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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Cincinnati Bell Telephone Company for Authority to Revise Its Exchange Rate Tariff No. 2 to Change the Cell Classification for Certain PRIME Advantage[SM] Rate Elements	))))))	**Case No. 96-4-TP-ATA**

APPLICATION FOR REHEARING

Cincinnati Bell Telephone Company ("CBT"), by its attorneys and pursuant to R.C. §4903.10 and OAC §4901-1-35(A), hereby applies for rehearing of the Commission's May 30, 1996 Finding and Order in the above-captioned proceeding. The Commission's Finding and Order is unreasonable and unlawful in that it: (1) is inconsistent with the provisions of CBT's current Alternative Regulation Plan and Section XV(A) of the Commission's own Alternative Regulation Rules; and (2) inappropriately characterizes PRIME Advantage[SM] as a service which is comprised of various rate elements falling into different cells. The reasons supporting the granting of this Application are set forth in the attached Memorandum in Support.

Respectfully submitted,

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Dated: June 28, 1996

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MEMORANDUM IN SUPPORT

Background

On December 1, 1994, CBT filed an application in Case No. 94-1910-TP-ATA seeking authority to revise its Exchange Rate Tariff No. 2 to provide a new service called PRIME Advantage℠. When CBT first considered offering PRIME Advantage℠, it was CBT's intention to file an application proposing that all PRIME Advantage℠ rate elements be classified as Cell 3. CBT believed (and continues to believe) that Cell 3 classification was appropriate for several reasons. First, Section XV(A) of the Commission's Alt Reg rules states that ". . . all new services introduced during the term of an alternative regulation plan may be classified as Cell 3 . . ." Section 10 of CBT's current alternative regulation plan contains identical language. In addition, PRIME Advantage℠ is a discretionary service for which there are substitutes available (e.g., TRUNK Advantage℠ and Analog PBX trunks) and, therefore, the service does not meet the criteria for Cell 1 classification. However, after discussions with the Commission's Staff conducted prior to the filing of CBT's application, CBT decided to modify its planned application by placing the primary rate facility and channels involved with this service in Cell 1 rather than Cell 3.

By Entry in Case No. 94-1910-TP-ATA dated December 30, 1994, the attorney examiner found that CBT's proposed tariff for PRIME Advantage℠ should be permitted to go into effect, as scheduled, on January 1, 1995. On April 13, 1995, after conducting a further review of this matter, the Commission issued an Entry in Case No. 94-1910-TP-ATA establishing a one-year experimental period (commencing January 1, 1995) during which CBT was to permanently establish a price or price range for the PRIME Advantage℠ rate elements classified as Cell 1.

The stated purpose of this experimental period was to permit CBT to test the market for PRIME Advantage℠ in order to determine optimal price levels.

CBT's Application to Change Cell Classification

On January 3, 1996, CBT filed an application requesting that the PRIME Advantage℠ rate elements currently classified as Cell 1 be reclassified to Cell 3, as originally contemplated by CBT, effective upon expiration of the above-described experimental period (i.e., on January 1, 1996). In support of its application, CBT explained that, due to the limited number of customers who had ordered PRIME Advantage℠, CBT did not have sufficient data to permit accurate tests to determine optimal price levels. CBT also explained that the lower than expected demand for PRIME Advantage℠ was a national phenomenon outside the control of CBT which was mainly due to high software costs and limited applications development with this new technology. Thus, customers had not been provided with an entire slate of applications to attract them to this service. In addition, CBT explained that, since many of the companies within CBT's territory were nationwide organizations, low demand in other areas had added an additional drag on sales locally. Finally, CBT explained that without an accurate picture of the types and prices of applications in high demand it had been impossible to test for the appropriate price levels, since it was expected that customers would make purchase decisions based on the package price of the service (including CBT's network service prices, software costs, additional hardware costs, etc.).

As a result of the lower than expected demand for PRIME Advantage℠, CBT did not have sufficient experience in the marketplace to determine an optimal price or price range for

the PRIME Advantage℠ rate elements currently classified as Cell 1. Since the experimental period had expired as of the date CBT filed its application and CBT still needed further flexibility to effectively market PRIME Advantage℠, CBT requested that the PRIME Advantage℠ rate elements currently classified as Cell 1 be reclassified to Cell 3.

Commission's May 30, 1996 Finding And Order

In its Finding and Order, the Commission ordered that "the PRIME Advantage℠ service rate elements currently classified in Cell 1 are appropriately classified in Cell 1 and shall remain as Cell 1 services until CBT demonstrates that these rate elements are no longer a monopoly access service."[1] CBT submits that the Finding and Order is unreasonable and unlawful in that it is inconsistent with Section 10 of CBT's current alternative regulation plan[2] and Section XV(A) of the Commission's Alt Reg Rules, both of which specifically allow all new services

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[1] Finding and Order at p. 5. As previously noted herein, PRIME Advantage℠ is a discretionary service for which there are substitutes available (e.g., TRUNK Advantage℠ and Analog PBX trunks). Therefore, the service is not a "monopoly access service" meeting the criteria for Cell 1 classification as suggested by the Commission.

[2] Section 10 of CBT's current alternative regulation plan provides as follows:

10. New Services Proposed During the Term of the Plan

A. Unless the Company seeks classification in another cell, all new services introduced during the term of the Plan may be classified in Cell 3, unless upon complaint, or its own motion, the Commission finds that a new service as being offered is unjust, unreasonable, or in violation of law. If it so finds, the Commission may order that the subject service be reclassified, or may order that it be offered only on specific terms and conditions, or both.

introduced during the term of the plan to be classified in Cell 3. PRIME Advantage℠ is clearly a new service that was introduced during the term of CBT's current alternative regulation plan. Thus, the Finding and Order is inconsistent with the Commission's May 5, 1994 Finding and Order in Case No. 93-432-TP-ALT in that it denies CBT the flexibility it obtained through the alternative regulation process. The Commission has chosen to ignore the plain language of the alternative regulation plan under which CBT currently operates, which was approved by the Commission.

CBT submits that the Finding and Order is also unreasonable and unlawful in that it inappropriately characterizes PRIME Advantage℠ as a service which is comprised of various rate elements, some of which fall within Cell 1, and some of which fall within Cell 3.[3] CBT submits that PRIME Advantage℠ should never have been broken down in this manner. Indeed, PRIME Advantage℠ is a single service offering that should have been classified in Cell 3 in its entirety, which is precisely what CBT asked the Commission to correct in its January 3, 1996 application.

[3] Finding and Order at ¶¶ 8-9.

Conclusion

For all of the foregoing reasons, CBT submits that the reclassification requested in its January 3, 1996 application was fully justified and should have been granted. Accordingly, CBT respectfully requests the Commission to set aside its May 30, 1996 Finding and Order in this matter.

Respectfully submitted,

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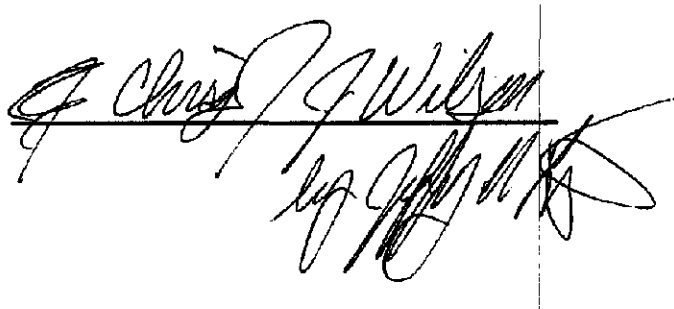
CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Application for Rehearing was served by U.S. mail, postage prepaid, upon the parties listed below this 28th day of June, 1996.



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