the public who care about open records and freedom of information have a right to request these documents.

1  
May 20, 2002

TO: R. Clark Musser, Esquire  
General Counsel  
Oklahoma Corporation Commission

FROM: Robert D. Allen, Esquire  
Assistant General Counsel

RE: OCC Cause No. PUD 860000260

You have requested my opinion on the question of whether or not Cause PUD 860000260 was concluded by the settlement of Cause No. PUD 890000662.

In my opinion, the answer to your question is "no". PUD 860000260 had been remanded to the Commission and was not before the Oklahoma State Supreme Court when PUD 890000662 was settled. It is clear from the settlement agreement, which speaks for itself, that PUD 860000260 was not a part of that settlement.

Cause No. 860000260 was an inquiry by the Corporation Commission of Oklahoma ("OCC") into the impact of the 1986 federal Tax Reform Act, 26 U.S.C. § 11(b)(1)(C) ("TRA") on the major public service companies which then operated in Oklahoma and were subject to the regulatory jurisdiction of the OCC. The TRA became effective on July 1, 1987, and reduced the federal income tax rate for corporations from 46% to 34%. The inquiry with respect to each major public service company also included an assessment of the other known and measurable changes in the utility's business. The inquiries were conducted by Hearing Officers who developed the records for each of the concerned major public service companies and made factual findings, conclusions of law and recommendations. The parties filed objections to the report and recommendations of the Hearing Officer and those matters were presented to the OCC *en banc*.

Appeals were taken to the Oklahoma State Supreme Court from the Commission's orders relating to Southwestern Bell issues in PUD 860000260.

On appeal the Oklahoma Supreme Court affirmed the majority Order in part and remanded it in part for further proceedings on four specific matters. *State ex rel. Henry v. Southwestern Bell Telephone Company*, 825 P.2d 1305 (Okla. 1992). Further proceedings have been had by the Commission on the issues remanded to it by the Supreme Court. Those proceedings took place after, and were not a part of, the settlement of PUD 890000662 at the Supreme Court.

PUD 890000662 was settled under the settlement procedures (rules) of the Oklahoma State Supreme Court and after that settlement was reached by all of the parties to the 662 appeals, that case was remanded to the Commission for its implementation of the 662 settlement.

The other cause, PUD 860000260, still on remand to the Commission, was thereafter assigned to an ALJ for hearing. I believe the ALJ concluded that the tainted order was voidable, but not void, and he recommended that the case be dismissed. The Commission adopted such recommendation. I do not really recall the basis for the ALJ's recommendation but believe it was predicated on the conclusion that the 662 settlement left none of the remanded issues open and undecided. As I recall, neither the Commission Staff, the Attorney General, nor any other party took exception to the ALJ's Report And Recommendation. In any event, no appeals were taken to the Oklahoma State Supreme Court from the Commission's order.



SUSAN B. LOVING  
ATTORNEY GENERAL OF OKLAHOMA

June 21, 1994

Roger K. Toppins, General Attorney  
Robert E. Stafford, Division Manager -  
Regulatory & Industry Relations  
Southwestern Bell Telephone Company  
One Bell Central  
800 North Harvey  
Room 320  
Oklahoma City, OK 73102

RE: Cause No. PUD 662 Settlement Discussions

Gentlemen:

We have completed our review of the Company's (SWBT) May 19, 1994, settlement offer. As the offer was labeled "best and final," we gave it our utmost consideration. However for a number of reasons, including the following, SWBT's offer is unacceptable.

I. MORATORIUM

First and foremost, the proposed three year moratorium is unacceptable in light of SWBT's refusal to provide the information requested by this office. SWBT's books have not been examined since the test year ending 1989 in Cause No. PUD 662, a period of almost five years. By proposing a moratorium, SWBT goes beyond merely settling PUD 662 and asks this office to forgo a review of SWBT's rates for an additional three years in the future.

In an effort to compromise on the issue, we requested limited financial information from SWBT to allow us to evaluate current Oklahoma intrastate earnings and revenue trends. This was not an attempt to force SWBT to undergo another audit but an effort by this office to evaluate the proposal. SWBT refused and continues to refuse to provide us with any of the requested information. We can only conclude that SWBT is currently earning more than its authorized rate of return and wants to continue earning at that level for another three years.

June 21, 1994

Page 2

The Company has proposed filing the financial portions of the Commission's minimum filing requirements two and one-half years into the moratorium. However, without the additional information required by the Commission's minimum filing requirements (e.g., cost of service study) and the opportunity to conduct discovery, it would be impossible to adequately review the Company's books and records. It could well be 1998 before such a review could be accomplished, a period of almost 10 years since SWBT's last rate review. Without any means of determining whether SWBT is enjoying excessive earnings to the detriment of its customers, this proposal is simply unacceptable.

## II. REFUND

The proposed refund amount is too low. While \$70 million is a large amount of money in absolute terms, it pales in comparison to SWBT's total estimated refund obligation, with interest, in excess of \$176 million as of May 31, 1994. Even ignoring the portion of the refund relating to interim rates, as SWBT apparently does, the refund and interest relating to the permanent rates still exceeds \$157 million. In our view, an offer of \$70 million is inadequate.

## III. RATE REDUCTION

The proposed rate reduction is largely illusory. The \$71.8 million rate reduction being offered by SWBT is significantly less than the \$100.6 million reduction ordered by the Commission. Further, SWBT has already agreed to many of these reductions in other dockets in exchange for other concessions. These reductions will be implemented whether or not PUD 662 is settled. To suggest that SWBT is compromising on these items in order to settle PUD 662 is, in our view, not true. SWBT has compromised on these issues in order to settle other cases.

SWBT's proposed rate reduction also ignores the ongoing revenue growth which SWBT is expected to experience in the normal course of business in Oklahoma. It may be that SWBT's overall revenues are actually higher now than they were in PUD 662's 1989 test year. In fact, it may be that the growth in SWBT's business volume more than offsets the rate reductions claimed, leaving SWBT in an excess-earnings posture. Without the documentation requested by this office there is no way of assessing this possibility and, with the proposed moratorium, the status quo can be expected to continue for at least another three years.

June 21, 1994  
Page 3

SWBT's proposed rate reduction also makes no provision for ensuring that ratepayer funding of the network modernization accrual (\$7.8 million) receives appropriate recognition in future rate cases. In essence, SWBT will be using \$7.8 million in ratepayer-supplied funds to modernize its network. Since this is not investor-supplied capital, SWBT is not entitled to include it in rate base or earn a return on it.

#### IV. SFAS NO. 106

SWBT's proposed treatment of Statement of Financial Accounting Standards (SFAS) 106 costs is unacceptable. In our view, this issue should be considered by the Commission as part of the evidentiary record of a general rate case, together with all other changes in SWBT's revenues, expenses and rate base. To do otherwise is simply piecemeal ratemaking. Further, it is particularly inappropriate to allow the deferral of SFAS 106 costs when SWBT may well be over-earning.

#### V. CAUSE NO. PUD 260

Finally, SWBT's proposed treatment of the Cause No. PUD 260 remand is unacceptable. SWBT simply assumes that it will prevail on all four remand issues, resulting in a revenue deficiency rather than the revenue surplus found by the Commission. SWBT proposes to forego any right it may have to recoup the revenue deficiency and seeks to include the \$26.4 million in undepreciated investment ordered by the Commission in rate base at the next rate hearing.

However, these four issues were remanded not because the Commission's decisions were wrong but because the evidence supporting these decisions was not apparent from the evidentiary record. In our view, the Commission's decision can readily be supported by the existing record, or easily supplemented by additional evidence. We believe there is little likelihood the Commission will reverse itself on remand. We believe there is also little likelihood the Oklahoma Supreme Court will reverse the Commission's findings on remand. SWBT's proposal does not accurately reflect these probabilities and, therefore, is unacceptable.

June 21, 1994

Page 4

For these and other reasons, SWBT's best and final settlement offer is inadequate. We would very much like to settle this matter and get on with Oklahoma's telecommunication future. However, the "price" which SWBT seeks to exact for that future is much too high.

We are willing to continue settlement discussions. However, unless SWBT's management is willing to substantially increase its offer, further discussions will be pointless.

Sincerely,



RICK D. CHAMBERLAIN  
ASSISTANT ATTORNEY GENERAL

cc: Ernest G. Johnson, Director  
Public Utility Division  
Oklahoma Corporation Commission



## CONFIDENTIAL - FOR SETTLEMENT PURPOSES ONLY

## COMMISSION PROPOSAL - CAUSE NO. PUD 662

September 13, 1994

I.	Rate Reduction	\$72.0 million
	Rate Design:	
	WACP	\$31.9 million
	Toll Services	\$6.9 million
	(ILEC make whole - 1213/1335 stipulation)	
	Access Services	\$4.9 million
	800 Compensation	\$5.0 million
	OBRA mileage	\$6.9 million
	Lifeline	\$0.4 million
	Network Modernization	\$7.8 million
	Touchtone Rate Reduction (using 1989 customer data)	\$8.2 million
	a. \$.98 reduction to residence customers or,	
	b. \$.75 reduction to residence customers +	
	\$.70 reduction to business customers	
II.	Refund (cash or credit)	\$87.5 million
III.	Moratorium	
	None.	
IV.	Other Issues	
	<u>Settlement of PUD 260 and the future treatment of the effects of FASB 106 <u>not</u></u>	
	<u>to be considered in settlement of PUD 662.</u>	
V.	Network Upgrades	
	All upgrades completed by the end of June 1996.	

CONFIDENTIAL - FOR DISCUSSION PURPOSES ONLY

## Southwestern Bell Telephone

March 1, 1995

Roger K. Toppins  
General Attorney

MR. ALLEN  
MR. STAKEM  
MR. CADIEUX  
MR. FUGLIE  
MS. BURKE  
MS. THOMPSON

RECEIVED  
OFFICE OF GENERAL COUNSEL  
MAR - 3 1995  
OKLAHOMA CORPORATION  
COMMISSION

RE: PUD 662 Settlement Agreement

Dear Counsel and Mr. Fuglie:

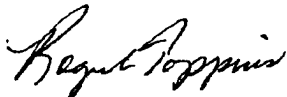
I appreciate your confirmance that the deadline for obtaining Commission approval of the PUD 662 settlement agreement will be extended from March 1, 1995, to May 15, 1995. This requires a change to Section I.C. of the Agreement.

Rather than go through the process of recirculating the Agreement for initials on the change, I have gone ahead and prepared a replacement page 3 of the Agreement which contains the May 15 date. Unless one of you disagrees, I would propose that we make the amendment by merely slipping the new page 3 in the Agreement (see attached) and taking out the "old" page 3 (copy attached).

Please let me know if this causes any of you any problems or concerns.

If anyone wants or needs a new, fresh copy of the Agreement with all of the signatures obtained so far, please let me know.

Sincerely,



ROGER K. TOPPINS  
RKT:hls  
Attachments

cc: ~~Mr.~~ Edmison  
Mr. Chamberlain  
Mr. Comingdeer  
Mr. Franz  
Mr. Waddell

One Bell Central  
800 North Harvey  
Room 310  
Oklahoma City, OK 73102

Phone 405 236-6751  
Fax 405 236-7773

Nos. 80,333, 80,334, 80,340, 80,342 and/or 80,345 will dismiss said cross-petitions or other actions with prejudice.

f. Upon implementation of this Agreement the obligations upon SWBT contained in the Supreme Court's December 7, 1992, order in Supreme Court Case Nos. 80,333, et al. (i.e., that SWBT post a Bond and Supporting Pledge and that SWBT maintain \$561,000.00 in an interest-bearing escrow account) shall be extinguished and the Bond and Supporting Pledge (and/or any replacement bonds) shall be released and returned to SWBT by the Commission and SWBT may close the escrow account and retain all proceeds thereto.

g. SWBT will dismiss its appeal of Commission Order No. 380024 in RM 90, Supreme Court Case No. 83,179, as well as its pending Motion for Stay in that case, with prejudice.

3. This Agreement, once approved by the Commission after hearing, replaces Commission Order Nos. 367868 and 367869 in PUD 662 in their entirety.

**C. Nonseverability/Effects of PUD 260 Settlement**

If the Commission fails to approve the terms of this Agreement in its entirety, this Agreement shall be null and void. The parties to this Agreement who are also parties to the Cause No. PUD 860000260 (PUD 260) remand proceedings before the Commission have reached a compromise and settlement of the issues in PUD 260 (PUD 260 Settlement Agreement). Those parties agree that this Agreement shall not become effective until the PUD 260 Settlement Agreement is approved by the Commission by a final order.

*by March 1, 1995 (unless extended by agreement of the parties)*  
RKT  
RDA  
RJB

**D. Implementation Date**

The Implementation Date of this Agreement will be 35 days after the Commission issues its final, unappealed order adopting this Agreement in full or upon the issuance of a final, unappealed order of the Commission approving the PUD 260 Settlement Agreement, or upon the dismissal of all of the petitions in error and cross-petitions in error described in Section I.B.2, whichever occurs later. SWBT may choose to implement this Agreement or the PUD 260 Settlement Agreement regardless of whether the orders approving them are appealed or whether all of the petitions in error and cross-petitions in error described in Section I.B.2 are dismissed.

**ATTORNEY GENERAL'S SETTLEMENT PROPOSAL  
CAUSE NO. PUD 662 AND RELATED CASES  
March 30, 1995**

<b>I. <u>RATE REDUCTION</u></b>	<b>\$ 100.6 million</b>
<u>Rate Design:</u>	
Funding of OKC, Tulsa, Lawton & Enid WACPs	\$ 31.9 million
IntraLATA long distance & WATS rate reduction	6.9 million <sup>1</sup>
Reductions in access rates already implemented	4.9 million <sup>2</sup>
Reductions in access rates to interstate parity	3.7 million <sup>3</sup>
Reduction in 800 compensation	5.0 million
Elimination of OBRA mileage charges	8.1 million <sup>4</sup>
Reduction in service connection charges	6.6 million <sup>5</sup>
Reduction in LifeLine charges	0.6 million <sup>6</sup>
Network modernization	7.8 million
Elimination of TouchTone charges	20.6 million <sup>7</sup>
Other reductions (subject to negotiation)	4.5 million

<b>II. <u>REFUND</u></b>	<b>\$ 299.1 million<sup>8</sup></b>
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Within 30 days of approval of settlement, refunds to be made via check to current customers, with reserve set aside for former customers. SWBT will bear the costs of making the refund.

**III. EVALUATION PERIOD**

SWBT's financial performance under this settlement will be evaluated after a specified time period ranging from six to twelve months. During the specified evaluation period, neither the Commission or the AG will seek a reduction of SWBT's rates and charges, and SWBT will not seek an increase in any of its rates and charges. The length of the evaluation period will be determined by SWBT prior to the implementation of this settlement and will vary inversely and proportionally with the implementation of all network upgrades required by Order No. 367868 and RM 93-90. At a minimum, all such network upgrades will be completed within 10 months from the final approval of this settlement, in which case the evaluation period will be one year. At a maximum, all network upgrades will be completed within 20 months from the final approval of this settlement, in which case the evaluation period will be 6 months. Provided, however, that the evaluation period will not preclude either the Commission Staff or the AG from seeking a general review of SWBT's rates and charges as a prerequisite to any alternative regulation plan considered or implemented by the Commission, or pursuant to State or Federal legislation.

**IV. NETWORK UPGRADES**

All upgrades ordered by Order No. 367868 and RM 93-90 to be operational no later than 20 months from the final approval of this settlement consistent with ¶ III., above. All switches to have SS-7 capabilities, and upgrades ordered by Order No. 367868 will not be placed in SWBT's rate base.

**V. PUD 260 REMAND**

No consideration; PUD 260 remand to be settled or litigated separately.

**VI. SFAS 106**

No deferral; may be raised as an issue in next general rate case.

**VII. REPORTING REQUIREMENTS**

On the final day of the evaluation period, SWBT will provide the Director of the Commission's Public Utility Division and the AG with the same financial information previously provided to the AG's consultant, but for the evaluation period as defined in ¶ III., herein.

**VIII. RESOLUTION OF CASES**

The following cases and/or appeals will be withdrawn/dismissed with prejudice:

1. Case No. 80,333 & consolidated cases, Oklahoma Supreme Court; and
2. Case No. 83,179, Oklahoma Supreme Court;

**IX. BIAS CLAIMS**

SWBT will agree not to raise a general bias claim in future against Commissioner Anthony based upon his past cooperation with law enforcement officials, but may raise specific issues of bias in future proceedings consistent with the Oklahoma Supreme Court's opinion in *Southwestern Bell Telephone Co. v. Oklahoma Corporation Commission*, 873 P.2d 1001 (Okla. 1994).

**SETTLEMENT AGREEMENT**

This settlement agreement (Agreement) is made this 10th day of October 1995, by and between the Oklahoma Corporation Commission (Commission), the Attorney General of Oklahoma (Attorney General), the Communications Workers of America (CWA), AT&T Communications of the Southwest, Inc. (AT&T), Southwestern Bell Telephone Company (SWBT), and the other parties who have executed it below.

WHEREAS, the signatory parties are parties to, or have an interest in, Oklahoma Supreme Court Appeal Nos. 80,333, 80,334, 80,340 and 80,345, which appeals and cross-appeals relate to Oklahoma Corporation Commission Cause Nos. 29321 (Cause 29321) and/or PUD 890000662 (PUD-662); and

WHEREAS, the signatory parties desire to settle the pending appeals relating to Cause 29321 and PUD-662; and

WHEREAS, this Agreement provides substantial benefits to SWBT's customers, as more fully described herein, including:

1. An \$84.4 million annual SWBT revenue reduction;
2. A one-time cash payment, totaling \$170 million, to SWBT's customers;
3. Vouchers to SWBT's customers for discounted and/or free services, with a total customer value of approximately \$268 million;
4. Various educational and community and economic development benefits totaling approximately \$35 million;
5. SWBT's commitment not to increase its local exchange access line rates before January 1, 1998;
6. The accelerated modernization of SWBT's telecommunications infrastructure in Oklahoma;
7. The enhancement of universal service in Oklahoma by the implementation of a Lifeline service plan;
8. A substantial reduction in SWBT's Touch-Tone rates;
9. The elimination by SWBT of mileage charges associated with local exchange service;
10. A substantial reduction in SWBT's switched intrastate access charges to long distance providers, which will be flowed through to end users; and

11. The end of protracted proceedings between SWBT, the Commission, the Attorney General and other parties concerning Cause 29321 and PUD-662.

NOW, THEREFORE, in consideration of the mutual promises set forth herein, the signatory parties agree as follows:

## I. General Provisions

### A. Authority

The undersigned signatories represent that they have authority to execute this Agreement.

### B. Implementation

1. The signatory parties acknowledge that many provisions of the Commission's Order No. 367868 in PUD-662 have been implemented prior to the date of execution of this Agreement (e.g., the network modernization provisions) and that this Agreement implements certain other provisions of that Order (e.g., the Lifeline program). They further agree to request the Oklahoma Supreme Court to vacate Order Nos. 367868, 368281 and all other orders issued in PUD-662 and No. 367869 in Cause 29321 to the extent that any provisions of those orders have not been implemented previously or are not implemented pursuant to this Agreement and replace them in their entirety with this Agreement.

2. Implementation of this Agreement will commence twenty-one (21) days following the issuance of the Supreme Court Order described in Section I.B.1, unless one or more motions for rehearing are pending. In that event, implementation will commence upon the denial of all motions for rehearing.

### 3. Upon implementation of this Agreement:

a. SWBT will dismiss its appeals in Supreme Court Case Nos. 80,333 and 80,334 with prejudice;

b. The State of Oklahoma, through its representative, the Attorney General, will dismiss its appeal in Supreme Court Case No. 80,340 with prejudice;

c. CWA will dismiss its appeal in Supreme Court Case No. 80,345 with prejudice;

d. All parties who have filed cross-petitions or other actions related to or consolidated with Supreme Court Case Nos. 80,333, 80,334, 80,340, 80,342 and/or 80,345 will dismiss said cross-petitions or other actions with prejudice; and

e. The obligations upon SWBT contained in the Supreme Court's December 7, 1992, order in Supreme Court Case Nos. 80,333, et al. (i.e., that SWBT post a Bond and Supporting Pledge and that SWBT maintain \$561,000.00 in an interest-bearing escrow account) shall be extinguished and the Bond and Supporting Pledge (and/or any replacement bonds) shall be released and returned to SWBT by the Commission and SWBT may close the escrow account and retain all proceeds thereto.

### C. Nonseverability

If the Supreme Court fails to approve the terms of this Agreement in its entirety, this Agreement shall be null and void and the appeals and cross-appeal described in Section I.B.3 shall continue.

### D. Other Jurisdictions and Cases

1. This Agreement, which is the result of extensive negotiations among the signatory parties, is designed for Oklahoma and the specific circumstances addressed herein. The signatory parties acknowledge that each individual jurisdiction has its own set of circumstances and each party's position may differ from state to state.

2. Further, the signatory parties agree that the rate reductions, cash payment and service vouchers provided for in this Agreement are proposed only for the purposes of achieving a compromise of all issues relating to Cause 29321 and PUD-662 and do not constitute an admission by any party that its positions in those causes are not justified and fully supported by the records below and the laws of the state of Oklahoma and do not constitute an admission by SWBT that SWBT's current rates are not fair and reasonable.

3. The signatory parties further agree that nothing herein will be used against any party in any future Commission proceeding, except to the extent necessary to enforce the terms of this Agreement.

4. Nothing in this Agreement shall be deemed to constitute an independent basis of any kind for any party supporting, encouraging, requiring, opposing, delaying or prohibiting the



initiation or expansion of competition in telecommunications markets in Oklahoma or the implementation of safeguards to protect the development of competition against the abuse of market power.

#### **E. Reservation of Rights**

No party, by entering into this Agreement, is approving or acquiescing in any ratemaking principle, valuation methodology, method of cost-of-service determination, method of revenue calculation, or cost allocation or rate design principle underlying any of the terms and conditions in this Agreement. Moreover, by entering into this Agreement, no party is waiving any positions on any matter which could come before the Commission in any future proceeding.

#### **F. Complete Agreement**

The signatories specifically acknowledge that this Agreement embodies all of the agreements, both express and implied, among and between any of the parties hereto with respect to the subject matters addressed in these Agreements.

## **II. Customer Benefits**

### **A. One-Time Customer Cash Payment**

1. SWBT agrees to issue a one-time cash payment to its Oklahoma residence and business customers in the aggregate amount of \$169.5 million, which includes all applicable taxes, if any. The payment will be divided, on a per access line basis, among SWBT's residence and business local exchange service customers who are customers of SWBT on October 5, 1995 (Customer Record Date), based on their quantity of Exchange Access Arrangements (EAAs) on that date (see methodology described in Section II.A.2 below).

2. The aggregate payment amount is designed to produce a payment of approximately \$125 per residence EAA and approximately \$125 per business EAA. The methodology to determine which customers will receive a payment will be the same used by SWBT to recover SWBT's Public Utility Division assessment obligation under 17 O.S. 1993 Supp. § 180.11 (See SWBT's Local Exchange Tariff, Tab 60, Section 2.6(D)).