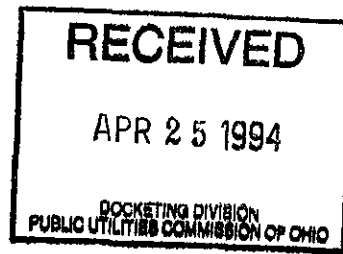


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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

| | | |
|-----------------------------------|---|------------------------|
| In the Matter of the Application | : | |
| of Ohio Bell Telephone Company | : | |
| for Approval of an Alternative | : | Case No. 93-487-TP-ALT |
| Form of Regulation and for a | : | |
| Threshold Increase in Rates. | : | |
| Office of the Consumers' Counsel, | : | |
| | : | |
| Complainant, | : | |
| vs. | : | Case No. 93-576-TP-CSS |
| | : | |
| Ohio Bell Telephone Company, | : | |
| | : | |
| Respondent. | : | |

OBJECTIONS OF THE IXC COALITION
TO THE STAFF REPORT OF INVESTIGATION

The IXC Coalition, an ad hoc group of interexchange telecommunications carriers comprised of Allnet Communications Services, Inc., LCI International Telecom Corporation, and LDDS Communications, all of whom have been granted leave to intervene in these proceedings, hereby submits its objections to the Staff Report of Investigation filed in Case No. 93-487-TP-ALT on March 25, 1994.

1. The IXC Coalition objects to the rate of return recommended by the Staff on the ground that the growth value incorporated in the DCF-derived cost of equity upon which it is based is overstated. (S.R., 25-27).

2. The IXC Coalition objects to the Staff's failure to analyze adequately whether the companies utilized in its comparable group-DCF analysis represent appropriate surrogates for Ameritech and to the Staff's reliance on data relating to this group, which results in an overstated cost of equity. (S.R., 26).
3. The IXC Coalition objects to the rate of return recommended by the Staff on the ground that it is based on a cost of equity which overstates the appropriate return on equity for a provider of monopoly services and visits the cost of competitive ventures on customers of monopoly services. (S.R., 27).
4. The IXC Coalition objects to the Staff's failure to recommend an appropriate revenue distribution to effect the baseline revenue requirement adjustment it proposes in this case. (S.R., 36-37). Although Staff has properly recognized that a price cap plan must begin with an appropriate revenue requirement, it is equally important that this beginning revenue requirement be appropriately allocated among services and/or classes of customers.
5. The IXC Coalition objects to the Staff's failure to perform a cost analysis to support the reasonableness of any distribution of revenue responsibility among services and/or customer classes. (S.R., 32 et seq.) If the Staff has, in fact, performed such an analysis, the IXC Coalition objects

to the Staff's failure to present the results of same in the Staff Report.

6. The IXC Coalition objects to the Staff's failure to require the Ohio Bell Telephone Company aka Ameritech Ohio (hereinafter OBT or applicant) to justify its current intrastate CCLC, to conduct its own cost study to determine whether the interstate CCLC represents an appropriate price ceiling, and to recommend that the intrastate CCLC be reduced or eliminated. (S.R., 33, 106)
7. The IXC Coalition objects to the failure of the Staff to require OBT to conduct LRSIC studies for all of its Cell 2, Cell 3, and Cell 4 services, regardless of whether price ranges have already been established or whether the applicant is establishing price ranges as part of its plan. (S.R., 44-45). The burden is upon OBT to prove, as part of its request for alternative regulation, that its current rates are reasonable and that its services are not priced below LRSIC. This is especially true for those services which are subject to the price floor adjustment requirements of Rule XII.A.4. of the Alternative Regulation rules adopted in Case No. 92-1149-TP-COI. In light of the Staff's recommendation on page 46 of the Staff Report that OBT be permitted to reduce its Cell 2 and 3 prices 10% annually, it is particularly important that services for which the current price establishes the

price floor be priced in accordance with the Commission's pricing rules.

8. The IXC Coalition supports the Staff recommendation that the complaint process be used to monitor the provision of new services which might have anti-competitive implications. (S.R., 46). However, the IXC Coalition objects to the failure of the Staff to recommend that the complaint process be streamlined so that anti-competitive concerns raised by interested parties can be reviewed and evaluated by the Commission in a timely fashion. In the absence of established time frames within which action must be taken on a complaint, the complaint process will not be effective for monitoring and controlling anti-competitive behavior and predatory pricing.
9. The IXC Coalition objects to the Staff's failure to address the cell classification and pricing of Local Calling Plus (LCP), OBT's "measured-rate" service offering. This service has been classified by OBT as a Cell 1 service and, as such, the Staff has "reserved the right" to request a LRSIC study to justify any proposed price changes. (S.R., 58). It is the position of the IXC Coalition that LCP, while certainly a monopoly service, is a discounted form of MTS which is priced below cost. The Staff should have recommended that OBT perform a LRSIC study for LCP, including an appropriate imputation adjustment as required by Rule XII.A.4., and that

the service be priced at a level which recovers access costs and the costs of providing the service.

10. The IXC Coalition objects to the failure of the Staff to recommend a process by which interested parties may be notified promptly of any price changes proposed by OBT subsequent to the implementation of the plan. (S.R., 58-60). The IXC Coalition further objects to the failure of the Staff to establish a procedure by which interested parties may promptly obtain access to the LRSIC studies provided to the Staff in accordance with Rule XII. Without prompt access to the LRSIC studies, parties will not have an opportunity to determine whether a service is anticompetitive, as contemplated by the Staff (see Objection No. 3 above).
11. The IXC Coalition objects to the Staff's approval of OBT's proposed imputation adjustment. (S.R., 74). The Applicant's methodology for adjusting the price floor to reflect the price paid by alternative service providers does not comply with Rule XII.A.4. and should not have been recommended for approval.
12. In general, the IXC Coalition applauds the Staff's support for the removal of the monopolistic barriers to competition which exist today in the OBT service territory. (S.R., 74-79). Effective competition cannot become a reality unless the steps recommended by the Staff are adopted. However, the IXC Coalition does have some specific objections to the Staff

recommendations which must be addressed in the context of this alternative regulation proceeding:

- a. The IXC Coalition agrees that network unbundling is an issue which must be addressed before there can be effective local competition. (S.R., 75-76). However, the Staff has not provided enough detail with respect to how this unbundling should be accomplished, nor has the Staff established a time frame within which OBT must present a plan for unbundling of the local network and a procedure for its implementation. OBT should be required to have an unbundling plan in place at the time that its altreg plan is implemented.
- b. As with the unbundling issue, the IXC Coalition agrees that number assignment and portability and uniform terminating compensation must also be addressed before effective local competition can be achieved. (S.R., 76-77). However, a time frame for removing these barriers to competition must also be in place when the OBT altreg plan is implemented. As discussed in Objection No. 12.c, the Staff should not consider supporting OBT's request for entrance into the interLATA market until the barriers to competition are not only addressed by OBT, but are, in fact, removed to the extent necessary to permit workable competition in the local market.

c. The IXC Coalition strongly supports the Staff recommendation that OBT implement 1+ intraLATA presubscription as part of its plan. However, the IXC Coalition objects to the implementation schedule recommended by the Staff. 1+ intraLATA presubscription should be implemented in a much shorter time frame than the 24 months recommended by the Staff, and it should be implemented on an end office-by-end office basis beginning very soon after the implementation of the plan. The IXC Coalition also objects to the movement of intraLATA MTS into Cell 4 upon the implementation of 1+ without the showing of effective competition required by the altreg rules. While intraLATA 1+ will encourage competition in the intraLATA toll market, there must be workable competition throughout the local access market before OBT's entrance into the interLATA market. Indeed, the IXC Coalition objects to the Staff's support of OBT's requested relief from interLATA restrictions until all barriers to competition are removed and measurable competition exists in all markets.

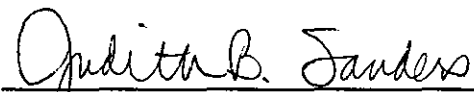
13. The IXC Coalition objects to the Staff's failure to recommend that Cell 2 and Cell 3 services provided under contract be

subject to the Rule XII.A.4. imputation adjustment. (S.R., 79-80).

14. The IXC Coalition objects to the Staff's recommendations regarding resale and sharing. (S.R., 80-81). The Staff should have recommended that OBT be required to offer its local services for resale on a wholesale basis so that other service providers will be able to seamlessly provide local service in combination with other service offerings.

The IXC Coalition reserves the right to supplement and amend these objections in the event the Staff subsequently alters, augments, or modifies its position as reflected in the Staff Report.

Respectfully submitted,


Judith B. Sanders

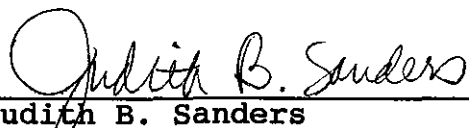

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Objections of the IXC Coalition to the Staff Report of Investigation have been served upon the parties contained on the attached service list by first class U.S. mail, postage prepaid, on this 25th day of April, 1994.



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