

SETTLEMENT AGREEMENT

Pacific Bell Telephone Company (“Pacific Bell”), Pacific Bell Internet Services (“PBI”), SBC Advanced Solutions, Inc. (“ASI”),¹ Utility Consumers’ Action Network (“UCAN”) and the Consumer Services Division of the California Public Utilities Commission (“CSD”) (collectively, the “Parties”) hereby agree upon the following terms for the settlement (the “Agreement”) of the Commission’s Order Instituting Investigation I.02-01-024 (“DSL OII”) and the related complaint of the Utility Consumers’ Action Network (“UCAN”), CPUC complaint No. C.02-01-007.

TERMS

1. JOINT STATEMENT OF THE CASE

UCAN’s complaint alleges that customers experienced billing errors. CSD’s complaint alleges that it received complaints from customers regarding billing errors, and that Pacific Bell failed to accurately report these complaints. Respondents acknowledge to the Commission that certain billing errors and reporting deficiencies occurred that were unacceptable and should not have happened.

BACKGROUND

- 1) In 1998, Pacific Bell began offering on a limited basis Digital Subscriber Line (“DSL”) transport to end users for use with a chosen Internet Service Provider (“ISP”) and also to ISPs.
- 2) As part of the merger between SBC and Ameritech, the FCC issued an order, in October 1999, containing a set of conditions (“Merger Order and Conditions”) which SBC and Ameritech were required to meet in order to obtain FCC approval for the merger.
- 3) Pursuant to the FCC Merger Order and Conditions, Pacific Bell was required to transfer responsibility for DSL transport to an affiliate, ASI.

¹ Pacific Bell, PBI, and ASI are at times referred to collectively as “Respondents.”

- 4) On January 9, 2001, the United States Court of Appeals for the District of Columbia Circuit partially vacated the Merger Order and Conditions, ruling that ASI is a “successor and assign” of its affiliated ILECs for purposes of complying with the ILEC’s obligation to make retail Advanced Services, including DSL Transport Services, available to unaffiliated carriers for resale at the Avoided Cost Discount.²
- 5) In May 2000, as part of the conversion to ASI (the “conversion”), and the end of Interim Line Sharing as specified in the Merger Order and Conditions, all provisioning and billing responsibilities for DSL transport were transitioned to ASI.
- 6) By the end of 2001, ASI had moved to a completely wholesale model and only billed DSL transport to ISPs.
- 7) ASI, as well as PBI, entered into contracts with Pacific Bell for Billing and Collection services in 1999 and 2000 respectively.
- 8) The SBC-ASI conversion involved the migration of approximately 190,000 to 200,000 customer records from Pacific Bell’s systems to ASI’s systems.
- 9) ASI was required, in just several months, to replicate the same type of pre-ordering, ordering, provisioning, maintenance and repair, and billing systems Pacific Bell had taken years to develop.

UNAUTHORIZED CHARGES AND BILLING ERRORS

- 10) During the period of January 2000 through the present, an estimated 30,000 to 70,000 Respondents’ customers complained about and/or experienced billing errors. Certain of these complaints included the following:
 - billing for DSL transport and/or DSL Internet services that were neither ordered nor received;
 - billing for DSL transport and/or DSL Internet services that were ordered but not received;
 - billing for DSL transport and/or DSL Internet services after the consumer requested termination of the service(s);

² On January 18, 2001, the Court of Appeals clarified that “the vacatur applies only insofar as the Order authorizes exemption of advanced services provided through the Order’s prescribed affiliate structure from the obligations imposed on incumbent local exchange carriers by 47 U.S.C § 251(c).

- billing by two Respondents for the same DSL transport and/or DSL Internet service;
- billing for services or products that Respondents promoted as free or as less expensive than the charges placed on the consumers' telephone bills;
- billing errors were not resolved in a timely manner and/or required multiple calls and substantial investment of time to resolve

11) As reflected in the customer complaints, certain customers experienced the following:

- inappropriate charges for early termination fees or failure to inform customers adequately about early termination fees;
- inappropriate application of toll restriction for outstanding DSL-related charges;
- DSL service was installed, never worked properly or was cancelled but customers were still charged and could not get recurring monthly charges removed for several months;
- problems associated with DSL/Compaq computer promotional packages, in many cases, either the DSL and/or the computer never worked, but charges for inoperable service were not timely corrected;
- customers billed for late payment fees on disputed charges;
- customers were charged more than advertised price or at different rate than the promotional price quoted for DSL Internet service;
- inappropriate fees assessed for customer relocation;
- disconnect notices were sent to customers that might have led them to believe that their basic service would be disconnected for nonpayment of DSL Internet charges or that a security deposit was required;
- unresponsive service, such as long waiting queues, delays on hold, transfers to other departments, unreturned calls, full voice mail boxes, inability to resolve the problem without having to wait on the phone.

RESPONSIVENESS OF COMPANIES

- 12) Pacific Bell and PBI became aware of the DSL-related billing problems in early 2000.
- 13) The large majority of the complaints, however, occurred in mid- to late-2000 through 2001.
- 14) In mid-2000, UCAN informed Pacific Bell that UCAN had received an unusually high level of DSL-related complaints.
- 15) On July 9, 2001, CSD informed Pacific Bell and ASI that Consumer Affairs Branch (“CAB”) had received thousands of complaints regarding DSL-related service, specifically allegations of unauthorized charges or billing errors for DSL-related service, and requested that Respondents correct the problems immediately.
- 16) In September 2001, representatives from Pacific Bell met with the director of CSD to provide status on DSL complaint trends, including billing complaints.
- 17) Complaints concerning billing problems continued through 2001.
- 18) Throughout 2000 and 2001, the company heavily marketed DSL Internet services.
- 19) As of mid-2002, the number of complaints received by UCAN and CAB have decreased. Because Pacific Bell does not make a record of each consumer DSL-related billing complaint, there is not enough information available to determine the degree to which the complaints have been reduced.
- 20) Respondents acknowledge that numerous customers complained about experiencing a great deal of frustration and inconvenience in trying to correct billing errors.
- 21) Many customers complained about experiencing delays in having their bills corrected, and often were required to place multiple calls to correct their bills.
- 22) Although not required by Commission regulation or decision, Respondents did not record the time it took to respond to customer complaints about DSL-related service charges.
- 23) Except perhaps for open complaints, the parties are not aware of any billing complaints that were not ultimately credited or adjusted by Respondents.

CAUSES OF BILLING ERRORS

To the extent billing errors occurred:

- 24) Many billing errors were attributable to the extreme complexity of Pacific Bell's billing and customer data management systems and the difficult process of transferring DSL transport functions to ASI.
- 25) These billing errors were compounded by the fact that the billing inquiry function for DSL Internet services was supported by a third-party vendor who did not have access to the back office systems and the customers' service records.
- 26) The third-party vendor had the ability to credit or adjust bills as necessary, but could not search the back office systems or make changes in the back office systems to correct the underlying problem.
- 27) Consequently, even when customers were credited for improper charges, the charges could reappear on subsequent bills because the service had not been removed from their accounts.
- 28) When PBI began to offer a bundled service for DSL transport and Internet service in February 2000, Pacific Bell found that incorrect order entries on certain service orders caused Pacific Bell and later ASI to bill some customers for the DSL transport, under the split billing arrangement, even though PBI billed customers for the bundled DSL Internet service.
- 29) Additionally, upon conversion, Pacific Bell learned that not all accounts were properly transitioned, which resulted in duplicate billing for some customers. As stated, the conversion of the DSL transport customers from Pacific Bell to ASI was a massive undertaking. Although a cross-functional team of process and system experts from Pacific Bell, PBI, and ASI managed the complexity of the transfer, in some cases duplicate billing occurred.

REPORTING

- 30) CPUC decision D.00-03-020 as modified by D. 00-11-015 (Subscriber Complaint Reporting Rules) sets reporting rules for consumer protection.
- 31) The Subscriber Complaint Reporting Rules require that Pacific Bell maintain accurate and up-to-date records of all customer complaints made to or

received by it for charges for products or services provided by a third party, including corporate affiliates. Pacific Bell is further required to provide the Consumer Services Division a quarterly calendar month summary report showing the following:

- Total number of consumer complaints received each month for each service provider and billing agent;
- Name, address, and telephone number of each entity receiving complaints;
- Total number of subscribers billed for each entity for which the complaints were received; and
- Total dollars billed for each entity for which complaints were received.

32) In the Subscriber Complaint Reporting Rules, Customer Complaint is defined as "any written or oral communication to a Billing Telephone Company or Billing Agent from a person or entity which has been billed for a charge which the person or entity alleges was unauthorized or resulted from false, deceptive, or misleading representations and which was billed, either directly or indirectly, through a Billing Telephone Company."

33) In the Subscriber Complaint Reporting Rules the Commission stated the effect of failure to supply a report of consumer complaints as follows: "Pursuant to §2889.9(f), any billing agent which fails to submit its report in a timely fashion may be the subject of a Commission decision or resolution ordering the billing telephone company to cease providing billing and collections services to that billing agent or service provider, in addition to the Commission's other remedial statutory authority as provided in § 2889.9(b)."

34) On or about June 1, 2000, the relationship between ASI and Pacific Bell became that of Service Provider and Billing Telephone Company respectively. After Pacific Bell transitioned provisioning of DSL transport to ASI, ASI provided billing information to Pacific Bell for subscribers of DSL transport.

35) Pacific Bell provided to CSD quarterly calendar month summary reports of the customer complaints received for the year 2001 and first quarter of 2002.

36) For the year 2001, Pacific Bell initially reported no complaints for PBI or ASI.

- 37) On April 5, 2002, Pacific Bell provided a revised quarterly summary report for the year 2001 showing 30 complaints for PBI and 10 complaints for ASI.
- 38) The Pacific Bell quarterly summary report for the first quarter of 2002 shows 8 complaints for PBI and no complaints for ASI.
- 39) Consumer Affairs Branch has documented 863 DSL unauthorized billing complaints regarding PBI and ASI for January 2001 through April 24, 2002.
- 40) The majority of the unauthorized billing complaints for DSL-related service received by CAB were forwarded to ASI for resolution, and some were forwarded to Pacific Bell.
- 41) In response to Ordering Paragraph 4 the OII, Pacific Bell and ASI provided 11 boxes of complaints to CSD. Review of the boxes by CSD staff reveals evidence of 5,132 complaints received by ASI and Pacific Bell.
- 42) Pacific Bell did not record all consumer DSL-related unauthorized billing complaints it received regarding its affiliates PBI and ASI.
- 43) Although Pacific Bell was under no obligation to report billing complaints received by its affiliates, it was under an obligation to report billing complaints it received for services provided by its affiliates.
- 44) In August 1997, Pacific Bell began tracking *escalated* unauthorized billing complaints for services billed on behalf of its billing and collection customers. In January 1999, Pacific Bell expanded its policy to include *all* such complaints.

CORRECTIVE ACTIONS

- 45) While there are reasons and in some cases explanations for the problems that occurred, Respondents recognize their responsibility to aggressively seek to remedy these problems and to prevent such problems from occurring in the future.
- 46) Respondents have undertaken serious efforts to correct the billing errors described herein.
- 47) Pacific Bell created the DSL Internet Billing center. In June 2001, Pacific Bell began the first phase of performing business billing inquiry service for PBI. In April 2002, a new consumer DSL Internet Billing Center was opened

and is staffed with approximately 100 customer representatives who take all PBI billing inquiry calls. The representatives have access to Pacific Bell systems, ASI and PBI systems, which allows them to not only correct the root cause of the problem but also issue a credit if appropriate. This center provides a “one stop shop” where customers who may experience billing issues can get resolution in a timely fashion. These representatives do not sell products and services.

- 48) Pacific Bell, ASI and PBI have undertaken great effort and expense to improve DSL-related service. Billing quality teams are still in place to continually review and upgrade the process.
- 49) Respondents continue to make system enhancements. Specifically, the ordering and billing systems used by respondents are continually being tested, evaluated and updated.
- 50) To ensure that customers were not billed after disconnect, various steps were taken to ensure that PBI receives notification of disconnect orders: CSRs were given further training on the disconnect process; a new process was implemented where the CEPC manually reviews all local service disconnect orders for lines with DSL Internet service in SORD to ensure there is a corresponding disconnect order for the DSL Internet service in ASOS. Additionally, ASI made system upgrades to ASOS to ensure that disconnect orders and telephone number changes would be properly processed.
- 51) Subsequent to the duplicate billing caused by the conversion, a team was assembled to identify and correct the problem and ensure that affected customers were credited.
- 52) To ensure that charges are applied to the correct account, PBI currently researches unbillable charges to ensure they are handled correctly. If a matching telephone number for billing cannot be determined, the account is sent to a Pacific Bell CSR to research and issue a disconnect order if appropriate, so billing would stop.
- 53) To ensure that customers know when their billing will start, PBI implemented a process whereby it (a) sends a postcard to the customer on the day the

service is provisioned telling the customer that billing has begun; (b) if the customer has not registered, a call is made to the customer at 14 days and 21 days after provisioning; and (c) if the customer has not registered, a letter is sent to the customer 35 days after provisioning.

- 54) To avoid misunderstandings about a customer's service order or misunderstandings about charges such as the Early Termination Fee, all new DSL Internet orders are verified with the customers by a manager at the time the order is taken. Pacific Bell instituted service order verification procedures. A Manager verifies all new orders for DSL Internet service with the customer on-line at the time the service order is placed. The manager confirms: PC requirements, due date, promotional terms, whether a technician or self install kit will arrive, Early Termination Fee (if applicable) and notes that the verification has been done in the Billing System or on the service order.
- 55) Pacific Bell expanded its Sales Integrity Process to include DSL-related issues. This ensures that allegations of unauthorized sales are fully investigated and the appropriate action taken. It also ensures that all claims of "service never ordered" are thoroughly investigated and addressed.
- 56) To ensure that only authorized parties place orders for DSL Internet service, PBI upgraded its website with security measures that request additional information from customers placing orders using the on-line tool. The website was upgraded to require the customer to enter their customer code when placing an order. If the customer code is not entered, the order does not flow through and a follow-up verification is necessary for the order to be placed.
- 57) To ensure that customers are not automatically converted to dial-up service when they disconnect their DSL Internet service, service representatives must enter a notation on the disconnect order indicating the customers' desire to maintain their dial up account. Where the CSR does not so note, PBI has a process to zero-rate the dial-up service while a postcard notifies the customer

that dial-up service will be disconnected unless the customer calls by a certain date.

- 58) To avoid billing discrepancies that might result from incorrect service orders, reviews and audits have been instituted for service order quality and are continually conducted to identify training opportunities for CSR development.
- 59) A process has been put in place to ensure that all cancellations are completed. If it were determined that the customer had cancelled the service and was being billed incorrectly, a service order is issued to stop the billing and an adjustment is given.
- 60) Immediately following the ASI conversion, Pacific Bell learned ASI's order system could not process disconnect orders and therefore disconnection notifications were not sent to PBI to stop billing. Consequently, PBI continued to submit its billing for DSL Internet service to Pacific Bell. Additionally, ASI experienced system problems, which caused disconnect orders to process incorrectly so they had to be manually handled. Upgrades to ASI systems corrected these problems.
- 61) Due to the difference in bill rounds between PBI and Pacific Bell, credits, adjustments and changes in billing can take more than one billing cycle to be reflected on the Pacific Bell bill. To avoid customer impacts a pending claim indicator is placed on customer records.
- 62) To prevent incorrect order entries from causing double billing, additional training was provided to the CSRs and a dedicated work team was put in place to reconcile these accounts and to identify and to give credit to affected customers. Pacific Bell also made changes to the systems to ensure that the billing for DSL transport was directed to PBI rather than to the end-user.
- 63) Promotional codes ("promo codes") are manually selected to be placed on the service order by service representatives and are sent to PBI to establish the service type and billing rate for which a customer will be charged. If the wrong promo code is selected, the customer will not be billed the correct amount. Many process and system enhancements have improved this functionality. The list of promo codes has been divided into active and

inactive lists. Now, only active promo codes are readily displayed for use on new service orders. Additional training on the use of proper promo codes was conducted for CSRs and managers, and bi-weekly order audits are conducted to validate performance and identify training leads. Order validation (verification by a manager) was also implemented on all new DSL Internet service requests at the point of sale.

- 64) Pacific Bell instituted service order quality programs. On-going audits and service order reviews are conducted to validate performance and identify training issues.
- 65) Pacific Bell reviews unregistered accounts. As described in PBI testimony customers who do not register on-line for their Internet account are proactively contacted.
- 66) New escalation processes were implemented to ensure that unresolved issues are escalated for resolution.
- 67) Pacific Bell implemented customer satisfaction monitoring. Random monthly customer satisfaction surveys are conducted. The satisfaction rate for DSL Internet service is currently at a mean score of 85.5% YTD. This is consistent with other Pacific Bell products and services for the Sales and Inquiry Team.
- 68) The customer self-install kit has been upgraded. The first upgrade to the kit was in August 2001 when the equipment and the Internet software were combined in the same package. The second upgrade was in March 2002 where a single CD is now provided to download all applicable programs, test the system requirements, and ensure customer registration. The process includes a simpler instruction manual and a single modem for all customers/PC configurations.
- 69) In a good faith effort to further redress these billing errors, Pacific Bell, PBI, and ASI have entered into this Agreement with UCAN and CSD, which among other things institutes several operational changes to improve the billing processes, establishes billing performance remedies should these problems continue to exist, and requires the payment of a fine. These additional measures are set forth below.

2. BILLING CREDITS

2.1 Billing Credits. In the event of a Billing Error as described below that occurs after the effective date of this Agreement, Pacific Bell shall cause a credit to be issued to the affected PBI customer for one month of DSL Internet access service, or a \$25 credit toward the customer's telephone account in the event the customer declines to receive or to continue to receive PBI's DSL Internet access service; except, however, failure to correct a billing error pursuant to the terms in category 2.2(6) shall result in a credit of two months of DSL Internet access service, or a \$50 credit toward the customer's telephone account in the event the customer declines to receive or to continue to receive PBI's DSL Internet access service.

2.2 Billing Errors. Upon notice by a customer of a Billing Error identified herein, the Billing Credits set forth above shall apply to the following performance failures, for billing services provided by Pacific Bell on behalf of PBI for DSL-related services:

- 2.2(1) Customer does not order PBI's DSL Internet access service but is charged for the service;
- 2.2(2) Customer orders PBI's DSL Internet access service but the service is not provisioned and the customer is charged for the service (except where failure is unrelated to equipment or service provided by Respondents);
- 2.2(3) Customer is charged for PBI's DSL Internet access service for more than one billing cycle after the customer terminates the service (except for all applicable charges relating to goods or services provided prior to the termination date).
- 2.2(4) Customer is double-billed for the same DSL Internet access service (except where the customer caused a second account to be activated);
- 2.2(5) Customer is charged an incorrect monthly rate or an improper termination or late-payment fee for PBI's DSL Internet access

service as a result of an incorrect promotion code, or is subjected to toll restriction for nonpayment of charges for PBI's DSL Internet access service; and

- 2.2(6) Customer does not receive a promised billing adjustment or credit, pursuant to subsections 2.2(1)-(5), within ninety days after the initial contact by the customer, where the customer is entitled to an adjustment after investigation (except where the failure to provide the credit within ninety days results from the customer's failure to provide sufficient information).
- 2.3 Resolving Disputes. In the event of a dispute between the customer and Pacific Bell with respect to the customer's right to receive a Credit under Section 2.2, Pacific Bell agrees the issue may be submitted to the Commission's Expedited Complaint Process for resolution.
- 2.4 Implementation. The provisions in this Section shall be implemented no later than 60 days after the effective date of this Agreement and approval of the Commission.
- 2.5 Tracking and Reporting. Pacific Bell shall track and report the total number of customer complaints received each quarter for each of the six categories contained in Section 2 of this Agreement. The report shall contain the amount of credits and/or dollars credited as a result of the reported complaints. The report shall be submitted to the Director of the Commission's Consumer Services Division by the 10th day of the following calendar month of each quarter.
- 2.6 Sunset Provision. The Billing Remedies set forth in this Section shall sunset two years from the Effective Date of this Agreement.
- 2.7 Other Governmental Remedies. Nothing herein shall preclude the Commission or any other governmental agency, or any customer receiving a Billing Remedy, from taking enforcement or corrective action for any future conduct giving rise to the payment of such Billing Remedies. The payment of Billing Remedies may be introduced as evidence, however, in

any such proceeding in an effort to obtain an offset or other form of mitigation.

- 2.8 Applicability. Section 2 shall apply to all residential consumers and to small business customers with 20 or less access lines.

3. **OPERATIONAL IMPROVEMENTS**

Pacific Bell will institute and maintain the following operational improvements, unless earlier terminated pursuant to a written agreement between the parties, an order from a court or agency of competent jurisdiction, a change of law rendering performance impractical, or a change of circumstances rendering the maintenance of the improvements moot (e.g., events such as a withdrawal of the service offering, discontinuance of billing or inquiry services).

- 3.1 One-Stop Office. Pacific Bell will provide two centers dedicated to handling billing inquiries for PBI's DSL Internet services, one to handle Consumer DSL billing inquiries and one to handle Business DSL billing inquiries.
- 3.2 Improved Reporting. Pacific Bell will ensure that all Customer Service Representatives have been retrained on the current Commission-ordered tracking requirements for billing complaints related to affiliate products.
- 3.3 Generic Disconnection Notices. Pacific Bell is currently working with CPUC telecom staff to improve its disconnection notice as a result of D.02-06-011, which requires Pacific Bell to list DSL Internet services as one of the services for which failure to make payment cannot result in the denial of basic service. The reworking of the notice is being handled through an advice letter process. The Parties will be participating in that process to ensure that the disconnection language notice is understandable and accurate.
- 3.4 Compulsory Service Guidelines. Pacific Bell agrees, in connection with acting as a billing agent for PBI's DSL Internet services, to:

- 3.4(1) send a confirmation letter to customers who order PBI's DSL Internet access service and for whom the charges are to appear on the Pacific Bell bill;
- 3.4(2) not pursue collection action, make adverse credit reports, impose late payment fees, or apply toll restriction for sums due on the Pacific Bell bill for PBI DSL Internet access service charges which are the subject of a bona fide dispute;
- 3.4(3) not impose any DSL-related fees where it is determined that the customer never ordered or received (i.e., not provisioned) PBI DSL Internet service;
- 3.4(4) furnish an e-mail address and P.O. box address to which consumers can correspond regarding PBI DSL Internet access service charges on their Pacific Bell bill;
- 3.4(5) provide a toll-free number that allows access to a Customer Service Representative at the PBI billing inquiry centers on a third prompt for inquiries about PBI DSL Internet access service charges on customers' bills;
- 3.4(6) train and enable Customer Service Representatives at the PBI billing inquiry centers to remove charges, issue credits and order refunds, as appropriate, for PBI DSL Internet access service charges appearing on their Pacific Bell bill;
- 3.4(7) upon customer inquiry regarding a billing dispute, either verify or disprove the customer's authorization of a charge concerning PBI DSL Internet access service charges appearing on their Pacific Bell bill, and communicate the disposition in writing to the customer within 30 days from the date on which the complaint is received; and
- 3.4(8) maintain complaint records pertaining to PBI DSL Internet access service charges billed by Pacific Bell for "active + 3 years" and to respond to Commission requests for the data within 30 days, except where otherwise agreed to with the Commission.

- 3.5 Coupon Rebates. For a period of two years, for DSL-related services, Respondents agree not to use coupon rebates for promotional offerings related to discounts or waivers of monthly rates or installation charges. This provision shall not limit Respondents' right to use coupon rebates for promotional offerings related to customer premises equipment.
- 3.6 Gift/Debit Cards. For a period of two years, DSL-related services, Respondents agree not to use gift/debit cards for promotional offerings as discounts or waivers of monthly rates or installation charges or customer premises equipment, except where the gift/debit card can be used to offset charges for products, services, or equipment on the end user's telephone bill.

4. PBI BILLING

For the purposes of this Agreement, PBI warrants that it will not voluntarily terminate its Billing and Collection agreement with Pacific Bell before July 1, 2004. The parties acknowledge that this is not an obligation that could be imposed by the CPUC, and is a voluntary commitment. Nothing in this Agreement shall require PBI to utilize the Billing and Collection service offered by Pacific Bell on an exclusive basis for other forms of payment (e.g, PBI may utilize credit card billing).

5. PENALTY

Pursuant to Public Utilities Code sections 2107 and 2108 and the California Public Utilities Commission's Rules of Practice and Procedure Rule 51, Respondents agree to pay \$27,000,000 (twenty-seven million dollars) into the State General Fund within 30 days after the Commission's approval of this Agreement.

6. DISMISSAL AND SETTLEMENT

6.1 Dismissal and Release.

6.1(1) UCAN, on behalf of itself and all consumers and ratepayers it represents, releases Respondents and their directors, officers, employees, agents, attorneys, shareholders, affiliates, successors, and assigns from all claims and liabilities arising out of the specific Complaint issues. Nothing in this Section, however, shall preclude an action to enforce this Agreement.

6.1(2) UCAN will not pursue claims against Respondents related to the Complaint issues.

6.1(3) All parties support this Agreement as being fair and reasonable in light of the record, consistent with the law, and in the public interest, and all parties agree not to take any action which would undermine this Agreement and the manner in which it has been negotiated.

6.2 Jurisdiction and Enforcement. This Agreement represents a full and final resolution of the DSL OII, UCAN's Complaint and the matters giving rise thereto. The Commission shall have exclusive jurisdiction over the interpretation and enforcement of this Agreement, and over all matters underlying and giving rise to this Agreement. If the Commission does not approve this Agreement in full, it shall have no force and effect.

6.3 No Waiver. By entering into this Agreement, Pacific Bell, PBI and ASI do not waive their right to contest the extent of the Commission's jurisdiction or authority to impose any requirement of this Agreement in any other proceeding.

6.4 Other Proceedings. The Parties agree that neither the Joint Statement of the Case nor anything contained in this Agreement constitutes a binding

admission or concession in any other proceeding. The parties have entered into this Agreement to effect a compromise and settlement of the contested matters pending before the Commission.

7. GENERAL TERMS

- 7.1 Severability. No individual term of this Agreement is assented to by any party except in consideration of the Parties' assent to all other terms. Thus, the Agreement is indivisible and each part is interdependent on each and all other parts. Any party may withdraw from this Agreement if the Commission modifies, deletes from, or adds to the disposition of the matters stipulated herein. The Parties agree, however, to negotiate in good faith with regard to any Commission-ordered changes in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful.
- 7.2 Successors. This Agreement and all covenants set forth herein shall be binding upon and shall inure to the benefit of the respective Parties hereto, their successors, heirs, assigns, partners, representatives, executors, administrators, parent companies, subsidiary companies, affiliates, divisions, units, agents, attorneys, officers, directors and shareholders.
- 7.3 Knowing and Voluntary Execution. The Parties acknowledge each has read this Agreement, that each fully understands the rights, duties and privileges created hereunder, and that each enters this Agreement freely and voluntarily. Each Party further acknowledges that it has had the opportunity to consult with counsel and discuss the provisions hereof and the consequences of signing this Agreement, and that each Party or their counsel have made such investigation of the facts and law pertaining to the matters herein as they deem necessary, and that they have not relied and do not rely upon any statement, promise or representation by any other party or its counsel, whether oral or written, except as specifically set forth in this Agreement.

- 7.4 Authority to Execute Agreement. The undersigned acknowledge and covenant that they have been duly authorized to execute this Agreement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency or employment.
- 7.5 Entire Agreement. The Parties expressly acknowledge that the consideration recited in this Agreement is the sole and only consideration of this Agreement, and that no representations, promises, or inducements have been made by the Parties or any director, officer, employee, or agent thereof, other than as set forth expressly in this Agreement.
- 7.6 No Waiver or Modification. This Agreement constitutes the entire agreement between the Parties and no terms herein may be waived, modified or amended, except in a writing signed by both Parties.
- 7.7 Choice of Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California and the rules, regulations and General Orders of the California Public Utilities Commission.
- 7.8 Execution in Counterparts. This Agreement may be executed by any of the Parties in counterparts with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Agreement. A signature transmitted by facsimile shall be regarded as an original signature.

(Signature page to follow)

Dated: 7/3/02

PACIFIC BELL TELEPHONE COMPANY

/s/ Cynthia G. Marshall
Cynthia G. Marshall
Pacific Bell Telephone Company
140 New Montgomery St.
San Francisco, CA 94105

Dated: _____

PACIFIC BELL INTERNET SERVICES,
INC.

/s/ J. MICHAEL TURNER
J. Michael Turner
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Dated: 7/3/02

SBC ADVANCED SOLUTIONS, INC.

/s/ RICHARD C. DIETZ
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Dated: 7/3/02

UTILITY CONSUMERS' ACTION
NETWORK

/s/ MICHAEL SHAMES
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Dated: 7/3/02

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