file

Sprint

8140 Ward Parkway
P. O. Box 8417
Kansas City, MO 64114-0417

May 4, 1994

VIA FEDERAL EXPRESS

RECEIVED
MAY 5 1994
DOCKETING DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO

Ms. Daisy Crockron
Ohio Public Utilities Commission
180 E. Broad Street
Columbus, OH 43266-0573

Re: Docket No. 93-487-TP-ALT

Dear Ms. Crockron:

Enclosed for filing, please find the original and 21 copies of Direct Testimony of Mark A. Jamison on behalf of Sprint Communications Company L.P. in the above-referenced case. Please return one file-stamped copy in the enclosed envelope.

Thank you for your assistance in this matter. Please call me at (913) 624-6551 if you have any questions.

Very truly yours,

Mary Hull/RM

Mary Hull

MAH/rsm

cc: Service List

RECEIVED
MAY 5 1994
DOCKETING DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY

OF

MARK A. JAMISON

ON BEHALF OF

SPRINT COMMUNICATIONS COMPANY L.P.

Public Utilities Commission of Ohio

Case No. 93-487-TP-ALT

May 5, 1994

DIRECT TESTIMONY

OF

MARK A. JAMISON

ON BEHALF OF

SPRINT COMMUNICATIONS COMPANY L.P.

1 Q. Please state your name, address, and present employment.

2 A. My name is Mark A. Jamison. My business address is 8140 Ward Parkway, Kansas
3 City, Missouri 64114. I am employed as Manager, Regulatory Policy and
4 Coordination with Sprint Communications Company L.P. (Sprint).

5

6 Q. Please describe your educational background and business experience.

7 A. I graduated from Kansas State University in 1980 with a M.S. in Agricultural
8 Economics and in 1979 with a B.S. in Agricultural Education. From 1984 to 1987, I
9 was employed by the Kansas Corporation Commission as a Communications
10 Economist. I was responsible for pricing, costing, competition, and federal issues.
11 From 1987 to 1993, I was employed by the Iowa Utilities Board, first as a Senior
12 Utility Analyst in telecommunications, then as a Utility Specialist in
13 telecommunications, and finally as Head of Research for all utilities. My primary
14 areas of responsibility were pricing, cost analysis, competition, and alternative forms
15 of regulation. During my tenure at the Iowa Utilities Board, I served as Chairman of
5 the National Association of Regulatory Utility Commissioners Staff Subcommittee on

Communications, Chairman of the State Staff of the Federal/State Joint Conference on Open Network Architecture, and on the staff of the Federal/State Joint Board on separations. I have written several papers on communications issues such as pricing, costing methods, competition, and industry convergence. I have taught at several university-sponsored workshops and seminars on communications issues. I have testified in Kansas, Iowa, Indiana, Illinois, Louisiana, and Tennessee. Further details are provided in **Appendix A**.

Q. What is the purpose of your testimony?

A. My testimony presents Sprint's recommendations on imputation, long run service incremental cost (LRSIC) studies, staff's conclusions regarding allowing Ohio Bell Telephone (OBT) to provide interLATA services, and prices for interexchange carrier access.

Imputation policies: Concerns with OBT's proposal

Q. Did OBT perform imputation studies for its toll services for this case?

A. No. OBT witness Dr. Kent Currie describes an imputation method on pages 23-29 of his testimony. However, at page 251 of his April 13, 1994, deposition, Dr. Currie states that no imputation studies were performed for any toll services. Sprint recommends that OBT be required to perform imputation studies for this case to ensure that OBT's proposed toll prices are at or above an appropriate price floor.

Q. Why is imputation important?

A. Imputation is necessary to ensure that there is efficient competition for customers' business. OBT controls noncompetitive inputs (in this case, interexchange carrier access, which I will simply refer to as "access" throughout the rest of my testimony) that are essential to its competitors. This gives OBT the opportunity and incentive to discriminate against competitors and harm competition. The result would be fewer competitive benefits for customers. Imputation facilitates competition by ensuring that OBT "charges" itself the same prices for access functions that OBT charges its competitors.

Q. Does OBT's proposed imputation method ensure that OBT does not discriminate against competitors?

A. No, OBT's proposal does not ensure that OBT does not discriminate against competitors. Staff states on page 74 of its report that OBT proposes to charge itself the same prices that it charges competitors. Imputing the same prices charged to competitors is the appropriate way to do imputation, but this is not what OBT proposes. According to Dr. Currie, OBT's proposal attempts to ensure that OBT gets at least the same mark-up above cost from its toll services as it does from its access services. OBT proposes to get this same mark-up by:

1. Estimating the LRSICs of access and OBT's toll service;
2. Estimating the mark-up in access prices by subtracting the LRSIC of access from the price of access; and

3. Adding this mark-up to the LRSIC of OBT's toll service.

Q. How does OBT's proposed method allow OBT to discriminate against competitors?

A. The underlying theory in OBT's proposal is that it prevents OBT from building less mark-up into toll services than it does access services, thus preventing OBT from harming competition and harming economic efficiency. The proposal is deficient for the following reasons:

1. *OBT could harm competition by inflating access costs relative to the costs of OBT's toll services.*

OBT's proposed method gives OBT the opportunity to increase its competitors' costs relative to the imputed price floor for OBT toll services. This would create an artificial advantage for OBT that would harm competition. OBT could create an artificial advantage by:

- *Inflating the LRSIC estimate of access costs.*

  Providing high estimates of the LRSICs of access would understate the mark-up in access. This would have the effect of lowering the price floor for OBT's toll services. OBT could inflate the estimates of access LRSICs in several ways, including assumptions about technology mixes, input prices, traffic, study periods, and expense factors.

- *Being inefficient in how OBT provides access.*

  Higher actual costs of providing access would result in lower estimates

of mark-up in access, and thus lower price floors for OBT's toll services.

- *Underestimating the LRSIC of OBT's toll services.* Underestimating OBT's LRSIC for toll services would lower the imputed price floor. OBT could underestimate toll LRSICs in several ways, including assumptions about technology mixes, input prices, traffic, study periods, and expense factors.

2. *The type of economic efficiency that is presumably encouraged by OBT's proposed method is overly narrow.*

OBT's proposal presumably attempts to allow OBT to fully exploit the economies of scope or vertical integration that OBT can estimate in its cost studies. These economies, if they exist, are only one form of economic efficiency. Other forms of economic efficiency that are important include:

- *Productive efficiency* -- addresses whether a company has more costs than it needs to produce its products. This is also called x-efficiency. Competition encourages productive efficiency. OBT's proposed method may decrease productive efficiency by: (1) decreasing competition for OBT; and (2) encouraging OBT to be inefficient in how it provides access services to competitors.
- *Dynamic efficiency* -- addresses whether the rate and type of technological change is what customers want. Competition improves

dynamic efficiency. OBT's proposed method may decrease dynamic efficiency by increasing OBT's market power in intraLATA toll.

3. *The proposal increases the complexity of performing and reviewing imputation studies.*

OBT could file numerous imputation studies during a year. Each study would include LRSIC studies for access and for toll, as well as estimates of mark-up above LRSIC. Each element of the study would need to be examined to ensure that OBT was not inflating the LRSIC estimate of access costs and/or underestimating the LRSIC estimate of OBT's toll services. LRSIC studies are detailed and generally considered to be proprietary. Reviewing these studies would consume time and resources of this Commission and of affected parties such as competitors.

4. *The proposal would allow OBT to discriminate in how it prices access to competitors.*

OBT's proposal would allow OBT to use special access prices for itself even when it is using switched access functionalities. This is discriminatory because it allows OBT to price these functionalities to itself approximately 90% lower than it prices them to competitors. If OBT wants to impute based on special access prices, it should either use special access functions just as OBT's competitors must, or allow competitors to obtain switched access at special

access prices.

5. *OBT can avoid the imputation requirement by providing services through contracts.*

OBT's proposal does not appear to require imputation when services are offered through contract rather than through tariffs. This would allow OBT to avoid the imputation requirement and harm competition. The staff report did not correct this situation.

Imputation policies: Summary of proposal

Q. What imputation method does Sprint recommend the Commission require OBT to use?

A. Sprint recommends the Commission require OBT to perform imputation studies based on the following imputation policies:

- ***Service definition***

  Imputation should occur at the service level, where "service" is anything that a customer can obtain separately, including services in contracts.

- ***Components of imputation***

  Imputation should be performed by summing the prices of non-competitive access elements, any subsidies that competitors must pay, and OBT's costs of all other items that OBT uses to provide its toll services.

- ***Access elements used for imputation***

  Imputation studies should include prices for access elements which are

noncompetitive and essential for the competitive service, or that are bundled with essential, noncompetitive elements. "Noncompetitive" means that reasonable substitutes to OBT services are not available. "Essential" means that the element is needed to provide the competitive service.

- ***Costs used in imputation***

  Costs for all inputs used by OBT in providing the competitive services should be included, except for those for which prices have been imputed. The appropriate measure of cost is the LRSIC of these inputs.

- ***Vertical integration***

  OBT appears to believe that it gains economies from vertically integrating competitive and noncompetitive inputs. If OBT wishes to reflect such economies in imputation, OBT should file studies showing the size of the economies and propose it as an adjustment to the imputation.

- ***When imputation studies should be done***

  Imputation studies should generally be performed when:

  - a new calling plan or contract (that includes Cell 1 and/or Cell 2 services) is proposed;
  - price increases are proposed for noncompetitive access services; and
  - decreases in price floors are proposed for toll services.

In addition, OBT should perform imputation studies for this case to ensure that toll prices are appropriate going into alternative regulation.

Q. Is Sprint's proposed imputation method consistent with the Commission's rules in Case No. 89-1149?

A. Yes. The rules state that the price floor for toll services should at a minimum contain the mark-up contained in access prices. Sprint's proposal accomplishes this by imputing the price of access and allowing OBT to propose adjustments if OBT believes that it costs less for OBT to use access functionalities than for anyone else to use them.

Imputation policies: Service definition

Q. Why should imputation be done at the service level as you described -- anything the customer can obtain separately, including services in contracts?

A. This is an appropriate balance between the need for detail and the need to be practical. The service level Sprint recommends is the level at which customers are most likely to make their purchase decisions. As a result, it is also the level at which OBT and competitors will compete on the basis of price. More detailed imputation studies -- for example, imputation at the rate element level -- require more minute studies and oversight than is necessary to facilitate efficient market results. More aggregated imputation studies -- for example, combining two or more calling plans in a single study -- fail to stop the market distortion that imputation is designed to prevent.

In addition, if OBT is permitted to aggregate several services into a single imputation test, OBT would be able to offer individual services that would fail an imputation test

on their own. This would weaken and undermine the purpose and goals of imputation.

Imputation policies: Access elements used for imputation

Q. Why should the rate elements used for imputation be those which are noncompetitive and essential?

A. These are the rate elements that are necessary to use to ensure efficient markets. Including more elements than these would unreasonably increase the price floor for OBT's competitive services. That could preclude OBT from competing even when it is the most efficient competitor. Including fewer elements could drive an efficient competitor from the market. Adequate substitutes are not available for these essential inputs. Therefore, not imputing the prices of essential, noncompetitive inputs could allow OBT to price below a more efficient competitor.

Q. When should an input be considered non-competitive?

A. All Cell 1, 2, and 3 services that OBT provides should be considered non-competitive for purposes of classifying inputs for imputation.

Imputation policies: Costs used in imputation

Q. Why should the price floor contain costs for all inputs used by OBT in providing the competitive services, except for those for which prices have been imputed?

A. If these costs are not contained in the price floor, customers could be denied the opportunity to purchase from the most efficient service provider. These costs are the

basis for the competition-driven efficiency that imputation is designed to facilitate. If these costs are excluded, OBT would be able to drive more efficient competitors from the market.

This potential effect can be demonstrated with an example. To keep the illustration simple, it is assumed there is only one competitor to the local exchange company (LEC) and only a single product is considered. The LEC and the competitor both use essential, noncompetitive inputs that only the LEC provides. The following table provides the illustration.

Item	**LEC**	**Competitor**
Imputation	$8	-
Noncompetitive input price	-	$8
Competitive input cost	($5 omitted)	$4
Zero margin price	$8	$12

In this example, the LEC can charge $4 less for the service than the competitor, even though it costs the competitor $1 less to provide the service. As I stated earlier, the appropriate measure of cost for these inputs is the LRSIC.

Q. *Why is LRSIC appropriate to use in imputation?*

A. LRSIC is appropriate because it represents the cost of all of the resources OBT uses solely to participate in the competitive market. If a competitor can participate using fewer resources or less costly resources, then customers would be better off buying from the competitor than from OBT. Also, LRSIC is the primary cost measure companies should use to determine the profitability of a service -- to determine whether or not to participate in a market. So including in the price floor the LRSIC of the competitive inputs helps give customers the right information they need to know who is the least-cost producer.

Imputation policies: Vertical integration

Q. *Why should economies OBT believes it has from vertically integrating competitive and* noncompetitive inputs be reflected as adjustments to imputation rather than simply be implicit in the LRSIC studies as OBT proposes?

A. These economies should be explicitly shown for the reasons I stated above, namely:

1. If the economies are implicit, OBT would have the incentive and opportunity to harm competition by inflating access costs relative to OBT's costs for toll services.

2. Other economies (such as productive efficiency and dynamic efficiency) could be harmed if competition is decreased. These trade-offs should be explicitly considered. Also, competitors are not able to vertically integrate their competitive inputs with noncompetitive inputs, so policy makers should take

steps to ensure that OBT's local exchange markets are competitive so that: (1) companies can compete to maximize these economies; and (2) customers can receive the benefits of competition in OBT's local markets.

3. Not explicitly showing the economies of vertical integration increases the complexity of performing and reviewing imputation studies.

Imputation policies: When imputation studies should be done

Q. Why should imputation studies be performed when:

- a new calling plan or contract (that includes Cell 1 and/or Cell 2 services) is proposed;
- price increases are proposed for noncompetitive inputs; and
- decreases in price floors are proposed for toll services?

A. Imputation studies are needed when a new calling plan or contract is proposed so that a price floor is known should the commission approve the service or contract.

Imputation studies should be done when proposals are made to increase prices for noncompetitive inputs to adjust the price floors of competitive services.

Imputation studies should be done any time price decreases are proposed for price floors to ensure that circumstances have indeed changed to cause a decrease in the floor.

LRSIC studies

Q. What are Sprint's concerns with regard to OBT's LRSIC studies?

A. Companies such as Sprint have not been allowed to review OBT's LRSIC studies. This makes it impossible for these companies to determine whether they believe OBT performs imputation studies appropriately, and to make informed recommendations to the Commission regarding OBT pricing. Sprint appreciates OBT's concerns regarding competitive information. However, Sprint believes that proprietary arrangements can be sufficient to ensure that the proprietary information does not go beyond Sprint's subject matter experts and that the proprietary information is used only for making recommendations on regulatory policy to the Commission.

InterLATA restrictions

Q. What does the staff state with respect to the interLATA restrictions?

A. Staff states on page 79 of its report that it would support OBT in having the interLATA restrictions lifted if the barriers to competition in OBT's local exchange markets were removed, and if OBT demonstrated that it's entry into the interLATA markets would not impede interLATA competition.

It is unclear as to why staff discusses the interLATA restriction in this alternative regulation proceeding. The interLATA restriction is not an issue in this case. The Commission has no authority to lift the restriction, and Sprint is not aware that OBT proposed lifting the restriction in its filing. Staff does mention that pending

Congressional legislation may give the Commission responsibility in this area, but it is not known at this time whether Congress will pass the legislation, nor in what form. Also, there are many factors to consider in determining whether OBT could impede interLATA competition that are not part of this case. Sprint recommends that this issue not be part of this proceeding.

Q. Does Sprint agree with staff's analysis of the interLATA issue?

A. Sprint agrees with Staff's recommendations to remove barriers to local competition. Sprint also agrees that, before OBT is allowed to enter the interLATA market, OBT should demonstrate that it's entry into the interLATA markets would not impede interLATA competition. However, Sprint believes that staff has omitted some steps that are important for local competition.

Q. What are some steps that staff has omitted that are important for local competition?

A. There are several, including:

- Cost-based price limits for non-competitive services.
- Removal of subsidies from the current LEC price structure. Any necessary subsidies should be handled through a competitively neutral process.
- Elimination of artificial pricing boundaries such as exchange boundaries and extended area service boundaries.
- Elimination of legal barriers such as certification or franchise restrictions.
- Effective customer choice of local service providers.

- Elimination of rate of return regulation and policies based on revenue neutrality and cost recovery for OBT.

Even with these steps there is no assurance that local competition will develop. That is why it is important that OBT be required to demonstrate that its entry into interLATA markets would not impede interLATA competition.

Q. Please explain what you mean by cost-based price limits for non-competitive services.

A. Regulation should set maximum prices for non-competitive local exchange service and interconnection (access) services. LECs should be permitted to charge prices below these maximums if they wish. The maximum prices should cover the LRSICs of the non-competitive services and make a contribution to shared costs. The contribution to shared costs should be comparable to that expected from competitive services, in essence ensuring that, over time, competitive and non-competitive services make equivalent contributions to shared costs. In addition, prices for "like-services", e.g., DS3 and DS1 services, should reflect the same relationship as the LRSIC relationship of the "like-services". These price limits protect customers of non-competitive services, allow reasonably efficient LECs a fair opportunity to cover their costs, and increase the likelihood of effective competition in other markets.

Q. Please define what you mean by shared costs.

A. Shared costs are costs that are:

- shared by more than one service;
- incremental to the set of services sharing the costs; and
- unaffected by a subset of these services.

Another way of saying it is that shared costs are essential to the provision of more than one service and do not vary with the output of any of the services. Shared costs may not be the cost of a particular resource. They are a residual amount of cost that is unaffected by decisions relating to subsets of the services. As I use the term, shared costs includes costs that have traditionally been referred to as joint costs, common costs, and overhead costs.

Q. Why is it important that subsidies be removed from LECs' prices?

A. There are several reasons. First, it is unlikely that competition will reasonably develop in some LEC markets if competitors must compete against subsidized prices. A second reason is that current subsidies are funded through high mark-ups for other LEC services, primarily access and toll. These high mark-ups may make it difficult for LECs to reasonably compete in long distance markets. Another reason why subsidies should be removed from LEC prices is that some of the subsidies are being paid by competitors to LECs. This distorts competitive markets. I will explain later what Sprint believes are appropriate subsidy policies.

Q. Please explain why artificial pricing boundaries, such as exchange and extended area service boundaries, will need to change.

A. Exchange boundaries were developed in the early days of the telephone industry. These boundaries resulted from limits of technology, limits of political franchising authority, and rights of way. Limits of technology and telephone company ownership patterns also resulted in two distinct markets -- local exchange and long distance. Technology, competitive strategies, and regulatory cost allocations caused prices for local exchange calling to generally be lower than prices for long distance calling.

Changes in technology and in regulatory policy have eliminated the need for pricing based on exchange boundaries. The newer technologies make distance less important, and the economics of the alternative technologies (copper, fiber optics, coaxial cable, and wireless) have differing geographical limitations. Regulatory policy is evolving to favor competitive solutions which means that prices will need to change to reflect how customers view markets.

If local exchange service is to be competitive, there is a need for a transition from the current dichotomy of local exchange and long distance pricing, to price structures based on customer choice. The first step in such a transition should be to remove differences in prices for local exchange calling (including extended area service) and long distance calling (access and toll). The new price structure should be based on the price limits for non-competitive services described above, and imputation where competitors are dependent on essential, non-competitive inputs. As competition increases, the price limits would become redundant with competitive forces and could

be eliminated. Sprint is not proposing this transition be initiated in this proceeding, but such a transition will be a necessary step towards competitive markets.

Access charges

Q. What are Sprint's recommendations regarding OBT's access charges?

A. As I stated above, Sprint believes that OBT's access charges will need to be reduced to LRSIC plus a reasonable contribution to shared costs if there is to be local competition. A first step should be to phase out untargeted, explicit subsidies such as the carrier common line charge (CCLC) and the residual interconnection charge.

Q. Why is it important to reduce access prices?

A. The current level of access charges is inconsistent with competition. Currently, access charges contain a large mark-up above LRSIC. This will make it difficult for LECs to compete if access markets become competitive. Also, this mark-up gives OBT the opportunity to impede competition and places interexchange carriers in the position of subsidizing OBT. In addition, portions of the mark-up in access is inconsistent with the unbundling proposals of both OBT and staff.

Q. How large is the mark-up in access?

A. That is not known because OBT has not estimated LRSICs for access. However, on a nationwide basis, approximately 50% of the price of access is explicit subsidies -- i.e., CCLC, residual interconnection charge, Universal Service Fund, lifeline programs, and

weighted dial equipment minutes in jurisdictional separations. Other mark-ups resulting from cost allocations and the use of embedded costs for rate making, are not included in this estimate.

Q. How does this mark-up give OBT an opportunity to impede competition?

A. Access is 40% to 50% of the total cost to interexchange carriers for providing long distance. This means that 40% to 50% of an interexchange carrier's costs are controlled by direct competitors. This is of strategic significance to interexchange carriers because it strengthens OBT's ability to control its competitors' cost structures. Control over competitors' costs has historically been used in anticompetitive ways to hinder competition. This is important for public policy initiatives that depend on competition to increase efficiency and facilitate the deployment of new technologies.

A second problem caused by the mark-up in access is that it places interexchange carriers in the position of subsidizing their competitors. Explicit subsidies are approximately 50% of the price of access on a nationwide basis. The actual subsidies are higher. This means that interexchange carriers are providing several billion dollars each year in subsidies to their competitors. At one time these subsidies were based on cost allocation formulas and presumably could be traced to basic local service. However, with the newer forms of regulation, these cost allocations are losing their effect, so now the subsidies are untargeted.

Q. How is the mark-up in access inconsistent with OBT's and staff's unbundling proposals?

A. One of the largest access elements is the CCLC. The CCLC developed as a charge for interexchange carrier use of the loop even though the CCLC is charged at the local switch. When loops are unbundled from switches (as staff and OBT have proposed), customers will be able to purchase loops separately, making loops a separate service. It makes little sense to continue to have interexchange carriers and OBT pay for the use of OBT loops through toll services because: (1) the unbundling makes it possible for OBT and competitors to provide toll services without using OBT loops; and (2) some loops that OBT sells may not even be used for toll services.

Q. How should CCLC and the residual interconnection charge be phased out?

A. Sprint was not able to put together a complete proposal because LRSIC studies are not available. A phase down over 3 to 5 years would probably be reasonable, but it is difficult to know without LRSIC information. LRSIC information is needed to determine the overall mark-up in access and the mark-ups (or lack thereof) in local service. Mark-ups need to be known to determine if repricing of other services would be needed because of the phase-down of subsidies.

Q. You mentioned earlier that subsidies need to be removed from LEC prices if there is to be local competition. Please describe how universal service subsidies should be handled in order to have local competition.

A. Universal service objectives have traditionally been pursued through a complex system of subsidies that are embodied in prices for LEC services. The subsidies primarily come from high mark-ups in access and toll services. This subsidy system is inconsistent with competition because it hinders LECs' ability to compete by restricting LEC price flexibility and hinders competitors in LEC markets where competitors would have to compete against subsidized prices.

Sprint believes the current subsidy system should be phased out and replaced with a system that helps customers that need help, that provides financial assistance to high cost areas, and that is competitively neutral. Such a system is predicated on the rebalancing LEC rates, more closely aligning prices for non-competitive services with the underlying cost of service. In this context, any external subsidies would be explicit and targeted, and could be managed by an industry, government, or third party administrator.

Summary

Q. Would you please summarize your testimony?

A. Yes. Sprint believes that OBT should be required to perform imputation studies based on the following imputation policies:

- ***Service definition***

  Imputation should occur at the service level, where "service" is anything that a customer can obtain separately, including services in contracts.

1 ▪ ***Components of imputation***

2 Imputation should be performed by summing the prices of non-competitive
3 access elements, any subsidies that competitors must pay, and OBT's costs of
4 all other items that OBT uses to provide its toll services.

5 ▪ ***Access elements used for imputation***

6 Imputation studies should include prices for access elements which are
7 noncompetitive and essential for the competitive service, or that are bundled
8 with essential, noncompetitive elements. "Noncompetitive" means that
9 reasonable substitutes to OBT services are not available. "Essential" means
10 that the element is needed to provide the competitive service.

1 ▪ ***Costs used in imputation***

12 Costs for all inputs used by OBT in providing the competitive services should
13 be included, except for those for which prices have been imputed. The
14 appropriate measure of cost is the LRSIC of these inputs.

15 ▪ ***Vertical integration***

16 OBT appears to believe that it gains economies from integrating competitive
17 and noncompetitive inputs. If OBT wishes to reflect such economies in
18 imputation, OBT should file studies showing the size of the economies and
19 propose it as an adjustment to the imputation.

20 ▪ ***When imputation studies should be done***

21 Imputation studies should generally be performed when:

22 ▸ a new calling plan or contract (that includes Cell 1 and/or Cell 2

services) is proposed;

- price increases are proposed for noncompetitive access services; and
- decreases in price floors are proposed for toll services.

In addition, OBT should perform imputation studies for this case to ensure that toll prices are appropriate going into alternative regulation.

Sprint also believes that companies such as itself should be allowed to review imputation and LRSIC studies under suitable proprietary agreements.

Sprint agrees with staff that barriers to local competition should be removed. Important steps not discussed by staff include:

- Cost-based price limits for non-competitive services.
- Removal of subsidies from the current LEC price structure. Any necessary subsidies should be handled through a competitively neutral process.
- Elimination of artificial pricing boundaries such as exchange boundaries and extended area service boundaries.
- Elimination of legal barriers such as certification or franchise restrictions.
- Effective customer choice of local service providers.
- Elimination of rate of return regulation and policies based on revenue neutrality and cost recovery for OBT.

Sprint believes that explicit, untargeted subsidies, such as CCLC and the residual

1 interconnection charge, should be phased out of OBT's access prices at this time.

2

3 Q. Does this conclude your testimony?

4 A. Yes.

Appendix A

MARK A. JAMISON -- Vita

WORK EXPERIENCE

Sprint Long Distance, February 1993 to present

Manager, Regulatory Policy and Coordination. Responsible for development of policies related to access, industry structure, infrastructure, and multimedia.

Iowa Utilities Board, February 1987 to February 1993

Positions.
Head of Research, 1990-93. Utility Specialist - Telecommunications, 1988-90. Senior Utility Analyst - Telecommunications, 1987-88. Activities included rate cases, incentive regulation, infrastructure, costing and pricing issues, and research for long range planning and special projects.

Offices.
Chairman, NARUC Staff Subcommittee on Communications, 1991-93. Oversaw staff work on development of policy positions and strategic plans for legislation, legal filings, and negotiations. Developed dialogue with European Community and Japanese Committee for Fair Competition.
Chairman, State Staff of Federal/State Joint Conference on Open Network Architecture, 1989-90. Oversaw development of Joint Conference operating procedures and staff work on jurisdiction, tariffing, and separations issues.

Other.
Member, Staff of Federal/State Joint Board on Separations, 1991-93. Participated in development of plan for comprehensive review of separations, revision of monitoring activities, and work plans for other separations issues.
Research. NARUC representative on Alternative Costing Methods Project at Harvard University, 1989-92.

Kansas Corporation Commission, June 1984 to February 1987

Communications Economist. Responsible for research, testimony, and FCC comments on pricing, market structure, and product costing issues.

Paola High School, Paola, Kansas, July 1980 to June 1984

Vocational Agriculture Instructor. Taught production agriculture, agribusiness economics, and leadership.

University of Nebraska, North Platte Station, January 1980 to June 1980

Farm Business Fieldman. Managed the West Central Nebraska Farm Business Association.

EDUCATION

Master of Science, Agricultural Economics, Kansas State University, 1980.
Bachelor of Science, Agricultural Education, Kansas State University, 1978.

AFFILIATIONS

American Economic Association
Industrial Organization Society
Eastern Economic Association

PAPERS AND PRESENTATIONS

Jamison, Mark A. *Sustainable Prices and Cross-Subsidization in Monopolies.* Presented at the 1994 Annual Conference of the Eastern Economic Association, Boston, Massachusetts, March 18-20, 1994.

Jamison, Mark A. *Traditional Support for "Universal Service": Implications for Lifting InterLATA Restrictions.* December 27, 1993. (unpublished).

Jamison, Mark A. *Impacts of Access Policies on Interexchange Competition.* Presented at the 25th Annual Conference of the Michigan State University Institute of Public Utilities, Williamsburg, Virginia, December 13, 1993.

Weinhaus, Carol; Pitts, Teresa; et. al. *Beyond Future Shock: The Need for a New Regulatory Response to Technological Change.* Telecommunications Industries Analysis Project, University of Southern California, Los Angeles, CA, November 13, 1993.

Weinhaus, Carol; Ralston, Teresa; et. al. *Breaking the Mold: Changing Policies to Meet Customer Needs.* Telecommunications Industries Analysis Project, University of Southern California, Los Angeles, CA, July 26, 1993.

Weinhaus, Carol; Makeeff, Sandra; et. al. *What is the Price of Universal Service? Impact of Deaveraging Nationwide Urban/Rural Rates.* Telecommunications Industries Analysis Project, University of Southern California, Los Angeles, CA, July 26, 1993.

Weinhaus, Carol; Jamison, Mark; Monroe, Terry; et. al. *Square Pegs and Round Holes: Mismatches Between Government Policies and Converging Communications Markets.* Telecommunications Industries Analysis Project, University of Southern California, Los Angeles, CA, April 16, 1993.

Weinhaus, Carol; Makeeff, Sandra; Jamison, Mark; et. al. *Who Pays Whom? Cash Flow for Some Support Mechanisms and Potential Modeling of Alternative Telecommunications Policies.* Program on Information Resources Policy, Harvard University, Cambridge, MA, November 15, 1992.

Jamison, Mark A. *Costing Issues with Expanded Interconnection.* Presented at the 1992 National Communications Forum, Chicago, IL, October 12, 1992.

Weinhaus, Carol; Jamison, Mark; Copeland, Peter; Harris, Dan; and Sichter, Jim. *New Wine and Old Wineskins: Modeling Effects of Competition and Expanded Interconnection in the Local Exchange.* Program on Information Resources Policy, Harvard University, Cambridge, MA, July 27, 1992.

Weinhaus, Carol and Jamison, Mark. *Update on Modeling Process and Key Components of Technology Deployment.* Program on Information Resources Policy, Harvard University, Cambridge, MA, July 21, 1991.

Weinhaus, Carol and Jamison, Mark. *Examples of Modeling -- Transport and Other Issues.* Program on Information Resources Policy, Harvard University, Cambridge, MA, July 21, 1991.

Nagel, Dennis and Jamison, Mark. *The Usefulness of Marginal and Incremental Costs in Telephone Regulation.* NRRI Symposium on Telephone Cost of Service, 1990.

Jamison, Mark A. *Should Fixed Costs be Allocated?* Presented at the Annual Meeting of the American Economics Association, Washington, D.C., 1990.

Jamison, Mark A. *Developing Regulatory Costing Methodologies for Evolving Markets.* Presented at the Bellcore and Bell Canada Industry Forum on Telecommunications Costing in a Dynamic Environment, April 5-7, 1989.

Jamison, Mark A. *Social Contract Regulation: Have We Been This Way Before?* NRRI Quarterly Bulletin 9 (July 1988): 299-310.

Jamison, Mark A. *Applying Part X Allocations to Intrastate Costs.* Proceedings of the Fourteenth Annual Rate Symposium, Columbia: University of Missouri, February 10, 1988.

Jamison, Mark A. *The FCC's Decision in CC Docket 86-111 -- Segregation of Costs Between Regulated and Nonregulated Products and Services.* Presented at the NARUC Summer Committee Meetings, San Francisco, July 20, 1987.

Jamison, Mark A. and Brevitz, David. *New Techniques for Segregating Costs between Regulated and Unregulated Services and between Different Common Carrier Services.* in Harry M. Trebing and Patrick C. Mann, editors, New Regulatory and Management Strategies in a Changing Market Environment. East Lansing: Institute of Public Utilities, 1987, pp. 252-280.

TEACHING

NARUC Annual Regulatory Studies Program, Michigan State University, 1987, 1989-present.

NARUC Biennial Advanced Regulatory Studies Program, Michigan State University, 1990.

Telecommunications Utilities and Regulation course, Public Utility Institute, University of Wisconsin - Madison, 1990.

Workshops on Telecommunications Costing and Pricing, Public Utility Research Center, University of Florida, 1990, 1993.

Certificate of Service

The undersigned hereby certifies that the true and correct copy of the foregoing was mailed, postage prepaid, the 5th day of May, 1994 to the parties on the attached service list.

Rhonda McLearen

Michael T. Mulcahy, Esq.
Ohio Bell Telephone Co.
'5 Erieview Plaza, #1400
Cleveland, OH 44114

William S. Newcomb, Jr.
Vorys, Sater, et al.
52 E. Gay Street
Columbus, OH 43216-1008

Cecil Simpson, Jr., Gen. Atty.
Dept. of the Navy, JAG Office
901 N. Stuart Street
Arlington, VA 22203-1837

Joseph P. Meissner, Esq.
Dir. of Urban Development
1223 W. 6th Street
Cleveland, OH 44113

Patty Butwin
AT&T
65 E. State St., Suite 1500
Columbus, OH 43215-4203

Bruce J. Weston
169 W. Hubbard Avenue
Columbus, OH 43215-1439

Barry Cohen, Esq.
Office of the Consumers' Counsel
77 S. High Street
Columbus, OH 43266

Gena Doyscher
External Affairs
730 2nd Ave. S., Suite 1200
Minneapolis, MN 55402-2467

Karin Rilley
Office of the Attorney General
30 E. Broad St., 15th Floor
Columbus, OH 43266-0410

Ann E. Henkener, Esq.
Public Utilities Commission of Ohio
180 E. Broad St., 7th Floor
Columbus, OH 43255-0573

Joseph M. Patchen
Carlile Patchen & Murphy
366 E. Broad Street
Columbus, OH 43215

Ellis Jacobs
Legal Aid Society of Dayton
333 W. First St., Suite 500
Dayton, OH 45402

Douglas W. Trabaris, Esq.
MCI Telecommunications
205 N. Michigan Ave.,
Suite 3200
Chicago, IL 60601

Kerry Bruce
Dept. of Public Utilities
One Gov. Center, Suite 1520
Toledo, OH 43604

Susan Weinstock
AARP
601 E Street, N.W.
Washington, DC 20049

Sally W. Bloomfield
Bricker & Eckler
100 S. Third Street
Columbus, OH 43215

William Ondrey Gruber
Chief Asst. Dir. of Law
601 Lakeside Ave., Room 106
Cleveland, OH 44114

Sheldon A. Taft
52 E. Gay Street
P.O. Box 1008
Columbus, OH 43216-1008

Judith B. Sanders, Esq.
Bell, Royer & Sanders
33 S. Grant Avenue
Columbus, OH 43215-3927

Randy J. Hart
200 Public Square
3300 BP America Bldg.
Cleveland, OH 44114

Gregory J. Dunn, Esq.
Crabbe, Brown, et al.
500 S. Front St., Suite 1200
Columbus, OH 43215

Robin P. Charleston
AT&T of Ohio, Inc.
227 W. Monroe St., Floor 6N
Chicago, IL 60606

Janine Migden
Hahn Loeser & Parks
431 E. Broad St., Suite 200
Columbus, OH 43215-3820

John W. Bentine, Esq.
Chester, Willcox & Saxbe
17 S. High St., Suite 900
Columbus, OH 43215

Sandy Williams
United Telephone of Ohio
P.O. Box 3555
Mansfield, OH 44907

Samuel C. Randazzo
Emens, Kegler, et al.
65 E. State St., Suite 1800
Columbus, OH 43215

Daniel A. Malkoff
Asst. Attorney General
30 E. Broad St., 26th Fl.
Columbus, OH 43215-3428

William A. Adams
Arter & Hadden
10 W. Broad Street
Columbus, OH 43215

Dennis K. Muncy
Meyer, Capel, et al.
306 W. Church St.
Champaign, IL 61826