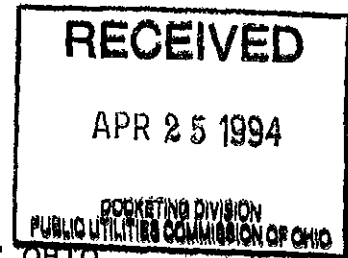


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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application     )  
of The Ohio Bell Telephone Company   )  
for approval of an alternative        ) Case No. 93-487-TP-ALT  
form of regulation.                    )

OBJECTIONS TO THE STAFF REPORT OF INVESTIGATION

AT&T Communications of Ohio, Inc. ("AT&T"), submits its objections to the March 25, 1994 Staff Report of Investigation as follows:

Carrier Common Line and Residual Interconnection Charges

1. AT&T objects to the Staff's failure to recommend that Ameritech Ohio<sup>1</sup> eliminate its Carrier Common Line Charge ("CCLC") and the subsidies inherent in the Residual Interconnection Charge ("RIC"). Where there is no underlying incremental cost, it is essential that Ameritech Ohio eliminate the subsidy.

Long Run Service Incremental Cost

2. AT&T objects to Staff's failure to reject Ameritech Ohio's proposal to submit a long run service incremental

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<sup>1</sup> Ameritech Ohio refers to The Ohio Bell Telephone Company, applicant in this proceeding.

cost ("LRSIC") study only when a decrease is made to a Cell 4 service. The Commission's rules require a cost test for a Cell 4 service to demonstrate that the price charged is above the LRSIC. This rule applies to an increase as well as a decrease, and no reason is provided for departures from the rule. (Staff Report 60).

### Imputation

3. AT&T objects to the Staff's broad approval, without qualification or limitation, of Ameritech Ohio's imputation proposal. Staff stated that Ameritech Ohio proposes to charge itself the same rate it charges an alternative provider when Ameritech Ohio provides a service either separately or unbundled that is essential to an alternative provider in the provisioning of a competitive Ameritech Ohio service. (Staff Report 74). However, Ameritech Ohio's witness, Dr. Currie, has testified that Ameritech Ohio will not always impute the price charged a competitor for an essential input, but that, instead Ameritech Ohio's imputation tests will reflect the economies of vertical integration associated with self-supply when Ameritech Ohio determines that such economies exist. Staff did not clearly distinguish whether it agreed with Dr. Currie's methodology; in the event Staff intended to agree broadly, AT&T objects to that aspect of the Staff Report.

4. AT&T objects to Staff's failure to recommend that Ameritech Ohio be required to file with the Commission a demonstration of any legitimate cost differences between the self-supply of access service and the provision of access service or its components by Ameritech Ohio for use in IXC services relied upon by Ameritech Ohio in its imputation showings.

5. AT&T objects to Staff's failure to recommend that Ameritech Ohio's imputation calculation reflect the actual network facilities used by Ameritech Ohio in provisioning the service for which the test is submitted.

6. AT&T objects to Staff's failure to recommend that Ameritech Ohio calculate its LRSIC with the appropriate imputation adjustment on an individual service basis. (Each optional calling plan should constitute an individual service.)

#### Cell Classification

7. AT&T objects to Staff's approval of Cell 1 classification for Ameritech Ohio's extended local calling plan, Local Calling Plus, because it is a virtual substitute for Ameritech Ohio's MTS service. Local Calling Plus should be placed in the same Cell 2 classification as MTS, and should be subject to the same LRSIC and imputation requirements that apply to Ameritech Ohio's MTS service.

### Resale and Sharing

8. AT&T objects to Staff's mischaracterization of Ameritech Ohio's proposal for resale and sharing. Staff states that Ameritech Ohio proposes to retain its currently tariffed resale and sharing provisions (Staff Report 80). However, the testimony of Mr. McKenzie proposes that Ameritech Ohio expand its resale and sharing provisions beyond its current offerings to include all services except for "residence exchange service" and "message rate foreign exchange service."

9. AT&T objects to Staff's failure to reject Ameritech Ohio's proposal to exclude foreign exchange service from its resale and sharing provision. Unrestricted resale is a proven mechanism for incenting efficient prices in instances where a carrier retains monopoly power.

### Scope of Staff Report

10. AT&T objects to the expansion of the scope of the Staff Report insofar as it entails litigation in this docket of local competition issues. (Staff Report 74-79) AT&T submits that the importance and complexity of these issues mandate their coverage in a separate docket, or in a second phase of the existing docket.

### Barriers to Competition

11. Without waiver of Objection No. 10, AT&T objects to the Staff's list of barriers to competition on the ground that it is incomplete. (Staff Report 74-79). In addition to the conditions listed by Staff (unbundling, number portability, terminating compensation, and 1+ intraLATA presubscription), the following conditions must be added to the safeguards provided by the Commission's rules to allow exchange competition to develop wherever and whenever economics and technology make such competition feasible:

(1) the elimination of franchise requirements, certification requirements and/or other state policies and incumbent or industry practices that burden entry by alternative exchange carriers;

(2) access to necessary rights-of-way, conduits and other pathways, as well as to data base systems or facilities necessary to provide authorized exchange services, on the same terms and conditions as the LEC;

(3) comprehensive interconnection between local exchange competitors for all unbundled network components at non-discriminatory cost-based prices;

(4) pricing for unbundled exchange services based on principles of efficiency that reflect underlying costs;

(5) imputation tests for competitive or potentially competitive services that utilize non-competitive services or non-competitive elements extending the implementation of

the current application of imputation under Commission rules, as portions of the exchange bottleneck become unbundled;

(6) unrestricted resale of non-competitive services, features and functionalities; and

(7) provision of unbundled network components pursuant to agreed technical standards.

#### Relief from Modification of Final Judgment

12. AT&T objects to the Staff's projected support for releasing Ameritech Ohio from the Modification of Final Judgment ("MFJ") requirements prohibiting it from offering interLATA services. (Staff Report 79).

Reducing or eliminating the barriers to competition identified in the Staff Report is an insufficient basis for assuming that effective competition will actually develop in the local market. Additional conditions must be established to allow exchange competition to develop wherever and whenever feasible (see above). Tests for measuring the presence of effective local competition must then be implemented to determine whether monopoly bottlenecks have actually been reduced or eliminated. Any sponsorship by Staff or the Commission of interLATA relief should await establishment, implementation, and testing of the conditions necessary to the development of competition in the local exchange market.

### Miscellaneous

AT&T supports the Staff Report recommendations on a number of key provisions, including:

- The following should be reclassified into Cell 2:

Channels-Digital Private Lines:

All digital channels which originate and terminate in the CLEVEOH62 or CLMBOH11 wire centers, including Ameritech Optinet Service, Basic Digital Service ("BDS") Direct Digital Service ("DDS"), and High Capacity Transport Service.

Digital local distribution elements which originate or terminate in competitive central office areas.

and

Digital Specialized Network Services:

All services which originate and terminate in the CLEVEOH62 or CLMBOH11 wire centers.

Digital local distribution channel elements which originate or terminate in competitive central office areas. (Staff Report 55-56, 57).

- New Service classification: Ameritech Ohio should modify its proposal for the classification of new services to add specific criteria such that when it proposes to classify a new service which is a close substitute for or bundles an element of an existing service, the new service should be placed in the most restrictive cell in which the existing service is already classified. (Staff Report 58) Additionally, the classification of new services and the reclassification of services be subject to the cell classification criteria in N-ST Recommendation 8.1. (Staff Report 60) (NR 169-175).
- Contracts: Ameritech Ohio's proposal that all contracts be automatically approved on the day of filing should be denied. Ameritech Ohio should be required to submit proposed contracts and supporting cost justification for Commission review, pursuant to a 30 day review period, unless the contractual

arrangement is pursuant to a pre-approved contract. (Staff Report 80) Any non-competitive elements of contract offerings should be made available under the same terms and conditions and at the same rate to Ameritech Ohio's competitors.

- Term of Plan: Ameritech Ohio's Plan should be approved for a five year period rather than for an open-ended term. (Staff Report 53)

- Price Cap Issues:

- a) The additional cell pricing limitations proposed by Staff are necessary to prevent any anti-competitive pricing/cross-subsidization within Ameritech Ohio's residence and non-residence service baskets. (Staff Report 43) Ameritech Ohio's Carrier Services should not be subject to these additional pricing rules, as Ameritech Ohio proposes that rate levels for these services continue to be limited by Ameritech's interstate price cap plan.
- b) Ameritech Ohio's productivity offset should be higher. (Staff Report 37-39).
- c) Approval of exogenous costs should be controlled by the Commission. (Staff Report 41-42).
- d) Quality of service adjustment should be negative only. Ameritech Ohio should not be awarded additional flexibility for providing the quality service to which its customers are entitled. (Staff Report 39-41)
- e) Ameritech Ohio should not be permitted to carry over any pricing flexibility from one annual period to another (Staff Report 47).

- Unbundling: The level of unbundling proposed by Ameritech Ohio is insufficient. (Staff Report 75-76) Ameritech Ohio should unbundle all components of the local exchange network into basic network functions that are offered for resale in a non-discriminatory manner at non-discriminatory prices.

- Number Assignment and Portability: Transfer of the number assignment function to an independent party and the implementation of number portability (Staff Report 76-77) must be components of a Commission effort to remove or eliminate barriers to competition. These efforts should be coordinated with national plans. (Staff Report 77)



- 1+ IntraLATA Presubscription: AT&T supports Staff's recommendation that Ameritech Ohio implement 1+ intraLATA presubscription (Staff Report 77-79). However, AT&T supports implementation within a shorter timeframe than that recommended by Staff. Also, movement of intraLATA message toll service to Cell 4 must be consistent with the Commission rules. It should not happen automatically in areas where 1+ intraLATA technology has been implemented.
- Uniform Compensation of Local Traffic: Compensation arrangements between local service providers should be premised on cost-based, tariffed rates for terminating access. This compensation arrangement should be uniformly applicable to all traffic, including flat-rated, measured, and extended local calling plans.

AT&T reserves the right to supplement its objections and/or testimony, as may be appropriate, if Staff changes its assessments of the Ameritech Ohio Application with respect to any of the above points.

Respectfully submitted,

AT&T COMMUNICATIONS OF OHIO, INC.

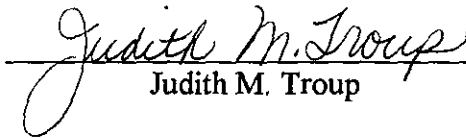
By Robin P. Charleston/gmt  
Robin P. Charleston  
AT&T Law Department  
227 W. Monroe Street  
Floor 6N  
Chicago, IL 60606  
(312) 230-2665

Date: April 25, 1994

**CERTIFICATE OF SERVICE**

Case No. 93-487-TP-ALT

The undersigned hereby certifies that a copy of the foregoing Objections to the Staff Report of Investigation of AT&T Communications of Ohio, Inc. was served by regular U.S. mail, postage prepaid, this 25th of April, 1994 upon the following parties of record.

  
Judith M. Troup

Michael T. Mulcahy, Esq.  
William H. Hunt, Esq.  
The Ohio Bell Telephone Company  
45 Erieview Plaza, Room 1400  
Cleveland, OH 44114

Sally W. Bloomfield  
Bricker & Eckler  
For Cablevision Lightpath, Inc.  
100 South Third Street  
Columbus, OH 43215

Joseph P. Meissner, Esq.  
Director of Urban Development  
For Greater Cleveland Welfare Rights  
Organization, Inc.  
1223 West Sixth Street  
Cleveland, OH 44113

Jodie L. Donovan, Reg. Counsel  
Teleport Communications Group Inc.  
One Teleport Drive  
Staten Island, NY 10311

David C. Bergmann, Esq.  
Andrea Kelsey, Esq.  
Office of the Consumers' Counsel  
77 South High Street  
Columbus, OH 43266

Robert Hegler, Esq.  
Swidler & Berlin  
For Metropolitan Fiber Systems  
3000 K Street, NW  
Suite 300  
Washington, DC 20007

William A. Clark  
William A. Clark & Associates  
8538 Chateau Drive  
Pickerington, OH 43147

Kathy Hobbs  
Alltel/Western Reserve Tele. Co.  
Thompson, Hine and Flory  
10 West Broad Street, 8th Floor  
Columbus, OH 43215

Ann E. Henkener, Esq.  
Asst. Attorney General Section  
Public Utilities Commission of Ohio  
180 East Broad Street, 7th Floor  
Columbus, Ohio 43266-0573

Judith B. Sanders, Esq.  
For Allnet  
Bell, Royer & Sanders Co., L.P.A.  
33 South Grant Avenue  
Columbus, Ohio 43215-3927

Douglas W. Trabaris, Esq.  
MCI Telecommunications Corporation  
205 North Michigan Avenue, Suite 3200  
Chicago, Illinois 60601

Helen L. Liebman  
Jones, Day, Reavis & Pogue  
LCI International Telecom Corp.  
1900 Huntington Center  
41 South High Street  
Columbus, Ohio 43215

Douglas W. Kinkoph  
James D. Heflinger  
LCI International Telecom Corp.  
4650 Lakehurst Court  
Columbus, OH 43017

Mary A. Hull, Esq.  
Sprint Communications Company L.P.  
8140 Ward Parkway, 5E  
Kansas City, MO 64114

Gena M. Doyscher  
Enhanced TeleManagement, Inc.  
40-2nd Avenue S.  
Suite 1200  
Minneapolis, MN 55402-2467

Randy J. Hart  
Counsel for the Ohio  
Public Communications Association  
3300 BP America Building  
200 Public Square  
Cleveland, OH 44114

Joseph M. Patchen  
Carlile Patchen & Murphy  
Co-Counsel for MCI  
366 East Broad Street  
Columbus, Ohio 43215

William S. Newcomb, Esq.  
Stephen M. Howard, Esq.  
Vorys, Sater, Seymour & Pease  
Counsel for Ohio Cable Television Assoc.  
52 East Gay Street  
Columbus, Ohio 43216-1008

James E. Armstrong, Esq.  
Cecil O. Simpson, Jr.  
Office of the Judge Advocate General  
Department of the Army  
901 North Stuart Street, Room 400  
Arlington, VA 22203-1837

William A. Adams, Esq.  
Arter & Hadden  
for Bell Communications Research, Inc.  
10 West Broad Street  
Columbus, OH 43215

Bruce Weston, Esq.  
Attorney for AARP  
169 West Hubbard Avenue  
Columbus, OH 43214-1439

William M. Ondrey Gruber  
Chief Assistant Director of Law  
City of Cleveland  
Room 106 - City Hall  
601 Lakeside Avenue  
Cleveland, OH 44114

Sammuel C. Randazzo  
J. Richard Emens  
Emens, Kegler, Brown, Hill & Ritter  
For City of Toledo  
65 East State Street, Suite 1800  
Columbus, Ohio 43215

Kerry Bruce  
City of Toledo  
Dept. of Public Utilities  
One Government Center  
Suite 1520  
Toledo, Ohio 43604

Dennis K. Muncy  
Meyer, Capel, Hirschfield, Muncy,  
Jahn & Aldeen  
Athenaeum Building  
306 West Church Street  
Champaign, IL 61826-6750

Robert N. Kittel  
Chief, Regulatory Law Office  
Office of the Judge Advocate General  
Dept. of Army Litigation Center  
901 North Stuart Street  
Arlington, VA 22203-1837

Douglas F. Brent  
LDDS Communications  
9300 Shelbyville Road, Suite 700  
Louisville, KY 40222

Karin W. Rille  
Assistant Attorney General  
Office of the Attorney General - Education Section  
30 East Broad Street, 15th Floor  
Columbus, Ohio 43266-0410

Ellis Jacobs, Esq.  
William A. Thorman, III, Esq.  
Legal Aid Society of Dayton  
For Edgemont Neighborhood Coalition, Inc.  
333 West First Street, Suite 500  
Dayton, OH 45402

Gregory J. Dunn, Esq.  
Crabbe, Brown, Jones, Potts & Schmidt  
For City of Columbus  
500 South Front Street, Suite 1200  
Columbus, OH 43215

John W. Bentine, Esq.  
Chester, Hoffman, Willcox & Saxbe  
For City of Columbus  
17 South High Street, Suite 900  
Columbus, OH 43215

John C. Klein, III, Esq.  
Assistant City Attorney  
109 N. Front Street, Suite 405  
Columbus, OH 43215

Sheldon A. Taft, Esq.  
Vorys, Sater, Seymour and Pease  
For The Ohio Library Council  
52 East Gay Street  
P.O. Box 1008  
Columbus, OH 43216-1008

Madelon Kuchera  
TCG America, Inc.  
C/o TC Systems - Illinois, Inc.  
233 South Wacker, Suite 2100  
Chicago, IL 60606

Jodie Donovan  
TCG America, Inc.  
C/o Teleport Communications Group, Inc.  
One Teleport Drive  
Staten Island, NY 10311