

VARIABLE TERM PAYMENT PLAN

A. General

1. The Variable Term Payment Plan is a payment plan which, subject to the terms and conditions contained herein, allows a customer to pay a fixed rate for equipment and service over one of several optional payment periods. A different monthly rate applies for the duration of each payment period.
2. The only payment period for software (versions) is the month-to-month, except where other terms are specified in product guidebooks.
3. The minimum period for the month-to-month option is one-month, unless otherwise specified in product guidebooks.
4. Unless specifically exempted, services furnished under the Variable Term Payment Plan are subject to all general regulations applicable to the provision of service by the Company as stated elsewhere in the Guidebook.
5. As a condition to providing service under the Variable Term Payment Plan, a Contract of Service Agreement will be required for all payment periods, except the month-to-month.

B. Definitions

Addition

Provision of supplementary equipment, as specified in the product guidebooks, to a customer's installed system up to the capacity of the system; addition of supplementary equipment is not classified as an upgrade.

Conversion

Removal of a customer's installed system and replacement with a different system, under terms specified in product guidebooks.

Downgrade

Guidebook-enumerated changes to an installed system generally resulting in a decrease in capacity, capability and/or a lower monthly charge.

License Fee

A monthly recurring charge, the payment of which gives a customer license to use an identified software product and/or service.

Minor Equipment Modifications

Alterations to an item or items of equipment or service installed on a customer's premises, as specified in product guidebooks.

Payment Period

A period of time selected by the customer from among those currently offered by the Company as specified in the product guidebooks, over which the customer agrees to pay a specified rate for a product and/or service.

VARIABLE TERM PAYMENT PLAN (cont'd)

B. Definitions (cont'd)

Release

The modified software that is provided for installation on an existing system at Company initiative that improves the functional capacity of the software.

Removal

Deletion of equipment or service from a customer's installed system.

Upgrade

A product guidebook-enumerated enhancement to an installed system by a major equipment addition or substitution, generally resulting in a higher monthly charge.

Version

A separate software program or group of programs that is identified by a distinguishing code (numeric, alphabetic or alphanumeric). The version may be industry- or customer-specific in application, or it may provide functional enhancements to previously released software versions.

C. Application of Rates and Charges

1. The monthly rate applicable at the time a customer subscribes to a product under the Variable Term Payment Plan is not subject to Company-initiated change during any optional payment period longer than one month.
2. Installation, service establishment, and any other non-recurring charges are to be paid in full at the time of installation.
3. Move charges will apply for customer-requested relocation of an installed product or system from one premises to another or within the same premises.
4. In the event that all or any part of the service is disconnected at customer request prior to expiration of any selected payment period of greater than one month's duration, the customer will be required to pay a termination charge as stated in the product guidebooks.
5. Recurring rates and installation, termination, service establishment, and other non-recurring charges apply according to the appropriate schedules for products and services offered under the Variable Term Payment Plan, and are filed elsewhere in the Guidebook.

VARIABLE TERM PAYMENT PLAN (cont'd)**D. Additions**

1. Equipment can be added to an existing system at the customer's option, and the payment of rates and charges in the currently effective guidebooks for such service will be applied.
2. At the customer's option, unless otherwise specified in the product guidebook, additions may be paid for over the remainder of the existing system's payment period, and be added onto the existing agreement, providing at least 30 days remain in the customer's existing payment period. The addition and installed system payment periods will then have a common expiration date. The charge(s) for the addition(s) will be the current filed rate(s) for the equipment for the same payment period as the installed system's existing payment period. If the installed system's payment period is not in the current guidebook, the rate charged for the addition will be that of the next shorter filed payment period specified in the current product guidebooks.

If less than 30 days remain in the current payment period, additions may only be placed on the month-to-month payment period at the current rates in effect for the month-to-month period.

3. The customer may also select, from those currently available in the guidebook, a different payment period of equal or shorter length than the time remaining in the period selected for the existing installed system at the current filed rates for the selected period. The additions may then have a different expiration date than the existing installed system.

When the addition and the existing installed system's expiration dates differ, the customer must select a new payment period for the addition (at the time of its expiration) according to the terms and conditions stated in D.2, above or this paragraph.

4. Equipment added to an upgraded system coterminously will be charged at the current rates for the payment period equal to the installed system's existing payment period, excluding any extension period. The charges will be applicable for the remainder of the existing payment period, including any extension period.

Additions to upgrade systems may also be ordered for payment periods shorter than or equal to the payment period prior to the addition at the current rates for the selected period.

5. Termination charges for the premature disconnection of the added equipment, prior to the expiration of the payment period selected for the added equipment, will apply for service agreements other than month-to-month.
6. Additions are exempt from Company-initiated rate changes for all payment periods other than month-to-month.
7. Installations, service establishment and any other non-recurring charges will apply to the added equipment, as specified in the product guidebooks.

VARIABLE TERM PAYMENT PLAN (cont'd)**E. Upgrades**

1. Allowable upgrades to products and systems offered by the Company are specified in the individual guidebooks currently in effect for offerings under the Variable Term Payment Plan.
2. A customer who elects to upgrade an installed product or system may choose one or two options, unless otherwise specified in the product guidebooks:
 - a. The existing payment period may be extended by a period of time specified in the product guidebook, and the new and previously installed equipment will expire on the same date. The rate levels applicable for the new equipment are those currently in effect for the payment period which the customer had selected prior to the upgrade, while the rates for equipment previously installed and continuing in service are unaffected.

(If the payment period selected by the customer prior to the upgrade has been discontinued in the guidebook, the new equipment will be billed at rates applicable for the next shorter payment period in the current guidebook.)

- b. The new equipment may be billed over a currently available payment period of equal or shorter length than the time remaining in the existing payment period. Current rates apply for the selected payment period for the new equipment, and rates for equipment previously installed and continuing in service are unaffected. The expiration date of the new equipment is then either the same as or earlier than that of the previously installed system.

When the expiration date of the new equipment is earlier, at the time of expiration the customer must select another payment period for the new equipment according to the terms and conditions stated in this paragraph. The extension period option is not available under this condition.

3. A customer on the month-to-month payment period may elect to upgrade; however, the payment period will not be extended.
4. The new equipment is exempt from Company-initiated rate changes for all payment periods other than month-to-month.
5. Termination charges will apply to equipment disconnected prior to expiration of the payment period of that equipment other than month-to-month.
6. Installation, service establishment and other nonrecurring charges, as specified in the product guidebooks, will apply to any new equipment.

VARIABLE TERM PAYMENT PLAN (cont'd)

F. Conversions

1. Conversions of installed systems are specified in product guidebooks currently in effect for offerings under the Variable Term Payment Plan.
2. The service agreement for a currently installed system terminates when conversion occurs.
3. The customer must select a currently available payment period for the new system. The current rates for the chosen period will apply to any new equipment as well as to any remaining equipment from the previously installed system.
4. Termination charges will apply to all equipment removed prior to expiration of the selected payment period. Termination charges will not apply to any equipment remaining on the customer's premises for use in the new system provided the customer selects a new payment period equal to or longer than the time remaining under the former payment period.
5. Installation, service establishment, and other non-recurring charges, as specified in product guidebooks, will apply for the newly installed equipment. Nonrecurring charges will not apply to equipment remaining on the customer's premises and continuing in service in the new system.

G. Removals

1. Removal of equipment from a system for which the current payment period is longer than month-to-month will not affect the expiration date of the remaining equipment and service.
 - a. Removal of equipment that is unique or identifiable by a code will be recognized through application of a termination charge for that specific unit.
 - b. Removal of equipment that is not unique or identifiable by a code, where two or more units of the same type of equipment are on the customer's premises, will be recognized through the following provisions:
 - The specific unit(s) of equipment no longer desired by the customer will be removed.
 - The lowest termination charge for the type of equipment removed will apply.

VARIABLE TERM PAYMENT PLAN (cont'd)**H. Downgrades**

1. Allowable downgrades for installed systems are specified in product guidebooks.
2. A customer has the option to place any new equipment at the time of the downgrade on a coterminous payment period, unless otherwise specified in the product guidebook. Rates for the new equipment are those currently in effect for the original payment period (or, if the period is no longer available, for the next shorter one). The rates for equipment remaining on the customer's premises after the downgrade will not be affected.
3. When a coterminous payment period is not chosen, the customer must select a payment period of equal or shorter length than the time remaining in the current payment period. Equipment remaining on the customer's premises will continue being billed at the rates in effect prior to the downgrade. The new equipment may then have a different expiration date from the equipment which remained after downgrading.

When the expiration dates differ, the customer must select a new payment period for the equipment (at the time of expiration) added at the time when the system was downgraded according to the terms and conditions in H.2., above or this paragraph.

4. Termination charges do not apply for equipment which becomes part of the downgraded system. Termination charges do apply for equipment removed in downgrading the system.
5. Installation, service establishment, and other non-recurring charges will apply to any equipment which must be added new to a system being downgraded, as specified in product guidebooks.

I. Releases

1. New releases of software will be offered to a customer on Company initiative at no additional charge and will include improvements to the functional capacity of the software.
2. No charges apply to any hardware changes necessitated by a new release.

J. Versions

1. Termination charges do not apply for the removal or deletion of software versions, unless otherwise specified in product guidebooks.
2. A new version may result in a higher monthly charge.
3. All version replacements requiring hardware changes will be guidebook-enumerated, under specific product headings.
4. Appropriate charges will apply for hardware changes resulting from version changes, as specified in paragraphs C., D.5., D.7., E.5., E.6., F.4., F.5., above and elsewhere in this guidebook.

VARIABLE TERM PAYMENT PLAN (cont'd)**K. Moves of Equipment**

1. Moves of Equipment (Out-of-Service)

a. Within the Jurisdictions

1. The customer may arrange to have service moved within the same premises or to different premises leased or owned by the customer on an out-of-service basis at charges based on estimated costs without interruption or change of Variable Term payments.
2. Installation charges as specified in the guidebook for services covered by the Variable Term Payment Plan will not be applicable.
3. Billing for the original location will apply through the date service is disconnected. Billing for the new location will be effective the next day. The first bill rendered after service is reestablished will contain advance billing and, if applicable, retroactive billing from the date of disconnect. Progression of the payment period will be unaffected.
4. Complete arrangements or systems must be moved in lieu of individual components, where components are dependent on host units for operation. Where components operate independently and are covered by individual guidebook charges (such as data terminals), the customer may select units to be moved and units to be terminated from the agreement, subject to any restriction(s) in product guidebooks.

b. Between Jurisdictions of the Company or Between Jurisdictions of the Company and a Different AT&T Operating Company^{/1/}

Customer requests for out-of-service moves between jurisdictions of the Company or between jurisdictions of the Company and another AT&T Operating Company in the same or different states will be provided under the same conditions as described above, in K.1.a., except as follows:

1. Billing for the original location will apply through the date service is disconnected. Billing for the new location will be effective on the next day.

The rates in the new location will be those in effect for new customers. Rate stability against Company-initiated changes shall be provided at the new rates for the remainder of the customer's payment period.

The first bill rendered after service is reestablished may contain advance billing and, if applicable, retroactive billing from the date of disconnect. Progression of the payment periods will be unaffected.

/1/ Also applicable for moves within an exchange, but in different jurisdictions.

VARIABLE TERM PAYMENT PLAN (cont'd)**K. Moves of Equipment (cont'd)**

1. Moves of Equipment (Out-of-Service) (cont'd)

- b. Between Jurisdictions of the Company or Between Jurisdictions of the Company and a Different AT&T Operating Company^{1/} (cont'd)

Customer requests for out-of-service moves between jurisdictions of the Company or between jurisdictions of the Company and another AT&T Operating Company in the same or different states will be provided under the same conditions as described above, in K.1.a., except as follows: (cont'd)

2. Guidebooks for the same service and payment periods must exist in both jurisdictions at the time of the move. If guidebooks exist for the same service, but the lengths of the periods available are different, the customer must select a payment period available in the new jurisdictions. The new period must be of an equal or longer length than the time remaining in the current selected period, subject to the conditions covered in 'Requests for Changes in Length of Optional Payment Periods', following in paragraph N.
3. A new Contract of Service Agreement will be required at the new location to cover the remaining months of the original payment period where the period is the same in each location; or for the new payment plan period, where they are different.

2. Moves of Equipment (In-Service)

An in-service move under the plan will be considered a termination of service with applicable termination charges. The customer will be required to select a currently available payment period, including applicable one-time charges.

3. Minor Equipment Modifications

Minor equipment modifications are identified in specified product guidebooks. The length of the customer's existing payment period is unaffected by these modifications. Ordinarily, minor equipment modifications do not affect the customer's monthly bill. A service order and installation or other nonrecurring charge will apply to each minor equipment modification.

VARIABLE TERM PAYMENT PLAN (cont'd)**L. Change of Jurisdiction**

Under certain conditions involving changes in service, a Variable Term Payment Plan customer's services will require change of jurisdiction from intrastate to interstate or vice-versa, even though the service location may not be changed.

The following provisions may apply to changes of jurisdiction when the service location is not changed. However, the concepts may be used for reclassification of services at the time of a move.

1. Billing for the original jurisdiction will apply through the date of jurisdiction change. Billing for the new jurisdiction will begin on the next day.

The rates applicable for the new jurisdiction will be those in effect for new customers. Customers changing service to the jurisdiction of AT&T Kansas in the State of Kansas will have stability against Company-initiated changes in rate levels for the remainder of the payment period.

2. Installation charges will not apply, either for the services subscribed to under the Variable Term Payment Plan or for connecting services, unless they are being installed at the time of the change in jurisdiction of existing services. Service ordering charges will apply if specified by the guidebook in the new jurisdiction.
3. Guidebooks for the same service and Variable Term Payment Plan periods must exist in both jurisdictions at the time of the change. If guidebooks exist for the same service but the lengths of the payment periods in the new jurisdiction are different, the customer must select a new payment plan period with a length equal to or longer than the remaining time in the existing payment period with a length equal to or longer than the remaining time in the existing payment period, subject to the conditions covered in 'Requests for Change in Length of Optional Payment Periods', following in paragraph N.
4. A new Contract of Service Agreement will be required, subject to the conditions covered in K.1.b.3.

VARIABLE TERM PAYMENT PLAN (cont'd)**M. Two-Tier (Plan I) and Plan II Transition to Variable Term Payment Plan (VTPP)**

1. Two-Tier termination charges will not apply for equipment remaining on the customer's premises after transition from the Two-Tier Payment Plan to the VTPP if the customer selects a VTPP service period longer than month-to-month.
2. No credit will be given for any payments made during the Two-Tier Payment Plan.
3. Termination charges will apply to any equipment removed from the customer's premises at the time of transition from the Two-Tier Payment Plan to the VTPP.
4. Customers will be required to pay in full any deferred nonrecurring charges when converting to VTPP from Two-Tier.
5. The monthly license fee will not be required for versions remaining in the customer's system after transition from Plan I or Plan II to VTPP.
6. Additions, upgrades, conversions, downgrades and versions offered exclusively under VTPP will be available to existing Plan I or Plan II Payment Plan customers only if they convert their systems to VTPP unless otherwise specified in the product guidebooks.

N. Requests for Changes in Length of Optional Payment Period

Subsequent to the establishment of service for an item furnished under a Variable Term Payment Plan period and prior to the completion of that period, the existing payment period may be replaced by a currently offered payment period at the current rates, subject to the following conditions:

1. No credit will be given for payments made during the formerly selected period. However, nonrecurring charges will not be reapplied.
2. The new payment period begins with the date requested.
3. No termination charge applies for the former payment period provided the customer selects a new payment period equal to or longer than the time remaining under the system's/item's former payment period. Otherwise, a termination charge applies for the former payment period.
4. The new payment period, selected by the customer for an item of equipment must be shorter than the time remaining in the system's existing payment period.

VARIABLE TERM PAYMENT PLAN (cont'd)

O. Renewal Options

The customer has the following renewal options:

1. Prior to completion of the current payment period, any period currently available under the VTPP may be selected at the rates in effect for new customers at the time of the renewal. The customer will be charged the current rate for the newly selected payment period, commencing the day following completion of the prior payment period.
2. Service may be continued on a month-to-month basis at the current rate for the month-to-month payment period, unless otherwise specified in product guidebooks. The customer has no additional service commitment and, consequently, when service is terminated will not be subject to any termination charge. The month-to-month service will be subject to Company-initiated rate adjustments.
3. If the customer does not elect an additional payment period or does not request discontinuance of service, service will be continued at the monthly rate currently in effect for the month-to-month payment period under the terms described in O.2., preceding.
4. If the expiration date for any equipment differs from the installed system's existing expiration date, the customer must choose a new payment period for the item (at the time of expiration) according to the terms and conditions as specified in paragraphs D.3. and D.4., E.2., H.2. and H.3., and N.

The Company may discontinue or change any or all renewal options.

P. Supersedure

Service may be transferred to a new customer at the same location in accordance with paragraph L.1. in 'Rules and Regulations Applying to All Customer's Contracts' in Part 2, Section 2.

Q. Suspension of Service

Temporary suspension of service, as provided elsewhere in this guidebook, is not applicable to service furnished under the Variable Term Payment Plan.

R. Concession Service

Service furnished under the Variable Term Payment Plan is not eligible for discount in accord with provisions for concession service specified elsewhere in this guidebook.

SMARTPAYMENT PLANSM**A. Descriptive Summary**

SmartPayment Plan (SPP) is an alternative billing option. The SPP allows customers to pre-pay their monthly charges for certain services for a three or five year service period (Initial Service Period). SPP will be offered with the services listed below.

B. Services Available for SPP

Services offered under SPP are as follows:

Local Exchange Access Line – Business Flat Rate 1-Party, Business Multi-line, Business Flat Rate Trunk
Plexar® Access Line Equivalent
SmartTrunk ServiceSM Interface
Digital Loop Service - Digital Transmission Loop Arrangement

C. Regulations

- a. The following rules and regulations are in addition to other rules and regulations as stated in this or other Company Guidebooks.
- b. The full payment will be due 30 days from the SPP effective date. When full payment is not received by the due date, the SPP agreement is considered null and void and the services under the SPP agreement will be billed on a monthly rate basis back to the SPP agreement effective date.
- c. At the end of the Initial Service Period, the customer must either extend the Initial Service Period for one 12-month term, establish a new Initial Service Period, start monthly billing or disconnect the service.
- d. The SPP payment will not change as a result of a Company initiated rate increase. However, when a Local Exchange Rate Group Reclassification or an EAS/WACP expansion occurs, as set forth in Part 4, Section 2, an adjustment for the remaining term of the SPP agreement will be made. Also, an adjustment will be made for any rate decrease. When the adjustment results in an amount due the Company the full payment will be due 30 days from the effective date of the change. When the adjustment results in an amount due the customer, an adjustment will be made in the customer's next monthly bill statement.
- e. One-time charges, as set forth in the Company Guidebook, apply as appropriate to all services under SPP.
- f. Optional services may not be placed under the SPP agreement. Optional services may be added, changed or disconnected in accordance with the rules and regulations that apply to the optional service as set forth in the Company Guidebook and will be billed monthly.
- g. As a condition to providing service under the SPP, a customer will be required to sign an SPP agreement.

SMARTPAYMENT PLANSM (cont'd)**D. Changes to SmartPayment Plan**

1. Prior to the expiration of the Initial Service Period or Extended Service Period, as described below (Extension of Initial Service Period), the customer may convert existing SPP services to a new SPP Initial Service Period provided the new Initial Service Period is equal to or greater than the original Initial Service Period. The new SPP payment will be the SPP payment as defined in paragraph K. less the present value of the existing SPP agreement.
2. If a customer requests existing services under the SPP to be converted to a monthly rate basis at any time prior to the expiration of the Initial Service Period or Extended Service Period, the request will be treated as a discontinuance of the SPP agreement. The customer will receive a SPP Discontinuance Settlement as defined in paragraph J.

E. Extension of Initial Service Period

1. The customer may elect to extend the SPP Initial Service Period for one additional 12-month service period (Extended Service Period) at the SPP rates in effect at the time of the request for extension. This does not apply to services with term agreements where the conditions of the term agreement will continue to apply.
2. The customer must provide the Company with a written notice of intent to extend an existing SPP Initial Service Period no later than 90 days prior to its expiration. The full payment for the Extended Service Period will be due 30 days from the effective date of the extension.
3. If the customer elects not to extend the SPP or does not notify the Company of its intent to extend, the customer's service will automatically be billed under applicable guidebook rates at the rates in effect at the time the SPP Initial Service Period expires.
4. At the end of an Extended Service Period, the customer's service will automatically be billed under applicable guidebook rates in effect at the time the Extended Service Period expires unless the customer negotiates a new SPP Initial Service Period or terminates service.

SMARTPAYMENT PLANSM (cont'd)**F. Additions to Existing SmartPayment Plan**

1. Additions to an existing SPP can be made. The payment for the addition will be the sum of the addition's monthly payments less a prepayment offset for the remaining service period of the existing contract.
2. The rates and charges in effect at the time of the service addition will apply in calculating the monthly payments.
3. The full payment for the addition is due 30 days from the effective date of the addition.
4. There is no limit to the number of additions that can be made during the SPP service period.

G. Moves to a New Location

1. When a customer moves their service under the SPP from one service location to another and the monthly rates are not affected, no adjustment to the existing SPP payment is required. The customer will be responsible for all applicable nonrecurring charges set forth in the Company Guidebook for those services that are under the SPP.
2. When a customer moves service under SPP from one service location to another and the monthly rates are affected, a price adjustment for the remaining term of the SPP agreement will be made. The adjustment will be based on the monthly rates for the new location's Rate Group that were in effect prior to any Company-initiated rate increase. When the adjustment results in an amount due the Company, the full payment will be due 30 days from the date the service location was changed. When the adjustment results in an amount due the customer, an adjustment will be made on the customer's next monthly bill statement.
3. When the customer moves service under the SPP outside the Company's service area, the move will be treated as a reduction to the existing SPP and the rules under the Reductions to Existing SPP paragraph will apply.

SMARTPAYMENT PLANSM (cont'd)**H. Reductions to Existing SmartPayment Plan**

1. The customer can disconnect services under SPP and not terminate the agreement, provided the remaining services do not fall below 80% of the number initially placed under the SPP agreement. The SPP Discontinuance Settlement calculation described below will be used to calculate any settlement for the services disconnected.
2. When the customer disconnects SPP services and the services remaining under the SPP agreement are between 50% and 79% of the number initially placed under the SPP agreement, the customer will be allowed a 90-day grace period prior to termination of the agreement. During the 90-day grace period, the customer may add services that will bring the total quantity in-service to at least 80% of the services under the initially placed SPP agreement. The 90-day grace period cannot extend beyond the ending date of the SPP service term.
3. When the number of services provided under the SPP agreement falls below 50% of the initial SPP agreement, the SPP agreement will be terminated and the customer will receive an SPP Discontinuance Settlement as defined below.

I. Conversions to New Company Services and Upgrades in Service

1. If a comparable new service becomes available during the SPP service period, the customer will be able to convert their existing service under SPP to the new service under the existing SPP agreement.
2. The applicable rate for the new service that is in effect at the time the service is changed will be used to calculate an adjustment to the initial SPP payment. All nonrecurring charges associated with the new service's installation will apply.
3. Upgrades to a different Company service will require a new SPP agreement. The existing SPP agreement will be discontinued.
4. If the upgrade in service includes a service term that is at least as long as the remaining term of the SPP agreement, the balance of the SPP payment may be applied to the new service.
5. If the upgrade in service is to a month-to-month service or if the term is less than the remainder of the SPP agreement, the customer will receive an SPP Discontinuance Settlement as defined below.

SMARTPAYMENT PLANSM (cont'd)

J. SmartPayment Plan Discontinuance Settlement

1. Customers requesting to discontinue the SPP agreement prior to the expiration of the Initial Service Period or customers who fail to keep the terms of the agreement may receive a Discontinuance Settlement, which will be calculated as follows:

$$\left[\begin{array}{c} \text{Prepaid} \\ \text{Amount} \end{array} \right] - \left[\begin{array}{c} \text{Months} \\ \text{Expired} \end{array} \right] \times \left[\begin{array}{c} \text{Guidebk}^{/1/} \\ \text{Rate} \end{array} \right] - \left[\begin{array}{c} \text{Administrative} \\ \text{Charge} \end{array} \right] = \text{Discontinuance Settlement}$$

2. In the event the customer requests to discontinue the SPP contract during the Extended Service Period, a Discontinuance Settlement, which will be calculated as follows. If the calculation results in a Settlement due to the Company, the customer will only be billed the Administrative Charge:

$$\left[\begin{array}{c} \text{Extended} \\ \text{Service} \\ \text{Period} \\ \text{Payment} \\ \text{Amount} \end{array} \right] - \left[\begin{array}{c} \text{Extended} \\ \text{Service} \\ \text{Period} \\ \text{Months} \\ \text{Expired} \end{array} \right] \times \left[\begin{array}{c} \text{Guidebk}^{/1/} \\ \text{Rate} \end{array} \right] - \left[\begin{array}{c} \text{Administrative} \\ \text{Charge} \end{array} \right] = \text{Discontinuance Settlement}$$

3. The Administrative Charge will be equal to the *Billing Arrangements* charge specified in Part 3, Section 1.

/1/ If a guidebook rate is changed during the service period of the SPP agreement, the rate change will be applied to the number of expired months the changed price was in effect.

SMARTPAYMENT PLANSM (cont'd)

K. SmartPayment Plan Payment and Prepayment Offset

1. The SPP payment is the sum of the SPP service's monthly rates and charges for the agreement period less a prepayment offset. The prepayment offset is the difference between the monthly payments for the SPP agreement service period and the present value of the monthly payments for the agreement service period.
2. The prepayment offset will be calculated as follows using the authorized discount rate found in 'Rules and Regulations Applying to All Customers' Contracts' described in Part 2, Section 2.

(Guidebook Rate x Number of Services) = Monthly Payment

Sum of Monthly Payments	-	The present value of an annuity due for the monthly payments at the authorized discount rate for the appropriate number of months	=	Prepayment Offset
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3. The authorized discount rate, once established for an agreement, will not change during the term of the agreement.