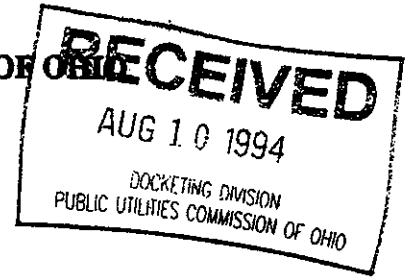


BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO



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

Case No. 93-487-TP-ALT

Prepared Supplemental Testimony

of

Scott Potter

Staff Exhibit

11A
29

1 1. Q. Would you please state your name, business address, and capacity in which
2 you are employed?

3 A. My name is Scott Potter and I am employed by the Public Utilities Commission
4 of Ohio, 180 E. Broad Street, Columbus, Ohio 43215-3793. I am employed as
5 a rate analyst in the Forecasting Division of the Utilities Department.
6

7 2. Q. Have you previously filed testimony in this case?

8 A. Yes, I previously filed testimony that has been marked as Staff Exhibit 11.
9

10 3. Q. What is the purpose of your supplemental testimony?

11 A. With this testimony, I intend to, in general, present Staff's amended position
12 and respond to objections to the Staff Report regarding certain competitive
13 issues. The competitive issues I will address are limited to unbundling,
14 numbering/number portability, usage presubscription, compensation for
15 termination, and entry into the interLATA market.
16

17 4. Q. How has the Staff amended its position from that detailed in the Staff Report
18 regarding the issues listed above?

19 A. Staff has developed a process whereby the Company's removal of competitive
20 barriers to entry will be tied to an adjustable consumer dividend within the
21 price cap formulary. The process includes three milestones which the Staff
22 believes the Company should reach. As the Company achieves each of the

1 milestones detailed below, .25% will be removed from the consumer dividend
2 element of the price cap adjustment formula. In the event the Company does
3 not meet the deadlines associated with milestones (1) and/or (2), .5% will be
4 added to the consumer dividend for each missed milestone. In the event the
5 Company fails to realize milestone 3 by the deadline, .75% will be added to the
6 consumer dividend.

7
8 **Milestone 1:** Within twelve (12) months from the implementation of the
9 plan, the Company will have transferred number assignment
10 and administration to a neutral third party and commenced a
11 local number portability trial.

12
13 **Milestone 2:** Within twenty-four (24) months from the implementation of
14 the plan, the Company will have Commission approved tariffs
15 for loop unbundling, mutual compensation for terminating
16 traffic, and pay station line charges.

17
18 **Milestone 3:** Within eighteen (18) months from the implementation of the
19 plan, the Company will have a limited introduction of
20 1+intraLATA. And, within thirty-six (36) months or ninety
21 (90) days prior to Ameritech obtaining relief from interLATA
22 restrictions, whichever comes first, the Company will have

1 implemented presubscription throughout the Company's
2 service territory.

3
4 5. Q. Can you detail the requirements of Milestone 1, the number assignment and
5 number portability milestone?

6 A. Yes. In the Staff Report, the Staff detailed a recommendation that, within
7 twelve (12) months after implementation of an alternative regulation plan,
8 Ameritech Ohio present a plan to transfer number assignment and
9 administration to a third party. Staff has amended this position such that the
10 recommendation is that Ameritech Ohio actually transfer the number
11 assignment and administration duties within the twelve (12) months following
12 implementation of its alternative regulation plan.

13
14 As it regards a local number portability trial, Staff's position has not changed
15 from that detailed in the Staff Report. The Staff believes that Ameritech
16 should commence a trial within twelve (12) months of the implementation of
17 its plan.

18
19 Staff recognizes that these numbering issues are being looked at on a national
20 basis in industry forums and proceedings before the Federal Communications
21 Commission. However, Staff's concern is that this issue get resolved in Ohio
22 regardless of the timetables involved in these other proceedings.

1 6. Q. Can you detail the requirements of Milestone 2, the unbundling, mutual
2 compensation, and pay station line charges milestone. (NewPar a, Col c4)

3 A. Yes. The Staff's position on unbundling, mutual terminating compensation,
4 and pay station telephone service remains as outlined in the Staff Report with
5 the exception of the timeframes. In its amended position, Staff has
6 recommended a twenty-four (24) month timeframe for each recommended
7 action.

8
9 7. Q. Can you detail the requirements of Milestone 3, the presubscription milestone?
10 (AARP 40, ATT 12, MCI 10, OCC 29, OCC 31, Sprint 7)

11 A. Yes. The Staff's position on presubscription, generally, remains as outlined in
12 the Staff Report. The difference in the Staff's amended position is the Staff
13 recommends a shorter, twelve (12) month timeframe for filing, and an eighteen
14 (18) month timeframe for the introduction of 1+intraLATA via a limited
15 implementation in the Cleveland, Akron - Canton, and Youngstown LATAs.
16 Staff's amended recommendation would also require Ameritech Ohio to
17 implement 1+intraLATA throughout its service territory within a thirty-six (36)
18 month timeframe. Furthermore, Staff's amended position is that
19 presubscription should be implemented on a modified 2-PIC basis, unless
20 Ameritech Ohio has been granted relief from interLATA service restrictions.
21 Should Ameritech Ohio receive relief from the interLATA service restrictions,
22 presubscription should be implemented using a 1-PIC methodology.

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8. Q. Should the Company meet each of its milestones, would the Staff of the PUCO support Ameritech Ohio's plea before the FCC and the Department of Justice to gain relief from the interLATA service restrictions of the Modified Final Judgment? (OCC 31)

A. Yes. To the degree that Ameritech Ohio has eliminated the major barriers to entry as identified by the milestones, the Staff of the PUCO would be supportive of Ameritech's request for relief from the interLATA service restrictions. Staff recognizes that in a true competitive market place, the Company must be permitted to compete on an equal footing.

9. Q. Does Staff believe that requiring Ameritech Ohio to unbundle the local loop, offer uniform switched termination of local traffic, and implement 1+intraLATA will unfairly disadvantage the Company? (AO L2, L5, L6)

A. No. Staff recognizes that unbundling the local loop, uniformly tariffing the switched termination of local traffic and implementing 1+intraLATA is likely to have significant revenue effects on the Company. The impact on the Company's revenues is likely to be directly linked to the Company's loss of market share in a fully competitive 1+intraLATA market. That loss in market share is likely to be linked to the Company's inability to offer interLATA services. However, the Company can expect to generate revenues from the selling of unbundled loops and ports. As toll rates decrease in the face of

1 competition demand for these toll services is likely to increase. This increase in
2 demand will cause an increase in demand for the Company's access services.
3 The increased access revenues would help to alleviate revenue decreases from
4 implementation of 1+intraLATA. Furthermore, the price cap framework will
5 allow the Company some flexibility to assign a portion of the current toll
6 revenues to basic local exchange service after the expiration of the three year
7 price freeze.

8
9 Ameritech Ohio is seeking considerable pricing flexibility and an end to
10 earnings review. The primary argument the Company offers for this alternative
11 regulation request is the need for such regulation relief to respond to the
12 competitive market place. The Staff must ensure that in allowing the Company
13 to respond to whatever competition already exists, the competition is not
14 further hindered by monopoly control of access. Staff is of the opinion that
15 removal of the barriers to entry identified in the milestones in conjunction with
16 the Staff's price cap framework will serve the public interest by greatly
17 fostering competition without unduly disadvantaging the Company. Ameritech
18 Ohio currently enjoys a monopoly control of access to the vast majority of all
19 customers classes. In order to foster the competition that will make the case
20 for removal of the MFJ restrictions, it is imperative that these major barriers to
21 entry be dismantled. Without unbundling, presubscription, and uniform
22 compensation real competition cannot develop.

1 10. Q. Why did the Staff recommend that the Applicant transfer its administration and
2 control of numbering resources to a neutral third party? (AO L3, TCG 2)

3 A. In the "Customers First" proposal before the FCC and the Department of
4 Justice, Ameritech recognized the need and expressed a willingness to transfer
5 the administration and control of numbering to a third party. Additionally, the
6 industry consensus, as indicated by comments and replies to FCC docket No.
7 92-237, is that number assignment and administration should be transferred to
8 a neutral third party. It is Staff's opinion that it would be in the public interest
9 for Ameritech Ohio to immediately transfer such numbering responsibility.

10
11 The argument that any transfer of numbering assignment and administration
12 should wait until a national solution is worked out is inadequate. Ameritech
13 Ohio is asking for immediate pricing flexibility and an immediate end to
14 earnings review. In exchange for such freedoms, Ameritech Ohio should take
15 these measures, whether temporary or permanent, to eliminate potential
16 competitive barriers.

17
18 11. Q. Why should Ameritech Ohio conduct a number portability trial before industry
19 forums are able to work out a national solution to number portability? (AO L4)

20 A. Staff believes that while number portability may not be absolutely necessary to
21 begin the development of local competition, it will be absolutely necessary if
22 competition is to survive. Staff believes that the ability to keep a particular

1 number will be a crucial factor in many customers' decisions to choose a
2 particular telecommunications carrier in a competitive environment.

3
4 Staff has a concern that if left to industry forums, a solution to number
5 portability may be very long in coming. Ameritech has already conducted lab
6 tests of at least two number portability interim solutions. Staff believes real
7 world trials may introduce feasible interim solutions as well as promote a more
8 rapid industry-wide long-term solution.

9
10 12. Q. Does Staff consider a bundled network, the lack of uniform terminating
11 compensation, and the lack of presubscription to be the only competitive
12 barriers to market entry? (ATT 12, IXC 12, MCI 11, OCC 32, TCG 1, TW
13 VL1)

14 A. No. While Staff recognizes that there are other competitive concerns which
15 must be addressed in order for a fully competitive market place to develop,
16 Staff believes the milestones they have set out represent the three major
17 barriers to entry. Furthermore, Staff believes the elimination of these barriers
18 will foster competition. Staff fully intends to address other competitive issues
19 in other forums.

20
21 13. Q. Why has Staff recommended the movement of intraLATA MTS into Cell 4
22 upon the implementation of 1+intraLATA?

1

A. Staff recommended a date certain by which intraLATA should be implemented. Staff felt that the date certain would give competitors ample opportunity to prepare to compete for the intraLATA MTS market.

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14. Q. Does Staff consider consumer protection and universal service requirements to be competitive issues?

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A. While these issues may be issues that bear on competition, Staff does not consider consumer protection and universal service requirements to be competitive issues in the same sense as the barriers to competitive entry identified in the milestones.

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15. Q. Does this conclude your supplemental testimony?

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A. Yes. Thank you.

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Prepared Testimony submitted on behalf of the Public Utilities Commission of Ohio was served by regular, U.S. mail, postage prepaid or hand delivered to the parties of record on this 10th day of August, 1994.



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