Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of:	)	
	)	
Southwestern Bell Telephone Company	)	**Transmittal No. 2906**
Tariff FCC No. 73	)	
	)	
Pacific Bell Telephone Company	)	**Transmittal No. 77**
Tariff FCC No. 1	)	
	)	
Ameritech Operating Companies	)	**Transmittal No. 1312**
Tariff FCC No. 2	)	
	)	
Southern New England Telephone Companies	)	**Transmittal No. 772**
Tariff FCC No. 39	)	
	)	
Nevada Bell Telephone Company	)	**Transmittal No. 20**
Tariff FCC No. 1	)	
	)	

WORLDCOM PETITION TO REJECT OR, IN THE ALTERNATIVE, SUSPEND AND INVESTIGATE

I. Introduction and Summary

WorldCom, Inc. (WorldCom), pursuant to Section 1.773 of the Commission's Rules, hereby petitions the Commission to reject or, in the alternative, suspend and investigate the above-captioned transmittals filed by SBC on August 2, 2002.[1]

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[1] Rejection of a proposed tariff or proposed changes to an existing tariff is warranted when the proposal is prima facie unlawful in that it can be demonstrated that it conflicts with the Communications Act or a Commission, rule, regulation or order. See, e.g., American Broadcasting Companies, Inc. v. FCC, 633 F.2d 133, 138 (D.C.Cir. 1980); Associated Press v. FCC, 448 F.2d 1095, 1103 (D.C.Cir. 1971); MCI v. AT&T, 94 FCC 2d 332, 340-41 (1983); AT&T, 67 FCC 2d 1134, 1158 (1978), recon. denied, 70 FCC 2d

The Commission should reject or, in the alternative, suspend and investigate the above-captioned transmittals because (1) SBC's proposal to reduce the notice period for refusal or discontinuance of service from 30 days to 15 or 10 days is not just and reasonable; (2) SBC's proposal to modify the security deposit provisions violates a Commission prescription; (3) the proposed security deposit and advance payment provisions conflict with the Bankruptcy Code; (4) the proposed security deposit and advance payment provisions are unjust and unreasonable in violation of Section 201(b) of the Act; and (5) SBC has failed to make the showing required by the Commission's "substantial cause" test.

II. Reducing the Notice Period from 30 Days to 10 or 15 Days Notice is Not Just and Reasonable

The Commission should reject or, in the alternative, suspend and investigate the above-captioned transmittals because SBC's proposal to reduce the notice period for refusal and discontinuance of service from 30 to 10 or 15 days is unjust and unreasonable.

The 30-day notice period has been found in every LEC access tariff for almost twenty years, since the initial post-divestiture access tariff investigation in 1984.[2] After

2031 (1979).

Suspension and investigation of a proposed tariff or tariff modification is warranted when significant questions of unlawfulness arise in connection with the tariff. See AT&T Transmittal No. 148, Memorandum Opinion and Order, FCC 84-421 (released Sept. 19, 1984); ITT, 73 FCC 2d 709, 719 (1979); AT&T, 46 FCC 2d 81,86 (1974); see also Arrow Transportation Company v. Southern Railway Company, 372 U.S. 658 (1963).

[2] Investigation of Access and Divestiture-Related Tariffs, Memorandum Opinion and Order, CC Docket No. 83-1145 Phase I, 97 FCC 2d 1082 (1984) (Phase I Order),

the LECs had initially proposed 10-day and 20-day notice periods, the Commission's concern about those extremely short notice periods led the LECs to revise their tariffs to provide for a 30-day notice period.[3]

In 1987, when BellSouth proposed reducing the notice period to 15 days, the Commission "believe[d] . . . that the revisions may place undue burdens on customers."[4] The Commission further "believe[d] that the advantages of BellSouth's revisions are outweighed by the disadvantages to customers."[5] While the Commission did not find that BellSouth proposal was so unlawful as to warrant rejection,[6] the Commission imposed strict conditions that BellSouth was apparently unable to satisfy. BellSouth's tariff continues to provide for a 30-day notice period, as does every other LEC interstate access tariff.[7]

As the Commission has explained, the 30-day notice period is essential because it allows sufficient time for the LEC and customer to investigate or cure alleged tariff violations before the LEC takes the drastic step of refusing or discontinuing service. In the Phase I Order, for example, the Commission noted with approval commenters'

Appendix D, discussion of Section 2.1.8.

[3] Id.

[4] Annual 1987 Access Tariff Filings, Memorandum Opinion and Order, 2 FCC Rcd 280, 304-305 (1986) (1987 Access Tariff Order)

[5] Id.

[6] Id.

[7] BellSouth Tariff FCC No. 1, Section 2.1.8.

statements that the 30-day notice period "provides reasonable time for [customers] to convey their concerns to the telco."[8] And, in reviewing BellSouth's 1987 proposal for a 15-day notice period, the Commission expressed concern that the BellSouth proposal "may impair the cooperative spirit we have attempted to promote between carriers and customers."[9]

Reducing the notice period from 30 days to 10 or 15 days would drastically alter the balance of power in any dispute between SBC and its customers. The threat of imminent refusal or disconnection of service would give SBC an unreasonable degree of leverage in any negotiations between SBC and the customer concerning the alleged tariff violations. Given that there are in many instances no alternatives to SBC's interstate access services, and that customers would be unable to switch in time even if facilities were available, customers receiving a 10 or 15-day notice simply could not afford to risk the possibility that SBC would stop processing orders or terminate service altogether.

In light of the risks associated with shifting the balance between SBC and its customers so drastically, and consistent with the Commission's findings in the 1987 Access Order, the Commission should permit shorter notice periods only under very narrowly-defined circumstances. SBC's proposed changes are, however, excessively broad. First, SBC's proposed changes are not just and reasonable because they would not apply "only to those customers that are likely to default."[10] While SBC presents the

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[8] Phase I Order, Appendix D, discussion of Section 2.1.8.

[9] 1987 Access Tariff Order, 2 FCC Rcd at 304.

[10] 1987 Access Tariff Order, 2 FCC Rcd at 304.

reduction in the notice period for "credit-impaired" customers as necessary to protect SBC against an accumulation of bad debt, SBC offers no justification for reducing the notice period for <u>non</u>-credit impaired customers to 15 days.

Even with respect to "credit impaired" customers, the changes proposed by SBC are excessively broad. First, SBC has failed to demonstrate that <u>both</u> expanded security deposit provisions and a shorter notice period are required to protect SBC's interests with respect to "credit-impaired" customers. Second, the proposed changes are too broad because they would not only apply in those situations where bad debt could accumulate, such as a "credit impaired" carrier's failure to pay its bills, but for any of the tariff violations listed in the refusal and discontinuance section of SBC's tariffs. For example, SBC could issue a 10-day discontinuance notice to a "credit impaired" customer by alleging violations of the PIU provisions, even if that customer was paying its bills on time.

To the extent that the Commission permits SBC to reduce the refusal and discontinuance notice period, it should impose the same requirements imposed on BellSouth in 1987. One of the Commission's concerns about the BellSouth 1987 proposal was that it could reach customers that have needed additional time to review and verify their bills. The Commission stated that the proposed BellSouth revisions "should not reach customers who have not paid their bills by the late payment date if such failure occurred because they did not receive their bills in a timely manner and sufficiently in advance of the late payment date so as to allow them an opportunity to review and verify their bills; such customers do not pose a risk to BellSouth."[11] For that reason, the Commission stated that it would require BellSouth to file clarifying revisions that indicated that BellSouth would discontinue service 15 days after nonpayment only in those cases where the customer receives the bill within 3 days after the billing date.[12]

III. SBC's Tariff Proposal Violates a Commission Prescription

The existing security deposit language in SBC's interstate access tariff was prescribed by the Commission in its investigation of the post-divestiture access tariffs in 1984. In the Phase I Order, the Commission rejected the security deposit language proposed by the LECs and concluded that the security deposit provisions "must be amended to allow the telco to require deposits only from an 'IC which has a proven history of late payments to the Telephone Company or does not have established credit except for an IC which is a successor of a company which has established credit and has no history of late payments to the Telephone Company . . . ."[13]

There can be no doubt that SBC's current tariff language was prescribed by the Commission in the Phase I Order. The Commission not only provided precise tariff language, but (1) the Commission stated that the relevant section of the LECs' tariffs

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[11] 1987 Access Tariff Order, 2 FCC Rcd at 304.

[12] Id.

[13] Investigation of Access and Divestiture-Related Tariffs, Memorandum Opinion and Order, CC Docket No. 83-1145 Phase I, 97 FCC 2d 1082 (1984) (Phase I Order), Appendix D, discussion of Section 2.4.1(A) (emphasis added).

"must" be amended to reflect that language;[14] and (2) the Commission made no provision for the LECs to propose or try to justify alternate tariff language.

Nor can there be any doubt that the tariff language proposed by SBC would violate the Commission's prescription. The tariff language prescribed by the Commission in the Phase I Order states that LECs may request a deposit "only" from customers that have a proven history of late payment or do not have established credit.[15] Consequently, the Phase I Order's prescription prohibits SBC from amending its tariff to include the additional criteria proposed by SBC

Given that the tariff language proposed by SBC would violate a Commission prescription, the Commission cannot permit that language to take effect unless the Commission first waives that prescription or adopts an order modifying, suspending, or setting aside the prescription.[16] Because SBC has not even sought such a waiver or order, the Commission should reject SBC's transmittals for violating a Commission prescription. It is well-established that the Commission can reject a tariff transmittal that

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[14] Phase I Order, Appendix D, discussion of Section 2.4.1(A).

[15] Id.

[16] See, e.g., Pacific Northwest Bell Telephone Company, Revisions To Tariff FCC No. 9, Transmittal No. 159, Memorandum Opinion and Order, released October 11, 1985, at ¶ 7. In that order the Commission indicated that it had the discretion to consider certain elements of a tariff filing as a request for modification of a prescription, but declined to do so in that instance. However, the Commission noted that it had previously found that the issues raised by PNB were best addressed in a proceeding that would afford all interested parties the opportunity to present their views and provide the Commission with an adequate record upon which to base its decision. Similarly, because any change to the prescribed security deposit tariff language would affect all LECs and all customers, potential changes to that language should not be addressed in a tariff proceeding.

violates a Commission prescription as patently unlawful, and the Commission has done so on several occasions.[17]

IV. The Proposed Criteria for Triggering Security Deposit Demands Conflict with the Bankruptcy Code

In the above-captioned transmittals, SBC proposes to amend its tariff to allow SBC to demand a security deposit or advance payment from any customer that has "commenced a voluntary receivership or bankruptcy proceeding (or had a receivership or bankruptcy proceeding initiated against it)."[18] That provision is unlawful because it conflicts with the U.S. Bankruptcy Code.

Under section 366 of the Bankruptcy Code, utilities such as SBC may not discontinue service unless the debtor fails to furnish "adequate assurance" of payment in the form of a "deposit or other security." Importantly, "[t]he bankruptcy courts are in agreement that section 366(b) vests in the bankruptcy court the <u>exclusive responsibility</u> for determining the appropriate security which a debtor must provide to his utilities to preclude termination of service for non-payment of pre-petition utility bills . . . ."[19]

The Commission should reject or, in the alternative, suspend and investigate the above-captioned transmittals because SBC's proposal to assess a security deposit or

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[17] Pacific Northwest Bell Telephone Company Transmittal No. 159, <u>Memorandum Opinion and Order</u>, released June 10, 1985; Beehive Telephone Company, Inc. Transmittal No. 14, <u>Order</u>, 14 FCC Rcd 1984 (1998); Beehive Telephone Company Transmittal No. 11, <u>Order</u>, 13 FCC Rcd 12647 (1998).

[18] <u>See</u>, <u>e.g.</u>, SWBT Transmittal No. 2906, original page 2-55.3.

[19] <u>See</u>, <u>e.g.</u>, Adelphia Business Solutions et al., 2002 Bankr. LEXIS 705, *48 (citing Begley v. Philadelphia Elec. Co., 41 B.R. 402 (E.D. Pa. 1984), aff'd, 760 F.2d 46 (3rd Cir. 1985)) (emphasis added).

advance payment pursuant to tariff on any customer that has declared bankruptcy conflicts with the bankruptcy courts' "exclusive responsibility" for determining the appropriate security due utilities under such circumstances. Only the bankruptcy court, not SBC, can determine whether a security deposit or advance payment is required in order to provide "adequate assurance" of payment of any post-petition bills.

Notably, even BellSouth has recently acknowledged that "the bankruptcy courts have the jurisdiction to determine the terms of the adequate assurance pursuant to which BellSouth must continue to provide service under the protection of the bankruptcy court and code."[20] BellSouth further emphasized that "[t]he determination of a post petition treatment of BellSouth as a supplier of telecommunications services to a debtor will be and should be handled solely within the confines of the bankruptcy court and code."[21]

V. The Other Proposed Criteria for Triggering Security Deposit Demands Are Not Just and Reasonable

In assessing whether LEC tariff terms and conditions are just and reasonable, the Commission has consistently emphasized that the interests of the LEC must be balanced against the interests of its customers. While the Commission has recognized the legitimate interests of the LEC, it has at the same time required that any regulations designed to protect the LEC's interests not place undue burdens on customers. In particular, the Commission has required that any regulations designed to protect the LEC's interests be

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[20] BellSouth Reply, BellSouth Transmittal No. 657, Aug. 1, 2002.

[21] Id.

limited in scope, commensurate with the risk faced by the LEC, and narrowly targeted to address the source of the risk.

For example, in considering security deposit provisions, the Commission has "recogniz[ed] that it is prudent for the telephone company to seek to avoid non-recoverable costs imposed by bad credit risks."[22] At the same time, however, the Commission has rejected "vague charges [that] could become unreasonably burdensome," provisions that "allow[ed] the telco unnecessarily broad discretion" and provisions that had "potential anticompetitive effects."[23]

Similarly, when considering 1987 BellSouth tariff revisions that were intended to mitigate the impact of potential customer bankruptcy, the Commission "recognize[d] that the proposed tariff revisions could reduce BellSouth's liability under the circumstances that it has described."[24] At the same time, however, the Commission "believe[d] . . . that the revisions may place undue burdens on customers . . . . Provisions that more directly applied only to those customers that might default and that are supported with adequate documentation would be more reasonable."[25]

The tariff language proposed by SBC is not just and reasonable because it does not

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[22] Investigation of Access and Divestiture-Related Tariffs, Memorandum Opinion and Order, CC Docket No. 83-1145 Phase I, 97 FCC 2d 1082 (1984) (Phase I Order), Appendix D, discussion of Section 2.4.1(A) (emphasis added).

[23] Id.

[24] Annual 1987 Access Tariff Filings, Memorandum Opinion and Order, 2 FCC Rcd 280, 304-305 (1986) (1987 Access Tariff Order).

[25] Id.

provide the requisite balancing of carrier and customer interests. SBC is overreaching, seeking to use industry conditions as a pretext to impose onerous security deposit provisions on a broad class of customers that, by any objective standard, presents only a low or moderate risk of nonpayment.

In particular, it would not be just and reasonable for SBC to demand a security deposit or advance payment simply because "the senior debt securities of a customer or its parent . . . are below investment grade."[26] While issuers of speculative-grade debt securities may present a higher risk of nonpayment than issuers of investment-grade debt securities, issuers of speculative-grade debt securities do not present a risk of nonpayment that is so substantial that a security deposit or advance payment is required to protect SBC's interests. Statistics published by Moody's Investors Service show that the rate of default among speculative-grade issuers in 2001 was only 10.2 percent.[27] Moreover, 2001 was the second-worst year in history for speculative-grade defaults; in more typical years, the rate of default has been even lower.[28] And the *credit* loss rate, which reflects the amounts recovered in the bankruptcy process, is lower still.[29]

A security deposit "trigger" that captures such a broad group of customers does not balance SBC's interests against those of its customers. While the "non-investment

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[26] SWBT Transmittal No. 2906, original page 2-55.3.

[27] Moody's Investors Service, "Default and Recovery Rates of Corporate Bond Issuers," February 2002, at 1 (http://riskcalc.moodysrms.com/us/research/defrate/02defstudy.pdf)

[28] Id. at 6.

[29] Id. at 20 (Exhibit 23).

grade" criterion would virtually eliminate all of SBC's risk,[30] it would do so by imposing a burdensome security deposit requirement on a class of customers that, with a greater than 90 percent probability, is going to continue to pay its bills.

It is disingenuous for SBC to contend that the proposed tariff revisions "do nothing more than grant SWBT the same protections available to other suppliers in dealing with credit impaired customers."[31] No competitive carrier would ever be able to impose a security deposit policy that, like the "non-investment grade" criterion proposed by SBC, virtually insulated the carrier against all risk. Even when nondominant carriers' tariff or contract language allows them some discretion in determining whether to impose a security deposit, market forces ensure that nondominant carriers are able to request security deposits from only those customers that present a significant risk of nonpayment. If a competitive carrier sought to demand a security deposit from a low- or moderate-risk customer, such an overly strict security deposit policy would drive the customer to a competitor.

As long as SBC remains a dominant carrier, the Commission must ensure, through the tariff review process, that SBC's tariff language limits SBC to a security deposit policy that reasonably balances SBC's interests against those of its customers. SBC should be limited to seeking a security deposit only from those customers that present a substantial risk of nonpayment, even if that means that SBC, like competitive carriers, is not able to

[30] Investment-grade firms almost never default without first being downgraded to non-investment grade.

[31] SWBT Transmittal No. 2906, D&J at 2.

eliminate all risk. The above-captioned transmittals do not meet that test, and should therefore be rejected or, in the alternative, suspended and investigated.

The Commission should also reject or, in the alternative, suspend and investigate the SBC transmittals because the proposed security deposit language is anticompetitive and unreasonably discriminatory.   By applying the new security deposit provisions to only those customers with current or past due bills totaling $1 million or more, SBC is effectively targeting only its CLEC and IXC competitors. "Retail" customers, whose monthly access billings are generally lower, would escape the security deposit demands even if, like UAL Corp. and an array of other large customers, their debt was not "investment grade." By targeting its CLEC and IXC customers, SBC could use security deposit demands to encumber financial resources that competitors would otherwise use to build out their networks or develop services to compete against SBC.

VI. SBC's Transmittals Fail to Meet the "Substantial Cause for Change" Test

The Commission should reject or, in the alternative, suspend and investigate the above-captioned transmittals because SBC's proposal to revise the discontinuance, security deposit, and advance payment regulations applicable to existing term plan and contract tariff customers in mid-term fails to meet the Commission's "substantial cause for change" test. As the Commission recognized in the RCA Americom Decisions,[32]

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[32] RCA American Communications, Inc., Memorandum Opinion and Order, 86 FCC 2d 1197 (1981) (RCA Americom 1981 Order); RCA American Communications, Inc., Memorandum Opinion and Order, 94 FCC 2d 1338 (RCA Americom 1983 Order); RCA American Communications, Inc., Memorandum Opinion and Order, 2 FCC Rcd 2363 (1987) (RCA Americom Final Order).

customers have “legitimate expectations . . . for stability in term arrangements.”[33]

A. The Substantial Cause Test is Applicable to SBC’s Transmittals

SBC contends that the substantial cause for change test does not apply to the above-captioned transmittals because “none of [SBC’s] plans specifically incorporate the general terms and conditions of the tariff.”[34] That claim is without merit. Under SBC’s tariff, term plan and contract plan customers are subject to the security deposit and discontinuance provisions in Section 2 of its tariff. It is irrelevant that SBC has elected not to reinforce that fact with a sentence in the regulations for each term plan that “specifically incorporates” the security deposit and discontinuance provisions.

SBC is also wrong when it contends that the substantial cause test is inapplicable because its term plans do not “provide customers with any assurance that the general sections of the tariff will not change.”[35] The Commission has never said that the substantial cause for change test applies only when the dominant carrier’s tariff contains an explicit promise not to alter a material term or condition. In fact, the Commission has said that the substantial cause test applies even if the tariff contains a “sweeping reservation to unilaterally change any and all terms and conditions of service.”[36] Moreover, while the Commission has indicated that a carrier may be able to “revise its tariff in accordance with

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[33] RCA Americom 1981 Order, 86 FCC 2d at 1201.

[34] SWBT Transmittal No. 2906, D&J at 10.

[35] Id.

[36] 86 FCC 2d at 1202.

its terms," none of SBC's term plans reserve the right to change either the security deposit provisions or discontinuance provisions in mid-term. As SBC notes, its term plans reserve the right to change only certain underlying rates, but nothing else.[37]

Permitting unilateral revisions to the security deposit and discontinuance provisions would be at odds with the policy basis for the substantial cause test. In the RCA Americom Decisions, the Commission stated that it "strikes us as anomalous that a carrier could use the tariff filing process to prevent any of its service terms from being enforced against it by customers, while at the same time bind customers to all the tariff provisions for as long as the carrier wishes . . . ."[38] Given that existing term plan customers are subject to substantial termination liabilities if they elect to leave SBC, it would be "anomalous" if those customers did not receive stability in return. Those customers made multi-year commitments to SBC with the expectation that they would have to pay security deposits only if they had a "proven history of late payment" and would face refusal or discontinuance of service only after 30 days' notice.

There is no merit to SBC's claim that "[c]hanges to a tariff's general terms and conditions generally have not been considered changes to a long-term service tariff."[39] In granting AT&T's petition to be declared a nondominant carrier, the Commission relied in part on (1) AT&T's voluntary commitment to provide existing term plan customers with 14 days' notice to object to changes to the discontinuance, deposit, and advance payment

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[37] SWBT Transmittal No. 2906, D&J at 13.

[38] 84 FCC 2d at 358-359, ¶ 17.

[39] SWBT Transmittal No. 2906, D&J at 13.

provisions applicable to such plans, rather than the one day's notice that would normally be allowed a nondominant carrier;[40] and (2) AT&T's acknowledgment that the substantial cause test would continue to be applicable to such changes.[41] Plainly, tariff filings that amend dominant carrier term plans should receive even greater scrutiny.

B. SBC Has Not Met the Requirements of the Substantial Cause Test

Pursuant to the RCA Americom Decisions,[42] the reasonableness of a proposal to revise material provisions in the middle of a term "must hinge to a great extent on the carrier's explanation of the factors necessitating the desired changes at that particular time."[43]

SBC has not, and could not, demonstrate compliance with the substantial cause test. SBC argues that the proposed changes are warranted "by SWBT's need to protect itself from losses in the event that a financially impaired carrier fails to pay its bills."[44] But such generalized assertions of "need" do not provide the requisite showing.[45] Moreover, it is well established that mere reductions from anticipated revenues do not constitute

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[40] Motion of AT&T Corp. to be Reclassified as a Non-Dominant Carrier, Order, 11 FCC Rcd 3271, 3343-3344 ¶ 134.

[41] Id.

[42] RCA Americom 1981 Order, 86 FCC 2d at 1201-1202

[43] Id.

[44] SWBT Transmittal No. 2906, D&J at 13.

[45] AT&T Communications Contract Tariff No. 360, Order, 11 FCC Rcd 3194, ¶ 21 (1995).

substantial cause.[46] Rather, the carrier must demonstrate unanticipated changes in business circumstances of such degree that they would "constitute an injury to [the carrier] that outweigh[s] the existing customers' legitimate expectation of stability."[47] The Commission has, for example, suspended tariffs when the carrier failed to demonstrate that "its projected losses [were] sufficiently large or certain to demonstrate 'substantial cause.'"[48]

SBC cannot demonstrate "injury" sufficient to outweigh existing customers' legitimate expectation of stability. At most, SBC can show that it has experienced an increase in uncollectibles. But it is perfectly normal for uncollectibles to vary depending on the point in the business cycle, and SBC should have anticipated such variations in uncollectibles when it established its term plan rates. All carriers, not just SBC, have seen their uncollectibles increase as the telecommunications industry downturn has deepened. Time Warner Telecom, for example, recently reported to the SEC that its uncollectibles expense has increased due to customer bankruptcies.[49]

Significantly, SBC is not claiming that "it will fail to recover its costs or that net revenues [from term plan services] will become negative."[50] Nor could it make such a

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[46] 5 FCC Rcd at 6779, ¶ 21.

[47] 5 FCC Rcd at 6779 ¶ 21.

[48] AT&T Communications Contract Tariff No. 360, Order, 11 FCC Rcd 3194, ¶ 20 (1995).

[49] Time Warner Telecom, SEC Form 10-K, March 28, 2002, at 34.

[50] 5 FCC Rcd at 6779, ¶ 21.

claim of "injury." ARMIS data show that SBC's absolute level of uncollectibles is still extremely low. In 2001, SBC recorded interstate uncollectible revenues of only $48 million out of total interstate revenues of $9.6 billion – or about 0.5 percent of interstate revenues.[51] And that modest level of uncollectibles had only a negligible impact on SBC's financial performance. SBC's aggregate interstate rate of return in 2001 was a still-excessive 22.4 percent,[52] far above SBC's cost of capital and the Commission's most recently-prescribed rate of return of 11.25 percent.

VII. Conclusion

For the reasons stated herein, the Commission should reject or, in the alternative, suspend and investigate the above-captioned transmittals.

Respectfully submitted,
WORLDCOM, INC.

/s/ Alan Buzacott

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August 9, 2002

[51] SBC ARMIS 43-01, col.h, lines 1060, 1090 (aggregate of SWBT, Pacific, Ameritech, SNET, and Nevada COSAs).

[52] SBC ARMIS 43-01, col. h, lines 1910, 1915 (aggregate of SWBT, Pacific, Ameritech, SNET, and Nevada COSAs).

<u>STATEMENT OF VERIFICATION</u>

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on August 9, 2002.

____

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CERTIFICATE OF SERVICE

I, Alan Buzacott, do hereby certify that copies of the foregoing Petition to Reject or, in the Alternative, Suspend and Investigate, were sent via first class mail, postage paid, and by facsimile*, to the following on this 9th day of August, 2002.

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