Confidential Release

Case Number: 96-899-TP-ALT

Date of Confidential Document:
12/17/1997

Today's Date: OCT 25 2011

Testimony of Kenneth N. Rosselet Jr. (37 pgs)

00-0507

37 pp

CINCINNATI BELL TELEPHONE COMPANY
CASE NO. 96-899-TP-ALT
NON-PUBLIC VERSION TESTIMONY
OF KENNETH N. ROSSELET JR
FILED UNDER SEAL

In The Matter Of The Application Of Cincinnati Bell Telephone Company For Approval Of A Retail Pricing Plan Which May Result In Future Rate Increases And For A New Alternative Regulation Plan	)))))	Case No. 96-899-TP-ALT

RECEIVED

DEC 17 1997

NON-PUBLIC TESTIMONY

TESTIMONY
of
KENNETH N. ROSSELET, JR.

ON BEHALF OF
THE OHIO CONSUMERS' COUNSEL
77 South High Street, 15th Floor
Columbus, Ohio 43266-0550
(614) 466-8574

December 17, 1997

CONTAINS ALLEGEDLY CONFIDENTIAL INFORMATION

OCC EXHIBIT ______

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In The Matter Of The Application Of	)	
Cincinnati Bell Telephone Company For	)	
Approval Of A Retail Pricing Plan Which	)	Case No. 96-899-TP-ALT
May Result In Future Rate Increases And	)	
For A New Alternative Regulation Plan	)	

RECEIVED
DEC 17 1997
DOCKETING DIVISION
Public Utilities Commission of Ohio

NON-PUBLIC TESTIMONY

TESTIMONY
of
KENNETH N. ROSSELET, JR.

ON BEHALF OF
THE OHIO CONSUMERS' COUNSEL
77 South High Street, 15th Floor
Columbus, Ohio 43266-0550
(614) 466-8574

December 17, 1997

CONTAINS ALLEGEDLY CONFIDENTIAL INFORMATION

TABLE OF CONTENTS

SCHEDULES

ATTACHMENTS

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, ADDRESS, AND POSITION.

A1. My name is Kenneth N. Rosselet, Jr. My business address is 77 South High Street, 15th Floor, Columbus, Ohio 43266-0550. The Ohio Consumers' Counsel (Consumers' Counsel, OCC, or Counsel) employs me as a Principal Regulatory Analyst.

Q2. WOULD YOU PLEASE BRIEFLY SUMMARIZE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE?

A2. I received my formal education at the Ohio State University, Franklin University, and LaSalle Extension University. The focus of my education has been in the area of accounting. My work experience in public utility regulation and accounting began with my employment at the Public Utilities Commission of Ohio (PUCO or Commission) in 1970. During my employment with the Commission, I advanced from an entry-level position of utility examiner in the Accounts and Valuation Division of the Utilities Department to a supervisory position as a team leader in the division. As a team leader, my duties primarily included the supervision of rate audits, preparation of the Accounts and Valuation section of the Staff Report of Investigation of rate filings, and presentation of testimony in support of the Accounts and Valuation portion of the Staff Report of Investigation. During my employment with the

Commission, I participated directly or indirectly in approximately seventy-five rate audits.

I have been employed by the OCC since June 1977.

Q3. WHAT ARE YOUR RESPONSIBILITIES AS A PRINCIPAL REGULATORY ANALYST?

A3. My duties include the review and analysis of utility rate applications as well as other filings before the PUCO; technical evaluations and recommendations on utility-related matters; the preparation and presentation of written reports and testimony before the PUCO and other local, state, and federal governmental bodies; and representation of the OCC on panels and forums.

Q4. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THIS COMMISSION?

A4. Yes. In my twenty-six years of regulatory experience, I have provided testimony in thirty-nine cases before the PUCO and in one case before the Federal Energy Regulatory Commission (FERC). Five of the cases were during my employment with the PUCO and thirty-four of the cases have been during my employment with the OCC. These cases are listed in Attachment 1.

Q5. HAVE YOU BEEN A MEMBER OF ANY ORGANIZATION RELATED TO UTILITY REGULATION?

A5. I served from 1985 to 1995 as the representative of the National Association of State Utility Consumer Advocates (NASUCA) to the National Association of Regulatory Utility Commissions (NARUC) Staff Subcommittee on Accounts. I also served on that subcommittee's Tax Committee.

II. PURPOSE OF TESTIMONY

Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A6. I am testifying on the appropriate level of test year labor expense and payroll taxes to be included for the purpose of establishing a revenue requirement in the case. I am also offering commentary on the use of a 1995 test year.

Q7. WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF YOUR TESTIMONY?

A7. I have reviewed pertinent portions of the Cincinnati Bell Telephone Company's (CBT or the Company) testimony, standard filing requirements, supporting workpapers, and responses to PUCO Staff (Staff) data requests. Other items I have reviewed include the Staff Report of Investigation (Staff Report) and workpapers supporting the data contained within the Staff Report.

III. LABOR AND PAYROLL TAX EXPENSE ADJUSTMENTS

Q8. WHAT IS THE APPROPRIATE LEVEL OF TEST YEAR LABOR EXPENSE TO BE INCLUDED IN THIS CASE?

A8. It is my opinion that the appropriate level of labor expense to be included in the test year Jurisdictional Operating Expenses is $58,996,332 (KNR-1). This is $16,937,280 less than the $75,933,612 recommended by the Staff (Staff Schedule C-3.6).

Q9. HOW HAS THE STAFF CALCULATED TEST YEAR LABOR EXPENSE?

A9. The Staff states on page 16 of its Staff Report that it has annualized labor expense based on December 1995 payroll data. The Staff has annualized test year wages for non-management employees by applying an average test year hourly wage to the total number of yearly hours calculated for the end of the test year level of non-management employees (2,006 non-management employees as of December 31, 1995 x 2,080 hours) (Staff Schedule C-3.6a). For management employees, Staff has calculated an average monthly wage expense level and multiplied that by 12 (Staff Schedule C-3.6b).

To these amounts the Staff has added: 1) a five year average allowance for overtime (on both non-management and management wages); 2) an allowance for Success Sharing Awards (non-management wages); 3) an allowance for Marketing Sales Incentive Awards (management wages); and 4) an allowance for Team Incentive Awards (management wages) (Staff Schedules C-3.6a and C-3.6b).

The total wages were then allocated first to Operating and Maintenance (O&M) Expenses, then to the Company's regulated operations, and finally to the jurisdictional level.

Q10. WHAT ARE THE DIFFERENCES BETWEEN YOUR CALCULATION OF THE TEST YEAR LABOR EXPENSES AND THAT CALCULATED BY THE STAFF?

A10. There are six differences. The differences are: 1) the base wages upon which the total non-management and management wages are calculated; 2) the ratio used to calculate the overtime wages for both non-management and management employees; 3) the ratio used to allocate total non-management and management wages to O&M Expense; 4) the adjusted wages to which the Success Sharing Award ratio for non-management employees is applied; 5) the calculation of the Success Sharing, Marketing Sales Incentive Awards, and Team Incentive Awards ratios; and 6) the assignment of the Success Sharing and Team Incentive Awards to jurisdictional ratepayers.

Q11. WHAT LEVEL OF BASE WAGES DO YOU RECOMMEND BE USED FOR THE CALCULATION OF TEST YEAR WAGES?

A11. I recommend that $5,994,981 (KNR-1a) be used for non-management base wages and $3,028,839 (KNR-1b) be used for management base wages. The Staff has used $6,751,261 for non-management base wages and $3,894,154 for management base wages in their calculations.

Q12. WHAT ARE THE DIFFERENCES BETWEEN THE LEVEL OF BASE WAGES YOU RECOMMEND AND THE LEVEL USED BY THE STAFF?

A12. The major difference is in the selection of the time period upon which to base the calculation of the base wages. In addition, I have deducted Termination-Special Payments from total wages in my calculation of base wages.

The Staff has used an average of actual 1995 wage expense (less overtime, premium-overtime/Sunday, sales and merit award payments, and other special payments) for both non-management and management employees for their calculations. It is my opinion that use of average 1995 wage expense is in error and substantially overstates the test year labor expense and is in conflict with the statement on page 16 of the Staff Report that "Staff annualized labor expense based on December 1995 payroll data."

The use of average 1995 wage expense is inconsistent with the use of the December 31, 1995 number of employees. The average wages embody the wages and wage levels of all employees that were on CBT's payroll throughout the year. The number of employees in January 1995 was 3,350 (Response to

Staff Data Request 7). The number of employees steadily declined until it reached 2,732 in December 1995. The average number of employees during the year was 3,090 (Response to Staff Data Request 7). It was on the basis of the 2,732 employees that the Staff states it made its labor expense calculation.

The wage levels on which to make the labor calculation should be matched to the number of employees used as the basis for the calculations. Since the December 1995 number of employees was used, the December 1995 wage levels should also be used.

Q13. WHAT IS THE DIFFERENCE BETWEEN THE 1995 AVERAGE WAGES USED BY THE STAFF AND THE DECEMBER 1995 WAGES?

A13. The 1995 average monthly non-management wages used by the Staff are $6,751,261. This was derived by dividing the total 1995 non-management wages (less overtime, premium-overtime/Sunday, sales and merit award payments, and other special payments) by 12. The December 1995 non-management wages, with the same categories of payment deducted, amount to $5,994,981.

The 1995 average monthly management wages (less overtime, premium-overtime/Sunday, sales and merit award payments, and other special payments) used by the Staff were $3,894,154. This wage level was calculated the same way as non-management wages, by dividing total 1995 management wages by

12. The December 1995 wages, with the same categories of payment deducted, amount to $3,035,631.

If one steps back to view the Staff's methodology it is easier to see its inherent problem. The Staff's adjusted annual management salary base was calculated by multiplying the 1995 average monthly management base wages by 12. The 1995 average monthly management base wages had been derived by dividing actual 1995 wages by 12 (Staff Labor Worksheet C). Therefore, the adjusted annual management base wages must equal the 1995 actual management base wages [(actual 1995/12) x 12] = actual 1995.

This calculation cannot reflect the wages for the number of management employees at the end of the test year. It reflects the wages for all management personnel employed during 1995 which started at 883 at the end of 1994 (Company Schedule C-9.1, Page 2 of 3) and declined to 726 at the end of 1995 (Company Schedule C-9.1, Page 2 of 3). It does not reflect the wage expense attributable to the number of management employees on the payroll at the end of the test year.

Q14. WHY HAVE YOU EXCLUDED TERMINATION-SPECIAL PAYMENTS FROM YOUR DETERMINATION OF BASE WAGES?

A14. I have excluded the charges to this category in addition to the overtime, premium-overtime/Sunday, sales and merit award payments, and other special payments also excluded by the Staff in its determination of base wages. This additional deduction reduces the December 1995 management wages by $6,792. The total 1995 charges to this category were $819,431 for management labor and $9,155 for non-management labor.

The Company indicated that $633,056 of the amount is related to severance payments associated with CBT's restructuring plan (Company Response to PUCO Data Request No. 29). This cost and other costs associated with the restructuring plan are already being accounted for in the Staff's Restructuring Plan adjustment (C-3.5). To include this cost in the Labor Adjustment would be to include an expense in the labor calculation that has been properly excluded through the restructuring adjustment on C-3.5. In addition, details of the components of special payments for 1993 and 1994 provided to the Staff by the Company show that there have been no previous charges to this category.

It is my opinion that because the majority of termination pay is identified as being associated with the Company's restructuring plan and due to the absence of termination pay in prior years, it is appropriate to eliminate the total amount of these wages from the test year calculations.

Q15. WHAT IS THE ISSUE AS TO THE OVERTIME WAGE RATIO?

A15. The Staff has used a factor of 0.1263 for non-management wages and 0.0058 for management wages to calculate overtime wages. The footnotes on Staff's

Schedules C-3.6a and C-3.6b state that these amounts were derived from Applicant's Schedule C-9.1. However, my calculations using Schedule C-9.1 result in an average 1991 - 1995 ratio for non-management overtime of 0.1265 and a ratio of 0.0061 for management overtime. My calculations are presented on KNR-1c.

Q16. WHAT IS THE ISSUE REGARDING THE O&M ALLOCATION RATIO?

A16. The Staff's O&M ratio used on Staff Schedules C-3.6a, C-3.6b, C-3.18b, and C-3.18c is 0.8850. The ratio of 0.82686 that I have used is one that was supplied to the OCC as part of the Company's response to OCC Interrogatory No. 499. The OCC has requested verification of this ratio in the currently outstanding Interrogatory No. 513.

Q17. WHAT IS THE ISSUE REGARDING THE SUCCESS SHARING AWARD FOR NON-MANAGEMENT EMPLOYEES?

A17. The Staff has calculated the award level for non-management employees on only straight-time wages (Staff Schedule C-3.6a). It is my understanding, based upon the testimony of OCC witness Tanner, that this award is paid on both straight-time and overtime wages and should therefore be calculated on the basis of the combined amounts.

Q18. WHAT IS THE ISSUE CONCERNING THE DETERMINATION OF THE SUCCESS SHARING, MARKETING SALES INCENTIVE, AND TEAM INCENTIVE AWARD RATIOS?

A18. My calculation of the ratios differs in two respects from the calculations made by the Staff. The first is the level of base wages used for the divisor in the determination of the ratio. I have used $95,058,424 as the divisor for the non-management Success Sharing Award ratio and $45,910,420 for the management Market Sales Incentive Plan and Team Incentive Awards ratios. The Staff used $84,288,814 as the divisor for the non-management award ratio and $54,525,735 as the divisor for management award ratios.

The second difference is the level of award payments being used as the basis for the ratio calculation. I have used $2,600,000 for the Success Sharing Award and $4,900,000 for the Team Incentive Award. The Staff used $3,273,666 for the Success Sharing Award and $4,962,278 for the Team Incentive Award. Both the Staff and I used $1,212,469 for the Marketing Sales Incentive Plan. The calculation of the ratios and a comparison of my calculation to that of the Staff is presented on KNR-1d.

Q19. WHY DO YOU DIFFER FROM THE STAFF AS TO THE BASE WAGES USED AS THE DIVISOR FOR THE CALCULATION OF THE AWARD RATIOS?

A19. The Staff's methodology did not fully consider the wages upon which the individual factors will be applied in the development of their ratios. The Staff developed the divisors for non-management and management awards ratios by deducting total 1995 Overtime and Premium-Overtime/Sunday payments from total 1995 wages. However, this fails to recognize that the Success Sharing Award for non-management employees is awarded on overtime pay. It also fails to recognize and eliminate other wage categories included in total 1995 wages upon which the award payments are not paid.

The adjustments that I have made to the non-management base are to include Overtime and Premium-Overtime/Sunday payments and exclude Merit Awards, Termination-Special Payments, and Other Special Payments. I adjusted the Staff management award ratio base to exclude Sales Compensation Plan, Merit Awards, Termination-Special Payments, and Other Special Payments.

The Staff's methodology effectively understates the level of incentive awards included in the adjusted labor expense calculation. Failing to match the categories of labor expense included or excluded in the determination of the ratios to the categories of labor expense included or excluded in the labor adjustment calculation, misstates the level of incentive awards in the adjustment.

Q20. WHAT CHANGE HAVE YOU MADE IN THE LEVEL OF AWARD PAYMENTS TO BE USED AS THE BASIS FOR THE RATIO CALCULATIONS?

A20. I have used the actual 1995 accruals for the Success Sharing and Team Incentive Awards made during the test year. The actual 1995 accruals were provided to me by OCC witness Tanner and are further addressed in her testimony.

Q21. WHAT IS THE ISSUE IN THE ASSIGNMENT OF THE SUCCESS SHARING AND TEAM INCENTIVE AWARDS?

A21. Based upon the recommendation of OCC witness Tanner, I have excluded 50% of the amounts calculated for the non-management Success Sharing Award and the management Team Incentive Awards. The $1,209,478 included on KNR-1a for the Success Sharing Award and the $1,939,063 included on KNR-1b for the management Team Incentive Award reflects the 50% exclusion. The Staff has included the entire amount for each.

Q22 WHAT ADJUSTMENTS HAVE YOU MADE TO THE CALCULATION OF PAYROLL TAXES?

A22. I have recalculated all of the payroll taxes to reflect the impact of my recommended adjusted test year labor. I have also adjusted the O&M allocation of FUTA and SUTA to utilize the same O&M factor used in the labor calculations. The impact of my labor adjustment recommendation is to reduce the Staff's total test year Payroll Taxes of $5,782,128 (Staff Schedule C-3.18) to

$4,513,225 (KNR-2). Other than my adjustments to the level of test year wages and the use of a different O&M allocation for the FUTA and SUTA, my calculations are identical to those presented by the Staff.

Q23 DO YOU HAVE ANY OTHER COMMENTS REGARDING THE STAFF'S CALCULATION OF THE LABOR EXPENSE?

A23. Yes. In addition to the differences I have already identified between our calculations, there is one additional change which should be made if the Staff's use of average 1995 base wages for the calculation of test year wages is adopted. I would recommend that the Staff's methodology used for the determination of the average non-management straight-time wages per hour be corrected. The methodology used by the Staff produces an incorrect result and has overstated the average non-management straight-time wages per hour rate, which is the basis for Staff's non-management labor expense calculation.

On Schedule C-3.6a the Staff has calculated the average non-management straight-time wages per hour of $21.03. This amount was calculated by dividing the 1995 average monthly straight-time wages of $6,751,261 by 1995 average monthly hours of 320,960 hours. The 320,960 average monthly hours were calculated by multiplying the 2,006 end of test year number of non-management employees by 160 hours. The figure of 160 hours represents the number of regular straight-time hours which an employee would work in a four week period (40 hours per week x 4).

However, the Staff has divided the 1995 average monthly non-management straight-time wages by the 320,960 hour divisor (40 hour per week x 4 weeks x 2,006 end of year non-management employees). The 1995 average non-management straight-time wages were calculated by dividing actual 1995 straight-time wages by 12. The two calculations are not compatible because there are fifty-two weeks in a year. The 1/12 of a year calculation of 1995 average monthly non-management straight-time wages actually equals 4.3 weeks (52 weeks / 12) of straight-time wages and not the 4 weeks assumed by the Staff.

One method to correct the Staff's calculation is to divide the total 1995 straight-time non-management wages by 52 (number of weeks in a year) then multiply that amount by 4. This methodology would properly match the methodology used by the Staff to determine the 320,920 monthly non-management hours.

Q24. HOW WOULD THIS EFFECT THE STAFF'S CALCULATIONS?

A24. The effect is to change the Staff's average straight-time hourly wage for non-management employees from the $21.03 presented on Staff Schedule C-3.6a to $19.42. Working this through the Staff's labor expense calculation, with none of the other changes I have previously recommended, would reduce jurisdictional labor expense by $3,853,393. I have presented the calculations supporting this amount on KNR-3.

I also present on KNR-4 the effect that this adjustment would have on the calculation of the Staff's FICA Tax Expense. The FICA Tax Expense would be reduced by $158,629. I have only calculated the effect on FICA, because it is the only one of the three payroll taxes being adjusted that is sensitive to wage levels.

The FUTA and SUTA calculations are sensitive to employee levels. The taxable wages for these two payroll taxes were calculated by multiplying the end of year number of full-time employees by fixed maximum wage levels of $7,000 per year per employee for FUTA, $9,000 per employee per year for Ohio SUTA, and $8,000 per employee per year for Kentucky SUTA. The taxable wages for part-time employees were calculated at 50% of that for full-time employees.

Q25. HAVEN'T YOU USED A METHODOLOGY SIMILAR TO THE STAFF'S TO CALCULATE YOUR RECOMMENDED LABOR ADJUSTMENT?

A25. Yes. I have calculated my December 1995-based non-management labor expense on KNR-1 by dividing December 1995 straight-time wages by the same 320,960 hours used by the Staff. However, at this time I believe that the December 1995 non-management labor reported on the Company's detail supporting its Schedule C-9.1, which I have utilized as the basis for my calculation of base wages, reflects two biweekly pay periods and is properly matched with the calculation of the hours. The OCC currently has discovery outstanding on this issue (OCC Interrogatory No. 518) and plans to follow-up in its deposition of Company witness Coogan. If it is found that the wages I have utilized reflect payment for more than two biweekly pay periods, I will adjust my calculations accordingly.

IV. SUMMARY

Q26. PLEASE SUMMARIZE YOUR POSITION

A26. It is my recommendation that the Staff's labor expense calculations be modified as follows:

a) use December 1995 wages as the basis for the labor adjustment;

b) exclude Termination-Special Payments from the calculation of management and non-management base wages;

c) modify the overtime ratio used to reflect a five year average of the overtime information contained on the Company's Schedule C-9.1;

d) use the updated O&M ratio provided in response to OCC Interrogatory No. 499;

e) calculate the Success Sharing Award on non-management adjusted straight-time and overtime wages;

f) determine the Success Sharing, Marketing Sales Incentive Awards, and Team Incentive Awards ratios in a manner consistent with how they are applied;

g) assign 50% of the costs of the Success Sharing and Team Incentive Awards the Company's shareholders; and

h) if the Staff's average 1995 wage methodology for the calculation of test year wages is adopted, the Staff's calculation of the non-management average straight-time wage be corrected.

Q27. DO YOU HAVE ANY OTHER COMMENTS REGARDING THIS CASE?

A27. Yes, I would like to address the time period being used for review in this application. This is the most out-of-date and stale test period I have seen used for a major company in many years. In fact, I cannot recall a more out-of-date period being used for a major utility since the time of implementation of SB 94, which established original cost ratemaking and other regulatory reforms in 1976.

The test year in this case is the calendar year 1995. By the time hearings begin in early 1998, this time period will be two years out of date. It is my opinion that no amount of tinkering and adjusting can make this period, which is so far removed from the time when any changes resulting from this application are implemented, representative of the implementation period. Selective adjustments can be made in an attempt to overcome this significant problem. However, tinkering and adjusting this period will not correct its basic inherent problem, namely, that it is simply too far out of date.

There are too many changes occurring in the telecommunications industry and in the operations of this Company to provide a level of confidence in such stale data. The danger of making adjustments in an attempt to correct the inherent problems of an out-of-date period, is that the adjustments are made on a selective basis and cannot capture the full synergistic effects of the changes which have occurred.

Even in December 1996, when CBT filed its Notice of Intent in this case, the 1995 test period was almost a full year (short by one day) out-of-date. The Company's Application was filed in February 1997. It has been my experience that most major utilities request, and are granted, a test period that is based on a combination of actual and forecasted data. Based on the date of CBT's Application, there could have been a test period which captured most, if not all, of 1997. This would have been a period more closely aligned with the period in which the changes ordered in this case are implemented.

Q28. DOES THIS CONCLUDE YOUR TESTIMONY?

A28. Yes. However, I reserve the right to modify, amend, or add to my testimony based on changes that the Company may propose, changes made to the Staff's position as presented in the Staff Report, or responses to outstanding discovery requests.

CINCINNATI BELL TELEPHONE COMPANY
Case No. 96-899-TP-ALT
Labor Expense Summary

(1) Non-Management O&M Labor Expense (a)	$	73,997,787
(2) Management O&M Labor Expense (b)		32,633,169
(3) Total Company O&M Labor Expense (1) + (2)		106,630,956
(4) Regulated Allocation Factor (c)		89.44%
(5) Regulated Expense (3) x (4)		95,370,727
(6) Jurisdictional Allocation Factor (c)		61.86%
(7) Jurisdictional Labor Expense (5) x (6)		58,996,332
(8) Staff's Test Year Jurisdictional Labor Expense (c)		75,933,612
(9) Adjustment to Staff Report (7) - (8)	$	(16,937,280)

(a) KNR-1a
(b) KNR-1b
(c) Per Staff Schedule C-3.6

CINCINNATI BELL TELEPHONE COMPANY
Case No. 96-899-TP-ALT
Non-Management Labor Expense Calculation

(1)	December 1995 Straight-Time Wage Dollars (a)	$	5,994,981
(2)	1995 Average Monthly Straight-Time Hours (b)		320,960
(3)	Average Straight-Time Wages Per Hour (1) / (2)		18.68
(4)	Number of Full-Time Employees at December 31, 1995 (c)		2,006
(5)	Annual Straight-Time Hours for Full-Time Employees (4) x 2,080		4,172,480
(6)	Number of Part-Time Employees at December 31, 1995 (c)		22
(7)	Annual Straight-Time Hours for Part-Time Employees (6) x 1,040		22,880
(8)	Total Straight-Time Hours (5) + (7)		4,195,360
(9)	Total Annual Straight-Time Dollars (3) x (8)		78,369,325
(10)	Five-Year Average Overtime Ratio (d)		0.1265
(11)	Overtime Dollars (9) x (10)		9,913,720
(12)	Standard Success Sharing Awards (e)		1,209,478
(13)	Total Non-Management Wages (9) + (11) + (12)		89,492,522
(14)	O&M Expense Ratio (h)		0.82686
(15)	O&M Expense (13) x (14)	$	73,997,787

(a) Derived from Applicant's Detail Supporting Schedule C-9.1

(b)	Number of Full-Time Employees at December 31, 1995 (4)		2,006
	Monthly Hours (4 weeks x 40 hours per week)		160
	1995 Average Monthly Straight-Time Hours		320,960

(c) Per Staff Schedule C-3.6a

(d) KNR-1c

(e)	Annual Straight-Time Wage Dollars (9)	$	78,369,325
	Overtime Dollars (11)		9,913,720
	Total		88,283,044
	Standard Success Sharing Awards Ratio (f)		0.0274
			2,418,955
	Percent Assigned to Ratepayers (g)		50.00%
	Standard Success Sharing Awards	$	1,209,478

(f) KNR-1d
(g) Testimony of OCC witness Tanner
(h) Contained in Response to OCC Interrogatory No. 499 and requested in OCC Interrogatory No. 513 (currently outstanding)

CINCINNATI BELL TELEPHONE COMPANY
Case No. 96-899-TP-ALT
Management Labor Expense Calculation

(1)	December 1995 Straight-Time Wage Dollars (a)	$ 3,028,839
(2)	Annual Salaries (1) x (12)	36,346,068
(3)	Five-Year Average Overtime Ratio (b)	0.0061
(4)	Overtime Dollars (2) x (3)	221,711
(5)	Marketing Sales Incentive Plan Payment Dollars (c)	959,536
(6)	Team Incentive Award Dollars (e)	1,939,063
(7)	Total Management Salaries (2)+(4)+(5)+(6)	39,466,378
(8)	O&M Expense Ratio (f)	0.82686
(9)	O&M Expenses (7) x (8)	$ 32,633,169

(a) Derived from Applicant's Detail Supporting Schedule C-9.1

(b) KNR-1c

(c)	Marketing Sales Incentive Plan Payment Ratio (d)	0.0264
	Total Dollars [ratio x (2)]	$ 959,536

(d) KNR-1d

(e)	Team Incentive Award Ratio (d)	0.1067
	Total Dollars [ratio x (2)]	3,878,125
	Percentage Assigned to Ratepayers (g)	50.00%
	Dollars Assigned to Ratepayers	$ 1,939,063

(f) Contained in Response to OCC Interrogatory No. 499 and requested in OCC Interrogatory No. 513 *(currently outstanding)*

(g) Testimony of OCC witness Tanner

CINCINNATI BELL TELEPHONE COMPANY
Case No. 96-899-TP-ALT
Overtime Ratio Calculation

		Non-Management (a)	Management (b)
	Ratio Overtime Dollars to Straight-Time Labor Dollars		
1)	1991	0.1026	0.0008
2)	1992	0.1073	0.0055
3)	1993	0.1178	0.0072
4)	1994	0.1380	0.0072
5)	1995	0.1667	0.0100
6)	Average [Sum (1) through (5)]/5	0.1265	0.0061

(a) - Applicant's Schedule C-9.1, page 3 of 3
(a) - Applicant's Schedule C-9.1, page 2 of 3

CINCINNATI BELL TELEPHONE COMPANY
Case No. 96-899-TP-ALT
Incentive Award Ratio Calculation

		Standard Success Sharing Award	Marketing Sales Incentive Plan	Team Incentive Award
	PUCO Staff Calculation			
1)	*Award (a)*	*$ 3,273,666*	*$ 1,212,469*	*$ 4,962,278*
2)	Base Wages (a)	84,288,814	54,525,735	54,525,735
3)	Ratio (1) / (2)	0.0388	0.0222	0.0910
	OCC Calculation			
4)	Award (b)	$ 2,600,000	$ 1,212,469	$ 4,900,000
5)	Base Wages (c)	95,058,424	45,910,420	45,910,420
6)	Ratio (4) / (5)	*0.0274*	*0.0264*	*0.1067*

(a) - PUCO Staff Worksheets
(b) - Testimony of OCC Witness Tanner
(c) - Derived from Applicant's Detail Supporting Schedule C-9.1

CINCINNATI BELL TELEPHONE COMPANY
Case No. 96-899-TP-ALT
Payroll Tax Expense Summary

(1)	FICA (a)	$ 4,389,586
(2)	FUTA (b)	69,607
(3)	SUTA (c)	54,032
(4)	Total Payroll Tax Expense (1) through (3)	4,513,225
(5)	Staff's Test Year Jurisdictional Payroll Tax Expense (d)	5,782,128
(6)	Adjustment to Staff Report (4) - (5)	$ (1,268,903)

(a) KNR-2a
(b) KNR-2b
(c) KNR-2c
(d) Per Staff Schedule C-3.18

CINCINNATI BELL TELEPHONE COMPANY
Case No. 96-899-TP-ALT
FICA Tax Expense Calculation

(1)	Non-Management O&M Labor Expense (a)	$ 73,997,787
(2)	Management Labor Expense (b)	32,633,169
(3)	O&M Labor Expense (1) + (2)	106,630,956
(4)	Medicare Tax Expense (3) x .0145 (c)	1,546,149
(5)	Ratio of Wages Subject to OASDI (c)	0.9662
(6)	Wages Subject to OASDI (3) x (5)	103,026,830
(7)	OASDI (6) x .0620 (c)	6,387,663
(8)	Gross FICA Tax (4) + (7)	7,933,812
(9)	Regulated Allocation Factor (c)	89.44%
(10)	Regulated Expense (8) x (9)	7,096,001
(11)	Jurisdictional Allocation Factor (c)	61.86%
(12)	Adjusted Jurisdictional FICA Tax Expense (10) x (11)	$ 4,389,586

(a) KNR-1a
(b) KNR-1b
(c) Per Staff Schedule C-3.18a

CINCINNATI BELL TELEPHONE COMPANY
Case No. 96-899-TP-ALT
FUTA Payroll Tax Expense Calculation

(1)	Number of Full-Time Employees (a)	2,702
(2)	Number of Part-Time Employees (a)	30
(3)	Total (1) + (2)	2,732
(4)	Taxable Wages Per Employee (a)	$ 7,000
(5)	Taxable Wages (3) x (4)	19,124,000
(6)	Part-Time Employees Adjustment [(2) x (4) x .5 (a)]	105,000
(7)	Adjusted Taxable Wages (5) - (6)	19,019,000
(8)	Tax Rate (a)	0.0080
(9)	FUTA Taxes (7) x (8)	152,152
(10)	O&M Expense Ratio (b)	0.82686
(11)	O&M Expense (9) x (10)	125,808
(12)	Regulated Allocation Factor (a)	0.8944
(13)	Regulated Expense (11) x (12)	112,523
(14)	Jurisdictional Allocation Factor (a)	61.86%
(15)	Adjusted Jurisdictional FUTA Tax Expense (13) x (14)	$ 69,607

(a) Per Staff Schedule C-3.18b
(b) Contained in Response to OCC Interrogatory No. 499 and requested in OCC Interrogatory No. 513 (currently outstanding)

CINCINNATI BELL TELEPHONE COMPANY
Case No. 96-899-TP-ALT
SUTA Payroll Tax Expense Calculation

		Ohio	Kentucky	Total
(1)	Number of Full-Time Employees (a)	2,504	198	2,702
(2)	Number of Part-Time Employees (a)	30	-	30
(3)	Total (1) + (2)	2,534	198	2,732
(4)	Taxable Wages Per Employee (a)	$ 9,000	$ 8,000	
(5)	Taxable Wages (3) x (4)	22,806,000	1,584,000	24,390,000
(6)	Part-Time Employees Adjustment [(2) x (4) x .5 (a)]	135,000	-	135,000
(7)	Adjusted Taxable Wages (5) - (6)	22,671,000	1,584,000	24,255,000
(8)	Tax Rate (a)	0.0050	0.0030	
(9)	SUTA Taxes (7) x (8)	113,355	4,752	118,107
(10)	O&M Expense Ratio (b)			0.82686
(11)	O&M Expense (9) x (10)			97,658
(12)	Regulated Allocation Factor (a)			0.8944
(13)	Regulated Expense (11) x (12)			87,345
(14)	Jurisdictional Allocation Factor (a)			61.86%
(15)	Adjusted Jurisdictional FUTA Tax Expense (13) x (14)			$ 54,032

(a) Per Staff Schedule C-3.18c
(b) Contained in Response to OCC Interrogatory No. 499 and requested in OCC Interrogatory No. 513 (currently outstanding)

CINCINNATI BELL TELEPHONE COMPANY
Case No. 96-899-TP-ALT
Hourly Wage Adjustment to Staff Non-Management Labor Expense Calculation

(1)	1995 Average Straight-Time Wage Dollars (a)	$	6,231,936
(2)	1995 Average Monthly Straight-Time Hours (b)		320,960
(3)	Average Straight-Time Wages Per Hour (1) / (2)		19.42
(4)	Number of Full-Time Employees at December 31, 1995 (c)		2,006
(5)	Annual Straight-Time Hours for Full-Time Employees (4) x 2,080		4,172,480
(6)	Number of Part-Time Employees at December 31, 1995 (c)		22
(7)	Annual Straight-Time Hours for Part-Time Employees (6) x 1,040		22,880
(8)	Total Straight-Time Hours (5) + (7)		4,195,360
(9)	Total Annual Straight-Time Dollars (3) x (8)		81,473,891
(10)	Five-Year Average Overtime Ratio (c)		0.1263
(11)	Overtime Dollars (9) x (10)		10,290,152
(12)	Standard Success Sharing Awards (d)		3,161,187
(13)	Total Non-Management Wages (9) + (11) + (12)		94,925,231
(14)	O&M Expense Ratio (c)		0.88500
(15)	O&M Expense (13) x (14)		84,008,829
(16)	Staff Adjusted O&M Expense (c)		90,973,516
(17)	Adjustment (15) - (16)		(6,964,687)
(18)	Regulated Allocation Factor (e)		89.44%
(19)	Jurisdictional Allocation Factor (e)		61.86%
(20)	Jurisdictional Adjustment (17) x (18) x (19)	$	(3,853,393)

(a)	Total 1995 Straight Time Wages (f)	$	81,015,147
	Weeks in Year		52
	Average Weekly	$	1,557,984
			4
	Average Straight Time Wages for 4 week Period	$	6,231,936
(b)	Number of Full-Time Employees at December 31, 1995 (4)		2,006
	Monthly Hours (4 weeks x 40 hours per week)		160
	1995 Average Monthly Straight-Time Hours		320,960
(c)	Per Staff Schedule C-3.6a		
(d)	Annual Straight-Time Wage Dollars (9)	$	81,473,891
	Standard Success Sharing Awards Percentage (c)		3.88%
	Standard Success Sharing Awards	$	3,161,187
(e)	Per Staff Schedule C-3.6		
(f)	Per Staff Labor Worksheet C		

CINCINNATI BELL TELEPHONE COMPANY
Case No. 96-899-TP-ALT
Effect of Non-Management Hourly Wage Adjustment on FICA Tax Expense Calculation

(1)	Non-Management O&M Labor Expense (a)	$	(3,853,393)
(2)	Medicare Tax Expense (1) x .0145 (b)		(55,874)
(3)	Ratio of Wages Subject to OASDI (b)		0.9662
(4)	Wages Subject to OASDI (1) x (3)		(3,723,148)
(5)	OASDI (6) x .0620 (b)		(230,835)
(6)	Gross FICA Tax (2) + (5)		(286,709)
(7)	Regulated Allocation Factor (b)		89.44%
(8)	Regulated Expense (6) x (7)		(256,433)
(9)	Jurisdictional Allocation Factor (b)		61.86%
(10)	Adjusted Jurisdictional FICA Tax Expense (8) x (9)	$	(158,629)

(a) KNR-3
(b) Per Staff Schedule C-3.18a

ATTACHMENT 1

INDEX OF TESTIMONIES
KENNETH N. ROSSELET, JR.

CINCINNATI BELL TELEPHONE	80-476-TP-AIR
CINCINNATI GAS & ELECTRIC	79-11-EL-AIR 81-1402-EL-CSS 82-1402-EL-AIR
CLEVELAND ELECTRIC ILLUMINATING	83-1342-EL-ATA
COLUMBIA GAS OF OHIO	76-704-GA-AIR 77-1428-GA-AIR 78-1008-GA-CMR 78-1118-GA-AIR 78-1161-GA-AIR 82-0852-GA-AIR 82-1002-GA-AIR 81-1070-GA-AIR 82-1129-GA-AIR 82-1151-GA-AIR 82-1152-GA-AIR 82-1174-GA-AIR 82-1175-GA-AIR
COLUMBUS SOUTHERN POWER (formerly C&SOE)	78-1439-EL-AEM 81-1508-EL-AIR 83-314-EL-AIR
DAYTON POWER & LIGHT	76-115-HT-AIR 76-823-EL-AIR 76-88-GA-AIR 78-92-EL-AIR 79-372-GA-AIR

EAST OHIO GAS	93-2006-GA-AIR 96-1019-GA-ATA
MONONGAHELA POWER COMPANY	94-1918-EL-AIR
OHIO BELL TELEPHONE COMPANY	83-300-TP-AIR 93-576-TP-CSS
OHIO EDISON COMPANY	75-131-EL-AIR
OHIO GAS COMPANY	83-505-GA-AIR
OHIO POWER COMPANY	83-98-EL-AIR
OXFORD NATURAL GAS CO.	78-1404-GA-AIR 79-292-GA-CMR
PUCO RULE MAKING	80-90-GE-UNC
TENNESSEE GAS PIPELINE	RP-91-203 AND RP-92-132
WEST OHIO GAS	80-256-GA-AIR 89-275-GA-AIR

CERTIFICATE OF SERVICE

I hereby certify that copies of the Non-Public Version Testimony of Kenneth N. Rosselet, Jr., on behalf of the Ohio Consumers' Counsel, have been served by first class mail, postage prepaid, or hand-delivered to the following parties of record this 17th day of December 1997.

Thomas J. O'Brien
Assistant Consumers' Counsel

PARTIES OF RECORD

DAVID C. OLSON, ESQ.
DOUGLAS E. HART, ESQ.
Frost & Jacobs LLP
2500 PNC Center
201 East Fifth Street
Cincinnati, Ohio 45202
Attys. for Cincinnati Bell Tel. Co.

BENITA A. KAHN, ESQ.
Vorys, Sater, Seymour & Pease
52 East Gay Street
P.O. Box 1008
Columbus, Ohio 43216-1008
Atty. for AT&T Communications of Ohio, Inc.

MATTHEW H. BERNS, ESQ.
MCI Telecommunications Corporation
205 North Michigan Avenue, Suite 3700
Chicago, Illinois 60601
Atty. for MCI Telecommunications Corp.

ROGER P. SUGARMAN, ESQ.
Counsel for Time Warner AxS
Kegler, Brown, Hill & Ritter, Co. LPA
65 East State Street, Suite 1800
Columbus, Ohio 43215-4294
Atty. for Time Warner Communications Of Ohio, L.P.

ROBERT W. QUINN, JR., ESQ.
DAVID CHORZEMPA
AT&T Corporation
227 West Monroe Street, 13th Floor
Chicago, Illinois 60606
Attys. for AT&T Communications of Ohio, Inc.

JUDITH B. SANDERS, ESQ.
Bell, Royer & Sanders, Co. LPA
33 South Grant Avenue
Columbus, Ohio 43215
Atty. for MCI Telecommunications Corp.