

President - Texas Division  
Southwestern Bell Telephone Company  
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### SPECIAL CONSTRUCTION

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## **SPECIAL CONSTRUCTION**

### **14.1 General**

This Section contains the regulations, liabilities, rates and charges applicable for special construction of SWBT facilities which are used to provide services offered in this and other SWBT tariffs.

When special construction of facilities is required, the provisions of this section apply in addition to all regulations, rates and charges set forth in this and other SWBT Tariffs.

#### **(A) Conditions Requiring Special Construction**

Special construction is required when 1) suitable facilities are not available to meet an order for service, and 2) SWBT constructs facilities, and 3) one or more of the following conditions exist:

- SWBT has no other requirement for the facilities.<sup>(1)</sup> (D)  
(D)  
(D)
- It is requested that service be furnished using a type of facility, or via a route, other than that which SWBT would normally utilize in furnishing the requested service.
- More facilities are requested than would normally be required to satisfy an order.
- It is requested that construction be expedited, resulting in added cost to SWBT.

#### **(B) Provisioning**

##### **(1) Installation Interval**

Based on available information and the type of service ordered, SWBT will establish a completion date for the specially constructed facilities. SWBT will make every reasonable effort to assure that the date is met. However, shortage of material, personnel or other factors may lengthen the installation interval. SWBT does not guarantee that the facilities will be available on the scheduled date and assumes no liability if that date is missed. If the scheduled completion date cannot be met, the customer will be notified and a new completion date will be established.

##### **(2) Ownership of Facilities**

SWBT retains ownership of all specially constructed facilities.

<sup>(1)</sup> Amended language to align with Federal Special Construction requirements.

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## **SPECIAL CONSTRUCTION**

### **14.1 General** (Cont'd)

#### **(C) Billing and Payments**

##### **(1) Start/End of Billing** (1) (N)

Billing of recurring charges for specially constructed facilities starts on the day after the facilities are made available for use. Billing accrues through and includes the day that the specially constructed facilities are discontinued.

##### **(2) Payment of Charges**

All bills associated with special construction are due in accordance with the appropriate regulations in the service tariff under which service is being provided.

##### **(3) Nonpayment of Charges**

If a customer fails to pay special construction charges due, refusal and discontinuance of the services using the specially constructed facilities shall be in accordance with the appropriate regulations in the service tariff under which service is being provided.

##### **(4) Credit Allowance for Service Interruptions** (1) (N)

In the event of a service interruption involving a specially constructed facility, the customer shall receive a recurring monthly charge credit per the credit allowance provisions in the appropriate service tariff associated with the affected service.

When an interruption continues due to the failure of the customer to authorize the replacement of facilities subject to a replacement charge, as specified in 14.2(B)(4), the credit allowance will be terminated on the seventh calendar day after SWBT has provided the customer with written notification of the need for replacement. The credit allowance will resume on the day after SWBT receives written authorization for the replacement from the customer.

- (1) This regulation is applicable to special construction cases filed prior (N)  
to May 13, 1996. (N)

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## **SPECIAL CONSTRUCTION**

### **14.2 Liabilities and Charges**

Various charges and liabilities may apply when SWBT provides special construction of facilities in accordance with an order for service. These charges and liabilities are based on estimated or actual costs as detailed following:

- Special construction charges and liabilities will be developed based on estimated costs, except when actual costs are requested in writing prior to the start of special construction.
- In order to meet a scheduled service date when actual costs are requested, an initial special construction case will be made based on estimated costs. Such case will be revised when actual costs are available.

Depending on the specifics associated with each individual case, one or more of the following special construction charges and/or liabilities may be applicable. Written approval of all the liabilities and charges must be provided to SWBT prior to the start of construction.

Service rates provided under ICB contract terms are inclusive of any required construction costs. Special construction charges and liabilities apply only to tariff-rated services and to ICB-rated services ordered on a month-to-month basis.

#### **(A) Recurring Monthly Charge for Route or Type other than Normal (1) (N)**

When special construction is requested using a route or type of facility other than that which SWBT would normally use, a recurring monthly charge, in addition to the monthly rates for service, is applicable. The charge is equal to the difference between the recurring costs of the specially constructed facilities and the recurring cost of the facilities SWBT would have normally used.

- (a) When an Optional Payment Charge as set forth in 14.2(B)(3) has been elected, the recurring monthly charge will include specially constructed facility operating expenses only.
- (b) If the actual cost option as set forth in 14.2 has been elected, the recurring charge will be adjusted to reflect the actual cost of the new construction when the costs have been determined. This adjusted recurring charge is applicable from the start of service.

#### **(B) Nonrecurring Charges**

A nonrecurring charge always applies and includes one or more of the following components:

##### **(1) Quotation Charge**

A nonrecurring charge for the preparation of a quotation applies whenever an estimate for special construction charges and liabilities is requested.

In order to comply with Government regulations, a quotation charge will not apply when submitting unsolicited quotes or when submitting quotes in response to a general Request for Proposal or Invitation to Bid from agencies or branches of the Government.

- (1) This charge is applicable to special consideration cases filed prior to May 13, 1996.

(N)

(N)

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**SPECIAL CONSTRUCTION**

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**14.2 Liabilities and Charges (Cont'd)**

**(B) Nonrecurring Charges (Cont'd)**

**(2) Expediting Charge**

A nonrecurring charge may include an expediting charge when it is requested that special construction be completed on an expedited basis. The charge equals the difference in estimated cost between expedited and nonexpedited construction.

**(3) Optional Payment Charge (1)**

An optional payment charge may be included in the nonrecurring charge in association with a type of facility or route other than that which SWBT would normally use in furnishing the requested service if lower recurring monthly charges are desired for the specially constructed facilities. This charge is equal to the excess installed cost or the total nonrecoverable cost, whichever is less. This election must be made in writing, before special construction starts. If this election is coupled with the actual cost option, the optional payment charge will reflect the actual cost of the specially constructed facilities.

**(4) Replacement Charge (1)**

If any portion of specially constructed facilities for which an optional payment charge has been paid requires replacement involving capital investment, a replacement charge will apply. This charge will be in the same ratio to the total replacement cost as the initial optional payment charge was to the installed cost of the original specially constructed facilities. If any portion of the facilities subject to the replacement charge fails, service will not be restored until notification is provided in writing that replacement is required and such replacement is ordered.

**(5) Rearrangement Charge**

If SWBT is requested to rearrange existing specially constructed facilities, a nonrecurring charge component equal to the cost of the rearrangement will apply.

**(6) Special Construction of Facilities for Use for Less than One Month**

When SWBT is requested to construct facilities to provide service for less than one month, a nonrecurring charge only applies. In addition to the quotation preparation charge component, this nonrecurring charge recovers all elements of cost, including engineering, shipping of equipment, equipment installation, line-up, equipment leasing, space rental, equipment removal, and any other costs associated with the construction of the facilities.

**(7) Upfront Payment (2)**

Where the Telephone Company is requested to provide special construction, an upfront payment equal to the additional nonrecoverable cost<sup>(3)</sup> will apply. One-half of the upfront payment must be paid prior to the start of construction and the remaining one-half upon completion of construction. These nonrecoverable costs will exclude those nonrecoverable costs that the Company would recover through recurring and nonrecurring charges for the associated basic service. (C)

- (1) This charge is applicable to special construction cases filed prior to May 13, 1996.
- (2) This revision is effective as of May 13, 1996 pursuant to PURA Section 3.356 and SWBT's notification thereunder.
- (3) Amended language to align with Federal Special Construction requirements.

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#### **SPECIAL CONSTRUCTION**

#### **14.2 Liabilities and Charges (Cont'd)**

##### **(C) Lease Charge**

(M)

This charge applies when SWBT leases equipment in order to meet service requirements. The amount of the charge is equal to the net added cost to SWBT caused by the lease.

##### **(D) Cancellation Charge**

This charge includes all nonrecoverable costs incurred by SWBT in association with the special construction up to and including the time of cancellation, where the customer cancels the special construction prior to the start of service.

(M)

##### **(E) Maximum Termination Liability and Termination Charge (1)**

(N)

A Maximum Termination Liability is equal to the nonrecoverable costs associated with specially constructed facilities and is the maximum amount which could be applied as a Termination Charge if all specially constructed facilities were discontinued before the Maximum Termination Liability expires. The liability period is equal to the projected average life of the account associated with the specially constructed facilities not to exceed ten years.

A Termination Charge may apply when all services using specially constructed facilities are discontinued prior to the expiration of the liability period. The charge reflects the unamortized portion of the nonrecoverable costs at the time of termination, adjusted for net salvage and possible reuse. Administrative costs associated with the specific case of special construction and any cost for restoring a location to its original condition are also included. A Termination Charge may never exceed the quoted Maximum Termination Liability.

A partial termination of specially constructed facilities will be provided, at the election of the customer. The amount of the Termination Charge associated with such partial termination is determined by multiplying the termination charge which would result if all services using the specially constructed facilities were discontinued, at the time partial termination is elected, by the percentage of specially constructed facilities to be partially terminated.

##### **Example**

A customer with a quoted Maximum Termination Liability of \$100,000 for 3600 specially constructed facilities requests a partial termination of 900 facilities. The Termination Charge for all facilities, at the time of election, is \$60,000. The partial termination charge, in this example, is \$60,000 x



900/3600, or \$15,000. The remaining Maximum Termination Liability amount would be based on the remaining percentage of facilities,  $\$100,000 \times 2700/3600$ , or \$75,000.

When the construction involves multiple classes of plant with differing lives, the liability period is equal to the weighted average of the projected account lives involved in the special construction case, using nonrecoverable investment as the basis for weighting.

- (1) This charge is applicable to special construction cases filed prior to May 13, 1996. (N)  
(N)

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#### 14.2 Liabilities and Charges (Cont'd)

##### (E) Maximum Termination Liability and Termination Charge (Cont'd) (1) (N)

###### Example

(M)

\$20,000, \$10,000 and \$5,000 nonrecoverable investments with projected average account lives of 5, 11, and 18 years, respectively, are involved in the same special construction case. The maximum termination liability periods will be calculated as follows:

20,000	X	5	=	100,000
10,000	X	11	=	110,000
5,000	X	18	=	<u>90,000</u>

300,000

300,000

= 8.6

35,000

(M)

The maximum termination liability period would be 9 years as a result of rounding. Fractional years will be rounded down to the nearest year when they are .4 or lower and rounded up to the nearest year when they are .5 or higher. If the result of the maximum termination liability period calculation exceeds ten years the liability period will be ten years. The liability period is generally expressed in terms of an effective date and expiration date.

##### (F) Annual Underutilization Liability and Underutilization Charge (1) (N)

Prior to the start of special construction SWBT and the customer will agree on (1) the quantity of facilities to be provided, and (2) the length of the planning period during which the customer expects to place the facilities in service. The planning period is hereinafter referred to as the Initial Liability Period (ILP).

The underutilization charge is designed to reimburse SWBT for the annual recurring costs of the specially constructed facilities.

Underutilization occurs only if, at the expiration date of the ILP and annually thereafter, less than 70 percent of the specially constructed facilities are in service at filed tariff service rates.

If a customer has more than one case of specially constructed facilities at one location, then underutilization occurs when the total number of working facilities for all of the cases at that location is less than 70% of the total number of installed

facilities for all cases at that location for which the ILP has expired.

An annual underutilization liability amount is developed on a per unit basis (e.g., per cable pair, DS1, etc.) for each case of special construction. This amount is equal to the annual per unit cost and includes depreciation, maintenance, administration, return, taxes and any other costs identified in the supporting documentation provided at the time the special construction case is developed.

Upon the expiration of the ILP, the number of underutilization facilities, if any, are multiplied by the annual underutilization liability amount. This product is then multiplied by the number of years (including any fraction thereof) in the ILP to determine the underutilization charge.

- (1) This charge is applicable to special construction cases filed prior to May 13, 1996. (N)  
(N)

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#### **14.2 Liabilities and Charges (Cont'd)**

##### **(F) Annual Underutilization Liability and Underutilization Charge (1) (N)** (Cont'd)

Annually thereafter, the number of underutilized facilities, if any, existing on the anniversary of the ILP expiration date will be multiplied by the annual underutilization liability amount to determine the underutilization charge for the preceding 12 month period.

##### Example

A customer orders 100 services and the special construction of a 600 pair cable is agreed to, based on the customer's 5 year facility requirements. The ILP, in this example, would be set at 5 years. The annual underutilization liability is set at \$2.00 per pair. If 400 pairs were in service at the end of the ILP, there would be an underutilization of 20 pairs, i.e.,  $420 (70\% \text{ of } 600) - 400 = 20$ . The total underutilization charge for the first 5 years would be \$200.00, or \$2.00 per pair x 20 pairs x 5 years.

If 420 pairs are in service at the end of the 6th year, there is no underutilization, i.e.,  $420 - 420 = 0$ .

Where a customer has more than one case of specially constructed facilities at a single location, the underutilization charge is then determined by the ratio of the number of installed facilities for the case under review to the total number of facilities for all cases at that location for which the ILP has expired.

If either a partial or full termination of specially constructed facilities is requested by the customer, the expiration date of any unexpired ILP will be changed to the date of termination. Underutilization, if any, will be computed and billed based on the new ILP expiration date and will apply in addition to the appropriate termination charge.

- (1) This charge is applicable to special construction cases filed prior to May (N)  
13, 1996. (N)

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## **SPECIAL CONSTRUCTION**

### **14.3 Deferral of Start of Service**

SWBT may be requested to defer the start of service which will use specially constructed facilities subject to the provisions set forth in the service tariff under which service is being provided. Requests for special construction deferral must be in writing and are subject to the following regulations:

#### **(A) Construction Has Not Begun**

If SWBT has not incurred any installation costs before receiving a request for deferral, no charge applies.

#### **(B) Construction Has Begun**

If the construction of facilities has begun before SWBT receives a request for deferral, charges will vary as follows:

##### **(1) All Services Are Deferred**

When all services which will use specially constructed facilities are deferred, a charge based on the costs incurred by SWBT during each month of the deferral will apply. Those costs include the recurring costs for that portion of the facilities already completed and any other costs associated with the deferral. The cost of any components of the nonrecurring charge which have been completed at the time of deferral will also apply.

##### **(2) Some Services Are Deferred**

When some services which will use the specially constructed facilities are deferred, the construction case will be completed and all special construction charges will apply.

#### **(C) Construction Complete**

If the construction of facilities has been completed before SWBT received a request for deferral, all special construction charges will apply.

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## **SPECIAL CONSTRUCTION**

### **14.4 Definitions of Special Construction Terms**

actual cost - Denotes all costs charged against a specific case of special construction, including any appropriate taxes.

annual underutilization liability - Denotes a per unit amount which may be billed annually if fewer services are in use utilizing specially constructed facilities at filed tariff rates than were originally specially constructed.

average account life - Denotes the depreciation life prescribed by the Public Utility Commission for each class of telephone plant.

estimated cost - Denotes all estimated costs that will be incurred in providing a specific case of special construction, including any appropriate taxes.

facilities - Denotes any cable, poles, conduit, microwave or carrier equipment, wire center distribution frames, central office switching equipment, etc., used to provide services offered under the tariffs referenced by this tariff.

Initial Liability Period - Denotes the initial planning period during which the customer expects to place specially constructed facilities in service.

installed cost - Denotes the total investment (estimated or actual) required by the Company to provide specially constructed facilities.

Maximum Termination Liability - Denotes the maximum amount which may be billed if all services using specially constructed facilities are terminated prior to the expiration of the maximum termination liability period.

maximum termination liability period - Denotes the length of time for which a termination charge may apply if all services using specially constructed facilities are terminated. The liability period is equal to the average account life of the specially constructed facilities up to a maximum of ten years. When construction involves multiple classes of plant with differing lives, the liability period is equal to the weighted average of the account lives involved in the special construction case, using nonrecoverable investment as the basis for weighting. If the weighted average exceeds ten years the liability will be ten years.

net salvage - Denotes the estimated scrap, sale, or trade-in value, less the estimated cost of removal. Cost of removal includes the costs of demolishing, tearing down, or otherwise disposing of the material and any other applicable costs. Since the cost of removal may exceed salvage value, net salvage may be negative.

nonrecoverable cost - Denotes the cost of specially constructed facilities for which the Company has no foreseeable use should the service be terminated.

normal construction - Denotes all facilities the Company would normally use to provide service in the absence of a request for the special construction.

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#### **SPECIAL CONSTRUCTION**

##### **14.4 Definitions of Special Construction Terms**

normal cost - Denotes the estimated cost to provide services using normal construction.

permanent facilities - Denotes facilities providing service for one month or more.

projected average account life - The expected average depreciation life for each class of telephone plant.

recoverable cost - Denotes the cost of the specially constructed facilities for which the Company has a foreseeable reuse, either in place or elsewhere, should the service be terminated.

Termination Charge - Denotes the portion of the Maximum Termination Liability that is applied as a nonrecurring charge when all services are discontinued prior to the expiration of the specified liability period.