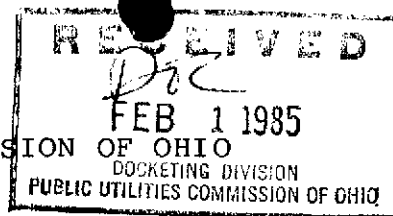


BEFORE THE
PUBLIC UTILITIES COMMISSION



In the Matter of the Commission)
Investigation Relative to Estab-)
lishment of Intrastate Access)
Charges.)

Case No. 83-464-TP-COI
(Subfile A)

APPLICATION FOR REHEARING

1. Applicant, AT&T Communications of Ohio, Inc. ("AT&T Communications"), pursuant to Ohio Revised Code ("ORC") Section 4903.10 and Ohio Administrative Code ("O.A.C.") Section 4901.1-35, applies for rehearing of the Commission's Entry entered January 29, 1985, which Entry purported to address the issue of whether intraLATA WATS toll revenues as reviewed by an independent auditor should be recognized in that form and included in the above-captioned proceeding for purposes of determining Ohio Bell Telephone Company's ("Ohio Bell") toll revenue requirement. AT&T Communications considers the Commission's Entry to be unreasonable or unlawful upon the following grounds:

1. On December 27, 1984 this Commission issued an Entry directing Ohio Bell to provide the following:

The data submitted by Ohio Bell with regard to intraLATA WATS toll revenues, toll private line, and toll directory assistance in response to the Commission's July 19, 1984 request for such data, should be provided by Ohio Bell to the Board's staff and the Commission's independent auditor, along with any other information necessary for verification of the accuracy and propriety of such figures, within ten (10) days of this entry....

AT&T Communications, by application filed January 28, 1985, objected to the Commission's December 27, 1984 Entry and to the

propriety of the inclusion of the amounts reviewed by the independent auditor in this regard.* However, this Commission issued its Entry of January 29, 1985 without considering this application, which was timely filed by AT&T Communications. AT&T Communications' application raised substantial questions involving intraLATA WATS toll revenues which were the subject of the Commission's December 27, 1984 Entry. In particular, AT&T Communications raised issues relating to the propriety of the use of the figures submitted by Ohio Bell to determine Ohio Bell's state toll revenue requirement, because as its application of January 28, 1985 showed, Ohio Bell has already included amounts for the provision of IntraLATA WATS service in the pooling formula.

2. The Commission's Entry of January 29, 1985 addressed the recommendations of the Ohio Telecommunications Advisory Board and those of the Board's independent auditor, Ernst & Whinney, relating to intraLATA WATS toll revenues, toll private line, and toll directory assistance in accordance with the Commission's December 27, 1984 Entry. Pursuant to procedures outlined by this Commission in the instant proceeding through its Entry entered July 19, 1984, as modified by Entry entered August 14, 1984 any interested party has 15 working days after the date such recommendation is filed with the Commission's docketing division within which to file written comments on the recommendation. The recommendations of the Ohio

*A copy of the same is appended to the Memorandum in Support of Application for Rehearing as Exhibit A.

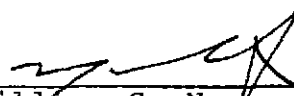
Telecommunications Advisory Board and the Board's auditor, Ernst & Whinney, were filed with this Commission on January 16, 1985. Since the prescribed time had not passed, the Commission's Entry addressing this matter was inappropriate.


3. In summary, the Commission's December 27, 1984 Entry indicated that the propriety of figures supplied by Ohio Bell should be examined. Further the parties were to have 15 working days in which to respond to the recommendations of the Ohio Telecommunications Advisory Board and the independent auditor and, further, 30 days to object to the Commission's December 27, 1984 Entry. AT&T Communications had questioned the propriety of these figures in its filing of January 28, 1985. The Commission made no finding with respect to the comments of AT&T Communications relating to this crucial issue.

For the foregoing reasons, AT&T Communications requests that this Commission grant rehearing and issue an Entry reversing its Entry of January 29, 1985. AT&T Communications hereby attaches a Memorandum in Support of the instant Application.

Respectfully submitted,

AT&T COMMUNICATIONS OF OHIO, INC.

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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission)	
Investigation Relative to Estab-)	Case No. 83-464-TP-COI
lishment of Intrastate Access)	(Subfile A)
Charges.)	

MEMORANDUM IN SUPPORT OF
APPLICATION FOR REHEARING

AT&T Communications of Ohio has previously filed its objection to the issue addressed in the Commission's Entry entered January 29, 1985. For the Commission's ease of examination, a copy of its application reciting those objections has been attached hereto and made a part hereof as Exhibit A.

The Commission in its December 27, 1984 Entry indicated that:

The data submitted by Ohio Bell with regard to intraLATA WATS toll revenues, toll private line, and toll directory assistance in response to the Commission's July 19, 1984 request for such data, should be provided by Ohio Bell to the Board's staff and the Commission's independent auditor, along with any other information necessary for verification of the accuracy and propriety of such figures, within ten (10) days of this entry....

Accordingly, the auditors, Ernst & Whinney, reviewed the figures supplied by Ohio Bell and in a terse one-page response indicated acceptance of the revenue figures. Missing from the letter, however, was any finding of the propriety of the use of these numbers by Ohio Bell. As AT&T Communications has pointed out in its previous filings, the first of which was filed November 2, 1984, the numbers supplied by Ohio Bell, while possibly being calculated correctly, should not be utilized in the manner

requested by Ohio Bell. Clearly, the testimony of Ohio Bell's witness, as evidenced by the transcript in the proceedings held to determine Ohio Bell's present rates, Case No. 83-300-TP-AIR (300) proceeding and further testified to by the Ohio Bell witness in the 83-464-TP-COI (464) proceeding indicate the inappropriateness of the adjustments suggested by Ohio Bell relating to intraLATA WATS toll revenues.

Throughout the exhaustive hearings in both the 300 proceeding and the 464 proceeding this Commission, as well as other parties to the proceedings, attempted, time after time, to obtain revenue figures from Ohio Bell. For a purported myriad of reasons, Ohio Bell was slow in developing its revenues and expenses in both of the aforesaid proceedings. Ohio Bell developed what it subsequently termed its "residual revenue requirement" through its witnesses. One aspect of that residual revenue requirement related to Ohio Bell's WATS revenues. A review of the testimony of Ohio Bell's witnesses clearly and unequivocally shows that Ohio Bell did not intend to provide interLATA WATS service and that these revenues associated with WATS service would be assigned to intraLATA service and accordingly to AT&T Communications. However, this in no way reflected the possibility that Ohio Bell would forego revenues associated with the provision of WATS service. Rather, as Ohio Bell Witness Rencehausen testified, Ohio Bell intended to recover its revenues associated with the provision of WATS service through access charges or through an interim process. Specifically, Ohio Bell Witness Rencehausen responded to the questions of attorney examiner Taylor as follows:

EXAMINER TAYLOR: If there is no revenue or no intraLATA WATS, then does that mean all WATS revenue would be assigned interLATA and, therefore, be assigned to AT&T?

THE WITNESS: Yes, and Ohio Bell would recover their cost for the provision of that service through access charges or an interim process similar to the one we are talking here.

EXAMINER TAYLOR: Then the residual revenue on line 5 would not include WATS, is that correct?

THE WITNESS: It would include WATS, because that would be the compensation to Ohio Bell for either cost in providing WATS service, intraLATA. This residual revenue is in lieu of access charges.

Transcript Vol. XIX, p. 80, Case No.
83-464-TP-COI

As AT&T Communications has previously stated in its application filed January 28, 1985, Ohio Bell, in developing its residual revenue requirement, included revenue based on access charges for the provision of intraLATA WATS toll service. This fact is further buttressed by the responses of Ohio Bell Witness Rencehausen to Staff Counsel Schermer which states as follows:

Will Ohio Bell Telephone have any WATS revenue after 1-1-84?

A. There will be WATS revenue as a result of access charging or this interim process. Certainly this revenue would be compensation for Ohio Bell's cost in providing MTS and WATS service. So there is revenues included in this number for WATS.

Q. Is there Ohio Bell revenue for WATS?

A. Well, if the 88.1 million is AT&T's cost, and that is the revenue that they get to keep, all the residual revenue ultimately comes to Ohio Bell. So, yes, Ohio Bell will have WATS revenue.

Testimony of Gerald P. Rencehausen,
Transcript Vol. XIX, pages 76 and 76a, Case
No. 83-464-TP-COI.

In order to avoid any misunderstanding as to the applicability of those revenue figures testified to by Ohio Bell in the 464 case to the 300 case setting Ohio Bell's present rate, AT&T Communications in its previous application filed January 28, 1985 further pointed out the testimony of Mr. Rencehausen at Transcript Vol. XIX, pages 45 and 46. As AT&T Communications pointed out in its previous filing, the revenue assumptions of Witness Rencehausen relating to access charges resulting from the provision of WATS service were also utilized by Commission Staff Witness Hensel in developing Ohio Bell's revenue requirement in the 300 proceeding. This is clear from a review of Staff Witness Hensel's testimony at page 3, answer 6, together with her supporting Exhibit 7 filed in the 300 proceeding.

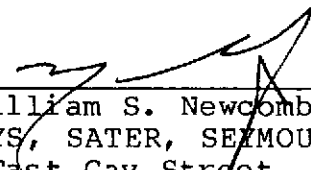
As AT&T Communications has indicated in its filings relating to this issue, most recently in its January 28, 1985 filing, Ohio Bell has testified in both the 464 and 300 proceeding, by its own choice, that it is presently recovering revenues associated with the provision of intraLATA WATS toll service through the assignment of associated access charge revenues. Thus, the amounts reviewed by the Ohio Telecommunications Advisory Board and the independent auditor may have been calculated correctly from a revenue standpoint, but any adjustment based upon this data without looking at the associated access charges is entirely inappropriate and must be denied. This Commission, as it has for other parties to this proceeding,

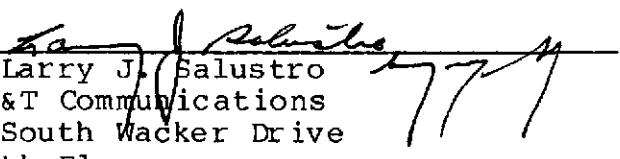
should accept the figures developed and testified to by Ohio Bell in the 464 proceeding, as well as the 300 proceeding, relating to its residual revenue requirement and, therefore, deny the adjustment erroneously provided for by this Commission in its Entry entered January 29, 1985. To allow the adjustment provided for in the January 29 Entry will provide for a double recovery by Ohio Bell.

Accordingly, in accordance with the Application and Memorandum filed herein, AT&T Communications requests this Commission issue its Entry reversing the Entry of January 29, 1985.

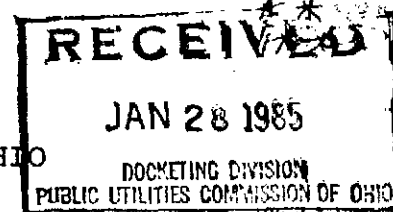
Respectfully submitted,

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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO



In the Matter of the Commission)
Investigation Relative to Estab-) Case No. 83-464-TP-COI
lishment of Intrastate Access) (Subfile A)
Charges.)

COMMENTS OF
AT&T COMMUNICATIONS OF OHIO, INC.
TO THE FILING OF
THE OHIO TELECOMMUNICATIONS ADVISORY BOARD
ASSOCIATED WITH THE COMMISSION'S DECEMBER 27, 1984 ENTRY

On January 16, 1985, The Ohio Telecommunications Advisory Board and the Board's independent auditor, Ernst & Whinney, filed comments relating to intraLATA WATS toll revenues, toll private line, and toll directory assistance in accordance with the Commission's December 27, 1984 entry. The Commission in its Entry of December 27, 1984 indicated that:

The data submitted by Ohio Bell with regard to intraLATA WATS toll revenues, toll private line, and toll directory assistance in response to the Commission's July 19, 1984 request for such data, should be provided by Ohio Bell to the Board's Staff and the Commission's independent auditor, along with any other information necessary for verification of the accuracy and propriety of such figures, within ten (10) days of this Entry.

The January 16, 1985 letter indicates that the amount supplied by Ohio Bell relating to these services appear to be accurate. What the report does not address, however, is the critical question as to whether or not Ohio Bell is already receiving revenues attributable to intraLATA WATS

toll service. To the extent Ohio Bell has already included an amount for intraLATA WATS toll revenues in its residual revenue requirements developed in Case No. 83-300-TP-AIR ("300"), and further testified to by Ohio Bell in the 83-464-TP-COI ("464") proceeding, any further adjustment is wholly inappropriate.

As the Commission is aware, Ohio Bell developed its revenue requirements in the 300 proceeding and then incorporated the revenue requirement so developed into its revenue requirement for purposes of the 464 proceeding. Other parties as well as the Commission attempted to determine what was included in that residual revenue requirement developed by Ohio Bell. One aspect of inquiry related to Ohio Bell's WATS revenues. The Ohio Bell witness testifying on the WATS revenue issue indicated quite clearly that Ohio Bell did not intend to provide intraLATA WATS service and that the revenues associated with WATS service would be assigned to interLATA service and accordingly to AT&T Communications of Ohio, Inc. ("AT&T Communications"). The Ohio Bell Witness Rencehausen further went on to indicate that Ohio Bell would recover its revenues through access charges or an interim process. Specifically Mr. Rencehausen responded to a question of Examiner Taylor as follows:

EXAMINER TAYLOR: If there is no revenue or no intraLATA WATS, then does that mean all WATS revenue would be assigned interLATA and, therefore, be assigned to AT&T?

THE WITNESS: Yes, and Ohio Bell would recover their cost for the provision of that service through access charges or

an interim process similar to the one we are talking here.

EXAMINER TAYLOR: Then the residual revenue on line 5 would not include WATS, is that correct?

THE WITNESS: It would include WATS, because that would be the compensation to Ohio Bell for either cost in providing WATS service, intraLATA. This residual revenue is in lieu of access charges.

Transcript Vol. XIX, p. 80.

The foregoing quotations illustrate clearly Ohio Bell, in developing its residual revenue requirement, has calculated revenue based upon access charges for the provision of intraLATA WATS toll revenues. Additionally, in response to questioning by Staff Counsel Schermer to the following questions Mr. Rencehausen stated the following:

Will Ohio Bell Telephone have any WATS revenue after 1-1-84?

A. There will be WATS revenue as a result of access charging or this interim process. Certainly this revenue would be compensation for Ohio Bell's cost in providing MTS and WATS service. So there is revenues included in this number for WATS.

Q. Is there Ohio Bell revenue for WATS?

A. Well, if the 88.1 million is AT&T's cost, and that is the revenue that they get to keep, all the residual revenue ultimately comes to Ohio Bell. So, yes, Ohio Bell will have WATS revenue.

Testimony of Gerald P. Rencehausen, Transcript Vol. XIX, pages 76 and 76a.

As indicated earlier, the numbers testified to by Witness Rencehausen of the Ohio Bell Telephone Company in the 464 case were developed from Ohio Bell Telephone Company's rate case, 300. This fact is supported by the testimony of Mr.

Rencehausen at Transcript Vol. XIX, pages 45 and 46.

Additionally, the Commission Staff Witness Hensel, in her testimony at p. 3, answer (6), and supporting Exhibit (7) obviously utilized the assumptions and resulting numbers testified to by Ohio Bell Witness Rencehausen.

A reading of the transcripts referred to above indicates clearly that Ohio Bell is presently recovering revenues associated with intraLATA WATS toll service through the imputation of associated access charge revenues. Accordingly, even though the amount reviewed by The Ohio Telecommunications Advisory Board and the independent auditor, Ernst & Whinney, may have been calculated correctly, any adjustment based upon such data is entirely inappropriate and should be denied. Ohio Bell should be held to its residual revenue requirement developed by it in its 300 case and utilized in this proceeding. To do otherwise will allow for a double recovery by Ohio Bell.

Respectfully submitted,

AT&T COMMUNICATIONS OF OHIO, INC.

By 

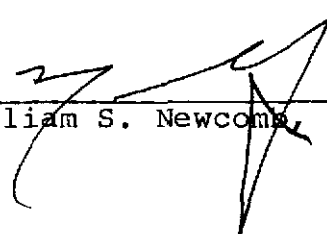
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Application for Rehearing and Memorandum in Support Thereof has been served by regular U.S. mail, postage prepaid, this 1st day of February, 1985, upon the parties of record as listed on the appendix attached hereto.



William S. Newcomb, Jr.

APPENDIX

Case No. 83-464-TP-COI
(Subfile A)

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