



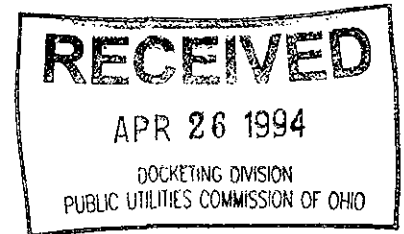
the **legal aid** society of cleveland

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April 23, 1994

Mrs. Daisy Crockron
Chief, Docketing Department
PUCO
180 E. Broad Street, 10th Floor
Columbus, Ohio 43266-0573



RE: Filing Objections in Ohio Bell Telephone Case
PUCO Case No. 93-487-TP-ALT

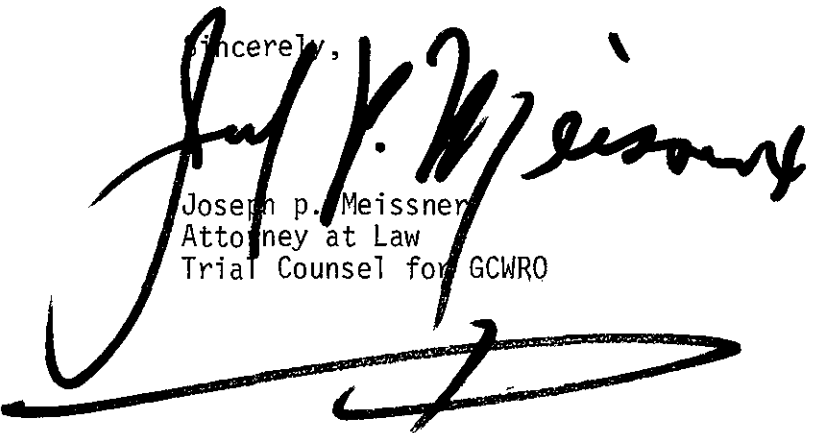
Dear people,

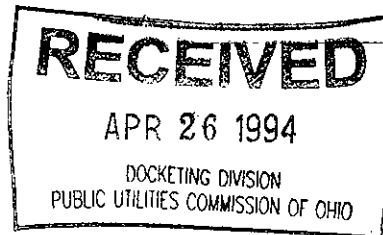
Enclosed are the Objections of the Greater Cleveland
Welfare Rights Organization to the Staff Report in the Ohio Bell
Telephone Case. Please find an original and twenty copies enclosed.

An additional copy is provided for you to please time-stamp
and return to our offices. An addressed and stamped envelope is included.

Thank you for your time and consideration.

Sincerely,


Joseph P. Meissner
Attorney at Law
Trial Counsel for GCWRO



BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application)
of The Ohio Bell Telephone Company)
for Approval of an Alternative)
Form of Regulation)

Case No. 93-487-TP-ALT

In the Matter of the Complaint of)
the Office of the Consumers')
Counsel,)

Complaint,)

-vs-)

Case No. 93-576-TP-CSS

The Ohio Bell Telephone Company,)

Respondent.)

OBJECTIONS TO THE STAFF REPORT FROM
THE GREATER CLEVELAND WELFARE RIGHTS ORGANIZATION, INC.

NOW COMES the Greater Cleveland Welfare Rights Organization ("GCWRO") who through their attorney file the following Objections to the Staff Report. The Applicant "Ohio Bell Telephone Company" will be referred to as the "Applicant" in these objections.

Many of these Objections are based upon GCWRO's concern for and commitment to insuring universal access to the telecommunications system, especially for low income families and senior citizens living on fixed low-incomes. GCWRO urges all parties, the Staff, and the PUCO to work toward this goal. The objections of GCWRO are included on the following pages.

1. GCWRO objects to the Staff's conclusion that the Applicant has satisfied the latter's burden of proving that some form of alternative form of regulation is either reasonable, appropriate for the Applicant, or in the best interests of the public. Such a conclusion and recommendation represents a surrender of the Staff's duty to protect the public as well as to insure universal access to telephone service.

2. GCWRO objects to any change from the current processes of establishing rates for this Applicant based upon the test year concept and "reasonable rate of return" methodology. Especially for non-competitive monopoly services, the traditional rate of return regulation should not be changed. Again GCWRO objects to the Staff's surrender of this position to the Applicant.

3. GCWRO objects to the Staff's failure to provide any kind of heightened review and/or more demanding burden of proof upon the Applicant before any recommendation is made by the Staff which would establish some form of alternative regulation for the Applicant.

4. Before stating this objection, it must first be noted that an unconstitutional delegation of legislative authority has been granted to the utilities, such as the

Applicant, who can decide to veto any alternative regulation plan which the Commission might find reasonable. The Staff has failed to consider whether this castration of its powers and duties as well as its responsibility to protect the best interests of the public is proper and appropriate. Such an unconstitutional delegation of authority to the utilities can well undermine the Commission's strength and willingness to protect aggressively the public's interests since the Commission may try to accomodate the Applicant's desires rather than risk the applicant's veto.

5. GCWRO objects to the Staff's failure to protect the Applicant's customers and the public against the price gouging engaged in by the Applicant for almost a decade. The fact that the Applicant proposes rate freezes is a strong indication that the Applicant's rates are grossly excessive. The rate freezes are simply part of the Applicant's plan to "protect its plunder." Furthermore, the Staff's analysis shows that the Applicant's income has been excessive. The Staff should, but failed to, recommend that significant rebates be provided to all the Applicant's customers, especially low-income families and seniors living on fixed incomes. Such rebates should also include interest payments at the cost of interest for the public since that is the rate that the customers had to pay in order to have telephone service at the outrageously

high rates of the Applicant.

6. GCWRO objects to the Staff's failure to deal adequately with the Applicant's "generous offer" of freezing rates for a period of time. At a minimum, the Staff should recommend a five to seven year freeze on these rates. If the Staff was really committed to protecting the public's interest, the Staff should urge the Commission to reduce rates over a period of years. This would be based upon the Applicant's massive down-sizing efforts (which have cost Ohioans thousands of jobs) as well as technological improvements which are bringing down communication costs. GCWRO would propose that the Applicant be ordered to reduce its residential service rates by at least five percent per year for the next ten years.

7. GCWRO objects to the Staff's failure to adequately protect "flat rate service" for residential customers. This service is the very heart of the communications system for residential customers. The only pricing cap that should be considered for this service is an absolute freeze at the present rate for the next five years. (Furthermore, as pointed out above, a rate decrease is very easily justified for this flat rate residential service, affectionately dubbed "P.O.T.S." or "Plain Old Telephone Service.")

8. GCWRO objects that the Staff has failed to propose an adequate plan to insure that every member of the public has a real opportunity to be part of the telephone communications system. The Staff should require the Applicant to develop a comprehensive universal service rate program, including specific tariffs paralleling the three residential service rates now in effect, to insure service for the economically disadvantaged, including low income families and senior citizens living on low fixed incomes.

9. GCWRO objects to the Staff recommendation that the Gross Domestic Product Price Index is an appropriate measure of inflation for the price cap plan. There is no reason why a more appropriate price index cannot be devised for the Applicant who has engaged in massive downsizing effort and who has and will experience significant technological advancements that will further lower costs.

10. GCWRO objects to the range of 3.3% to 4.55% as a reasonable starting point for calculating the productivity offset. The Staff at a minimum should begin with a 7.325% percent. Then in order to encourage the Applicant's best efforts, a further percent should be added to this, such as, for example, another 2% to 3% for a total productivity offset of 9.325% to 10.325%.

11. GCWRO objects to the Staff's failure to firmly recommend the adoption of a consumer dividend in the price cap calculations. GCWRO recommends a dividend of 2 to 3 percent.

12. GCWRO objects to the Staff's failure to firmly recommend the adoption of profit sharing in the price cap framework. A reasonable starting point would call for an equal sharing of profits between the stockholders and the customers.

13. GCWRO objects that the Staff has not provided enough safeguards in regards to the allowance of negative exogenous impacts in the price cap calculations. Before allowing for such impacts, the Commission should insure that the Applicant has done everything that is reasonably possible in order either to avoid the impact or to mitigate its impact. For example, if the exogenous impact is due to an FCC ruling, the Applicant must show that it used all reasonable efforts to "argue against" and "fight" this ruling.

14. GCWRO objects that the Staff has not insured that earnings from competitive services are available to reduce the rates for monopoly residential services, such as the flat rate residential service, particularly for low

income families and seniors living on low fixed incomes.

15. GCWRO objects to the Staff's recommendation which could allow the Staff up to five years to conduct an investigation on the ability of existing quality of service standards to meet the needs of an information age economy. At most, the Staff should be able to complete this study within one to two years. Otherwise the information age economy may well have "grown old" by the time the Staff completes its study and provides recommendations.

16. GCWRO objects to the Staff's failure to include 900 and 976 blocking and call screening in Cell 1. These pertain to public privacy as well as safety concerns and thus by the definitions properly belong in Cell 1.

17. GCWRO objects to the Staff recommendation concerning network access line rates for non-residence subscribers. This sets a bad precedent which the Staff should resist now.

18. GCWRO objects to the Staff's approval of the Applicant's plan to disaggregate residence exchange access rates and to establish higher residential rates for various access areas.

19. GCWRO objects to the Staff's failure to protect customers who are calling to arrange payments or to pay an

arrearage from being propagandized with appeals to "buy" new additional, discretionary services.

20. GCWRO objects to the Staff's failure to adequately explore why the Applicant has made so little progress on infrastructure modernization. Other telephone companies in States that use the rate-of-return methodology have made extensive infrastructure modernization. The Staff should resist any effort by the Applicant to "blackmail" the Staff into accepting the need for alternative regulation allegedly in return for various "modernizations." The Staff must not permit the Applicant to establish a "post hoc, ergo propter hoc" situation to justify alternative regulation when the various "promised" modernizations should have been accomplished some time ago by a progressive, knowledgeable, and aggressive telephone company.

21. GCWRO objects to the Staff's failure to protect schools located in "poor" districts where per capita incomes are low and needs are great in regards to the "Education and Distance Learning Commitment" of the Applicant. Given the past history of this Applicant in its dealings with the "needy" and low income families, it is not that unreasonable to wonder whether these "education and Distance Learning Commitments" are simply part of a smoke screen

behind which the Applicant can attain its goal of an alternative form of regulation as well as its deployment of fiber optics. The Applicant should be required to prove its sincerity and establish its credibility by deploying its education and distance learning equipment in the State's most needy school districts served by the Applicant. When these school districts actually have these new technologies, then the Applicant would be allowed to provide these to the wealthier school districts. The true measure would be the Applicant's actual results of reaching these low income school districts. As a starting point, GCWRO recommends that th Applicant concentrate on the lowest twenty percent of the school districts in terms of per capita income. Since these school districts often do not have the necessary funds for these new technologies, GCWRO recommends that the Applicant provide such services at no cost to these low-income areas, or at a very low cost which will still insure that these school districts can actually obtain these new learning technologies.

22. GCWRO objects to the Staff's failure to require the Applicant to prove that its fiber optics system is the least cost method of providing advanced telecommunications services to schools and that the fiber optics system serves the public interest better than any of

the other methods of transmitting telecommunications services. Such proof should be based upon independent studies from objective personnel who are not connected with the applicant.

23. GCWRO objects to the fact that the Staff has not explicitly recognized in its customer surveys activities the need to target surveys for low income families and customers as well as the elderly, especially those forced to live upon low fixed incomes.

24. GCWRO objects to the failure of the Staff to adequately protect customers who have rotary dial service against unwarranted and improper increases in their rates.

25. GCWRO objects to the Staff's failure to recommend that the Applicant institute blocking of automatic callback calls as one of the Applicant's commitments in this proceeding.

26. GCWRO objects to the Staff's failure to make general recommendations requiring the Applicant to offer blocking of automatic callback as a prerequisite for this service.

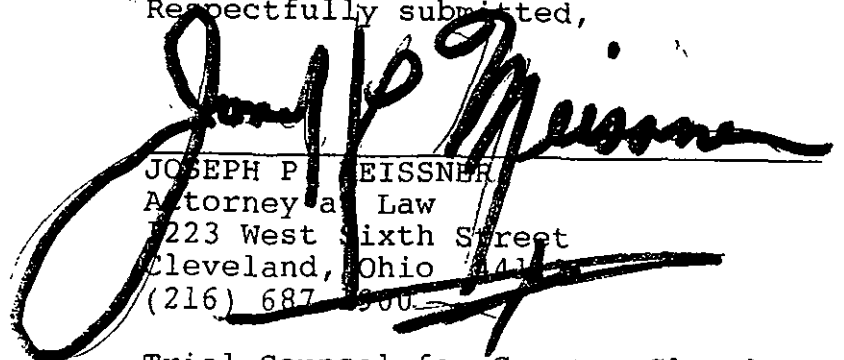
27. GCWRO objects to the Staff's failure to recommend free per line blocking for Caller ID.

28. GCWRO objects to the Staff's failure to require the Applicant to quantify the cost of blocking for automatic callback, on either a per call or per line basis.

29. GCWRO objects to the Staff's failure to require the Applicant to identify what technologies exist for blocking automatic callback.

30. GCWRO objects to any inclusion of advertising expenses in the Applicant's Test Year until and unless the Staff has reviewed all such advertising and insured that such advertising provides a direct and primary benefit for the Applicant's customers.

Respectfully submitted,

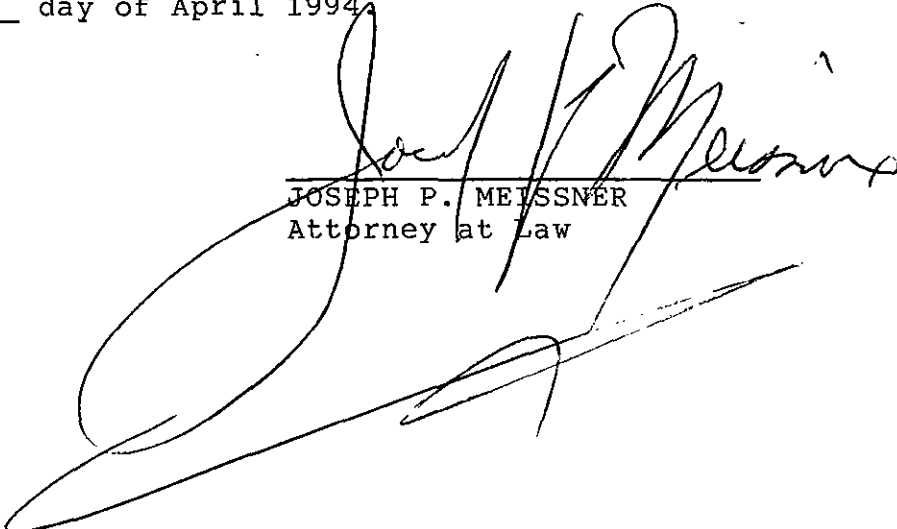


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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing
pleading have been served upon all the parties of
record listed below by first class mail, postage paid,
on this 25th day of April 1994.



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