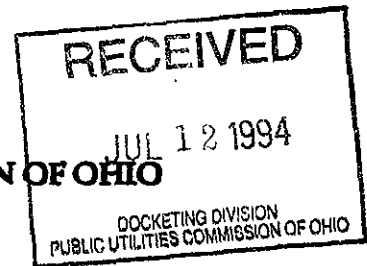


BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO



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 Testimony

of

Dr. Sanford J. Siegel

Staff Exhibit

14

1 1. Q: PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

2
3 A: My name is Dr. Sanford J. Siegel. I am an Energy Specialist in the Fore-
4 casting Division of the Utilities Department of the Public Utilities
5 Commission of Ohio. My address is 180 East Broad Street, Columbus,
6 Ohio, 43215.

7
8 2. Q: PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
9 BACKGROUND.

10
11 A: I received a B.A. from Miami University in 1973 with a major in Cultural
12 Anthropology. I received a M.A. in Cultural Anthropology from The
13 Ohio State University in 1974. I received a Ph.D. in Cultural Anthropol-
14 ogy from The Ohio State University in 1983. I have worked in the Fore-
15 casting Division of the Public Utilities Commission of Ohio since 1985.
16 Prior to my coming to the Commission, I worked in the Forecasting and
17 Information Division of the Ohio Department of Energy and the Ohio
18 Department of Development.

19
20 I have served as a Hearing Manager in Forecast Hearing cases for electric
21 and natural gas companies before the Ohio Department of Development
22 and the Public Utilities Commission of Ohio. My primary responsibilities
23 in the Forecasting Division have been policy research and analysis in the
24 electric and natural gas industries. I began work in telecommunications
25 in January, 1989. I was one of the Staff who worked with Mr. John
26 Borrows, then Director of the Utilities Department, in the development
27 of the Alternative Regulation Process. I have been responsible for coor-

1 dinating the Staff's investigation of commitments and development of
2 the commitment section of the Staff Report in the Western Reserve Tele-
3 phone Company Alternative Regulation Case (Case No. 93-230-TP-ALT)
4 and the Cincinnati Bell Telephone Company Alternative Regulation Case
5 (Case No. 93-432-TP-ALT). I have been responsible for coordinating the
6 Staff's investigation of commitments and development of the commit-
7 ment section of the Staff Report in the Ameritech Ohio Alternative Regu-
8 lation Case (Case No. 93-487-TP-ALT).

9
10 3. Q: PLEASE DESCRIBE THE APPROACH EMPLOYED BY THE STAFF IN ITS
11 ANALYSIS OF THE APPLICANT'S PROPOSED COMMITMENTS IN
12 THE ALTERNATIVE REGULATION PLAN.

13
14 A: The Applicant's proposed commitments were analyzed employing the
15 guidelines and criteria enumerated in Commission Rules (92-1149-TP-
16 COI) IV(B) and X(B)(2) and the public policy goals set forth in Section
17 4927.02, Revised Code. While the Staff's analysis considered each of the
18 guidelines, criteria and policy goals, the commitments section of the Staff
19 Report addresses the deficiencies in the Applicant's proposed commit-
20 ments. The Staff makes recommendations regarding the amelioration of
21 these deficiencies.

22
23 In addition to the analysis of the Applicant's proposed commitments, the
24 Staff proposed additional commitments for the Applicant to consider for
25 adoption in their Alternative Regulation Plan. It is the Staff's position
26 that these commitments should be adopted by the Applicant in order for
27 their Plan to be in the public interest. The commitments proposed by the

1 Staff do not represent an exhaustive list of reasonable and valuable com-
2 mitments. The Staff recognizes that other parties could have reasonable
3 and valuable commitments to propose that could enhance the
4 Applicant's Plan and that the hearing process provides them with the
5 opportunity to do so.
6

7 4. Q: PLEASE DESCRIBE THE STAFF'S GENERAL CONCLUSIONS REGARD-
8 ING THE APPLICANT'S COMMITMENTS AS PROPOSED IN THEIR
9 ALTERNATIVE REGULATION PLAN (OCC VIII. 75; OBT I. 2).
10

11 A: The Staff reached the following conclusion in the Staff Report (pp. 98-99)
12 regarding the Applicant's proposed commitments:
13

14 Given the Staff's review of the financial situation of
15 the Applicant under its proposed Plan, the Staff con-
16 sider the Applicant's commitments, in total, to be
17 insufficient. Absent any modifications to the Appli-
18 cant's Plan, the Staff believes that additional commit-
19 ments are necessary for the Plan to be in the public
20 interest.
21

22 The value of the Applicant's proposed commitments have been evalu-
23 ated within the context of the other components of the proposed Plan, as
24 well as the guidelines established in the Rules (92-1149-TP-COI) and the
25 policy guidelines in 4927.02. It is the Staff's opinion that the Applicant's
26 proposed commitments are insufficient in light of the other components
27 of the proposed Plan. The Applicant's proposed commitments are, there-

1 fore, inadequate and Staff cannot recommend the adoption of the Appli-
2 cant's Plan for Alternative Regulation.
3

4 5. Q: DOES THE STAFF REPORT RECOMMEND PENALTIES FOR THE
5 APPLICANT IN THE EVENT OF ITS FAILURE TO COMPLETE COM-
6 MITMENTS OR A PROCESS TO ENFORCE THE APPLICANT'S PER-
7 FORMANCE OF ITS COMMITMENTS (OCC VIII. 93; OCC VIII. 94;
8 OCTVA 90)?
9

10 A: The Staff has not recommended penalties or a process to enforce the
11 Applicant's performance of its commitments. It is the Staff's position
12 that should the Applicant fail to complete its commitments, the Commis-
13 sion should take actions commensurate with the value of that particular
14 commitment within the Alternative Regulation Plan. The definition of
15 penalties and the application of penalties is within the authority and dis-
16 cretion of the Commission. It is Staff's position that there are processes in
17 place to address noncompliance with an Alternative Regulation Plan. If a
18 commitment has a completion date within the term of a plan, and the
19 company fails to comply with the terms of the plan, the Rules governing
20 the revocation of a plan may be applied (92-1149-TP-ALT, XI. E.). If the
21 deadline for completion of a commitment coincides with the end of the
22 term of the plan, the Commission could consider the definition and
23 application of a penalty within the context of the company's next pro-
24 posed alternative regulation plan, a rate case, or another Commission
25 proceeding.
26

1 6. Q: IN ITS ASSESSMENT OF THE APPLICANT'S COMMITMENTS, HAS
2 THE STAFF ADOPTED A STANDARD THAT THE COMMITMENTS
3 SHOULD ENCOMPASS ACTIVITIES THAT AMERITECH OHIO WOULD
4 NOT DO IN THE ABSENCE OF AN ALTERNATIVE REGULATION
5 PLAN (OCTVA 75)?
6

7 A: The Staff has not adopted such a standard and no such standard is enu-
8 merated either in the rules (92-1149-TP-ALT) or the policy guidelines of
9 4927.02. In fact, the Commission addressed this issue in its Finding and
10 Order in Case No. 92-1149-TP-COI and concluded that this standard
11 should not be employed in the evaluation of commitments since it
12 "would lead to unnecessary debate as to what was or was not planned by a
13 LLEC prior to the filing of an alternative regulation plan" (Finding and
14 Order, 1149-TP-COI, p. 17).
15

16 7. Q: IN HIS TESTIMONY, OCTVA WITNESS DR. HUNT STATES THAT
17 "THE STAFF REPORT ESTABLISHES THE MINIMUM TELEPHONE
18 SERVICE STANDARDS (MTSS) AS THE TEST FOR A COMMITMENT.
19 THE OCTVA DOES NOT CONSIDER MTSS AN APPROPRIATE STAN-
20 DARD BECAUSE OBT MUST MEET THIS MINIMUM WITH OR WITH-
21 OUT AN ALTERNATIVE REGULATION PLAN" (Testimony of Carl E.
22 Hunt, Ph.D., p. 77). WHAT IS THE STAFF'S POSITION REGARDING
23 THE RELATIONSHIP BETWEEN MINIMUM TELEPHONE SERVICE
24 STANDARDS AND COMMITMENTS?
25

26 A: In its assessment of the value of an applicant's commitments, the Staff is
27 guided by the rule which states that the applicant must "demonstrate that

1 the commitments are in addition to the Minimum Telephone Service
2 Standards" (IV. B. f., 92-1149-TP-ALT). In other words, the Minimum
3 Telephone Service Standards are considered a threshold test that must be
4 surpassed before a proposal can be considered a commitment.
5

6 8. Q: HAS THE STAFF PROPOSED ADDITIONAL COMMITMENTS FOR THE
7 APPLICANT TO CONSIDER FOR ADOPTION IN ITS ALTERNATIVE
8 REGULATION PLAN (OBT I 1; OBT I 2)?
9

10 A: Yes. In the Staff Report, there is a recommendation that the Applicant
11 consider for adoption a public input commitment and a universal service
12 commitment. While the Applicant has objected to the Staff's position
13 that these additional commitments would be necessary for the Plan to be
14 in the public interest, the Applicant has agreed with the Staff's recom-
15 mendation that these commitments be included in their Plan. The
16 Applicant takes a different position from the Staff regarding the specific
17 elements of each commitment, but agrees to include the public input
18 commitment (Holmes, Exhibit 17R.0, pp. 6-7) and the universal service
19 commitment (Brown, Exhibit 14S.0, pp. 16) in its Alternative Regulation
20 Plan. It is the Staff's position that the Applicant's agreement with the
21 recommended commitments is consistent with the commitment guide-
22 lines enumerated in the rules (92-1149-TP-COI) and the Policy Guidelines
23 of 4927.02. With the adoption of the recommended commitments, the
24 Staff's conclusion remains that the commitments, in their entirety, are
25 insufficient to be in the public interest.
26

1 9. Q: HAS THE STAFF RECOMMENDED THAT THE APPLICANT PROPOSE
2 A PROCESS FOR MEASURING THE ACHIEVEMENT OF THIS PLAN'S
3 COMMITMENTS AS WELL AS THE GENERATION OF NEW COM-
4 MITMENTS AT THE CONCLUSION OF THE FOURTH YEAR OF THE
5 PLAN (OBT L 3)?
6

7 A: Yes, the Staff has made this recommendation. Staff Witness Groves has
8 enumerated the Staff's position regarding a five year term for the Appli-
9 cant's Plan. From the perspective of the commitments, it is the Staff's
10 position that the process for assessing the completion of the commit-
11 ments in the current Plan and the evaluation of the commitments for the
12 proposed Plan is appropriately scheduled at the end of the fourth year of
13 the Applicant's Plan. This recommendation is within the time frame-
14 work contemplated by the rule governing the filing of a subsequent alter-
15 native regulation plan (XLF, 92-1149-TP-COI). Additionally, the rule
16 which determines the length of a plan (XI. A. 92-1149-TP-ALT) notes that
17 "An applicant who proposes a longer term...must provide sufficient safe-
18 guards for the Commission to review the company's compliance with the
19 terms of the plan." It is the Staff's opinion that the Applicant's filing of
20 information regarding their achievement of the commitments and the
21 new Plan's commitments within twelve months of the initiation of a
22 new Plan is a reasonable review period to assure that the Applicant is in
23 compliance with the terms of their Plan. Additionally, this filing would
24 ensure that Staff had sufficient time to perform its investigation of the
25 new plan's proposed commitments.
26

1 10. Q. WHY DID THE STAFF RECOMMEND ADDITIONS TO THE PROGRESS
2 REPORTING THAT WAS FILED BY THE APPLICANT IN THEIR PLAN?
3 (OBT I. 14)
4

5 A: According to the Alternative Regulation Rules (92-1149-TP-COI), "An
6 applicant shall file annual progress reports with the Commission which
7 shall include (a) a progress evaluation for each commitment, and (b) the
8 percentage of completion achieved." (IV.B.4) The Applicant did not pro-
9 pose progress reporting for each of the commitments it included in the
10 Plan. Staff proposed reporting for all of the Applicant's commitments.
11 Additionally, Staff proposed additional commitments for the Applicant,
12 and progress reporting was recommended for each of these commit-
13 ments.
14

15 11. Q. DID THE STAFF RECOMMEND THAT ADDITIONAL INFORMATION
16 BE FILED IN THE APPLICANT'S PROGRESS REPORTS BEYOND THAT
17 WHICH WAS PROPOSED BY THE APPLICANT FOR ITS COMMIT-
18 MENTS? (OBT I. 14)
19

20 A: Yes. In assessing the Staff's ability to monitor the progress of each of the
21 Applicant's commitments through the annual progress report, Staff
22 determined that additional information was needed to perform a reason-
23 able evaluation of progress. According to the Alternative Regulation
24 Rules (92-1149-TP-ALT), "An applicant shall also provide to the staff such
25 information as deemed necessary by the staff to monitor the company's
26 progress in meeting its commitments under the plan." (IV.B.5) Staff
27 recommended the reporting of the additional information, because we

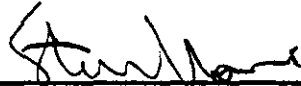
1 deemed it as necessary to monitor the Applicant's progress in meeting its
2 commitments.

3
4 12 Q: DOES THIS CONCLUDE YOUR TESTIMONY?

5
6 A: Yes.

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 12th day of July, 1994.



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