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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :
Commission Investigation :
Relative to Establishment :
of Intrastate Access Charges:

Case No. 83-464-TP-COI

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CONFERENCE

Before Commissioner Alan Schriber and Thomas Taylor, Attorney Examiner, held in Hearing Room 2, Ohio Departments Building, 65 South Front Street, Columbus, Ohio, on Thursday, August 11, 1983.

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VOLUME II

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Thursday Morning Session
August 11, 1983, 10:00 A.M.

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EXAMINER TAYLOR: Let's begin here. The overhead projector was taken back upstairs and we are trying to get it back down here as soon as we can. If you want to go ahead and start and see if anyone has any questions of Mr. Adkisson that he can answer without reference to the overhead projector.

Does anyone have anything they would like to ask the representative from Centel? The Staff?

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EXAMINATION OF MR. ADKISSON

By Mr. Yutkin:

Q. Does your company give any consideration to whether or not an intrastate surcharge should be charged to AT&T for a superior connection?

A. Intrastate?

Q. Surcharge.

A. Surcharge to AT&T? Not at this point. Our proposal is directed towards --

Q. I am sorry. I can't hear you.

A. In response to your question, no, we have not. Our proposal is basically directed towards the mirror image application of traffic-sensitive components.

Q. I am sorry. You faded out on me at the end.

A. No, we have not.

MR. YUTKIN: Thank you.

COMMISSIONER SCHRIBER: Mr. Adkisson, on your color chart, it is just somewhat of a small source of confusion, maybe large source of confusion. You describe a single LATA and then two carriers, A and B, within that LATA.

Would this be, for example, a LATA of BOC's and then it would sort of be an island within that LATA that are occupied by carriers? I am not sure how this comes out.

MR. ADKISSON: It's unfortunate the overhead isn't here right now. I do go into some examples of this and describe what we are representing with it.

Two points that my remarks were directed at yesterday. One principally, as it stands today, only the LATA's are defined within the State of Ohio, yet there are some geographical areas within the state where a LATA has no meaning. And the basis for fundamentally what I am suggesting here was that perhaps the Commission would give consideration to evaluating the state as a whole and segregating it into individually-oriented market areas, which would include the LATA's.

Then the concept is fundamentally that the access charge would be more equitably applicable to all companies concerned. What the chart is depicting is --

EXAMINER TAYLOR: We now have the overhead. Would you want to set that up perhaps so you can explain from the chart itself?

MR. ADKISSON: All right. As I was stating, one of the inferred suggestions of yesterday was that the Commission give consideration towards establishing market areas throughout the State of Ohio, and that those incorporate the LATA's as well.

In so doing then what we are depicting here, the confines of the square represent a simplified market area or LATA, whichever one you relate to. In this simplified market area as a further example, maybe two local exchange companies, or as we have shown on the chart here, exchange carrier A and exchange carrier B.

The yellow portion of it depicts the potential interconnect of an interexchange carrier which would be involved in either interstate intraLATA business or intrastate interLATA business, or intermarket service area by substitution. What we were depicting here basically is that these carriers have the option to establish a point of presence anywhere within this market area.

They may elect to establish a point of presence with exchange carrier B or they may elect to establish a point of presence with exchange carrier A. If the market area was of sufficient size and offered sufficient economic incentive then obviously with this option the carriers could establish a point of presence in both cases.

MCI, as an example, and I am not particularly picking on MCI, but any particular market area they could establish a point of presence in both cases.

Or another example, MCI might establish a point of presence with exchange carrier A and Southern Pacific establish a point of presence with exchange carrier B, and the traffic that they carry in that latter example would be inbound and outbound traffic for that entire market area.

Let's draw some example here of how this thing would work again in a simplified manner.

EXAMINER TAYLOR: I wonder if you would draw an example perhaps relating it to your Ohio operations? In other words, can you use specific offices you have in Ohio to track this call through?

MR. ADKISSON: As far as the interLATA or intermarket area, if I can use market area in place of LATA, I think that is how my mind works, anyway. I can with the exception, and for purposes of this discussion, make the assumption that there is EAS between ourselves and Ohio Bell in the Cleveland area, which there is not today, but make that assumption and I can use this example throughout our entire arrangement.

All right. The square then would represent the market area which would include Centel of Ohio operation in Lorain, and for the purposes of discussion let's say that exchange carrier A is Centel of Ohio. Accordingly we would assume that exchange carrier B in this example would be Ohio Bell in Cleveland since Lorain is contiguous to Cleveland, just west along the southern shore of Lake Erie. And in truth Lorain is included within the Ohio Bell LATA of Cleveland, for clarification.

Let's assume that the interexchange carrier has established a point of presence in Ohio Bell's Cleveland offices, and in fact both MCI and Southern Pacific have also established line side connections with Centel of Ohio in Lorain.

Assuming for a moment that I in my office located in Des Plaines, Illinois would like to call our offices in Lorain. Currently that call is switched over the public network and handled by AT&T, goes from the Chicago major toll center into the Cleveland toll center. From there it is completed via toll completing network into Lorain.

Effective January 1, 1984 that call would come in via the interexchange carrier, in this case AT&TIX into the Cleveland access tandem. At this point it would be switched via the intraLATA route into the Class 4 office located in Lorain.

It would be further switched to the Lorain main end office and on into the termination within our offices in Lorain.

In this particular situation of compensation then that call coming in and terminating on the access tandem routing over the intraLATA carrier facility and on in -- I can best depict this by going backwards since basically that is how the access charge scenario will work. If that is a 10-minute call then Central Telephone Company of Ohio would charge the intraLATA carrier 3 cents per minute for the traffic-sensitive and 1 cent per minute for the non-traffic-sensitive.

So in summation there is 4 cents per minute, and for the 10-minute call then we would bill the intraLATA carrier 40 cents.

Accordingly, Ohio Bell on this side would merely pass that 40 cent charge on to the interstate carrier and include any administrative costs for handling that call through their tandem switch.

MS. JONES: My name is Karen Jones, Network Planning, Ohio Bell. I doubt that the traffic would terminate in this scheme that you have described. First of all, to my knowledge there are direct high usage toll trunks which exist today from Chicago main to the Lorain district. The first route for that traffic on a call would be direct from Chicago to Lorain and there is no desire to disconnect those kind of trunking arrangements.

Secondly, 4 ESS toll switch, if there is not a high-usage route into Lorain or via final path, if you will, in Cleveland, it would not go from the Cleveland 4 ESS which is not access tandem direct to the Lorain, so it would be the existing trunking configuration as is in the network today. I do not envision at this stage any double switching, if you will, of today's traffic pattern.

MR. ADKISSON: Let me say that on the first traffic that is coming from Chicago directly to Lorain, in that case obviously that call would be charged to the interexchange carrier. In that case the 40 cents would be charged directly to the interexchange carrier.

MS. JONES: I cannot answer how the charges would go. All I can say is how it would route in the network.

MR. ADKISSON: That is what I'm addressing.

MS. JONES: It would route in the network directly from say 4 ESS, Chicago 6 and Chicago 8 to the Lorain Class 4. From my perspective I am a network planner and not a rates and tariffs person. The arrangement could be direct between that interexchange carrier and the Lorain company.

MR. ADKISSON: That is what I said. In that case the first route from Chicago ATTIX switch directly to Lorain Class 4, then the 40 cent charge for that example call would be charged to ATTIX directly.

MS. JONES: If it did not go on the first route --

MR. ADKISSON: Alternated to ATTIX switch in Cleveland and come into Lorain toll center, still is an ATTIX carrier call and 40 cent charge would apply.

MS. JONES: No Ohio Bell involvement whatsoever.

MR. ADKISSON: Only if Ohio Bell were in fact handling the final route traffic on an intraLATA junction, only if they did.

MS. JONES: But we would more than likely split that trunk, as time goes forward we will have to apportion that trunk group.

MR. ADKISSON: It's my understanding that in the long run there will be a separation of traffic between the BOC's and AT&TIX.

MS. JONES: Required to do that by the law.

MR. ADKISSON: Initially that separation will come about --

MS. JONES: We would not envision splitting the trunking and go down, that is correct, but we will have to apportion it as we do many other cases.

MR. ADKISSON: There is an administrative burden involved in the interim and, as I stated earlier, in this highly simplified example, then it would have to be further refined for the kind of detailed network contingencies that you are addressing.

Another example would be if a customer located within Ohio Bell's serving area wished to call another customer within the Lorain serving area, and not being familiar with some of the Cleveland end offices I couldn't put a handle on this until somebody gave me a name. Is there a Cleveland end office that would -- I can use here as --

MS. JONES: Michigan to Avon Lake.

MR. ADKISSON: Michigan exchange to the Avon Lake exchange? Are these near contiguous offices?

MS. JONES: Michigan I believe is in the Cleveland exchange itself.

MR. ADKISSON: Downtown?

MS. JONES: Southeast.

MR. ADKISSON: Okay. So I could use an example that in placing this call then the Michigan customer would go through that Michigan end office, switch up to a Class 4 office through an intraLATA facility to the Lorain Class 4 and then down into the Avon Lake end office to that customer.

Okay. In that example then we would assume that Ohio Bell would be the intraLATA carrier. In this case then assuming 10-minute call, then Centel of Ohio would charge that intraLATA carrier the 40 cents, the same 40 cents since we are proposing mirror image to that intraLATA carrier. Ohio Bell would input similar charges on it for its portion over here at 5 and 2 or 7 cents per minute times the 10 minutes. That 70 cents plus the 40 cents plus the cost of the intraLATA facilities would be then summarized to develop end user toll tariffs.

The next example is one which we would have to make a general assumption and that is that there were some form of EAS between say the Avon Lake office of Centel of Ohio, which is over here, and perhaps the Westlake office of Ohio Bell since they are relatively near communities. In that case this EAS would be established across here probably on an end office to end office basis, but not necessarily so. And as such then an agreement would be reached between the two companies for this EAS service on what we call an originating responsibility plan.

The traffic originated in Avon Lake and terminated upon Westlake, then Centel of Ohio as the originating company would pay Ohio Bell as the terminating company traffic-sensitive costs for the termination of that traffic.

Here again we propose that be mirror image so be the 5 cents plus the 2 cents. Accordingly, for that traffic originated in Westlake and terminated on Avon Lake on the originating responsibility plan Centel of Ohio would bill Ohio Bell 3 plus 1, 3 plus 1 or 4 cents per minute for every EAS minute of use that Centel of Ohio terminated.

Now, how this would work in the --

EXAMINER TAYLOR: Go ahead.

MR. ADKISSON: Now, let's establish another assumption that the interexchange carrier has established only one point of presence and that is in Cleveland. And they have the means of getting to Centel of Ohio over here through the EAS network.

I think some of you may recognize that what I am addressing here is the northwestern scheme, and one thing that many of us fear. Obviously in this arrangement then the interexchange carrier has to notify Ohio Bell that they will be offering traffic to Ohio Bell, which is intended to terminate on Centel of Ohio. And Ohio Bell would then make the necessary arrangements in their corresponding Class 5 offices for that traffic to move over the EAS.

Under the plan that we are proposing then again with the originating responsibility Centel of Ohio would charge Ohio Bell 4 cents for all EAS minutes terminated irrespective of the origination of those calls. Ohio Bell in turn for that EAS traffic which originated from the IX carrier would charge the sum of 4 cents from Centel of Ohio plus their 7 cents for total of 11 cents per minute back to that interexchange carrier.

The significance of this then is that the exchange carriers become passive as far as point of presence in any market area where there is EAS. Under the originating responsibility plan concept the traffic-sensitive and inputted for mirror image non-traffic-sensitive costs throughout that EAS network, whether it be a multiple exchange company network or just two companies interfacing with one another, those costs would be additive for that traffic and charged to the IX carrier.

Accordingly then that IX carrier could establish a point of presence either in Cleveland or in Lorain and still face exactly the same charges, 11 cents per minute of all traffic carried via that EAS network.

The fundamental reason for this proposal should be obvious. If the minutes ofuse charges are not summed across this EAS network and through tariff charged to the IX carrier, then in this example these two exchange carriers can find themselves being whipsawed by an IX carrier. And when I say whipsawed, I mean they will come in and say we will terminate on you if you will reduce your prices to what the carrier next door to you is charging.

EXAMINER TAYLOR: In your hypothetical if we assume that the right side is Avon Lake, and we assume that the left side is Westlake, and there is an existing EAS path between those two points, that is the assumption, and a call originates from the subscriber who resides in the Avon exchange over that EAS facility to a subscriber that resides in the Westlake exchange, how is that customer billed? What is the impact on the customer for that call?

MR. ADKISSON: There is no impact on the customer. He is paying the existing rate.

EXAMINER TAYLOR: He pays only whatever rate the extended area service was established at?

MR. ADKISSON: That's correct. That is all he ever paid. What the proposal here does is replace the type of compensation that currently exists between the companies for this EAS network assuming that there is such a compensation plan at work. If there is no compensation plan then obviously somebody has problems.

MR. YUTKIN: Is this just being used as an example or is your company actually proposing market service areas be created in the State of Ohio?

MR. ADKISSON: I think that is how I started my opening remarks, but may consider establishing market areas throughout the state.

MR. YUTKIN: What advantage would a market area have to the telephone companies in the State of Ohio and what effect would it have on the customers?

MR. ADKISSON: Those areas of the state not currently incorporated into a Bell LATA or inputted because of the constraints placed upon General Telephone, then there willbe some doubt as to how this whole scheme of access charging intra or inter will apply. I can't right off the top of my head think of an area in the state where this would apply, but I am sure there are some where if there is not a defined market service area then how are they going to interrelate with those various carriers that terminate, whether it be Ohio Bell or General Telephone or MCI or Southern Pacific? And how do you relate to them an intraLATA tariff? The LATA has no meaning.

MR. YUTKIN: Thank you.

EXAMINER TAYLOR: Would you go through my hypothetical question or your hypothetical one more time, Westlake to Avon Lake, explain to me your proposal on billing for that call?

MR. ADKISSON: All right.

EXAMINER TAYLOR: Call that originates at Avon Lake and terminates at Westlake.

MR. ADKISSON: All right. The call originates by customer in Avon Lake, goes to this hypothetical EAS network and is terminated on the customer in Westlake. Since the call originated with Centel of Ohio and under the originating responsibility plan then they would be responsible for paying Centel or Ohio Bell the mirror image traffic-sensitive and non-traffic-sensitive costs for terminating that call.

If it's a ten-minute call then in this case Ohio Bell would bill Centel of Ohio 70 cents for that call. If the inverse applies, and Centel of Ohio was terminating that call, then Centel of Ohio would bill Ohio Bell 40 cents for handling the call. In either case the end user up here (indicating) is already paying us part of their monthly recurring charges for that EAS service and all this is now as a means whereby the two companies involved in this network will be compensated for handling that traffic and the end user would not be affected initially, and not to say at some future point the cost may justify a further consideration of rate change. So I think that should be established on an individual cost basis and justified originally.

EXAMINER TAYLOR: Anyone have any other

questions?

(No response.)

EXAMINER TAYLOR: I have a couple.

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EXAMINATION OF MR. ADKISSON

By Examiner Taylor:

Q. Mr. Adkisson, I believe yesterday you indicated in your remarks that some recognition may be appropriate as to high cost companies or universal service fund concept on intrastate basis, is that correct?

A. Yes.

Q. How would you propose such a fund or recognition come about?

A. There are a number of alternatives which could be considered under this proposal, one of which would be a premium access charge to Ohio Bell. Another alternative would be a modified pooling on the non-traffic-sensitive revenues.

A third one, and the one which Centel of Ohio is promoting or proposing, and that is through the residual treatment; that if there is an excess of revenues after accounting for the intrastate revenue requirement and the revenue string, then that excess revenue will benefit the ratepayers of that particular company. If there is a shortfall then that shortfall would be made up in the form of a fixed monthly charge.

Q. Charge to what?

A. To the end user.

Q. Do any of your proposals require creating some type of an entity to oversee that type of a fund?

A. I think that was inferred in my statements of yesterday where even though Centel of Ohio is a strong proponent of the companies filing individual tariffs, we also recognize that there are some companies which do not have the resources to accomplish that task, and as a consequence they would generally file with the Commission of Ohio mirror image ECA tariffs. As such then it tends to input that a similar association be formed within the State of Ohio for the distribution and accounting of those revenues.

Q. Do you have a proposal for the makeup of such an association in Ohio.

A. I have alternatives. One alternative, of course, would be Ohio Bell to perform this function much in the same way as they are administrators of the separations pool as it exists today.

Another alternative would be an outside

agency established perhaps under the guidance of the Ohio Telephone Association, it would be a completely separate arm of the association and would be independent in its functions of the participating companies. Obviously the costs of this administrative function would be the burden of those participating companies.

Q. Would you propose mandatory participation in this association?

A. No, I would not.

Q. Mr. Adkisson, is it conceivable, is it technologically possible that your company could provide a toll restricted service in your service territory whereby your subscribers could elect to place no calls over the toll network interstate or intrastate?

A. In my remarks yesterday I stated, yes, that such restriction technically is feasible. Whether it is economically feasible has yet to be determined. It does not, however, address the issue of terminating toll traffic.

The access charge scheme as proposed under 78-72 and its mirror image, as many of the companies in these proceedings are proposing, is based on the premise of two-way traffic, that is both originating and terminating, toll traffic. Restrictions can only apply to originating traffic. It cannot be applied to terminating because an exchange carrier has no way of differentiating local or toll traffic that it is carrying.

As a consequence then even though a customer may volunteer for restricted toll access it is a one-way restriction and they are not prohibited from terminating toll traffic. As a consequence, they are still participating in this whole scenario.

Q. Are you saying it's not technologically possible to assign a block of numbers and program these numbers so they cannot either originate or terminate long-distance calls to that particular block of numbers?

A. That's correct, because we cannot differentiate between a local terminating call or a local call. That determination can only be done at the originating end.

Q. And what is the position of your company as to other telephone companies concurring in a proposed tariff?

A. Centel of Ohio has reviewed a few of the proposals as offered here. Obviously there are some similarities and obviously there are some dissimilarities.

Those where the various companies are proposing freedom of choice between filing separate tariffs or joining in an ECA tariff, we concur, and we wholeheartedly support such a proposal.

We also strongly urge the Commission's consideration of mirror image structure in rate application for intrastate access charges. We do have, however, grave concern for the proposals of Ohio Bell.

Q. Specifically could you tell us where your proposals differ from those of Ohio Bell?

A. Primarily our proposals include the continuance of the existing toll rate structures and that any changes to those toll rate structures be accomplished in time and based on cost. We have grave concerns about the somewhat arbitrary approach of assuming a $4 CALC and backing into its effect on intrastate toll, particularly when you marry that with the proposal of Ohio Bell to continue the separations process on intraLATA traffic beyond January 1, 1984.

At this point Centel of Ohio has not seen any cost data which substantiates the $4 charge, and as a consequence we have not been in a position to quantify the impact that that would have on Centel of Ohio and on Centel of Ohio ratepayers. The basis of our concern in this proposal is that it could very well cause the flat CALC for a number of companies to increase substantially above cost-based prices.

We are also concerned that it has the potential of providing a form of economic protection to Ohio Bell from competition at a cost to other ratepayers throughout the state and those served by Ohio Bell.

Q. Mr. Adkisson, what numbers did you use in arriving at your preliminary projection as to the potential for a negative customer access charge?

A. The numbers that we used were those which were spilling out of our preliminary run on the interstate access charge elements, and assuming mirror image, their application to intrastate minutes of use, treating the nonsensitive CALC then as a residual and also assuming intrastate revenue requirements being derived per FCC Part 67.

Then as a result of this residual treatment the preliminary numbers tend to indicate that we will end up with a negative CALC for intrastate.

Now, I hasten to emphasize that these calculations at this point are preliminary.

First of all, because the numbers have not been basically purified. Second of all they do not include the revisions which have come about as a result of the order upon reconsideration. However, I would be willing to express an opinion that after these changes are taken into account that we will still end up with a negative CALC on intrastate, perhaps not the order of magnitude that our preliminary studies indicate.

Q. What do your preliminary studies indicate would be the actual CALC for interstate?

A. Interstate we are assuming the two and $4 minimum with a maximum CALC of $4 average. Now, obviously that will change because of the two and $6 revision on order of reconsideration.

Q. One final question, Mr. Adkisson. How do you or Centel propose to place your intrastate access charge tariff into effect in the State of Ohio?

A. Centel of Ohio is currently in the processes of finalizing first of all a model tariff basically which we have supplied to the extent possible at this point to the Commission, and it is our intent to file that completed tariff with the Commission of Ohio no later than October 3 of this year.

Q. With numbers included, is that correct?

A. That's correct.

Q. And that would be filed, if you know, pursuant to what statutory mechanism in the State of Ohio?

A. At this point in time I couldn't answer that. I don't know. It's just I think we are all in a new ball game and most of the companies are confronted with the need to file tariffs and that with the magnitude of the job to be accomplished that our earliest date is October 3rd to file these tariffs.

From that we will assume that the Commission will make a judicious decision as to how it will handle it, hopefully with the objective in mind that these tariffs be implemented or approved for implementation by January 1, 1984.

Q. Perhaps you could consult with your counsel and ask pursuant to what statute those would be filed with the Commission. I assume they are not just handed to the Commission pursuant to --

A. It is our proposal that there will be a generic proceeding upon which these tariffs may be received.

EXAMINER TAYLOR: I understand the Staff has a few more questions.

MR. YUTKIN: Yes.

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FURTHER EXAMINATION OF MR. ADKISSON

By Mr. Yutkin:

Q. Currently how are you billing for phone calls?

A. Intrastate toll?

Q. Yes.

A. We concur in the toll rate schedules as filed by Ohio Bell and bill accordingly.

Q. If you file a new tariff would it just be as simple to establish your own rates without creating a market service area to conduct your billing?

A. Well, first of all Centel of Ohio is not a toll carrier in the sense, an intraLATA or intramarket area carrier. Therefore, it would be impracticable for us to file such tariffs. On the assumption that we were an intraLATA carrier it again would be impracticable for Centel of Ohio to not only go through this process of developing access charges, but also to develop the necessary end user charges for toll rate schedules.

I do perceive, however, that over time the individual carriers, interexchange carriers, will develop disaggregated end user schedules.

Q. What actually would a market service area serve? What purpose would it serve?

A. Again administratively it would assist, clarify for the purposes of those independent companies which are not associated with a LATA. To them a LATA has no meaning and when you talk about inter- or intraLATA access charges, there is no such thing.

MR. YUTKIN: Thank you.

EXAMINER TAYLOR: Anything else?

(No response.)

EXAMINER TAYLOR: Thank you very much, Mr. Adkisson. Let's take five minutes then begin with United Telephone.

(Recess taken.)

EXAMINER TAYLOR: Are we ready to proceed?

We have the representatives from United Telephone Company waiting to put on their presentation. Could I ask that they identify themselves?

MR. BUCHMANN: Mr. Taylor, my name is Alan Buchmann, counsel for United Telephone. The presentation will be made by Mr. Myers, who is the Manager of Toll Planning, and he will be assisted by Mr. Gratz, who is the Manager of General Tariffs.

If I can, I would remind everyone that copies of our slides are out there for anyone who didn't get them yesterday.

EXAMINER TAYLOR: Thank you, Mr. Buchmann.

MR. MYERS: Certainly being fourth on the agenda will certainly be a challenge for us. What I would like to do in a few minutes is briefly discuss our format and structure then very clearly illustrate what we mean by our rate development methodology. First of all, our proposal is very simple. We simply propose to concur in our interstate access services tariff with the exception of Section 4 which is the end user tariff, and we intend to file a separate tariff which mirrors or looks very similar to Section 4, but with our rates calculated residually.

We think there are several good reasons why we should be allowed to concur as opposed to file a separate application. First of all, the tariff is very complex, it's very voluminous and it involves highly sophisticated users in a highly technical arena that can change very rapidly. It would be extremely burdensome to administer two such tariffs.

Also the types of offerings, the timing of new offerings, the technical aspects within the tariff would be identical for interstate and intrastate.

And thirdly, as has been previously mentioned, the requirement for rate parity coupled with the concurrence in the interstate tariff, we would have to interpret that interstate tariff relative to state jurisdiction. By that I merely mean every time you see interstate you interpret that to say state.

The format and structure, we have been entirely consistent with the ECA format, as I think everyone that has filed a format tariff, you'll find that the structure is the same. There is good reasons for this.

The effort that it took to prepare this tariff, it's a huge tariff, highly technical and highly complex and the resources were enormous that it took to prepare this tariff, probably beyond any one company, particularly our company.

So what we have done is, probably one of the things that would warm your heart where the industry came together, was to garner their resources to file a consistent tariff andthe ECA put this together. We have been consistent with the ECA tariff.

Much of the language in the tariff is the standard kind of tariff language. Some of the questions that have come up about the language, it is the similar kind of language that we have used in tariffs before throughout the industry, throughout the country, and as a result we have made little attempts to change that language.

Also as we have discussed, this tariff is subject to some minor changes as a result of the lateness of the FCC ruling. We don't think they will be major but there will be some minor changes that will be necessary.

The actual structure of the tariff, as you have seen several times before, consists of 14 sections. These are standard ECA sections, there are 820 ratable elements, 540 of those are recurring, 280 of those are nonrecurring.

I think that Mr. Billinghurst explained several of the sections to you and went into more detail. It is not my intention to go into detail of individual sections, but it's a standard format.

Each of the sections is pretty much designed, as I said with the ECA standard approach. We have at the beginning the definitions, regulations and rates. We have included in our tariff all of the standard rate elements, even though we don't offer those services, so that when we do offer these services we do not have to restructure the entire tariff. We have found that to make changes in the tariff the work effort involved probably extended as the number of changes increase because if I change one I will have to change 16 other places and if I change two I just increase that dramatically. So we have chosen to stick with the standard rate elements.

Also any difference in this tariff and other tariffs that we have used, probably there are many more usage-sensitive elements than there are in any other tariffs. Most of the elements in our method of recouping the revenue are from usage-sensitive billing.

That is basically our tariff structure and format and I would like to go into a little more detail in our rate development methodology and going to walk down through a short example so you can clearly understand what we mean by mirroring of the rates and residual end user calculation.

Our rate development methodology is based on two basic premises, concurrence in the interstate carrier charge, not end user carrier charge, residually calculated end user charge. Again, as you have heard several times, the necessity for parity.

We don't have the ability to measure the difference between interstate terminating traffic and other types of connection. Also even if we do measure it we would have a difficult time trying to bill two separate rates.

The billing mechanism, and all of our companies have some different billing mechanism, to bill this access service tariff is very difficult. If we had two separate rates we would have to build two such mechanisms and it would be very difficult to say the least.

On the end user calculation we feel that residual calculation, that you heard before, will also keep that calculation or that CALC charge to the end user as low as possible during the transition period.

What I would like to do is show you an example of how we develop our rate and what we mean by mirroring of the rate. For example, if we started with total revenue requirement of one million, this is just an example, based upon authorized rate of return, first step that we have to do, we have to jurisdictionalize that revenue requirement, and the way we do that is using standard separations procedures, division of revenue, breakout between interstate and intrastate.

For those of you who are not familiar, that is merely a proration based on usage of a commonly-used asset, asset that is used for both inter-intrastate, measure the usage and divide it, say this 50 percent is used intrastate and that 50 for interstate. In this case interstate has 30,000,000, intrastate has 70,000,000.

The next slide is a bit foreboding, so I will walk you down through it more slowly. Again we start with the toll revenue requirement. We have broken it down using standard separations procedures interstate-intrastate. With the 30,000,000, first step that we have to do is to divide that revenue requirement into two sections. One is interexchange. You heard the definition of that. That is merely those assets totally associated with the toll network and not the local loop. We divide this between those assets and everything is access charge. We have to recoup that revenue via access charges.

The interexchange for the toll piece will be recouped similarly to how we recoup it now, in some type of a partnership with whoever those facilities are connected to. We know how to do that, we have been doing that for years and that doesn't cause us a problem.

What is left over is brand new, we now have 24,000,000 that we must recoup some other way. The next step is to take what is left over and going to get that revenue back in two basic forms.

First we have to divide it into traffic-sensitive and non-traffic-sensitive. And again this is based upon inventory such as this is based on separation of assets, figure out if they are traffic-sensitive and non-traffic-sensitive. Non-traffic-sensitive are those investments associated with the common line. That is the individual users' access to the network.

The traffic-sensitive is everything else up to the point of presence of the interexchange carrier.

Once we have physically separated those assets, or revenue requirement in this case, we say 12,000,000 each, 50 percent. The actual tariff has about 500 traffic-sensitive or usage-sensitive rates based upon features and functions, but this is the methodology we use to get there, all the same, just divide up into more buckets.

Take the $12,000,000 divided by your total interstate minutes of use, and in this case that would equal 4 cents a minute. So for every interstate minute of use you are going to bill the interexchange carrier 4 cents a minute.

Now, still have 12,000,000 that we have to recoup that is non-traffic-sensitive. You are going to get that back two ways. First on the interstate side, the FCC just came out and said that there is going to be a flat rate billing to the end user, $2 on residence, $6 business and take weighted average of that, it comes out about, for our company, $2.50 we will say. Multiply that times the number of loops, in this case it gives you 6,000,000. We need 12,000,000.

You get 6,000,000 via end user in the first year of transition in the end user charge. What is left over, $6,000,000, we have to get in some other mechanism.

The way we do that is take the total interstate minutes of use into that 6,000,000 and it comes out to 2 cents a minute. We are going to bill that to the carrier.

So the bottom line is started with $30,000,000 we had to recoup, broke that down into 6 and 24, 6 we are going to do like we have always done, we know how to do that.

The 24 broke down into two pieces which is usage-sensitive or traffic-sensitive, and the 12,000,000 we will bill on flat minutes of usage, minutes of usage basis interexchange carrier and this piece you get back two ways, 6,000,000 end user and 6,000,000 residually that you bill to the exchange carrier.

On the interstate side this piece is pooled by the ECA, it's a mandatory pool and the example here is that my revenue requirement and ECA rate happen to be the same. It is possible for any revenue requirement and the ECA to be some other rate, but for simplicity let's assume that same rate, ECA comes out 2 cents a minute.

What happens is now the carrier rate for every minute of use is traffic-sensitive and the residual amount of 6 cents a minute for every minute of use. From that you get 12,000,000, 18,000,000, get the other 6,000,000 to get my 24,000,000 from the end user.

Okay. I need to review very quickly how we got the interstate piece of the rates before we can discuss mirroring.

You start back, total revenue requirement, again talk down through this one, come over here, intrastate side, we have $70,000,000 we have to get. Again the first step is physically divide that revenue requirement based on the physical inventory of the assets, certain amount of it engaged only in toll. We are going to pull that out.

What is left over, $60,000,000, that is what is involved in the access charge.

Now, this is a different methodology than the interstate piece. What we started with is the carrier charge and mirrored this rate. This rate had the traffic-sensitive costs and it residually cost 6 cents times of use and that generates 55,000,000. We take that 55 off, what is left over is $5,000,000. We simply divide that by the number of loops times number of months, 12, that is $2 per loop.

The interstate subsidy is built in this number and will be during the transition period and this keeps the end user charge as low as possible.

That is the basic methodology on mirroring of the rates and the residual calculation of the end user charge.

We were asked to discuss how our proposal is different from Ohio Bell. We propose to concur in interstate tariffs just for the burden of maintaining two separate tariffs.

Secondly obviously our rates will be different, our rates built on individual companies' costs and end user residual calculations will be different.

Ohio Bell will offer more services than we offer and there is some miscellaneous differences in the tariff that we have seen, some rate bands are different which could cause them to have either a few more or few less rates depending on more or less rate band and directory assistance kind of verbiage.

That concludes our formal presentation.

EXAMINER TAYLOR: Any questions?

MR. YUTKIN: Yes.

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EXAMINATION OF MR. MYERS

By Mr. Yutkin:

Q. Has your company any evidence within your territories of bypasses?

A. No, sir, not at this time.

Q. Is it technologically feasible to limit phone service to local exchanges?

A. Technologically our answer would be the same as Ohio Bell's, technologically, yes, it can be done. Who would pay the cost? It would be extremely expensive in our offices, probably much more so than Ohio Bell's.

Q. Would you provide the Commission with a copy of some sort of cost study as to what it would take to limit that service?

A. We don't have a study available to do that. It would be a costly study to develop, to go in and determine the engineering required in each office that we have to screen calls.

Q. Would you just then develop some sort of methodology of what it would take technologically, not putting figures in, just give us technological data, what technology would be necessary?

A. Do you mean a general engineering description of what would be required?

Q. Correct.

A. Yes.

Q. What is your company's position on establishing pooling within the State of Ohio similar to the ECA?

A. Philosophically we are against pooling. We think it does not provide the proper incentives for efficiency and in essence proper price signals to customers. During the transition period pooling may be acceptable. There's so many different types of pools that it would be hard to tell who is involved and who isn't involved and how to calculate what you pool and what you wouldn't pool. It would be very difficult to make that kind of informed comment on whether we would participate in any particular pool until we saw the specifications of that pool. But in the transition period it may be acceptable.

Q. How do you feel about surcharge being established for AT&T because of superior interconnection?

A. On the intrastate --

Q. Basis.

A. I guess really I don't have an opinion on that. I don't know.

Q. Included in your tariff you have a chart on how access lines for Centrex systems are developed. How did that chart come about? Was that just general or --

A. You are talking about the trunk equivalency?

Q. Right.

A. Two issues there. First, we don't offer Centrex service. Centrex CO service you stated? Don't offer Centrex CO service.

I believe a case just came up before the Commission on Centrex service being offered by United, I think it's CU, but I can check that. The way the trunk equivalency ratio was developed, it was developed by the ECA, national average. We adopted that as they have developed it.

Q. As you said in your earlier presentation, the specific wording was accepted as it was from the national ECA tariff?

A. In most cases, that is correct. We felt that the resources applied to it at the interstate level, ECA, were very large and that they had probably the best vantage point to do a good job of wording that tariff. Yes, sir.

Q. What exactly are the effects on your tariff that would come about by the recent FCC order?

A. Say that again, please.

Q. What effects will come about by reason of the FCC order concerning your tariff?

A. I don't know the answer to that. There will be some minor changes, we are sure -- we think. We have not seen that order. Until we do it's very difficult to say what impact it will have.

EXAMINER TAYLOR: Any other questions?

(No response.)

EXAMINER TAYLOR: Let me ask this question.

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EXAMINATION OF MR. MYERS

By Examiner Taylor:

Q. Could you explain for us the makeup and the function of the ECA?

A. Of the organization itself or of the rate?

Q. The organization itself.

A. Not in detail I could not. There is a temporary organization established now, it is predominantly staffed with AT&T folks. It has representatives from USITA and some of the other independents. We have a representative on that, our parent company.

The detail of the organization, no, I could not give you what that looks like. They have drawn upon many, many resources of AT&T and the rest of our companies.

Q. What is its present function?

A. The immediate goal of it is to develop the ECA tariff for everyone that has concurred in it and to establish a format that will be used throughout nationally by all companies.

It would not be possible for the FCC to review 2400 different formats of tariffs of the length of this one in the time frame they have to do it, so they have established basic format structure and they have to develop both traffic-sensitive rate for those companies that have concurred and they have to develop the carriers'carrier charge or residual charge and mandatory pool that we all participate in.

Q. All figures are an average figure, nationwide average figure? What use or what kind of specific numbers are they going to be used in developing --

A. Depends on the people who concurred in that tariff. I am not sure this company -- that is the largest company, but it is not -- the traffic-sensitive portion of the tariff, the BOC's are not the largest company, so would not be a nationwide average. It would be an average of the companies who are concurring in the tariff.

All companies submitted data and those that have chosen to concur in the traffic-sensitive would be an average of only those companies. On the carriers' carrier charge, residual charge that I show, that will be a nationwide average, yes, sir.

Q Is United presently involved in or does it plan to become involved in handling interexchange toll traffic?

A. We do carry some of our own interexchange traffic now, use within our LATA, if you will.

Q. Are there any present plans to expand beyond your LATA, if you will, in handling toll traffic?

A. I am not qualified to answer that question. Certainly we are looking at that option. Wouldn't say that we have concrete plans to do so yet. I don't know.

Q. Am I correct that unlike Ohio Bell and General you have no prohibition on entering the interexchange market?

A. Yes, sir, that is correct.

Q What do you view as the ramifications of your service area being excepted by Judge Greene in his decision on LATA's?

A. Basically it will prohibit Ohio Bell from competing with us intraLATA. We will still compete with AT&T and any other interexchange carrier within our LATA or within our GMA.

Q. That is the sole ramification that you see in that decision?

A. I am sure there are others. That is the one that hits me right now.

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FURTHER EXAMINATION OF MR. MYERS

By Mr. Yutkin:

Q. How do you plan to bill the BOC for interconnection in United's territory not within your GMA?

A. I am not sure I understand that.

Q. In United's territory outside the GMA how would you bill the BOC for interconnection with your local exchanges?

A. We will use access charges. That is our intent right now.

Q. What is the basis for the access charge?

A. We are an exchange carrier. If an inter-exchange carrier wants access to our exchange we will bill them via access charge tariff.

MR. YUTKIN: Thank you.

EXAMINER TAYLOR: Anything else anybody has?

(No response.)

EXAMINER TAYLOR: No further questions? I guess I have one that I would ask as kind of an afterthought here.

I would ask if United has given any consideration to what mechanism they will utilize to place tariffs relating to access charge into effect by 1-1-84 on intrastate basis in Ohio?

MR. MYERS: That is if we cannot concur in interstate is what you're saying?

EXAMINER TAYLOR: Yes.

MR. MYERS: I will refer to Mr. Buchmann.

EXAMINER TAYLOR: Fine with me.

MR. MYERS: I don't have an answer to that.

MR. BUCHMANN: I would presume we would attempt to file, given the conditions that the Commission would ask under what statute, I will use as many as possible. But I think that this will be a first filing for United, and if not that action could be taken under 4909.16 because the absence of a rate for this service throughout our service territory certainly is going to be an emergency for our customers.

UNIDENTIFIED SPEAKER: We can't hear.

MR. BUCHMANN: I said that given the conditions of the Examiner's question of how we will file with the Commission, I thought that this would be a first filing under Section 4909.18. I would go on to say that the Commission having had this proceeding surely would be in a position to promptly decide whether the filing required a hearing.

I would also suggest that the filing could be accomplished under 4909.16 because the absence after January 1 of the rate for this service would create an emergency for our customers.

EXAMINER TAYLOR: Any other questions?

(No response.)

EXAMINER TAYLOR: Thank you. I am going to take a lunch break until 1:00 at which time we will put on Cincinnati Bell.

Also I asked that a representative from Mid-Continent be here to explain certain aspects of their filing with us and I would ask that if Mr. Prohaska or Mr. Schneider are in the room, before they leave I would like to talk to both of them, please.

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Thereupon, at 11:35 o'clock, A.M., a recess was taken until 1:00 o'clock, P.M., of the same day.

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Thursday Afternoon Session

August 11, 1983.

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EXAMINER TAYLOR: Is Cincinnati Bell ready to proceed? Could you introduce who is making the presentation and proceed?

MR. STROPES: My name is William Stropes and I am the District Manager of Tariffs for Cincinnati Bell. With me is Bob Sigmon who is District Manager of Economic Analysis.

My presentation this afternoon is rather short. I will attempt to clarify where our tariffs differ from the tariffs that have been presented thus far. At this time I don't intend to recover a lot of the examples that have been covered up to this point.

Concerning structure and format for our tariff, Cincinnati Bell's access service tariff PUCO No. 1 is a rewrite of the latest edition of the model interstate access service tariff provided by AT&T for the ECA. This tariff is customized in wording and structure to reflect intrastate Ohio activities. The tariff proposes to concur in end user charges contained in the toll tariff of Ohio Bell Telephone Company and to refer to it's own access service tariff, FCC 35, for carrier access charges. Specific comments concerning the structure of the proposed tariff are as follows:

Concurring and connecting carriers are not listed since these negotiations are still underway. It now appears there will be no concurring carriers. These will be provided by amendment at a later date.

A map of the Cincinnati market area or LATA is under design and will be provided as part of the general regs Section 2 by amendment at a later date.

Section 3 which refers to the carrier common line in the ECA tariff is created to support the Universal Service Fund and provide a charge for premium access. It is our understanding that the FCC reconsideration order will address this area and could delete the flat premium charge for AT&T. Instead a minutes of use charge would be applied that is somewhat higher than that applied to other carriers. It would be our intent to mirror the interstate rates for intrastate application for the Universal Service Fund and the Transitional Surcharge. Since the ground rules for these items are still not settled this section was reserved and not filed on August 3, 1983. It will be provided by amendment at a later date.

Section 4, End User Access outlines concurrence in the Ohio Bell toll tariff for this charge.

Section 5, Ordering Options, Section 6, Switched Access, Section 7, Special Access, Section 9, Directory Assistance, Section 10, Special Government Services, Section 11, Special Routing, and Section 13, Additional Engineering and Labor, the rates in these sections refer to FCC 35 for charges. In accordance with the order of the FCC in Docket 78-72, the interstate carrier access rates are to be adjusted annually in order to remain current with costs. By adopting a system, such as proposed here, whereby the interstate rates automatically adjust to conform with the interstate rates.

Section 8, the Billing and Collection rates also refer to FCC 35. This section may be allowed a separate option of concurrence on individual company rate design, as is allowed to End User Charges, by the FCC. If this option is allowed in the reconsideration order, the intrastate approach to this section could change.

Section 12, Specialized Service would be provided on a cost incurred basis similar to our special assembly provision in our PUCO General Exchange tariff. The reference to FCC 35 is incorrect due to word processing error. This also will be corrected by amendment at a later date.

Section 14, Exceptions, is not applicable to the intrastate tariff since deletions need not be identified. They are simply deleted from the tariff.

Cincinnati Bell concurs in the CALC filed by Ohio Bell. Procedurally we had no alternative since it appears that the CALC is a rate increase and must be included as part of a general rate case. At the time that such a filing needed to take place very little was known as to the applicable FCC ground rules for CALC. The intrastate CALC will depend upon, among other things, the applicable toll rates which are also unknown at this time.

Cincinnati Bell also feels that the intrastate carrier charges should mirror the interstate charges. It is basically felt that the costs are the same whether the call switched is interstate or intrastate and that point of origin of the call would be unknown by the local company.

Cincinnati Bell is concurring in the ECA tariff for interstate carrier charges and developing its own interstate CALC.

The cost methodology used is that as outlined in Part 69 of 78-72.

That concludes our initial presentation.

EXAMINER TAYLOR: Before I ask if there is any questions I would like to make a request. There has been considerable mention of eight hundred and some ratable items contained in these type of tariffs. Could you perhaps summarize the gist of these ratable elements? In other words do they involve special categories or how --

MR. STROPES: Most of the rate elements that I think have been referred to so far in this proceeding are not great in number but represent a large amount of revenue. Offhand without doing a special study it appears to us that about 75 percent of the rate elements in the tariff really reflect about 10 percent of the revenue and deal with the private line data categories or special arrangements or unique situations in private line.

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EXAMINATION OF MR. STROPES

By Mr. Yutkin:

Q. In your prepared statement you mentioned a LATA map would be forthcoming. I wasn't aware that Cincinnati Bell had been given a LATA. What exactly do you mean by that?

A. Cincinnati Bell is referred to as non-associated on the FCC maps, okay, or the Judge Greene approved LATA boundaries. However, Cincinnati Bell will be filing with this Commission and with the FCC a market area for the Cincinnati area including a map and a description of that market area.

Q. What advantage would there be to the company to have a general market area?

MR. SIGMON: Right now there is no concrete definition for what nonassociated means. It seems to me it would be difficult to administer anything, including carrier access type charges, for an area that is undefined. We need a definition of market area so that we can divide our investments up between interLATA and intraLATA type of settlements. So we need a definition primarily I guess for settlement purposes.

Q. Would your LATA include areas in Kentucky and Indiana or just for the State of Ohio?

MR. SIGMON: The proposed market area map includes the areas served by Lawrenceburg, Indiana and also our operating territory in Kentucky.

Q. Thank you. Has your company any evidence of bypass currently operating in your nonassociated territory?

A. (By Mr. Stropes) Yes, it does.

Q. Could you give me any examples?

A. I can speak -- I would prefer to provide those to you at a later time.

Q. That would be fine.

A. If that is possible.

I can tell you that I know Proctor & Gamble has constructed a microwave system to relieve them of some of their private line charges. We do have other specific cases that have been brought to my attention by our Marketing Department and I could summarize those for you.

Q. Fine. You could prepare those and provide those?

A. Yes.

Q. Is it technologically feasible for your company to limit phone service to local calls?

A. Yes, I believe that it is. I am not an engineer but from the information that has been provided for me it's technologically possible for that to be done. I don't know whether it's feasible. It would seem to me that it is not technologically possible for that to be done by January 1, 1984. It is also economically not feasible.

Q. Is that just an estimate or a guess or do you have actual figures on that?

A. I do not have actual figures.

Q. How difficult would it be to obtain these figures for a reasonable guesstimate?

A. I think previously you asked one of the other companies if they could provide you with maybe the engineering methology that is needed to determine that, and we could probably provide the same kind of information.

Q. That would be satisfactory.

A. Okay.

Q. Does your company have a position on establishing pooling arrangements intrastate similar to the ECA arrangement?

A. We would rather not see a pool for intra-state.

Q. Okay.

A. It would be an administrative burden. It's probably not needed if you would consider a bill and keep arrangement.

MR. YUTKIN: Thank you.

EXAMINER TAYLOR: Any other questions? Anybody have anything?

MR. YUTKIN: Excuse me. We received

responses from some of the smaller companies, or Harlan Telephone Company, indicating they were going to concur with your tariff.

MR. STROPES: I did not know that and it does not surprise me. They haven't officially let us know about it.

MR. YUTKIN: Okay.

MR. SIGMON: We don't have any problem with Harlan concurring with our tariff though.

EXAMINER TAYLOR: Yes, sir.

MR. INMAN: Karl Inman representing the Ohio Association of Radio Common Carriers.

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EXAMINATION OF MR. STROPES

By Mr. Inman:

Q. Do you have currently in the Cincinnati Bell territory any evidence of a bypass network that has been established? If not, do you anticipate one that would be established? This is following up on something that you brought up the other day in a comment to Mr. Billinghurst about whether or not the Bell companies may use bypass network and can you give me an idea what you see presently and in the future?

A. I am not sure I understood the question. Are you talking about the telephone company bypassing itself as we discussed the other day?

Q. Yes.

A. Well, I guess an example of that might be on this P&G microwave that was discussed. Proctor & Gamble asked us to bid on it, on building their microwave system for them, essentially build those facilities, build the facilities that were going to be used to bypass the telephone company. We did bid on that but did not get the bid.

Q. Do you know as to whether or not there is technology that may be available through either computer software or whatever that will put together all information on bypass networks in your area and possibly select by cost analysis whether or not you should use that network, so recommend to a customer to use that or not?

A. I don't know of any such item.

EXAMINER TAYLOR: What was the answer?

MR. STROPES: I don't know the answer. It sounds to me like it might be a good business for somebody to go into.

EXAMINER TAYLOR: Anyone else have any questions?

COMMISSIONER SCHRIBER: That is an interesting response because the other day we heard that the companies were expecting to be the low-cost providers of bypass, in fact that they would be expected to be highly competitive with other possible bypassers. Do you see yourself in that position or do you conceive of a situation where in fact you --

MR. STROPES: Where we would compete with ourselves?

COMMISSIONER SCHRIBER: No, with any other bypassers. Can you conceive of a situation where it came down to cost and you simply could not compete with others who can provide bypass service?

MR. STROPES: If the rates are artificially set not in accordance with the cost I would think that that is very possible. If it is based on cost and we are competing just like any other marketplace I guess --

COMMISSIONER SCHRIBER: If prices are not based -- suppose that you were underpriced for purposes of another bypass or getting a toehold on that market. Do you expect to then have some sort of a leave to go in there and compete with them even though it might be below your cost also?

MR. STROPES: Do you mean would we offer stuff below cost?

COMMISSIONER SCHRIBER: In order to compete with someone who might be --

MR. STROPES: Gee, I never thought of that.

MR. SIGMON: The answer is, no, we would not sell anything below cost. And I guess I would have to disagree with the answer of the other company. I don't think we would always be the low-cost provider. There could be some technologies that we would not have the expertise that someone else would. We do not expect to have the total share of the market. We just want the opportunity to earn our share.

EXAMINER TAYLOR: Anything else?

(No response.)

EXAMINER TAYLOR: I want to ask the representatives from Cincinnati Bell to compare the position which they have tendered before the Commission with those of the four preceding companies and compare and contrast the position put forward in your tariff, principal differences as compared to Ohio Bell, General, United and Centel.

MR. STROPES: I guess one difference is I believe we were the only company that proposed concurring in Ohio Bell's CALC. Of course, Ohio Bell has to set the CALC, but the other companies did not propose doing that. They proposed a residual approach to come up with what the CALC is.

Our legal people, they are not with us today, would indicate they don't believe we can do that; that we have, as things stand right now, we have to concur in the Ohio Bell toll tariff which outlines their approach to CALC. We are concurring -- we have developed our own intrastate tariff for carrier charges. However, for the rates we refer to our interstate tariff.

I don't think anyone else made that approach. The other companies, a lot of the other companies, are mirroring, but in wording and philosophy we have taken a look at that interstate tariff and attempted as best we could in the short time that we had to make a filing to design that tariff so that it would serve us better intrastate-wise or be more of an intrastate tariff than interstate.

So we do have an intrastate tariff with policies and philosophy but rates refer to the interstate tariff. We have a statement wherever there are rates and charges in our tariff saying you have to go to the FCC 35 for those charges.

Another problem apparently is if we have to adjust rates in the interstate arena for carrier charges annually, when that is done you would have to apply for a rate case in the State of Ohio which takes approximately a year to process. So the dog would always be chasing its tail. You would not have uniformity of rates and you would have an arbitrage, always be trying to catch up in Ohio with whatever the interstate rates were if the Commission allowed the mirroring approach or equal rate philosophy.

So it seemed to us that the way possibly to do that was just automatically refer to the FCC 35 for the rate structure so that when the rates are reconfigured annually interstate they automatically would be reconfigured annually intrastate.

EXAMINER TAYLOR: Do you see a need for a state fund or state mechanism to offset high cost companies in the access charge arrangement?

MR. STROPES: We do not favor that. We would hope that --

EXAMINER TAYLOR: I asked if you see a need for something like that.

MR. STROPES: The information I have had indicates that most if not all the companies in the State of Ohio are low-cost companies and I don't see the need.

EXAMINER TAYLOR: Would you repeat that? Someone did not hear the answer.

MR. STROPES: As I see it from the

information that has been given to me most or all of the companies in Ohio are considered low-cost companies and don't see a need for that.

MR. SIGMON: Plus the ECA high-cost mechanism applies to a company's total cost which I think would provide coverage.

EXAMINER TAYLOR: Your proposal to concur in the end user access, that would be established pursuant to a Bell rate proceeding, Ohio Bell rate proceeding, that would be by way of concurrence, is that correct?

MR. STROPES: Yes.

EXAMINER TAYLOR: What would you anticipate to be the cost figures that went in to determine that rate in the Bell case? Would it be Ohio Bell's or would it be state average or would you include only those companies proposing to concur with Bell or what kind of numbers are we talking about for developing the end user access charge?

MR. SIGMON: Since the $4 CALC is in their toll tariff and we are going under the assumption that it would be a uniform toll tariff in the entire state, it would be my belief that it would be total cost, statewide cost.

EXAMINER TAYLOR: Statewide cost?

MR. SIGMON: Yes.

EXAMINER TAYLOR: What mechanism would Cincinnati Bell propose to notify its customers of their proposed concurrence in any end user access to be set in the Ohio Bell tariff?

MR. STROPES: I would imagine it would be similar to the methods of notifying customers of a toll increase with an Ohio Bell rate case. That would be done through newspaper articles and bill inserts.

EXAMINER TAYLOR: Since your answer refers to how notice would be given that the rate had been set, I am asking you how you would notify them that the case was pending; that you sought concurrence and that they would be affected by that end user charge set in Ohio Bell's case and, therefore, should have some opportunity perhaps to participate in that Ohio Bell proceeding since that rate would affect them?

MR. STROPES: I am not following your question. If you have asked if -- have we notified our customers at this point that our plan is to concur in the Ohio Bell end user charge, we have not. If you are asking are we planning on including that as part of our information package for our customers in the future, the answer is that we are.

EXAMINER TAYLOR: I am asking you if you

have any plans for notifying the customers of your intention to concur in the Bell case and the rate which you would be concurring in would, therefore, affect them.

MR. STROPES: I don't know. It certainly sounds like something we should do. I do know that we have an information package being developed now to notify our customers of the whole proceeding. I would be most happy to check to see that we do take this approach notifying them that our proposal would refer to the Ohio Bell rate case.

EXAMINER TAYLOR: Any other questions?.

(No response.)

EXAMINER TAYLOR: Thank you.

MR. STROPES: Can I get two more cents in? The Commissioner asked the question yesterday of companies and I don't remember if he asked it this morning, but it was referring to the companies' approach, and I don't remember the exact wording, but determining who was needy and who isn't needy and having a -- would you ask me that?

COMMISSIONER SCHRIBER: The FCC has provided that upon request or some procedure a company may suspend the access charge for some class, I am not sure what it would be, of customer. Do you have a position on that?

MR. STROPES: Yes. Our company policy would not be to suspend the access charge for some class of customer. It would be very difficult for a telephone company to determine who was privileged and who was underprivileged or who is needy and who is not.

As you know, many agencies have tried to determine that in the past lots of times, government agencies, in applying such an approach and it's a very, very difficult job. However, Cincinnati Bell does believe in a low-cost alternative access service for its customers, available to any customer who would want a choice. That service, under the ground rules, that service might happen to be, in this case, optional measured service. Thank you.

EXAMINER TAYLOR: Anything else we should ask?

MR. STROPES: No, thanks.

EXAMINER TAYLOR: If there is nothing else, thank you. I have asked that representatives from Mid-Continent System give a brief presentation explaining their position on the access charge question.

Please introduce your group there and go ahead.

MR. CASE: Good afternoon. On behalf of Mid-Continent Telephone Corporation, its operating subsidiaries in the State of Ohio, my name is Bill Case, I am counsel for those entities. And with me today from Mid-Continent are Dennis Curry and Harlan Tracy and my associate, Tom Lodge.

I would like to speak to the filing which we have made relative to this docket. First we agree in concept with the structure of the Bell tariff that has been presented. In short, we recognize the necessity for parity on carrier charges.

We also recognize that it is in the best interest to have uniform end user charge because of the position that we have taken on parity. However, we cannot concur in the rates that Bell may come up with for carriers' carrier charge. And the reason is that our traffic-sensitive charges will be established by the Exchange Carrier Association and we believe those rates will be announced sometime in September.

And if we are going to have parity we have to have parity with those rates rather than rates that Bell will establish. So while we cannot tell exactly what those rates are today, it would be our anticipated approach to utilize those rates for our carriers' carrier charges intrastate.

Now, other than that we only have one disagreement with the tariff filing of Ohio Bell, and it is strictly a fundamental disagreement and also is a disagreement with regard to the other companies' filings in this case, and that has to do with intrastate pooling.

We have heard a lot of talk about the need for price signalling, proper price signal in the industry, but I think one thing that Mid-Continent believes is that we are a public utility and serving the public. And as such we have a mission of providing good service at reasonable rates. And that is always our first and foremost mission as a utility.

It is the position of Mid-Continent and its subsidiaries that if there is not intrastate pooling of all toll-related services, access charges, interLATA pooling, whatever, that our subscribers, and particularly subscribers of the higher cost companies of this state, are going to have their rates go up and may go up significantly. And that is what we are here to try to avoid, and we may suggest it in our filings with this Commission which I think does that.

What we have suggested is that all access charges and intraLATA toll with the Bell Company be pooled much like the Exchange Carriers Association is doing now and much like the Staff has suggested in the State of New York. We attached to our filing what the New York State Staff has recommended in that state.

If the industry could come up with a better suggestion of how to compensate the high cost companies for what is going to happen we would be more than willing to answer or listen to that. But so far we haven't heard anything and we believe pooling is the only way to go about it.

The high cost factor has been mentioned I think by most of the witnesses who have opposed intrastate pooling as being a savior, if you will, for the NTS costs that the high-cost companies will incur, saying in effect that will take care of it.

First of all, the HCF will not be effective until 1986, and at least Ohio Bell in their tariff filing did recognize this problem and indicated that they would not be opposed to some sort of transitional pooling requirement. We think that is a positive step.

However, even after the HCF goes into effect that is not going to end the problem, and I think if you just look at the exhibits that Centel attached to its pleading yesterday you will see what we mean. That high-cost factor merely shifts allocation of some of the NTS plant from intrastate to interstate, but doesn't shift it all, and with the companies that don't have as high a cost factor, those companies under 115 percent of the average, they are not going to be made whole by the high cost factor.

Now, there has been some suggestion that maybe that is not all bad, that maybe it would be a good incentive for the higher-cost companies to try to reduce their costs. We don't think that is correct. And it seems to assume the proposition that because a telephone company has higher costs that somehow it's more inefficient than a company that has lower costs.

I think that the Commission well recognizes that this problem of higher cost has a lot to do with the geography of a particular area serving a number of customers, it may have nothing to do with efficiency whatsoever. The way I look at it is like telling a paralyzed man to walk, throw away his wheelchair. There is a point at which we simply are not going to be able to recover those costs as high-cost companies.

As Ohio separations and settlements work right now intrastate there is already in effect a modified pooling arrangement whereby Ohio Bell administers intrastate toll revenues and disburses it. And as far as I know no one has ever suggested that that hasn't worked well for the State of Ohio, for the customers and for the telephone utilities involved. They have those resources, it's in place, we suggest that that mechanism should continue.

I question and Mid-Continent questions whether small companies of this state which are high-cost and don't have the type of manpower that maybe some of the bigger companies have will have the knowhow and means to bill and collect revenue independently in the types of complex access charge plans that are under scrutiny by this Commission at this time. As I already suggested, the New York staff has taken a position much similar to the one we are advocating today and we would commend to the Ohio Staff and the Commission's attention that position paper.

I would like to bring to the Commission's attention one problem which a lot of the small companies have, including several of the Mid-Continent subsidiaries. I do not know at this time what the --

what the non-traffic-sensitive costs are for several of our companies, and venture to say that many of the smaller 48 or so other companies in this state that you haven't heard from yet are in the same boat. This is because these companies have been what is called average settlement companies and they simply apply model average telephone companies' cost to recover their cost both interstate and intrastate, but to date that average settlement company model never had in it NTS costs broken out. That is why when this Commission asked us to report our NTS costs we were unable to do so for some of our companies.

This could produce a problem on down the line, just bringing it to your attention now, because we see something we are going to have to deal with with costs probably higher than $4 which has been the rate suggested by Bell.

We don't know exactly what they are, but as it stands right now since we don't have a cost study we had no choice really but to concur for the time being in that rate, and I think that is the reason why many of the companies, smaller companies, have concurred.

It's our understanding that the Exchange Carriers Association is going to be developing an average schedule of NTS costs and hopefully that will be available soon.

We would suggest that along with the mandatory pooling which we have advocated in this proceeding at least for the time being, that for those companies that cannot provide cost studies that whenever the ECA information is available in the form of average NTS costs we be permitted to utilize as our costs for establishing our right to the proceeds of whatever fund is available.

We are sensitive to the bypass issue. We do not believe that the proposal which we have set forth today is in conflict with the goals of competition. We have a problem here in that there are the conflicting social justice needs to keep telephone service priced so everybody can afford it with the goal of competition. We try to do that. We think we have struck the proper balance in this case.

We would say that our position is closer certainly to the FCC position than what the other companies have advocated, and I believe that it would be in the best interest of the ratepayers, telephone companies' subscribers of this state. Thank you.

EXAMINER TAYLOR: Does the Staff have any questions?

MR. YUTKIN: Yes.

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EXAMINATION OF MR. CASE

By Mr. Yutkin:

Q. Would the pooling system you are suggesting be mandatory?

A. At least initially we would advocate a mandatory pooling of all costs like the New York staff has suggested. As I said earlier, the means of the smaller telephone companies in this state to administer the complex rate elements we have all been speaking of, we just frankly don't know if they are going to be able to get up to speed. I think over time the traffic-sensitive element could come out, but I think certainly the NTS as on the federal level should be mandatory.

Q. Do you have any figures on what percentage of the companies would fall in the high-cost category in the State of Ohio?

A. It's hard to say since some of them are on average schedules. I don't know exactly what their costs are. As I said, we think our companies are over $4 cost. Pretty sure of it, but very hard to give you an exact figure.

Q. I would like to go into another area briefly and find out what your opinion would be of general market areas and their necessity for the State of Ohio.

A. We haven't taken a formal position on that. We would certainly be interested in exploring such a proposal. What you are saying by general market area is that every area of the state would have a configuration, is that right?

Q. It would be broken down into certain LATA-like configurations, yes. Can you see any particular advantage to that system for your companies specifically?

A. I don't think it would really matter. I think we could live with it.

EXAMINER TAYLOR: Anyone else have any questions? Go ahead.

MR. CASE: Mr. Curry would like to say something.

MR. CURRY: I would like to comment on the $4 access charge within the state. It seems to be the assumption of the Bell and General people here that that applies only to intraLATA toll. It's our assumption that that would apply on both intraLATA and interLATA and how that $4 is spread is going to determine how certain revenue requirements are set forth both intraLATA and interLATA. It has not been addressed here at all.

EXAMINER TAYLOR: Someone from Bell want to address that?

MR. BILLINGHURST: Although I didn't specifically state that it was inter and intra, I agree really with you. The $4 CALC was set initially for both inter and intra. But, yes, it is a combined CALC and for all I know other companies in their discussion of $2 CALC's may only be talking about interLATA piece. We are talking about combined inter and intra.

MR. CURRY: But your new toll schedules in your general rate case is for intraLATA toll only, isn't it? And the assumption was that you could reduce those rates 40 percent based on that CALC? Is that true or not?

MR. BILLINGHURST: That is correct.

EXAMINER TAYLOR: Could I ask for a clarification from the other companies as well?

MR. DINSMORE: It was our understanding as the representative stated that it was a split between intra and inter. I don't think we mentioned that specifically in our presentation, but that is our understanding as well as our proposal that the

CALC would be residually priced, but --

EXAMINER TAYLOR: $2 for both?

MR. DINSMORE: No, $2 in total.

EXAMINER TAYLOR: Right. Is there someone from Centel that could address it? Centel is not present. Someone here from United?

MR. MYERS: Ours is residually priced and whatever comes out would be split between the two.

EXAMINER TAYLOR: Thank you. Anything else from Mid-Continent?

MR. CASE: No.

EXAMINER TAYLOR: Can I ask you to further explain how you would anticipate this pool be administered and precisely what would be included in the pool?

MR. CASE: Yes. It would be our understanding and recommendation that Ohio Bell has successfully administered what pooling there is in this state now and we believe that that should continue. I am not against contributions from the other telephone companies to help administer the cost of that pool, understand, but I think that is only fair, but we don't see why we should get rid of a good thing.

Whether or not a formal ECA organization with its own offices and personnel is necessary, I think it's our opinion that while we would like to have representation to see what happens to those funds, I don't think it's necessary to create a brand new bureaucracy to the extent that the federal level has achieved, but I think that we are open to suggestions as to how best to administer such a fund.

EXAMINER TAYLOR: Would you use such a fund as a transitional mechanism or permanent mechanism?

MR. CASE: I agree with the recommendation that was made earlier in this proceeding that the docket should be held open and there may be changed conditions affecting the industry which would do away with the need for the continued pooling. I don't know what those might be, but I think that that would be one way of moving in quickly if the Commission thought a pool was no longer required.

We would anticipate at least for the present time that the NTS cost be pooled and we are suggesting that the TS costs be pooled initially at least, at least until the smaller telephone companies in this state are able to digest what is happening to them.

We are a large company, we are the fifth largest in Ohio, but I think this really rises above our own interests here. I think we have to look for the whole industry as far as what is going to happen and what is going to happen to the ratepayers.

EXAMINER TAYLOR: At least in its inception you would propose to pool all TS and NTS costs?

MR. CASE: That was our proposal, and carriers' carrier charge.

EXAMINER TAYLOR: What would be the proposal on the part of the Mid-Continent as to the basis of placing any type of an access charge tariff in effect procedurally by the first of 1984?

MR. CASE: Historically the Commission has permitted concurrences, and I think that could be done here. If the Commission disagrees with that I would endorse the idea that this is really not a new rate case, there is nothing about these proceedings which is really asking for additional rate relief. It's simply a new service.

If the Commission were to disagree with that, just put in emergency rates. I don't know if your question addressed legal aspects of that or procedural aspects. Those would be my answers to the legal aspects.

EXAMINER TAYLOR: That is fine.

MR. CASE: Okay.

EXAMINER TAYLOR: Any other questions?

(No response.)

EXAMINER TAYLOR: Thank you very much, Mr. Case.

MR. CASE: Thank you.

EXAMINER TAYLOR: I have also asked Mr. Schneider to give us a brief discussion, and he represents a number of the small telephone companies in the State of Ohio, ask them to give us a brief discussion of their position.

MR. SCHNEIDER: Mr. Taylor, I filed on behalf of some six telephone companies, all of which have three or less exchanges, notices that we would intend to concur in the tariffs that have been filed, but we have not specified a particular tariff. It's difficult to do so for each of the companies at this stage since none of the company people have really had a chance to look over the tariffs that were filed by anyone other than the Bell tariff.

Of course, some of these companies are on average schedules and others have cost studies and traffic studies that are necessary to determine their costs.

In asking me to make a statement you asked what considerations these companies would look to in determining which of the tariffs they would concur in, and I think there are varying considerations between the companies. Some companies are lower-cost and would not be interested in pooling. There are several other ones that would be in all probability, high-cost companies, and would very definitely be interested in the pooling arrangement so that their customers would not have the rates unduly raised and be too much of a shock.

A number of companies would be required to file exception no matter what tariff they concurred in since the tariff as proposed by Ohio Bell and the others provide for many features that would not be available to a small exchange company to provide. It would require certain considerations on those tariffs because they couldn't provide that type of service.

They are all basically interested in the methodology for determining the settlements or the division of revenues and, of course, the other main consideration will be the various numbers that go into the tariffs as their methodology determines. Thank you.

EXAMINER TAYLOR: For the six independents which you represent, would it be fair to characterize that most of those independents are awaiting the actual numbers to determine which tariff would be most advantageous for them to concur in?

MR. SCHNEIDER: Yes, that certainly is a major consideration.

EXAMINER TAYLOR: How would those companies, if you can answer as the counsel, propose to file concurrences in whatever tariff they chose to concur with?

MR. SCHNEIDER: How do you mean? Do you mean what would go into their thinking or --

EXAMINER TAYLOR: No. Legally how would you propose to concur in the tariffs of any of the other companies?

MR. SCHNEIDER: We would hope that it could be done by filing a concurrence. If it's necessary to file particular applications for that I believe it would be done, probably as all the rest of the companies have to handle it, as first filing or as an emergency rate situation.

MR. YUTKIN: How would the six companies you represent be affected or not affected by the creation of general market areas for the State of Ohio, and would they even understand the system if it was developed?

MR. SCHNEIDER: I don't believe they would be particularly affected. Their service area is very limited and there could be some effect in some cases where they are close to the boundary of whatever areas were affected as to what would be determined inter-LATA calling or interservice area calling or intra-service area calling, but most of the companies would not even be in that problem.

MR. YUTKIN: Thank you.

EXAMINER TAYLOR: Anyone else like to ask any questions of Mr. Schneider?

(No response.)

EXAMINER TAYLOR: Thank you very much. I originally indicated I asked for representatives from all companies to again come up and serve as a panel and answer any questions. Judging from the number of people left in the room I would assume they may be talking to their own company staff, but is there any desire from anyone to have such a general panel discussion at this point in time? If not I will forego it.

Anyone? Just raise your hand if you would like to see such a discussion. If not I will assume that it is unnecessary.

(No response.)

EXAMINER TAYLOR: Before I give the companies an opportunity to make any final questions or comments I want to give the witness from Ohio Bell an opportunity to address the one question which I asked him at the end of his presentation, and that is if he could summarize the differences in methodology or philosophy between the presentation put on by Ohio Bell and that of the other four companies for the access service tariff.

MR. BILLINGHURST: I believeI can do that, although I still have not seen the specifics on any of the tariffs that the other companies have filed. I think that I can at least maybe draw some general conclusions about the differences by the comments that I have heard today and yesterday.

First of all as far as I can determine the charges, the access charges that will be billed to carriers will not be different, at least in concept, between what the other companies are asking to have approved versus what Ohio Bell is asking to have approved. Namely, although we have described it in terms of parity with our interstate tariff, they use the word mirroring their interstate tariff. The concept is identical. Namely, whatever carrier access rates are approved by the FCC we must have those exact same rate levels approved by this Commission and that approval must be simultaneous.

Now, the method by which I have asked that be done, the mechanics of that process differ to some extent. The method that the independent companies, at least most of them, have indicated is preferable to them can best be described by the word adoption. Namely, there may not even need to be a separate intrastate tariff filed with this Commission in the normal sense of the word if this Commission would see fit simply on an ongoing basis to adopt the interstate tariff.

That process seems to us, at least to me, on reflection to be a very sensible procedure that can be done. Now, Ohio Bell in its language in the filing did not go so far as to use the word adopt, but in principle that is what we mean. We want the rates to be identical and if adoption procedure is the most sensible and practical way to do that, we heartily concur.

There seems no point in having two 600 page tariffs that are in fact identical, including the rates, but yet one says state and one says interstate. If that is not possible, of course, the other alternatives that we had indicated may be necessary, but we really are in concurrence with the spirit of the notion of adoption.

The other major type of charge that has been under discussion in the last two days, namely the end user charges, or also known as the end user common line charges, or as Ohio Bell has described them in their general rate case, a CAS or customer access service charge, there has been much discussion about the residual method of developing that charge. And conceptually Ohio Bell has no problem with that residual method.

However, Ohio Bell is in a much different position than most of the independent companies. We are the ones that are the primary carrier for the intraLATA toll and will be so after divestiture. Therefore, we have a responsibility to ourselves and we feel to the other independent companies in Ohio to make sure that those toll rates are such that we do not suffer substantial revenue losses due to uneconomic pricing compared to other carriers that will be competing for intraLATA toll.

Therefore, our process could not be simply residual because the residual implies you already know what your intraLATA toll rates are going to be.

Therefore, our process had to be interactive. And we said we must at the same time that we follow the spirit of the FCC order, namely moving the non-traffic-sensitive costs away from toll users and onto the true cost causers, which are the exchange users, that the process, although it had to go fairly slow and had to go in steps, we looked at the costs of toll, or should say a cost basis for toll in Ohio, and we in fact did a residual process. We looked at toll rates, combined state toll rates, and we found out that those toll rates had as their basis the equivalent of about $6 per month per line of non-traffic-sensitive costs loaded into them.

Now, we have submitted, Ohio Bell has submitted, cost and revenue data, although it's not 1982 basis, that shows the kind of numbers that we are talking about and if they are divided by the number of lines you can clearly come up with the $6 number that we are talking about.

Now, we knew that if we are going to move these costs onto the cost causer we had to reduce toll rates at the same time, couldn't do one without the other. The question is which number do you choose, and we knew we couldn't pick $6 because some of that $6 was going to be provided, at least on a transitional basis, by carriers through carrier common line charges. At the time we didn't know how much it was, but guessed it might be around $2.

Also the $4 number, as we indicated, was initially the revenue requirement that the FCC thought reasonable and logical to move in the initial step to the end users. And at the time that we made these decisions that was the information we had to go on.

Therefore, we knew that the total amount of uneconomic costs loaded into toll rates from Ohio Bell's basis was about $6 per line. We felt we had to move some of that over and we chose $4 for the reasons indicated.

We then said, all right, we must keep the total pot of money in Ohio constant, and that led to a 40 percent reduction in toll rates. But doing that the total revenue that was billed from usage and total revenue billed from the total $4 CALC's by all of the companies in Ohio would precisely equal total revenue being billed by intrastate toll. That was our logic.

It is a combination of residual process alluded to by these other companies and our need to make responsible -- take a responsible action relative to intrastate toll rates and the terribly uneconomic prices that they are bearing.

The independent companies that talked about their residual process, I have no quibble with the concept. However, most of them started out, or at least some of them, started out with the concept that toll rates are not going to go down. If you start out with that concept certainly you are going to get a very small CALC, or possibly even a negative CALC, although I have a hard time conceiving of that for the interLATA piece. That mathematical calculation still baffles me. For intraLATA piece, yes, if you assume toll rates are not going to go down it's possible to come up with a very small CALC.

So in summary I don't see a great difference between what we are proposing in Ohio Bell as far as the tariff structure methodology is concerned and that which most of the independents are proposing, just that we had to take into account some additional factors because of the unique nature of Ohio Bell in the state toll business in Ohio. That is the best way I can answer your question.

EXAMINER TAYLOR: Thank you. Anyone else like to make a final comment? Yes, sir.

MR. DINSMORE: I would like to make a

couple comments at least in relation to some of our thoughts based upon some of the comments we have heard. First of all I would like to answer the gentleman from the BOC on how the residual pricing approach took place.

I think one of the things the BOC company has to recognize is we made the assumption that the compensation would remain constant. Therefore, when we residually priced under the access charge method that is how we came up with the CALC at the level we ended up with. If you don't have traffic volumes as say General or maybe one of the other companies, certainly your CALC is going to increase under residual pricing. The first thing I would like to say is we assume compensation would stay the same.

As far as some other points that were made today I would like to point out, number one, General does not propose or does not support a premium on BOC . We don't see any necessity for premium on the BOC . We don't see where they have superior access for intraLATA purposes, no different access than we do. And, frankly, we would see that that premium would have to be absorbed by all the intraLATA customers.

Another thing I would like to make comments about is that we are very, very concerned about the subject of toll restriction. We made a commitment to provide the Staff the information and I would like to reiterate the fact that I think the Commission must recognize that if you were to implement toll restriction that the interstate costs for that portion of the toll that would be restricted would be a revenue loss to the company. That is a loss of revenue contribution as well as additional investment that would be incurred which would also mean additional increase.

Really I don't think it's necessary to look at toll restriction for one simple reason; that is from the standpoint that we don't believe that there is going to be that much repression occur on our customers as a result of the access charges.

As far as some responses for the high-cost factor and high-cost companies, I would like to make the point that while, yes, the implementation date under the Joint Board proposal is 1-1-86, there is some discussion that it is very possible that the high-cost factor could be implemented on 1-1-84, and does consider the total state cost, not just interstate cost.

But I would also like to point out in

response to one of the independent's concerns that from a pooling standpoint we want to keep business as usual. General's proposal is somewhat between keeping business as usual and recognizing there is a necessity to change the way we do business. We certainly can't afford, or any companies here cannot afford, to continue burdening each other, nor expect that a particular company should be compensated for every cost that they have by other companies. At some point in time the umbilical cord has to be snipped. We don't agree that from this point forward we need to go through that type of arrangement.

As far as tariff filings are concerned, I would like to point out that it is extremely important to General that we recognize from this point forward what procedurally are we being asked to do as far as implementing the tariffs. Because we are somewhat concerned, at least some of the questions that we received, if indeed we are going to have to file a rate case or not.

And I do want to clarify one thing. This support of the AT&T surcharge does not recognize -- the superior access of AT&T is not the reason for General's proposal of the AT&T surcharge. The reason for that is to recognize the fact that there was a subsidy previously between the long haul and short haul toll routes, and to the extent that revenue can be a source to help the companies and the concerns of some of the smaller independents then it should be levied. It may not be necessary for this Commission to levy that if it goes through as a usage surcharge and mirrored for intrastate purposes.

I think the only last question we would have is procedurally where we are going with this. Thank you.

EXAMINER TAYLOR: Any other questions? Comments?

MR. INMAN: If I may just ask a question of Mr. Billinghurst. I am kind of confused -- Karl Inman, represent the Ohio Association of Radio Common Carriers.

Just a question on the adoption method of mirroring, just trying to take this down looking at the technologies that are involved in interstate toll network versus intrastate toll network, maybe microwave versus the one carrier, or whatever, these kind of concepts.

Is it possible by a wholesale adoption of an interstate tariff that you feel you can't get a fair and reasonable compensation for intrastate or intraLATA toll network? Is that possible?

MR. BILLINGHURST: That is a good question and I think that points out some of the difficulties understanding exactly what access charges are. You talked about interstate toll network, so on, unless I am mischaracterizing your statement.

Access charges don't include any of that. Access charges are essentially recovering a cost for our local network, a piece of which has traditionally been used to feed calls into interstate or intrastate toll network. The access charge tariff again is only recovering that portion of our local network and that is identical, doesn't matter whether the call goes from Columbus to Cleveland or from Columbus to New York, getting it from the end user to the point in Columbus or makes the call -- essentially makes that decision, those calls are identical. And because of that the mirroring concept is absolutely logical and anything else is illogical.

EXAMINER TAYLOR: Any other questions? Any summary remarks anyone wishes to address?

(No response.)

EXAMINER TAYLOR: In response to the gentleman's question asked as to what the next step will be procedurally in this docket, I will indicate that at present the Commission plans, absent some unforeseen delay, in issuing an entry or an order outlining the procedural steps which they deem appropriate by the end of this month. Something may come up, but, however, I hope it's close to that.

Anything else, gentlemen?

MR. BILLINGHURST: One more statement that I would like to make on behalf of Ohio Bell. The other companies I think commented extremely well on this issue. But the more that the questions occurred the more it bothered myself and the other folks from Ohio Bell, and that is the issue of the potential of a toll restriction.

And conceptually it may sound like a very attractive thing to do, it may even sound like it's something fair to do, but I would hope that the kind of presentations that have been made here and kind of information that has been in Dock 78-72 and other information that has been submitted to the Commission clearly shows that the costs that are trying to be recovered through end user charges are not toll costs, they are the costs of the non-traffic-sensitive costs of local service that are going to be there and are there and what remain there whether or not someone artificially restricts a person in making a toll call.

The costs that we are trying to recover are already there whether you ever make a toll call or not. And we are saying if you don't make the end user who causes those costs to occur eventually pay for those costs then someone else has to pay for those end users who you have sheltered from this cost recovery. It has nothing to do with them making toll calls at all. The cost is there, it's being incurred and it will be there. And essentially what you are doing, and maybe this is your intention, just want to clear it up, you apparently want to continue providing this subsidy but I want to make clear it's a subsidy. The cost is still there. I think what you are talking about is spreading it to someone else. Thank you.

COMMISSIONER SCHRIBER: I think we understand that fairly well. We have also somewhat different perspective. While we may agree on what is efficient, sometimes other forces dictate that instead of pursuing efficiency sometimes weare looking at pursuing the less efficient way of doing something. So we will see how it falls out. We do understand what you are saying.

EXAMINER TAYLOR: I would also point out

that the fact that the Staff made inquiry as to the companies' positions on certain items should not be viewed as indicating Staff is either favoring or opposed to the question, but rather simply information-gathering.

Anything else?

(No response.)

EXAMINER TAYLOR: If not this conference is concluded. Thank you very much.

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Thereupon, at 2:20 o'clock, P.M., the conference was concluded.

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter before the Public Utilities Commission of Ohio on August 11, 1983, and carefully compared with my original stenographic notes.

Michael O. Spencer

Michael O. Spencer, Registered
Professional Reporter

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