

OHIO BELL TELEPHONE COMPANY

CASE NO. 93-487-TP-ALT
Direct Testimony

CASE NO. 93-576-TP-CSS
Supplemental Direct Testimony

OF
BETH E. HIXON

ON BEHALF OF THE
STATE OF OHIO
OFFICE OF THE CONSUMERS' COUNSEL
77 South High St.
15th Floor
Columbus, OH 43266-0550
614-466-8574

MAY 5, 1994

CASE NOS. 93-472-TP-ALT, 93-576-TP-CSS
OHIO BELL TELEPHONE COMPANY
TESTIMONY OF BETH E. HIXON
TABLE OF CONTENTS

	<u>Page</u>
I. <u>PURPOSE OF TESTIMONY</u>	1
II. <u>ISSUES</u>	3
A. <u>ACCUMULATED DEFERRED TAXES</u>	3
1. <u>Accelerated Depreciation & Software</u>	3
2. <u>Deferred Tax Balances Short-Term in Nature</u>	4
3. <u>SFAS 106</u>	5
B. <u>UNCLAIMED FUNDS</u>	5
C. <u>ARTWORKS</u>	6
D. <u>INCENTIVE COMPENSATION</u>	6
E. <u>MATERIALS AND SUPPLIES EXPENSE</u>	7
F. <u>MEDICAL AND DENTAL EXPENSE</u>	8
G. <u>PENSION COSTS</u>	9
H. <u>OHIO BELL/AMERITECH LOGO CHANGE ACCRUAL</u>	10
I. <u>WAGES AND BENEFITS</u>	10
J. <u>PROPERTY TAXES</u>	11
K. <u>AMORTIZATION OF EXCESS DEFERRED INCOME TAXES</u>	11
L. <u>OHIO BELL/AMERITECH LOGO CHANGE ADVERTISING</u>	13
III. <u>ATTACHMENTS</u>	
D OCC Interrogatories Nos. 599 through 602	
IV. <u>SCHEDULES</u>	
BEH-1A through BEH-14A	

1 I. PURPOSE OF TESTIMONY

2 Q. Please state your name and business address.

3 A. My name is Beth E. Hixon. My business address is 767 Hopetown
4 Rd. C-3, Chillicothe, Ohio 45601.

5
6 Q. Have you previously filed testimony in OCC's complaint case,
7 Case No. 93-576-TP-CSS?

8 A. Yes. On February 4, 1994 I filed testimony in Case No. 93-
9 576-TP-CSS which addressed and quantified various rate base
10 and operating income issues. I hereby incorporate by
11 reference that testimony in its entirety into Case No. 93-487-
12 TP-ALT. References herein to my "previous" or "prior"
13 testimony are to my initial testimony filed in OCC's complaint
14 case.

15
16 Q. Is the incorporation of your prior testimony into Case No 93-
17 487-TP-ALT the sole purpose of this supplemental testimony?

18 A. No. My supplemental testimony also explains how adjustments
19 presented in my prior testimony relate to the Staff Report in
20 Case No. 93-487-TP-ALT. This testimony addresses:

- 21 - Issues from my prior testimony which are reflected in the
22 Staff Report; and
23 - Issues from my prior testimony which are not reflected in
24 the Staff Report and for which OCC has filed objections
25 to the Staff Report.

26 I have also determined the impact of my positions on

these issues upon Staff's recommended rate base and operating
income. In so doing, I have revised and added schedules to my
previously filed complaint case testimony. Adjustments to the
Staff Report presented in these schedules have been provided
to Mr. Chan who has incorporated these issues into his summary
schedules.

There is still discovery outstanding at the time of the
preparation of this testimony. I reserve the right to modify,
amend, or add to my testimony based on the Company's responses
to that discovery, changes to Staff's position as presented in
the Staff Report, and changes to the Company's position as
presented in its filings.

II. ISSUES

A. ACCUMULATED DEFERRED TAXES

1. Accelerated Depreciation & Software

Q. What amount of accumulated deferred taxes related to accelerated depreciation and software did Staff use as a rate base deduction in the Staff Report?

A. On Schedule B-6 Staff reflected an adjusted jurisdictional rate base deduction of \$433,922,000 related to accelerated depreciation and software. To arrive at this amount Staff began with the total company balance, adjusted for the difference between FCC and PUCO depreciation reserve levels, adjusted for portions related to nonregulated services and CATV/SNFA, and then applied a jurisdictional allocation factor.

Q. Did these Staff adjustments to the total company amount include any reduction "to adjust deferred taxes to reflect the portion applicable to plant in service" as the Company did in its filing?

A. No. Staff did not make such an adjustment. As I explained in my direct testimony in Case No. 93-576-TP-CSS, the Company's adjustment to the deferred taxes improperly assigned a portion of these deferred taxes to plant under construction. Since Staff has not made this adjustment, Staff has properly reflected that no portion of the deferred taxes should be assigned to plant under construction.

Because Staff's treatment is consistent with my recommendation in my previous testimony, Schedule BEH-1A reflects no adjustment to the Staff Report.

2. Deferred Tax Balances Short-Term in Nature

Q. What was Staff's treatment of deferred tax balances related to vacation pay and lien date property taxes which the Company eliminated from its determination of rate base deductions?

A. On Schedule B-6.2, lines 7 and 9, Staff eliminated from rate base deductions the accumulated deferred taxes related to vacation pay and lien date property taxes. The amount of deferred taxes which Staff eliminated from rate base deductions was \$22,883,000 on a total company basis.

Q. Should the Commission accept Staff's adjustment to eliminate these deferred taxes from rate base deductions?

A. No. Amounts for these two deferred tax items should be used in determining the rate base deduction for accumulated deferred taxes. As I indicated in my previous testimony, the Company claims these short-term items should be eliminated since they do not provide a long term source of funds. This is incorrect, because as these deferred tax balances are reversed, they will be replaced by new deferred taxes related to vacation pay and property taxes. Recognizing these items as rate base deductions is consistent with the Commission's treatment of deferred tax balances related to vacation pay and

property taxes in Ohio Bell's last four rate cases.

2
3 Q. What is the effect of reversing Staff's adjustment to
4 eliminate these deferred income taxes from rate base
5 deductions?

6 A. As shown on Schedule BEH-2A, reversal of Staff's adjustment
7 increases the adjusted jurisdictional balance of accumulated
8 deferred incomes taxes to be deducted from rate base by
9 \$17,891,000.

10
11 3. SFAS 106

12 Q. What is Staff's treatment of accumulated deferred taxes
13 related to post retirement employee benefits under SFAS 106?

(4 A. Staff, in its determination of Other Rate Base Items on
15 Schedule B-6, has included as a reduction to rate base a
16 jurisdictional credit balance of \$270,000 in deferred income
17 taxes related to SFAS 106. As I explained in my previous
18 testimony, this deferred tax item should not be considered for
19 rate base purposes because tax normalization for post
20 retirement benefits under SFAS 106 for ratemaking purposes has
21 not been authorized for Ohio Bell by the Commission. As shown
22 on Schedule BEH-3A, the effect of eliminating this rate base
23 deduction is to increase rate base by \$270,000.

24
25 B. UNCLAIMED FUNDS

26 Q. Has Staff made a rate base deduction for unclaimed funds?

1 A. Yes, on Schedule B-6 Staff has reduced rate base by \$2,262,000
2 for unclaimed funds. Because Staff has treated unclaimed
3 funds as a rate base deduction, as I recommended in my
4 previous testimony, Schedule BEH-4A reflects that no
5 adjustment to the Staff Report is necessary.
6

7 C. ARTWORKS

8 Q. Has Staff included artworks in plant in service in its
9 determination of plant in service?

10 A. Yes. On Schedule B-2, Staff has included \$194,000 of artworks
11 in Account 2122.2 in jurisdictional plant in service.
12

13 Q. Should this artwork be included in rate base in this case?

14 A. No. As I stated in my previous testimony, the cost of
15 artworks should not be recognized for ratemaking. This
16 position is consistent with Staff's position in its
17 investigation in Ohio Bell's last rate case and with the
18 Commission's findings in other telephone rate cases. Thus, I
19 recommend that an adjustment be made to reduce Staff's rate
20 base by \$194,000, as shown on Schedule BEH-5A.
21

22 D. INCENTIVE COMPENSATION

23 Q. Has Staff included expenses for incentive compensation
24 programs for employees in determining operating income?

25 A. Yes. Labor expense shown on Schedule C-3.5 includes costs for
26 the Company's incentive compensation programs for non-

management and management incentive awards. As I have
calculated on Schedule BEH-6A and BEH-6.1A, Staff's
jurisdictional expenses for these programs are:

	<u>(\$000)</u>
Non-Management Success Sharing	2,842
Senior Mgt. Long & Short Term Awards	516
Management Team Incentive	3,314
Management Individual Incentive	<u>2,235</u>
Total	<u>8,907</u>

Q. Should the Commission use Staff's \$8,907,000 incentive
compensation expense in determining operating income?

A. No. For the reasons presented in my previous testimony, I
recommend that all expenses for the Non-Management Success
Sharing Plan, the Senior Management Long Term Awards, and the
Senior Management Short Term Awards, and 65% of the expenses
for the Management Team Incentive and Individual Incentive
programs, be eliminated from the determination of operating
income. This recommendation results in a \$6,966,000 reduction
to Staff's expenses as shown on Schedule BEH-4A.

E. MATERIALS AND SUPPLIES EXPENSE

Q. In your previous testimony you described a \$5,000,000 Kukla
View adjustment made by the Company to increase 1993 total
company forecasted materials and supplies. What was Staff's
treatment of this Company adjustment?

A. Staff rejected the Company's adjustment to increase 1993
materials and supplies by \$5,000,000 to the Kukla View level.
Staff adjusted 1993 materials and supplies to reflect the

amount contained in the Company 1993 Monthly Commitment View (MCV). Staff's adjustment increased 1993 total company forecasted material and supplies expense by only \$2,488,000 for a decrease to jurisdictional expenses of \$1,871,000.

I support Staff's rejection of the Company's Kukla View adjustment. As I testified previously, this adjustment should be rejected. There was no indication that the Annual Commitment View was not reliable, no explanation why a modification was necessary, and no indication why the Kukla View was more appropriate than the Annual View. Because Staff has rejected the Company's Kukla View for materials and supplies, I recommend that Staff's proposed adjustment using the Monthly Commitment View be accepted. Thus, no adjustment to the Staff Report is reflected on Schedule BEH-7A.

F. MEDICAL AND DENTAL EXPENSE

Q. In your previous testimony you explained that the Company's unadjusted total company medical and dental expenses for the test year consisted of three months actual 1992 data and nine months forecasted data for 1993. Did Staff make any adjustments to these Company medical and dental expenses in determining operating income in the Staff Report?

A. No. Staff made no adjustments to test year medical and dental expenses. For the reasons presented in my previous testimony, I recommend that the Company's 1993 estimated medical and

1 dental expense used in determining test year expense not be
2 accepted, and that to correct for the Company's tendency to
3 overestimate these expenses the estimated annual expense for
4 1993 be based on the monthly expenses actually recognized by
5 the Company for January through September 1993. Schedule
6 BEH-8A reflects that the effect of this recommendation upon
7 the Staff Report's operating expenses is a reduction to
8 jurisdictional expense of \$2,286,000.

9
10 G. PENSION COSTS

11 Q. What level of pension expense did Staff use in determining
12 operating income?

13 A. Staff stated, on Staff Report page 17, that it disagreed with
14 the Company's Exhibit 93C-3.6 adjustment to increase base year
15 pension expense. As I explained in my prior testimony, this
16 Company adjustment increased total company pension expense by
17 \$8,643,000, from (\$24,639,000) to (\$15,996,000). Because
18 Staff rejected this Company adjustment, the total company
19 pension expense used by Staff was (\$24,639,000).

20
21 A. What level of pension expense should be used in this case?

22 Q. For the reasons stated in my prior testimony, I recommend that
23 the Company's pension expense be based upon the most recent
24 actuarial study done to determine Ohio Bell's pension costs.
25 Schedule BEH-9A reflects a decrease of \$34,000 to the Staff's
26 jurisdictional pension expense which is the impact of using

1 the total company pension expense of (\$24,691,000) as
2 calculated on BEH-9.1A.
3

4 H. OHIO BELL/AMERITECH LOGO CHANGE ACCRUAL

5 Q. In your previous testimony you recommended that \$7,796,000 of
6 accruals related to "changing building, motor vehicle, and
7 other signage" for the transformation from the Ohio Bell logo
8 to the new Ameritech logo should be eliminated from total
9 company test year expenses. What was Staff's treatment of
10 these test year costs?

11 A. Staff made no adjustment to the Company's test year costs
12 related to changing to a new logo. For the reasons presented
13 in my previous testimony, my Schedule BEH-10A reflects the
14 effect on the Staff Report of eliminating this \$7,796,000 from
15 test year expenses. This elimination results in a reduction
16 to Staff Report jurisdictional expenses of \$5,780,000.
17

18 I. WAGES AND BENEFITS

19 Q. What employee levels did Staff use in its annualization of
20 wages?

21 A. Staff used the actual September 1993 employee headcount to
22 annualize wages in the Staff Report. Because Staff's
23 annualization used the actual employee levels as of the end of
24 the test year, as I recommended in my previous testimony,
25 Schedule BEH-11A reflects no adjustment to the Staff Report.
26

J. PROPERTY TAXES

Q. What property tax rates did Staff use in determining operating income in this case?

A. Staff used the latest known actual property tax rate to calculate property tax on Schedule C-3.14. Because Staff has used the latest known actual rates, as I recommended in my previous testimony, Schedule BEH-12A reflects no adjustment to the Staff Report.

K. AMORTIZATION OF EXCESS DEFERRED INCOME TAXES

Q. In your previous testimony you recommended that the Commission should flow back, over a three year period, the Company's balance of unrestricted excess deferred taxes resulting from TRA 86. Did Staff make any recommendation or adjustments related to these excess deferred taxes?

A. No.

Q. Subsequent to the preparation of your previous testimony, did you receive additional information regarding the Company's excess deferred taxes?

A. Yes. The Company's responses to OCC Interrogatories Nos. 599 through 602 dealt with excess deferred taxes. (See Attachment D.) In response to Interrogatory No. 599c, the Company indicated that in its filing, on WPC93C-2d, it reflected the amortization of "unrestricted deferred tax surplus, as stated in PUCO Staff Data Request No. 29" over the "life of the

timing differences that gave rise to the excess."

According to the Company's response to Interrogatory No. 602a, the amount of unrestricted excess deferred taxes being amortized in the filing was "unknown and not readily available." The Company's response to OCC Interrogatory No. 602d stated that amounts in the filing represent "the income statement amortization of a balance sheet amount calculated at a 34% federal income tax rate."

These responses indicate that the filing reflects an amortization of unrestricted excess deferred taxes. However, the Company has amortized these amounts "over the life of the timing differences that gave rise to the excess" rather than over a three year period as the Commission has authorized in rate cases for other utilities. Since the amount being amortized is "unknown and unavailable," it is not possible to determine what amount is reflected in the filing. In addition, the amortization is calculated at a 34% tax rate, not a 35% rate.

In determining federal income taxes, Staff made no adjustment to the total company amortization on Company WP93C-2d. Thus, the Staff Report reflects an amortization of an amount of excess deferred taxes, at a 34% tax rate, over the life of the timing difference which created the excess.

Both the Company's responses to discovery and Staff's treatment of unrestricted excess deferred taxes indicate the Staff Report does not reflect an amortization of the Company's

1 unrestricted excess deferred taxes, at a 35% tax rate, over a
2 three year period. Since the amount of unrestricted excess
3 deferred taxes being amortized at 34% in the Company's filing
4 is unknown, I recommend that the amount of unrestricted excess
5 deferred taxes resulting from TRA 86 at 35%, which was
6 provided by the Company in response to Staff Data Request No.
7 29, be flowed back over a three year period. Schedule BEH-13A
8 reflects the resulting reduction of \$3,169,000 to
9 jurisdictional federal income tax expense in the Staff Report.
10

11 L. OHIO BELL/AMERITECH LOGO CHANGE ADVERTISING

12 Q. What was Staff's treatment of test year advertising expenses
13 related to the change in the Company's name and logo from Ohio
14 Bell to Ameritech?

15 A. Staff made no adjustments to the Company's test year
16 advertising costs. Thus, the Staff Report includes the
17 unadjusted test year levels of advertising related to the
18 Company's name and logo change.
19

20 Q. Should the Company's advertising related to its name and logo
21 change be included in expenses for this case?

22 A. No. As I stated in my previous testimony, these expenses are
23 for institutional advertising that is non-recurring. On
24 Schedule BEH-14A I have eliminated \$4,345,000 in total company
25 expenses for advertising costs related to the Company's name
26 and logo change. This results in a decrease to Staff Report

1 jurisdictional expenses of \$3,262,0000. This adjustment
2 differs from the adjustment on Schedule BEH-14 of my prior
3 testimony because it also eliminates test year total company
4 advertising costs of \$1,927,000 contained in Account 6613-92
5 for the "Ameritech Brand Debut" campaign. According to
6 discovery responses received after the preparation of my prior
7 testimony, this advertising campaign was to inform customers
8 of the name change and to assure them that "the high level of
9 products and services they had grown to expect from Ohio Bell
10 would continue under the new name." Such expenses are non-
11 recurring institutional advertising and should be excluded
12 from expenses for ratemaking.

13
14 Q. Does this conclude your testimony?

15 A. Yes. However, I reserve the right to modify or amend my
16 testimony on Company responses to additional discovery,
17 changes to the Staff's position as presented in the Staff
18 Report, and changes to the Company's position as presented in
19 its filings.

599. Referring to the "Total Unrestricted Deferred Tax Surplus" in the Company's response to Staff Data Request No. 29:

- a) What is the Company's treatment in its filing for unrestricted deferred tax surplus?
- b) On what schedules and workpapers is the treatment reflected?
- c) If the Company's treatment was to amortize the surplus, what are the amounts amortized and the amortization period?

a) The Company amortizes its unrestricted and restricted deferred tax surplus over the life of the timing difference that gave rise to the excess. The unrestricted and restricted portions of deferred tax surplus have not been separately identified.

b) WP 93C-2d.

c) The amount of unrestricted deferred tax surplus, as stated in PUCO Staff Data Request No. 29, is amortized over the life of the timing difference that gave rise to the excess.

OCC INTERROGATORIES NO. 15

600. Referring to the "amortization of prior years deferred income taxes" on WP 93C-2, page 2 and "deferred tax surplus" on WP 93C-2d, page 3, do these amounts reflect an amortization of unrestricted excess deferred taxes resulting from the Tax Reform Act of 1986?

Yes.

OCC INTERROGATORIES NO. 15

601. If the response to OCC Interrogatory No. 600 is negative,
what do these deferred tax items represent?

Not applicable.

OCC INTERROGATORIES - NO. 15

602. If the response to OCC Interrogatory No. 600 is affirmative:

- a) What is the amount of unrestricted excess deferred taxes being amortized?
- b) If the filing's amortization reflects the surplus at a 34% tax rate, what is the amount reflecting a 35% tax rate?
- c) What is the amortization period used?
- d) How are the amounts used in the filing, and the responses to Subparts (a) through (c) of this Interrogatory, related to amounts provided in the Company's response to Staff Data Request No. 29?

-
- a) The requested information is unknown and not readily available. Ohio Admin. Code §4901-1-19(B).
 - b) Objection. Vague and indefinite as to what is meant by "surplus" (i.e. restricted or unrestricted) and therefore incapable of being answered with a reasonable degree of certainty. However, without waiving its objection, Applicant can state that total company surplus at 35% equals \$11,236,000 for 1993.
 - c) Objection. Repetitive. Requested information has been previously provided in response to OCC Set No. 15, Interrogatory No. 599c. Hutter v. Frederickson, 58 F.R.D. 52 (E.D. Wisc. 1972); Cummings v. Bell Tel. Co. Pa., 272 F. Supp. 9 (E.D. Pa. 1967).

OCC INTERROGATORIES NO. 15 (QUESTION 602 CONTINUED)

- d) The amounts provided in PUCO Staff Data Request No. 29 represents the balance sheet amount as of 12/31/92 calculated at a 35% federal income tax rate. The amounts provided in the filing represent the income statement amortization of a balance sheet amount calculated at a 34% federal income tax rate.

Schedule BEH-1A

Ohio Bell Telephone Company
Rate Base: Accumulated Deferred Taxes
Accelerated Depreciation & Software
(\$000)

No adjustment; Staff Report Schedule B-6 reflects no portion of
these deferred taxes assigned to plant under construction

Schedule BEH-2A

Ohio Bell Telephone Company
Rate Base: Accumulated Deferred Taxes
Balances Short Term in Nature
(\$000)

Eliminate Staff adjustments to:

Vacation Pay	(a)	11,877		11,877
Lien Date Property Taxes	(a)		(34,760)	(34,760)
Adjusted Total Company		11,877	(34,760)	(22,883)
Non regulated	(b)	(606)	205	(401)
CATV & SNFA	(c)	(13)	77	64
Adjusted Total Company Regulated		11,258	(34,478)	(23,220)
Jurisdictional Allocation	(d)	0.770524	0.770524	
Deduction to Rate Base		8,675	(26,566)	<u>(\$17,891)</u>

(a) Staff Report Schedule B-6.2, page 1

(b) Staff Report Schedule B-6.1 Vacation Pay 0.0510
Property Taxes 0.0059

(c) Company Exhibit 92A3.1A

(d) Staff Report Schedule B-6

Schedule BEH-3A

Ohio Bell Telephone Company
Rate Base: Accumulated Deferred Taxes
SFAS Post Retirement Benefits
(\$000)

Eliminate Deferred Income Taxes related to SFAS 106	(a)	<u>270</u>
Deduction to Rate Base		<u><u>\$270</u></u>

(a) Staff Report Schedule B-6

Schedule BEH-4A

Ohio Bell Telephone Company
Rate Base: Unclaimed Funds
(\$000)

No adjustment; Staff Report Schedule B-6 includes unclaimed funds

Schedule BEH-5A

Ohio Bell Telephone Company
Rate Base: Artworks
(\$000)

Account 2122.2 - Art works (a) (194)

Deduction to Rate Base: (\$194)

(a) Staff Report Schedule B-2

Ohio Bell Telephone Company
Operating Expenses: Incentive Compensation
(\$000)

	Adjusted Total Company (a)	O & M Allocation (a)	Total Company O&M	Total Company "Adjustments" (a)	Total Company Adjusted	Jurisdictional Composite Factor (a)	Jurisdictional Adjustment
Eliminate: (b)							
Non-Management Success Sharing Program	(4,319)	0.8713	(3,763)	129	(3,634)	0.782139	(2,842)
Senior Management Short and Long Term Awards	(745)	0.9173	(683)	23	(660)	0.782139	(516)
	(5,064)		(4,446)	152	(4,294)		(3,358)
Eliminate 65% of : (b)							
Management Team Incentive	(3,110)	0.9173	(2,853)	98	(2,755)	0.782139	(2,155)
Management Individual Incentive	(2,098)	0.9173	(1,924)	66	(1,858)	0.782139	(1,453)
	(5,208)		(4,777)	164	(4,613)		(3,608)
Total Adjustment to Incentive Compensation Expense	(10,272)		(9,223)	316	(8,907)		(\$6,966)

(a) Schedule BEH 6.1A
(b) See Testimony

Ohio Bell Telephone Company
Operating Income Incentive Compensation
Determination of Total Company Test Year Amounts
(\$000)

		Non-Mgt. Success Sharing	Senior Mgt. Short and Long Term	Mgt. Team Incentive	Mgt. Individual Incentive	Total
1993 Estimate	(a)		792	5,197	3,436	
1993 Allocation	(a)		0.7452	0.7452	0.7452	
1993 in Test Year			590	3,873	2,561	
Fourth Quarter 1992	(a) & (b)		155	911	666	
Test Year	(c)	4,319	745	4,784	3,227	13,075
Expense Ratio	(d)	87.131%	91.731%	91.731%	91.731%	
Total Company O&M		3,763	683	4,388	2,960	11,794
Total Company Adjustments	(e)	(129)	(23)	(151)	(102)	
Total Regulated Adjusted		3,634	660	4,237	2,858	11,389
Jurisdictional Allocation	(f)	0.782139	0.782139	0.782139	0.782139	
Jurisdictional Amount		2,842	516	3,314	2,235	8,907

(a) Staff Report Schedule C-3.5 and Staff Workpapers

(b) 4th Quarter Accrual Total Incentive (WP 93C-1.6a.1.a) 1,732

Less: 4th Quarter Accrual Team & Individual (WP 93C-3.4, page 4) 1,577

Equals 4th Quarter Accrual for Senior Mgt. Short and Long Term 155

(c) Non-Mgt. per Staff Workpapers

(d) Staff Report Schedule C-3.5

(e) Staff Report Schedule C-2.1 (Accounts 6112 through 6720)

Nonregulated, CATV, & SNFA factor for Total Operating Expenses

Total Regulated Adjusted 1,370,806

Total Company Adjusted 1,419,644

Adjustment Factor 0.0344

(f) Staff Report Schedule C-2 (Accounts 6112 through 6720)

Jurisdiction Allocation factor for Total Operating Expenses

Jurisdictional Adjusted 1,072,161

Total Regulated Adjusted 1,370,806

Jurisdictional Allocation 0.782139

Schedule BEH-7A

Ohio Bell Telephone Company
Operating Income: Materials and Supplies Expense
(\$000)

No adjustment to Staff Report

Schedule BEH-8A

Ohio Bell Telephone Company
Operating Income: Medical and Dental Expenses
(\$000)

Medical Expense:

January - June 1993	(a)	21,696	
July - September 1993	(a)	9,500	
Estimated October - December 1993	(a)	9,500	
Annual Medical Expense		<u>40,696</u>	
Company Annual 1993 Medical Expense	(b)	43,600	
Adjustment to Total Company 1993 Annual Medical Expense		<u>(2,904)</u>	
1993 Allocation	(c)	0.7452	
1993 Medical Expense in Test Year		<u>(2,164)</u>	
Total Company Adjustments	(d)	74	
Total Company Adjusted		<u>(2,090)</u>	
Composite Jurisdictional Allocation	(e)	0.782139	
Adjustment to Jurisdictional Medical Expense			(1,635)

Dental Expense:

Annualized Dental Expense	(f)	4,560	
Company Annual 1993 Dental Expense	(b)	5,717	
Adjustment to Total Company 1993 Annual Medical Expense		<u>(1,157)</u>	
1993 Allocation	(c)	0.7452	
1993 Dental Expense in Test Year		<u>(862)</u>	
Total Company Adjustments	(d)	30	
Total Company Adjusted		<u>(832)</u>	
Composite Jurisdictional Allocation	(e)	0.782139	
Adjustment to Jurisdictional Dental Expense			(651)

Adjustment to Jurisdictional Medical and Dental Expenses (\$2,286)

(a) OCC Interrogatory No. 491

(b) WP 93C-1.5a

(c) WP 93C-1.1b.3

(d) Adjustment Factor .0344 - Schedule BEH-6.1, footnote (e)

(e) Schedule BEH-6.1A, footnote (f)

(f) See Testimony and OCC Interrogatory No. 491 (380 x 12 = 4,560)

Schedule BEH-9A

Ohio Bell Telephone Company
Operating Income: Pension Expense
(\$000)

Total Company Pension Cost based on January, 1993 Actuarial Study	(a)	(24,691)
Staff Report Pension Cost	(b)	<u>(24,639)</u>
Adjustment to Total Company Pension Cost		(52)
Charged to Construction	(c)	<u>(6)</u>
		(46)
Total Company Adjustments	(d)	<u>(2)</u>
Adjusted Total Company		(44)
Composite Jurisdictional Allocation	(d)	<u>0.782139</u>
Adjustment to Staff Jurisdictional Pension Expense		<u><u>(\$34)</u></u>

(a) Schedule BEH-9.1A

(b) Staff Report page 17 and Company WP93C-3.6

(c) WP93C-3.6; Construction charges factor - .1150

(d) Schedule BEH-6.1A, footnotes (e) and (f)

Ohio Bell Telephone Company
 Operating Income: Pension Expense
 Total Company Pension Expense based on January, 1993 Actuarial Study
 (\$000)

		Management Plan	Non-Management Plan	Total
Ameritech Pension Expense	(a)	6,931	(124,123)	
Allocation to Ohio Bell	(a)	10.5419%	18.9848%	
Ohio Bell Pension Expense	(a)	731	(23,565)	(22,834)
AT & T Reimbursements	(b)	(783)	(1,074)	(1,857)
Ohio Bell Gross Pension		(52)	(24,639)	(24,691)

(a) OCC Request for Production of Documents No. 191

Ameritech 1992 Actuarial Report for Pension Expense (January, 1993)
 Exhibit B, pages II-5, II-7

(b) OCC Request for Production of Documents No. 130

AT&T Reimbursements as Percentage of Ameritech Pension:

	Management	Non-Management
1993 Budgeted Pension:		
Ameritech Pension	10,000	(80,000)
AT&T Reimbursements	1,129	692
per Ohio Bell Assumptions	11.2900%	-0.8650%

Pension per 1/93 Report:

Ameritech Pension	6,931	(124,123)
AT&T Reimbursements	783	1,074

Schedule BEH-10A

Ohio Bell Telephone Company
Operating Income: Ohio Bell/Ameritech Logo Change Accrual
(\$000)

Eliminate December, 1992 accrual to Account 6121 for changing building, motor vehicle and other signage	(a)	(7,696)
Total Company adjustments	(b)	<u>(234)</u>
Adjusted Total Company		(7,462)
Jurisdictional Allocation	(c)	<u>0.774653</u>
Jurisdictional Adjustment to Account 6121		<u><u>(\$5,780)</u></u>

- (a) OCC Interrogatory No. 465
(b) Staff Report Schedule C-2.1, Account 6121 Adjustment Factor 0.0304
(c) Staff Report Schedule C-2, Account 6121

Ohio Bell Telephone Company
Operating Income: Wages and Benefits
(\$000)

No adjustment; Staff Report Schedule C-3.5 reflects end of test year employee levels

Schedule BEH-12A

Ohio Bell Telephone Company
Operating Income: Property Taxes
(\$000)

No adjustment; Staff Report Schedule C-3.14 reflects latest known actual rates

Schedule BEH-13A

Ohio Bell Telephone Company
 Operating Income: Federal Income Taxes
 Amortization of Excess Deferred Taxes
 (\$000)

Unrestricted Deferred Tax Surplus as of 12/31/92 resulting from TRA 86	(a)	12,448
Total Company Adjustments	(b)	<u>(86)</u>
Total Company Adjusted		12,362
Jurisdictional Allocation	(c)	<u>0.769118</u>
Jurisdictional Amount		9,508
Amortization Period - Years	(d)	<u>3</u>
One Year Amortization's reduction to Deferred Taxes		<u><u>(\$3,169)</u></u>

(a) Staff Data Request No. 29

(b) Staff Report Schedule C-4, line 36 Factor -

0.0069

(c) Staff Report Schedule C-4

(d) See Testimony

Schedule BEH-14A

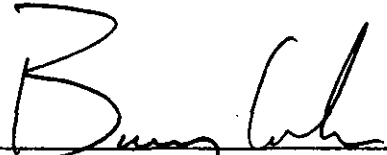
Ohio Bell Telephone Company
Operating Income: Ohio Bell/Ameritech Logo Change Advertising
(\$000)

Eliminate Account 6613.92 Advertising Expense for		
"Your Link to A Better Life" Campaign/Promotion	(a)	(2,418)
"Ameritech Brand Debut Campaign/Promotion	(a)	<u>(1,927)</u>
		(4,345)
Total Company Adjustments	(b)	<u>73</u>
Total Company Adjusted		(4,272)
Jurisdictional Allocation	(c)	<u>0.763624</u>
Adjustment to Jurisdictional Advertising Expense		<u><u>(\$3,262)</u></u>

- (a) OCC Request for Production of Documents No.189
 (b) Staff Report Schedule C-2.1, page 5; Account 6613 Adjustment Factor 0.0168
 (c) Staff Report Schedule C-2, page 5; Account 6613

CERTIFICATE OF SERVICE

I hereby certify that copies of the *Direct/Supplemental Testimony of Beth E. Hixon*, have been served by first class mail, postage prepaid, or hand-delivered to the following parties of record this 5th day of May, 1994.



Barry Cohen
Associate Consumers' Counsel

PARTIES OF RECORD

JAMES B. GAINER, ESQ.
Assistant Attorney General
Chief, Public Utilities Section
180 East Broad Street
Columbus, Ohio 43266-0573

JOSEPH P. MEISSNER, ESQ.
Legal Aid Society of Cleveland
1223 West Sixth Street
Cleveland, Ohio 44113

WILLIAM ONDREY GRUBER, ESQ.
Assistant Director of Law
City of Cleveland
601 Lakeside Avenue, N.W.
Cleveland, Ohio 44114

RANDY J. HART, ESQ.
Hahn, Loeser & Parks
3300 BP America Building
200 Public Square
Cleveland, Ohio 44114

SALLY BLOOMFIELD, ESQ.
Bricker & Eckler
100 South Third Street
Columbus, Ohio 43215-4291

MICHAEL MULCAHY, ESQ.
Ohio Bell Telephone Company
45 Erieview Plaza
Room 1400
Cleveland, Ohio 44114

DOUG TRABARIS, ESQ.
MCI Telecommunications
205 North Michigan Avenue
Suite 3200
Chicago, Illinois 60601

JUDITH B. SANDERS, ESQ.
Bell, Royer & Sanders
33 South Grant Avenue
Columbus, Ohio 43215-3927

ROBIN P. CHARLESTON, ESQ.
AT&T Communications of Ohio
227 West Monroe Street
6th Floor
Chicago, Illinois 60606

KERRY BRUCE, ESQ.
Department of Public Utilities
City of Toledo
Suite 1520
1 Government Center
Toledo, Ohio 43604

JOSEPH M. PATCHEN, ESQ.

Carlile Patchen & Murphy
366 East Broad Street
Columbus, Ohio 43215

**WILLIAM S. NEWCOMB, ESQ.
STEPHEN M. HOWARD, ESQ.**

Vorys, Sater, Seymour & Pease
52 East Gay Street
P.O. Box 1008
Columbus, Ohio 43216-1008

SAMUEL C. RANDAZZO, ESQ.

Emens, Kegler, Brown, Hill
& Ritter
65 East State Street
Columbus, Ohio 43215

DENNIS K. MUNCY, ESQ.

Meyer, Capel, Hirschfeld, Muncy,
Jahn & Aldeen
Athenaeum Building
306 West Church Street
P.O. Box 6750
Champaign, IL 61826-6750

WILLIAM ADAMS, ESQ.

Arter & Hadden
One Columbus Building
Floor
10 West Broad Street
Columbus, Ohio 43215

ELLIS JACOBS, ESQ.

Legal Aid Society
333 West 1st Street
Suite 500
Dayton, Ohio 45402

SUSAN WEINSTOCK

State Legislation
American Association of
Retired Persons
601 E Street, N.W.
Washington, D.C. 20049

GENA M. DOYSCHER, ESQ.

Enhanced TeleManagement, Inc.
730 2nd Avenue, South
Suite 1200
Minneapolis, MN 55402-2467

CECIL O. SIMPSON, JR., ESQ.

General Attorney
Office of the Judge Advocate
Department of the Navy
901 North Stuart Street
Arlington, VA 22203-1837

MARY HULL, ESQ.

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

JONATHAN E. CANIS, ESQ.

Swidler & Berlin, Chartered
3000 K St., N.W.
Suite 300
Washington, D.C. 20007

KARIN W. RILEY, ESQ.

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

BRUCE J. WESTON, ESQ.

Attorney and Counselor at Law
169 West Hubbard Avenue
Columbus, Ohio 43215-1439

SHELDON A. TAFT, ESQ.

Vorys, Sater, Seymour and Pease
52 East Gay Street
P.O. Box 1008
Columbus, Ohio 43216-1008

GREGORY J. DUNN, ESQ.

Crabbe, Brown, Jones,
Potts & Schmidt
500 South Front Street
Suite 1200
P.O. Box 15039
Columbus, Ohio 43215

MADELON KURCHERA

TCG America, Inc.
c/o TC Systems - Illinois, Inc.
233 South Wacker, Suite #2100
Chicago, IL 60606

DANIEL A. MALKOFF, ESQ.

Assistant Attorney General
30 East Broad Street
Columbus, Ohio 43215-3428

CLYDE KURLANDER

Law Offices
Three First National Plaza
Suite #4000
Chicago, IL 60602

JODIE DONOVAN

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