

**NONPUBLIC VERSION**

**CASE NO. 93-576-TP-CSS  
OHIO BELL TELEPHONE COMPANY**

**TESTIMONY OF BETH E. HIXON**

**ON BEHALF OF THE  
OFFICE OF THE CONSUMERS' COUNSEL  
STATE OF OHIO**

**February 4, 1994**

CASE NO. 93-576-TP-CSS  
OHIO BELL TELEPHONE COMPANY  
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1 I. STATEMENT OF QUALIFICATIONS

2 Q. Please state your name and business address.

3 A. My name is Beth E. Hixon. My business address is 767 Hopetown  
4 Rd. C-3, Chillicothe, Ohio 45601.

5  
6 Q. What is your present occupation?

7 A. I am employed by Berkshire Consulting Services as a utility  
8 rate consultant.

9  
10 Q. Would you please summarize your educational and professional  
11 history?

12 A. I received a Bachelor of Business Administration degree in  
13 Accounting from Ohio University in June, 1980. For the period  
14 June, 1980 through April, 1982, I was employed as an Examiner  
15 by the Ohio Rehabilitation Services Commission (ORSC). In  
16 this position, in the Field Audits Unit of the Commission, I  
17 performed compliance audits of ORSC grants to, and contracts  
18 with, various service agencies in Ohio.

19 In May, 1982, I was employed in the position of  
20 Researcher by the Ohio Office of the Consumers' Counsel (OCC).  
21 I attended the NARUC Regulatory Studies Program at Michigan  
22 State University in August, 1983 and the NARUC Advanced  
23 Regulatory Studies Program at Williamsburg, Virginia in March,  
24 1986. In 1984, I was promoted to Utility Rate Analyst  
25 Supervisor at OCC and held that position until November, 1987  
26 when I joined the firm of Berkshire Consulting Services.

1 Q. What experience do you have in the area of utility rate  
2 proceedings?

3 A. In my current position and during the five years I was  
4 employed at OCC, I performed analysis and research in numerous  
5 utilities' base rate and fuel cases. I worked with  
6 attorneys, technical staff and consultants in preparation for  
7 and litigation of electric, gas, telephone and water utility  
8 proceedings. My work included participation in cases  
9 involving the following companies: Central Telephone,  
10 Cincinnati Gas & Electric, Cleveland Electric Illuminating,  
11 Columbia Gas, Lake Erie Utilities, Ohio American Water, Ohio  
12 Bell, Ohio Edison, Ohio Gas, Ohio Power and Toledo Edison.

13  
14 Q. Have you submitted testimony in proceedings before this  
15 Commission?

16 A. While employed by OCC, I submitted testimony in Ohio Power  
17 Company, Case No. 83-98-EL-AIR and in Ohio Gas Company, Case  
18 No. 83-505-GA-AIR. With Berkshire Consulting Services I have  
19 testified on behalf of OCC in Toledo Edison Company, Case No.  
20 88-171-EL-AIR; Cleveland Electric Illuminating Company, Case  
21 No. 88-170-EL-AIR; Columbia Gas of Ohio, Case Nos.  
22 88-716-GA-AIR, et al. and Ohio Edison Company, Case No. 89-  
23 1001-EL-AIR. I have also presented testimony before the  
24 Indiana Utility Regulatory Commission on behalf of the Indiana  
25 Office of the Utility Consumer Counselor in Indiana American  
26 Water Company, Cause No. 39595.

1     II.   PURPOSE OF TESTIMONY

2     Q.   What is the purpose of your testimony?

3     A.   My testimony will address various issues related to the  
4       determination of pro forma rate base and operating income of  
5       Ohio Bell Telephone for the date certain December 31, 1992 and  
6       the test period October 1, 1992 to September 30, 1993. I have  
7       quantified the issues in my testimony and provided this  
8       quantification to OCC Witness Chan who has incorporated them  
9       in OCC's summary schedules.

10  
11    Q.   What have you reviewed in the preparation of your testimony?

12    A.   I have reviewed the Company testimony and filings in Case No.  
13       93-487-TP-ALT, responses to discovery, Company workpapers,  
14       responses to Staff data requests, and certain PUCO Opinions  
15       and Orders. I reserve the right to modify, amend, or add to  
16       my testimony based on changes which the Company may propose or  
17       based on positions taken by the Staff of the Commission in the  
18       Staff Report of Investigation in the alternative regulation  
19       proceeding, Case No. 93-487-TP-ALT and based on additional or  
20       updated responses to discovery by the Company.

1     **III. ISSUES**

2             **A.     ACCUMULATED DEFERRED TAXES**

3                     **1.     Accelerated Depreciation & Software**

4     Q.     What is the Ohio Bell's balance of accumulated deferred taxes  
5             related to accelerated depreciation and software as of the  
6             date certain?

7     A.     As shown on line 11, column (a) of Company Exhibit 92A-3.1 the  
8             total company balance of accumulated deferred taxes in  
9             "Account 4340.1000 Property - Accel. Depr. & Software" as of  
10            the December 31, 1992 date certain was \$575,180,000.

11  
12    Q.     In determining the jurisdictional balance of this account to  
13             be deducted from rate base, what adjustments did the Company  
14             make to this total company amount?

15    A.     The Company first reduced this amount by \$4,790,000 in a total  
16             company adjustment to arrive at an adjusted total company  
17             balance of \$570,390,000.     A jurisdictional allocation of  
18             .770904 was applied to that balance to determine an unadjusted  
19             jurisdictional balance of \$439,716,000.             Finally,  
20             jurisdictional adjustments of \$11,796,000 were subtracted to  
21             derive an adjusted jurisdictional balance of \$427,920,00 which  
22             was used as a rate base deduction.

23  
24    Q.     What were the Company's jurisdictional adjustments that  
25             reduced the balance by \$11,796,000?

26    A.     According to Company Exhibit 92A-3.1B, two jurisdictional

1 adjustments were made. One was to adjust deferred taxes by  
2 \$5,552,000 for the difference between FCC and PUCO  
3 depreciation reserve levels. The other adjustment reduced the  
4 balance by \$6,244,000 "to adjust deferred taxes to reflect the  
5 portion applicable to plant in service."  
6

7 Q. Should both of these jurisdictional adjustments be accepted by  
8 the Commission?

9 A. No. The adjustment to reflect the portion of deferred taxes  
10 applicable to plant in service should not be made. The  
11 adjustment reduces deferred taxes based on the ratio of plant  
12 in service to total plant as of the date certain.

13 The Company's adjustment is shown on Exhibit 92A-3.1B,  
14 page 3. The \$6,244,000 reduction was determined by applying  
15 a ratio of .9858 to the jurisdictional deferred tax balance of  
16 \$439,716,000 to arrive at an adjusted jurisdictional balance  
17 of \$433,472,000. The .9858 ratio as calculated on Company WP  
18 92A-3.1B.1 represents the ratio of date certain telephone  
19 plant in service of \$5,318,252,000 to total telephone plant of  
20 \$5,394,914,000. This workpaper shows that all but \$4,000 of  
21 the \$76,662,000 difference between these two balances is  
22 telephone plant under construction.

23 Since no depreciation is taken on telephone plant under  
24 construction, none of the accumulated deferred taxes related  
25 to accelerated depreciation is applicable to this telephone  
26 plant under construction. By applying the .9858 ratio to

1 deferred taxes related to accelerated depreciation, the  
2 Company is assigning a portion of these taxes to plant under  
3 construction and away from plant in service. However, because  
4 none of the accumulated deferred taxes related to accelerated  
5 depreciation relate to plant under construction, no portion of  
6 the accumulated deferred taxes should be assigned to plant  
7 under construction. In the Company's last rate case, Ohio  
8 Bell Telephone Company, Case No. 84-1435-TP-AIR, the  
9 Commission rejected the use of the ratio of plant in service  
10 to total plant in determining the rate base deduction for  
11 accumulated deferred taxes related to accelerated  
12 depreciation.

13  
14 Q. What adjustment do you recommend to reflect that no portion of  
15 these deferred taxes should be assigned to plant under  
16 construction?

17 A. I recommend that the Company's adjustment to reduce these  
18 deferred taxes by \$6,244,000 be eliminated. By eliminating  
19 the Company's adjustment, 100%, rather than 98.58%, of these  
20 deferred taxes are used as a rate base deduction. My  
21 adjustment on Schedule BEH-1 increases the balance of  
22 accumulated deferred incomes taxes to be deducted from rate  
23 base by \$6,244,000.

24  
25 2. Deferred Tax Balances Short-Term in Nature

26 Q. What adjustment has the Company made related to accumulated



1 deferred tax balances that are short-term in nature?

2 A. Company witness Kukla testifies that "deferred tax balances  
3 which are short-term in nature" have been eliminated in  
4 determining the accumulated deferred taxes used as a rate base  
5 deduction because such deferred tax balances do not provide a  
6 long-term source of funds available to the Company to finance  
7 plant in service. According to the Company's response to OCC  
8 Interrogatory No. 476, such deferred taxes of a short-term  
9 nature are "deferred tax activity that is reversed or  
10 terminated within a short period of time, e.g., one year or  
11 less." The amount of deferred taxes eliminated from the rate  
12 base deduction is \$17,900,000 as shown on Company Exhibit 92A-  
13 3.1B. The accounts eliminated are accumulated deferred taxes  
14 in Account 4100.2100 Vacation Pay - Current and Account  
15 4100.2310 Lien Date Property Tax - Current.

16  
17 Q. Should the Commission accept the Company's adjustment to  
18 eliminate \$17,900,00 in deferred taxes that are short-term in  
19 nature?

20 A. No. Amounts from these two accounts should be used in  
21 determining the rate base deduction for accumulated deferred  
22 taxes. The Company claims these short-term items should be  
23 eliminated since they do not provide a long-term source of  
24 funds because their deferral period is one year or less. The  
25 one year or less deferral period does mean that at any point  
26 in time the outstanding balances of the deferred taxes will be

1 "coming due", or reversed, within a year. However, as these  
2 deferred tax balances are reversed, they will be replaced by  
3 new deferred taxes related to vacation pay and property taxes.

4 Thus, it is reasonably certain that accumulated deferred tax  
5 balances related to these items will continue to exist on the  
6 Company's books.

7 Recognizing these items as rate base deductions is  
8 consistent with the Commission's treatment of deferred tax  
9 balances related to vacation pay and property taxes in Ohio  
10 Bell's last four rate cases. As shown on Schedule BEH-2,  
11 reversal of the Company's adjustment increases the balance of  
12 accumulated deferred incomes taxes to be deducted from rate  
13 base by \$17,900,000.

14  
15 3. SFAS 106

16 Q. What is the Company's treatment of accumulated deferred taxes  
17 related to post retirement employee benefits under SFAS 106?

18 A. Company Exhibit 92A-3.1, p. 1 shows the calculation of certain  
19 deferred credits and taxes that reduce jurisdictional rate  
20 base by \$432,171,000. The Company's determination of total  
21 deferred credits and taxes includes, on line 15 of the  
22 Exhibit, a jurisdictional debit balance of \$15,404,000 in  
23 Account 4340.2910 for deferred income taxes related to SFAS  
24 106.

25  
26 Q. Should the jurisdictional debit balance of deferred taxes

1 related to SFAS 106 be considered in determining the amount of  
2 deferred credits and taxes to be deducted from rate base?

3 A. No. This deferred tax item should not be considered for rate  
4 base purposes, because tax normalization for post retirement  
5 employee benefits under SFAS 106 for ratemaking has not been  
6 authorized for Ohio Bell by the Commission. As indicated on  
7 page 26 of Company witness Kukla's testimony, the Commission  
8 has previously authorized normalization for specific items  
9 such as capitalized FICA and the debt component of AFUDC.

10 For example, in the Company's last rate case, Ohio Bell  
11 Telephone Company, Case. No. 84-1435-TP-AIR, the Commission  
12 authorized normalization for only five items, rejected  
13 normalization for additional items, and endorsed the approach  
14 that partial normalization should be done on an additions-  
15 forward basis. While it is possible that deferred tax  
16 accounting might be appropriate for the tax-timing difference  
17 related to SFAS 106, the Commission has not yet authorized  
18 that deferred tax accounting for ratemaking on a going-  
19 forwards basis for Ohio Bell. To be consistent with the  
20 Commission's approach in the last rate case, the Company  
21 should not be allowed to consider deferred taxes related to  
22 post retirement benefits under SFAS 106 for rate base  
23 purposes, because normalization has not been authorized for  
24 this item.

25  
26 Q. What adjustment for SFAS 106 deferred taxes do you propose to

1 the Company's calculation of deferred credits and taxes?

2 A. As shown on Schedule BEH-3, I recommend the debit balance of  
3 \$15,404,000 of deferred taxes related to SFAS 106 not be  
4 included in determining the amount to be deducted from rate  
5 base. Eliminating this balance increases deferred credits and  
6 taxes to be deducted from rate base by \$15,404,000.

7  
8 B. UNCLAIMED FUNDS

9 Q. In what accounts does the Company record unclaimed funds?

10 A. According to the Company's response to OCC Interrogatory No.  
11 376, unclaimed funds are contained in the following accounts:

12 4010.2921 Outstanding Checks & Drafts - Payroll

13 4010.2922 Outstanding Checks & Drafts - Field Drafts

14 4010.2923 Outstanding Checks & Drafts - Commissions,  
15 Advances and Subscriber Refund Checks

16 4010.2929 Outstanding Checks & Drafts - Other

17 4310.92 Other Long-term Liabilities - Nonaffiliates  
18

19 Q. What are the sources of the unclaimed funds in these accounts?

20 A. The unclaimed funds in these accounts are related to the  
21 following transactions:

22 4010.2921 - Payroll

23 4010.2922 - Accounts Payable

24 4010.2923 - Customer refund, coin commission, pay station

25 4010.2929 - Customer refund, coin commission, pay station

26 4310.92 - Interest on debentures

1 The balances in the four subaccounts of Account 4010 are  
2 relatively constant funds provided by sources other than  
3 investors and are available for use by the Company. According  
4 to the Company's response to OCC Interrogatory 524, none of  
5 the outstanding checks and drafts in these accounts are  
6 payable to Company shareholders.

7  
8 Q. Has the Company made a rate base deduction for these unclaimed  
9 funds?

10 A. No. The Commission should make a rate base deduction for  
11 unclaimed funds in this case as it has done in previous rate  
12 cases for other utilities. These funds from non-investor  
13 sources are available to the Company until such time as they  
14 escheat to the state.

15  
16 Q. What rate base deduction for unclaimed funds do you recommend?

17 A. I recommend that rate base be reduced by the jurisdictional  
18 average balance of unclaimed funds for the 13 months  
19 September, 1992 through October, 1993. Using the unclaimed  
20 funds balances provided in response to OCC Interrogatories  
21 Nos. 376 and 524, I have calculated a rate base deduction of  
22 \$ 1,706,000 as shown on Schedule BEH-4.

23  
24 C. ARTWORKS

25 Q. What artworks has the Company included in plant in service in  
26 its filing?

1 A. The Company's jurisdictional plant in service includes  
2 \$194,000 in Account 2122.2 - Artworks. The Commission Staff,  
3 in its investigation in Ohio Bell's last rate case, found that  
4 artworks in the Company's rate base were in an account that  
5 had no determinable life, were not subject to depreciation,  
6 and had the potential to appreciate in value. The Staff also  
7 found artworks contained in the Company's last case not used  
8 and useful in providing utility service. In the current case  
9 the artworks in Account 2122.2 are "objects possessing  
10 aesthetic value that are of an original or limited edition and  
11 which do not have a determinable useful life" and are also not  
12 subject to depreciation.

13  
14 Q. Should this artwork be included in rate base in this case?

15 A. No. The Staff in the last rate case and the Commission in  
16 other telephone rate cases has found that the cost of artworks  
17 should not be recognized for ratemaking. The Company's  
18 artwork continues to be in an account of the same nature as in  
19 its last rate case and is not plant necessary for the  
20 provision of telephone service to customers. Thus, I  
21 recommend the \$ 194,000 in artworks be excluded from rate base  
22 in this case. (Schedule BEH-5)

23  
24 D. INCENTIVE COMPENSATION

25 Q. Do the Company's adjusted test year expenses include costs  
26 related to incentive compensation programs for employees?

1 A. Yes, the Company's expenses for incentive compensation plans  
2 are in adjusted test year expenses in this case. OCC  
3 Interrogatory No. 175 requested the amounts of monthly test  
4 year expenses related to the incentive compensation programs.  
5 While the response was that the requested information was  
6 unknown and not readily available, the Company did indicate  
7 that the total company test year amounts were contained on  
8 WPC-1.6a.1.a, page 1.

9 Based on the referenced workpaper and WP 93C-3.4, I have  
10 calculated that unadjusted total company test year expenses  
11 included \$14,057,000 for incentive compensation programs.  
12 (Schedule BEH-6.1) Company adjustments to test year expenses  
13 in Exhibit 93C-3.4 reduced incentives by \$ 796,000 to remove  
14 costs related to employees accepting certain Workforce  
15 Resizing Plans. Thus, as shown on Schedule BEH-6.1, adjusted  
16 total company test year employee incentive program expenses  
17 were \$13,261,000, with \$4,067,000 for non-management and  
18 \$9,194,000 for management.

19  
20 Q. What are the Company's various management and non-management  
21 incentive compensation programs?

22 A. The Company's non-management incentive compensation program is  
23 known as the Success Sharing Plan, which provides for awards  
24 based on the achievement of Ohio Bell net income objectives.

25 The Company has the following management incentive  
26 programs:

- 1           1.   Team Award - annual awards based on achievement of  
2                   the net income and revenue objectives of the Bell  
3                   Group Strategic Business Unit (SBU) and the net  
4                   income/service objectives of Ohio Bell; the  
5                   components of the awards are:

6                   Bell Group SBU - Net Income	65%
7                   Bell Group SBU - Revenue	25%
8                   Ohio Bell - Net Income/Service	35%

9           For 1993, the amount of the Team Award paid is  
10           impacted by percentage attainment of customer  
11           service targets that are factored into a "combined  
12           net income/service payout matrix"

- 13           2.   Individual Incentive Award - annual awards based on  
14                   achievement of annual individual performance  
15                   objectives; the individual incentive awards are  
16                   leveraged based on the team incentive award payout
- 17           3.   Senior Management Short Term Award - annual awards  
18                   based on achievement of annual Ohio Bell financial  
19                   and customer service goals
- 20           4.   Senior Management Long Term Award - stock awards  
21                   based upon Ameritech's long term financial  
22                   performance; grants of stock are paid based on  
23                   Ameritech's performance on cumulative total return  
24                   to shareholders over a five year period

25  
26   Q.   Should all test year incentive compensation expense be



1 included in pro forma costs used to determine rates in this  
2 case?

3 A. No. I recommend that the expenses be eliminated for the Non-  
4 Management Success Sharing Plan, the Senior Management Long  
5 Term and the Senior Management Short Term Awards. I also  
6 recommend that 65% of the expenses for the Management Team  
7 Incentive and Individual Incentive programs be eliminated from  
8 pro forma expenses in this case.

9  
10 Q. Why should the costs for the Non-Management Success Sharing  
11 Program and the Senior Management Long and Short Term awards  
12 be eliminated?

13 A. For both the Success Sharing Program and the Senior Long Term  
14 Management Awards profitability is the basis for determining  
15 payment of incentive compensation to employees. No incentive  
16 compensation payments would be made under these programs  
17 unless net income goals were achieved.

18 The net income goal is a shareholder goal since the  
19 Company's ability to achieve its net income will benefit its  
20 shareholders and to the extent the Company is successful in  
21 improving net income, this benefits shareholders, not  
22 ratepayers. As such, shareholders should be willing to pay  
23 awards that are incentives for achieving net income goals.  
24 Payment of such awards should not be the responsibility of  
25 ratepayers.

26 For the Senior Management Short Term Awards, the Company

1 has indicated that awards are based on achievement of  
2 financial and service goals. However, the amount of incentive  
3 compensation by achievement goal is not specified, the  
4 Company's filing does not separate test year costs between  
5 Short Term and Long Term Awards, and the documentation  
6 provided by the Company does not provide any breakdown between  
7 these two types of goals.

8 I recommend that Adjusted Total Company test year  
9 expenses of \$4,067,000 for the Success Sharing Program and  
10 \$745,000 for Senior Management Short and Long Term Awards be  
11 eliminated from test year expenses. Schedule BEH-6 shows this  
12 elimination which results in a reduction of \$3,086,000 to  
13 jurisdictional expenses for these three incentive programs.  
14

15 Q. Why do you recommend that only a portion of the costs for the  
16 Management Team Awards and Management Individual Incentive  
17 Awards be recognized in rates?

18 A. In the Management Team Incentive Award program profitability  
19 is the primary factor in determining the payment of incentive  
20 compensation to employees because 65% of the award component  
21 is based on meeting net income and revenue objectives of the  
22 Bell Group Strategic Business Unit. Further, the remaining  
23 35% component is also impacted in some manner by meeting Ohio  
24 Bell net income objectives. As I stated earlier, a net income  
25 goal is a shareholder goal since the Company's ability to  
26 achieve its net income will benefit its shareholders and

1       shareholders should be willing to pay awards for achieving net  
2       income goals.

3  
4       Q.    Are the Team Incentive and Individual Incentive compensation  
5       awards also impacted by achievement of service goals?

6       A.    The Company has indicated that Team Incentive Plan awards are  
7       impacted by net income, revenues and/or customer service  
8       objectives. The component based on a net income/customer  
9       service objectives makes up 35% of the award. There is no  
10      indication as to how the different types of objectives in this  
11      component impact the award. In addition, the Company has  
12      indicated that in 1993 attainment of customer service targets,  
13      as measured by customer surveys, was factored into the  
14      determination of the payout for the Team Incentive Plan.  
15      Since attainment of service goals benefits ratepayers, my  
16      recommendation is to eliminate the portion of incentive  
17      compensation expenses related to shareholder goals and include  
18      in rates that portion related to service goals.

19  
20      Q.    How have you quantified the amount of Team Incentive and  
21      Individual Incentive compensation expense to be eliminated?

22      A.    I recommend that pro forma expenses in this case include 35%  
23      of the test year incentive compensation expenses for the Team  
24      Incentive and Individual Incentive programs. From my review  
25      of the programs' documentation I have verified that the  
26      Company-determined award amounts under the Team Incentive Plan

1 are at least 65% based on achievement of net income and  
2 revenue goals. Since the net income and revenue goals are at  
3 least 65% of the Team Incentive award, it is my opinion that  
4 it is reasonable to conclude that at least 65% of incentive  
5 compensation is related to shareholder goals.

6 For the Individual Incentive Award, documentation  
7 provided by the Company indicates that this award recognizes  
8 achievement of "individual performance objectives" but does  
9 not provide a description of these objectives. Therefore, I  
10 have not been able to determine whether individual objectives  
11 are financial or customer service in nature. However, the  
12 documentation does provide that "as in prior years, the  
13 individual incentive award will be leveraged based on the team  
14 payout."

15 If the Individual Awards are impacted by the payout  
16 determined for the Team Incentive Awards, then they are  
17 affected by the financial objective components of the Team  
18 Incentive Awards. Considering this impact from the Team  
19 Incentive Awards and that specifics about individual  
20 performance objectives are not known, I recommend the same  
21 treatment in this case for Individual Incentive Awards as for  
22 the Team Incentive Awards.

23 I propose to eliminate 65% of these two management  
24 incentive compensation programs from cost of service in this  
25 case. Eliminating 65% of the Team Incentive and Individual  
26 Incentive Awards reduces Unadjusted Total Company expenses by

1       \$5,492,000. Schedule BEH-6, shows this 65% elimination which  
2       results in a reduction of \$3,809,000 to jurisdictional  
3       expenses.  
4

5       Q.   What is the combined effect of your incentive compensation  
6       adjustments on test year expenses?

7       A.   As shown on Schedule BEH-6, I have reduced jurisdictional  
8       expenses by \$ 2,569,000 for the Non-Management Success Sharing  
9       Program and by \$517,000 for the Senior Management Long Term  
10      and Short Term Awards. I have also eliminated 65% of expenses  
11      for the two other management incentive programs - \$2,276,000  
12      of Team Incentive expenses and \$1,533,0000 of Individual  
13      Incentive expenses. These adjustments together reduce test  
14      year jurisdictional expenses by \$6,895,000.  
15

16      E.   MATERIALS AND SUPPLIES EXPENSE

17      Q.   How did the Company determine the test year expenses shown in  
18      column (a) on Exhibit 93C-1 as Total Company?

19      A.   As Company witness Kukla explains on pages 31 and 32 of his  
20      testimony, amounts shown as total company were obtained from  
21      actual amounts on the Company's books for October, 1992  
22      through December, 1992 and a forecast of book amounts for  
23      January, 1993 through September, 1993.  
24

25      Q.   What was the Company's source and support for the monthly 1993  
26      forecasted amounts?

1 A. In supplemental testimony ordered by the Commission in its  
2 September 2, 1992 entry, Mr. Kukla provided further  
3 explanation, a flow chart, and tables showing the Company's  
4 derivations of total company amounts found in the workpaper  
5 series WP 93C-1.

6 Mr. Kukla's Attachment 31S.2, page 1 shows that 1993  
7 total company forecasted amounts were developed using the  
8 Company's 1993 Annual Commitment View adjusted for regulatory  
9 purposes ("MR basis") and also modified for "view  
10 adjustments." According to the response to OCC Interrogatory  
11 No. 483 "the Company relied upon the Annual Commitment View,  
12 the Monthly Commitments View and historical information in  
13 forecasting 1993 expenses."

14  
15 Q. What view adjustment did the Company make to 1993 forecasted  
16 materials and supplies expense?

17 A. The Company, on WP 93C-1.1b.3.b, made a \$5,000,000 view  
18 adjustment to increase 1993 total company forecasted materials  
19 and supplies from \$75,000,000 to \$80,000,000.

20  
21 Q. What was the Company's support for this \$5,000,000 increase to  
22 its 1993 forecasted material and supplies expense?

23 A. This adjustment is shown on WP 93C-1.1b.3.b.3. The  
24 \$75,000,000 is the Company's Annual Commitment View estimate  
25 for 1993. The \$80,000,000 is a "Kukla View Estimate" for  
26 material and supplies which is footnoted as "Conservative

1 Estimate for Going Level Expenses for 1993." The workpaper  
2 also shows an analysis of the actual amounts for last six  
3 months of 1992, which would result in an annualized level of  
4 \$83,708,000.

5  
6 Q. Should the Commission accept the Company's \$5,000,000 view  
7 adjustment for material and supplies expense?

8 A. No. The Company has not indicated why the \$75,000,000 Annual  
9 Commitment View for materials and supplies was not reliable,  
10 why any modification to the view was necessary or why the  
11 Kukla View level is more appropriate than the Annual  
12 Commitment View. The Company's workpaper shows an annualized  
13 expense level using the last six months of 1992 but does not  
14 indicate why this period was chosen for analysis. Neither  
15 does the Company indicate whether the Kukla view is based on  
16 this annualization. If the Kukla view was based on this  
17 annualization, the Company does not indicate why the Kukla  
18 view is \$3,708,000 lower than the annualized level.

19 I recommend that the Commission eliminate the Company's  
20 Kukla View adjustment to the Annual Commitment View to  
21 increase materials and supplies expenses. A review of  
22 material and supplies for the six months of 1992 which the  
23 Company provided in its workpaper may make the Company's  
24 \$80,000,000 estimate seem "conservative." However, this six  
25 month period's costs are skewed by a large December, 1992  
26 expense of \$8,794,000 which was \$2,182,000 greater than the

1 average expense of \$6,612,000 for the other five months.

2 A review of 1993 actual materials and supplies expense,  
3 as provided in response to OCC Interrogatory No. 486, shows  
4 that through September monthly materials and supplies expense  
5 has averaged \$6,097,000. This actual average monthly expense  
6 is lower than both the December, 1992 expense and the average  
7 expense for the other five months in 1992. If 1993 actual  
8 expense were used to annualize materials and supplies, the  
9 result would be \$73,165,000, closer to the Annual Commitment  
10 View of \$75,000,000 than to the \$80,000,000 Kukla View which  
11 the Company proposes.  
12

13 Q. What is the effect on test year expenses of eliminating the  
14 Company's \$5,000,000 view adjustment for materials and  
15 supplies expense?

16 A. On Schedule BEH-7 I have calculated that the elimination of  
17 the Company's view adjustment to materials and supplies will  
18 decrease jurisdictional expenses by \$2,806,000.  
19

20 F. MEDICAL AND DENTAL EXPENSE

21 Q. How did the Company determine unadjusted total company medical  
22 and dental expenses for the test year?

23 A. Unadjusted total company medical and dental expenses contained  
24 in column (a) of Exhibit 93C-1 consists of three months actual  
25 1992 data and nine months forecasted data for 1993.  
26



1 Q. What were the 1993 annual forecasted amounts used by the  
2 Company for medical and dental expenses?

3 A. As shown on Company WP 93C-1.5a, the Company used its Annual  
4 Commitment View amounts of \$43,600,000 for 1993 medical  
5 expense and \$5,717,000 for 1993 dental expense. No "view  
6 adjustments" were made to the Annual Commitment View in  
7 determining medical and dental expenses for the test year.  
8

9 Q. Should the Commission accept the Company's 1993 estimates for  
10 medical and dental expenses?

11 A. No. Review of and comparison with 1992 historical expenses  
12 and 1993 actual expenses indicates that the Company's 1993  
13 estimated medical and dental expense should not be accepted.  
14 Actual expenses were provided in response to OCC Interrogatory  
15 No. 491. (Attachment A) The Company's 1993 estimated medical  
16 expense of \$43,600,000 represents a 16% increase over actual  
17 1992 medical expenses of \$37,733,000. For dental expense, the  
18 Company's \$5,717,000 1993 estimate is an 11% increase over  
19 1992 expenses of \$5,145,000.

20 A review of actual expenses for 1992 and 1993 also shows  
21 that in each year the Company has exhibited a tendency to  
22 overestimate annual expense levels. The Company has had to  
23 reduce prospectively its monthly medical expenses in the  
24 second half of the year in order to correct for overestimated  
25 monthly medical expenses in the first half of the year. The  
26 reduction to monthly expense in the later months of both 1992

1 and 1993 can be in the response to OCC Interrogatory No. 491.  
2 In OCC Interrogatory No. 535, the Company explained that the  
3 monthly expense decrease was "to reflect a true-up based upon  
4 actual experience." (Attachment B)

5 For dental expenses, a true-up based upon actual  
6 experience was also made to reduce monthly expenses from a  
7 September, 1992 level of \$435,000 to \$380,000 in October,  
8 1992. Dental expense remained at \$380,000 a month through the  
9 first quarter of 1993. For the second quarter the Company's  
10 dental expense dropped to \$375,000 a month and then returned  
11 to \$380,000 for months in the third quarter.  
12

13 Q. What adjustments to the estimated annual 1993 medical and  
14 dental expenses do you propose for this case?

15 A. I recommend that the Company's annual 1993 estimated medical  
16 and dental expenses in the filing not be used because the  
17 Company's experience has been to adjust for overestimated  
18 medical and dental expenses through true-up adjustments. To  
19 correct for this tendency to overestimate, I recommend that  
20 the estimated annual expense for 1993 be based on the monthly  
21 expenses actually recognized by the Company for January  
22 through September 1993. On Schedule BEH-8 I have estimated an  
23 1993 annual medical expense by using actual expenses of  
24 \$31,196,000 for January through September, 1993 and using the  
25 third quarter level of \$9,500,000 for October through  
26 December, 1993. This calculation results in an annual medical

1 expense level which properly reflects both the Company's  
2 estimates and the true-up adjustments to those estimates. As  
3 shown on Schedule BEH-8, an annual estimated total company  
4 expense of \$31,196,000 for 1993 results in a decrease to  
5 jurisdictional medical expense of \$1,630,000.

6 I have calculated an estimated 1993 dental expense by  
7 annualizing based on a monthly expense level of \$380,000 which  
8 approximates the Company's average actual dental expense for  
9 the test year. This monthly expense results in an annual  
10 estimated total company expense of \$4,560,000 and a decrease  
11 to jurisdictional dental expenses of \$649,000. These two  
12 adjustments to the Company's estimated 1993 expense reduce  
13 jurisdictional medical and dental expenses by \$2,279,000.

14 (Schedule BEH-8)  
15

16 G. PENSION COSTS

17 Q. What jurisdictional adjustment to test year pension expense is  
18 the Company proposing?

19 A. On Exhibit 93A-3.6, the Company is proposing that test year  
20 jurisdictional pension expense be increased by \$5,543,000.  
21 According to Company witness Kukla, this adjustment is to  
22 annualize the effect of January 1, 1993 revisions to pension  
23 accruals. The basis for the adjustment is the comparison of  
24 total company test year pension costs of (\$24,639,000) to  
25 total company estimated 1993 pension cost of (\$15,996,000).  
26 The \$8,643,000 cost increase is then adjusted for construction

1 charges and total company adjustments and then allocated to  
2 arrive at the jurisdictional increase of \$5,543,000.

3  
4 Q. What is the basis for the Company's estimated 1993 pension  
5 costs of (\$15,996,000)?

6 A. The Company's 1993 estimated pension cost of (\$15,996,000) is  
7 contained on WP 93C-1.5a with its source listed as "Corporate  
8 Budget." In OCC Request to Produce No. 127, the Company was  
9 asked to provide the actuarial study on which the 1993 pension  
10 cost shown on this workpaper was based. The Company's  
11 response was "No such study exists."

12 Given that the Company claimed no such actuarial study  
13 exists, OCC Interrogatory No. 459 asked the Company how the  
14 1993 pension cost was determined. The Company's response was  
15 "by utilizing historical data as a basis for forecasting  
16 future costs." In follow up to this response, OCC  
17 Interrogatory No. 526 asked for an explanation of how the  
18 historical data was used as a basis for forecasting future  
19 pension costs. The Company responded that "historical data  
20 was used as reference point, but no specific mathematical  
21 calculations using the data are known to exist."

22  
23 Q. Should the Company's proposed 1993 estimate for pension  
24 expense be used in this case?

25 A. No. The Company has not supported its 1993 estimated pension  
26 cost with an actuarial study but instead has indicated its

1 basis as historical data. Recent historical data such as  
2 calendar year 1992 indicates a total company pension cost of  
3 (\$25,316,000) or \$9,320,000 less than the Company estimate for  
4 1993. Considering the Company's lack of support for its 1993  
5 estimated pension cost, I recommend that the Commission reject  
6 the proposed adjustment to annualize to the Company's 1993  
7 estimate.

8  
9 Q. What pro forma level of pension expense should be used in this  
10 case?

11 A. The pro forma pension expense should be based upon the most  
12 recent actuarial study to determine Ohio Bell's pension costs.  
13 While the response to OCC Request to Produce No. 127 indicated  
14 that no actuarial study exists to support its 1993 pension  
15 cost estimate, the Company in response to OCC Interrogatory  
16 No. 358 stated that actuarial studies for pension costs are  
17 performed once a year. In response to OCC Interrogatory No.  
18 359, the Company indicated the most recent study was completed  
19 in December, 1992. OCC Request to Produce No. 191 requested  
20 the December, 1992 study and the Company's response was to  
21 make the study available to OCC at the Company's offices,  
22 subject to the proprietary agreement.

23 The Company's response to Request to Produce No. 191 was  
24 a January, 1993 Ameritech 1992 Actuarial Report for Pension  
25 Expense by Towers Perrin. This report provided the 1992  
26 Pension Expense for Ohio Bell as (\$22,834,000), with a

1 management plan expense of \$ 731,000 and a non-management plan  
2 expense of (\$23,565,000). According to calculations provided  
3 in response to OCC Request to Produce No. 130, to determine  
4 Ohio Bell's gross pension cost, adjustments to both plans  
5 should be made to reflect AT&T reimbursements. Based on the  
6 reimbursement amounts in that request which were "per Ohio  
7 Bell assumptions", I have calculated AT&T reimbursements of  
8 \$783,000 for the management plan and \$1,074,000 for the non-  
9 management pension plan. Schedule BEH-9.1 shows a gross  
10 pension expense for Ohio Bell of (\$24,691,000) based on the  
11 January, 1993 actuarial report and reflecting AT&T  
12 reimbursements. I recommend that this pension expense based  
13 on the Ameritech January, 1993 actuarial study be used in this  
14 case. The result is a decreases to total company pension  
15 expense of \$8,695,000, from (\$15,996,000) to (\$24,691,000).  
16 As shown on Schedule BEH-9, the decrease to jurisdictional  
17 pension expense is \$5,557,000.

18  
19 H. OHIO BELL/AMERITECH LOGO CHANGE ACCRUAL

20 Q. Has the Company included in test year expenses any costs  
21 related to the change in name and logo from Ohio Bell to  
22 Ameritech?

23 A. Yes, according to the responses to OCC Interrogatories Nos.  
24 324 and 465, test year total company expenses include  
25 \$7,696,000 charged to Account 6121 in December, 1992 to accrue  
26 for "changing buildings, motor vehicle, and other signage" for

1 the transformation from the Ohio Bell logo to the new  
2 Ameritech logo.

3  
4 Q. Should this \$7,696,000 in accrued expense be included in test  
5 year expenses in this case?

6 A. No. These costs related to changing from the Ohio Bell logo  
7 to the Ameritech logo should not be included in expenses for  
8 ratemaking, because this type of expense is not necessary for  
9 the provision of telephone service, is a non-recurring expense  
10 and is an estimated accrual for an expected expense.

11 Transformation of a company's name and logo is not a  
12 change that is required for the company to provide telephone  
13 service to ratepayers. The Company has not shown that the  
14 name change was necessary because of inadequate service to  
15 ratepayers under the Ohio Bell name. As I also explain in my  
16 testimony on advertising regarding the name change, an ad  
17 promoting the change told customers that they would "get the  
18 same dependable service."

19 These expenses should not recur unless the Company were  
20 to change its name and logo again. The changes related to the  
21 logo transformation expense began in 1993 and are expected to  
22 continue in 1994 and the Company has also stated that no  
23 similar accruals were made during the period 1988 through  
24 1991.

25 The December, 1992 \$7,696,000 accrual was made to  
26 estimate expenses that would be associated with the logo

1 change. However, according to the Company's response to OCC  
2 Interrogatory No. 465, charges against this accrual for actual  
3 expenses through the end of the test year were only  
4 \$1,302,000.

5  
6 Q. What adjustment do you recommend to the Company's expenses  
7 related to the logo change accrual?

8 A. I recommend that total company expenses be reduced by  
9 \$7,696,000 to eliminate the costs in Account 6121 related to  
10 the logo change. As shown on Schedule BEH-10, this results in  
11 a \$5,815,000 reduction to jurisdictional expenses.

12  
13  
14 I. WAGES AND BENEFITS

15 Q. What adjustments has the Company made to annualize test year  
16 wages and benefits?

17 A. The Company has adjusted test year expenses on Exhibits 93C-  
18 3.2 and 93C-3.3 to annualize wages increases occurring during  
19 the test year for management and non-management employees.  
20 These adjustments increase jurisdictional wages and benefits  
21 by \$6,194,00 for non-management and \$763,000 for management.

22  
23 Q. What employee levels has the Company used in its annualization  
24 of wages and benefits?

25 A. On WP 93C-3.2 and WP 93C-3.3, the Company has use "adjusted  
26 test year average employee levels" to annualize wages and



benefits. These adjusted average employee levels were determined on WP 93C-3.2b, page 2 and are based on three months of actual 1992 levels adjusted for separated employees and nine months estimated 1993 employee levels. The adjusted average employee levels used by the Company for non-management was 8,750 employee and for management 1,569 employees.

Q. Should the Company's adjusted test year average employee levels be used to determine wages and benefits in this case?

A. No. The actual employee levels as of the end of the test year should be used to annualize wages and benefits. Since the Company's adjusted test year average uses estimated employee levels for 1993, this average includes no consideration of the actual changes in the number of employees that occurred in 1993.

For example, the Company's average was based on 1993 estimates that management employees would increase from 1,567 in January to 1,591 in September. However, actual levels decreased from 1,689 in January to 1,483 in September. For non-management employees, the Company's 1993 estimate was a decrease of 96 employees from 8,774 in January to 8,678 in September. The actual decrease was 90 employees, from a level of 8,800 in January to 8,710 in September. Use of test year end employee levels to annualize wages and benefits will be more representative of prospective employee levels because they reflect the changes in employees levels actually

1 occurring in 1993.

2  
3 Q. What is the effect of using the end of test year employees  
4 levels in annualizing wages and benefits?

5 A. On Schedule BEH-11, I have calculated that jurisdictional test  
6 year expenses for wages, benefits and payroll taxes should be  
7 decreased by \$4,374,000 to reflect the use of test year end  
8 employee levels to annualize wages and benefits.

9  
10 J. PROPERTY TAXES

11 Q. What level of pro forma property tax expense is the Company  
12 proposing in this case?

13 A. Ohio Bell's total company pro forma property tax expense is  
14 \$157,584,000. This amount is \$2,595,000 greater than the test  
15 year property taxes and results in an increase of \$1,961,000  
16 to jurisdictional property taxes. The calculation of this  
17 adjustment is shown on Company Workpapers 93C-3.14, 93C-  
18 1.9b.1a, and 93C-1.9b.1b. This adjustment calculates property  
19 taxes on a date certain lien date of December 31, 1992 and  
20 uses estimated tax rates for 1993.

21  
22 Q. Should the Company's proposed adjustment be used to determine  
23 property tax expense?

24 A. No. Property taxes should be determined using a lien date  
25 valuation consistent with the rate base date certain of  
26 December 31, 1992 and instead of the Company's projected tax

1 rates, the latest known actual property tax rates should be  
2 used. The Company's projected rate for public utility  
3 property tax is .0770 and for real estate property tax the  
4 projected rate is .0550. According to the Company's responses  
5 to OCC Interrogatories Nos. 336, 337, and 471 the latest known  
6 actual rates are .07480 for public utility property tax and  
7 .05301 for real estate property tax.

8  
9 Q. What is the effect of using the latest known property tax  
10 rates?

11 A. On Schedule BEH-12 I have calculated total company property  
12 taxes of \$153,024,000 by using the latest known rates. This  
13 level of property tax expense decreases jurisdictional  
14 property taxes expense by \$3,446,000.

15  
16 K. AMORTIZATION OF EXCESS DEFERRED INCOME TAXES

17 Q. Does the Company have any unrestricted excess deferred taxes  
18 resulting from the Tax Reform Act of 1986 (TRA 86)?

19 A. Yes, according to the Company's response to Staff Data Request  
20 No. 29, as of December 31, 1992 the Company's "unrestricted  
21 deferred tax surplus" related to TRA 86 was \$12,448,000. The  
22 surplus, or excess, represents the difference in deferred  
23 taxes created by the reduction of the federal income tax from  
24 the time when the taxes were deferred and collected from  
25 ratepayers to when they will be paid as taxes by the Company.  
26 The amount is unrestricted as to the flow-back period in

determining federal income taxes for ratemaking. In other utilities' rate cases the Commission has accomplished this flow-back by the use of a three year amortization of excess deferred taxes balances.

Q. What should the treatment be in this case for the Company's excess deferred taxes balance?

A. I recommend the Company's \$12,448,000 in unrestricted excess deferred taxes resulting from TRA 86 be flowed back over a three year period. Thus, pro forma federal income taxes in this case should reflect one year's amortization amount as a reduction to deferred income taxes. Schedule BEH-13 shows the calculation of the resulting reduction to jurisdictional federal income taxes of \$2,994,000.

L. OHIO BELL/AMERITECH LOGO CHANGE ADVERTISING

Q. What is the Company's "Your Link to a Better Life" advertising campaign?

A. According to the Company's response to OCC Interrogatory No. 525, "Your Link to a Better Life" is an advertising campaign which began in November 1992 and continued through May 1993. This campaign "focused on the capabilities and benefits Ohio Bell and Ameritech provide to customers, from individuals to large corporations." Total Company advertising costs of \$2,418,000 for this campaign are contained in Account 6613-92 test year expenses.

1 Q. What types of advertising were presented by the Company under  
2 the "Your Link to a Better Life" campaign?

3 A. OCC Request for Production of Documents No. 193 requested  
4 copies of the advertising used in this campaign. In response,  
5 the Company provided copy for television and print ads. As  
6 can be seen in Attachment C to my testimony, these ads present  
7 messages about the capabilities and benefits Ohio Bell and  
8 Ameritech provide to customers and also present messages about  
9 the change in the Company's name and logo from Ohio Bell to  
10 Ameritech. The ads include signs and customer payment checks  
11 that "change" from the Ohio Bell name to the Ameritech name.

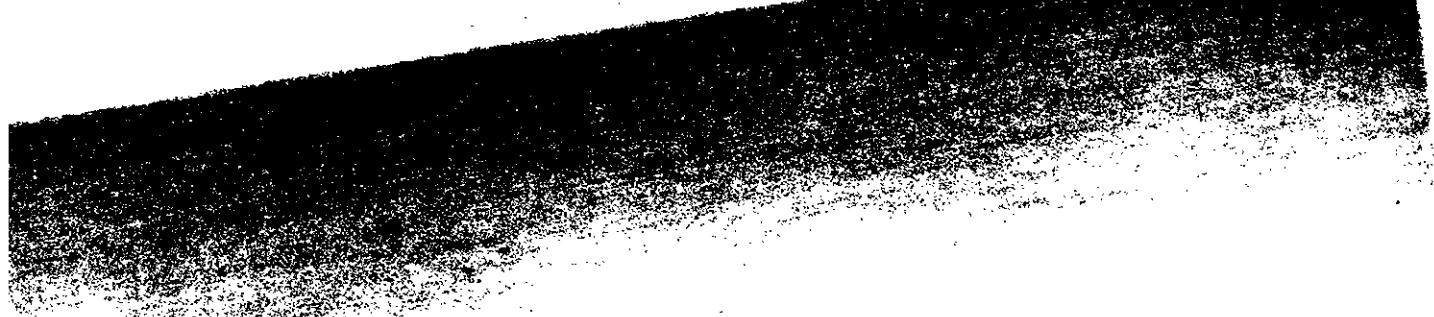
12 As I stated in my testimony regarding the Company's  
13 accrual for logo change expenses, transformation of the  
14 Company's name and logo is not a change that is necessary for  
15 the Company to provide telephone service to ratepayers. The  
16 ads from this campaign demonstrate that the Company did not  
17 change its name because of inadequate service provided under  
18 the Ohio Bell name. Instead, the ads call Ohio Bell "a  
19 trusted local business partner" and "the phone company you've  
20 always depended on" and point out that "you'll get the same  
21 dependable service." Thus, the ads show the change was not  
22 for the purpose of improving customer service but for giving  
23 greater exposure to the Ameritech name.

24  
25 Q. Should the Company's advertising costs for "Your Link to a  
26 Better Life" be included in test year expenses in this case?

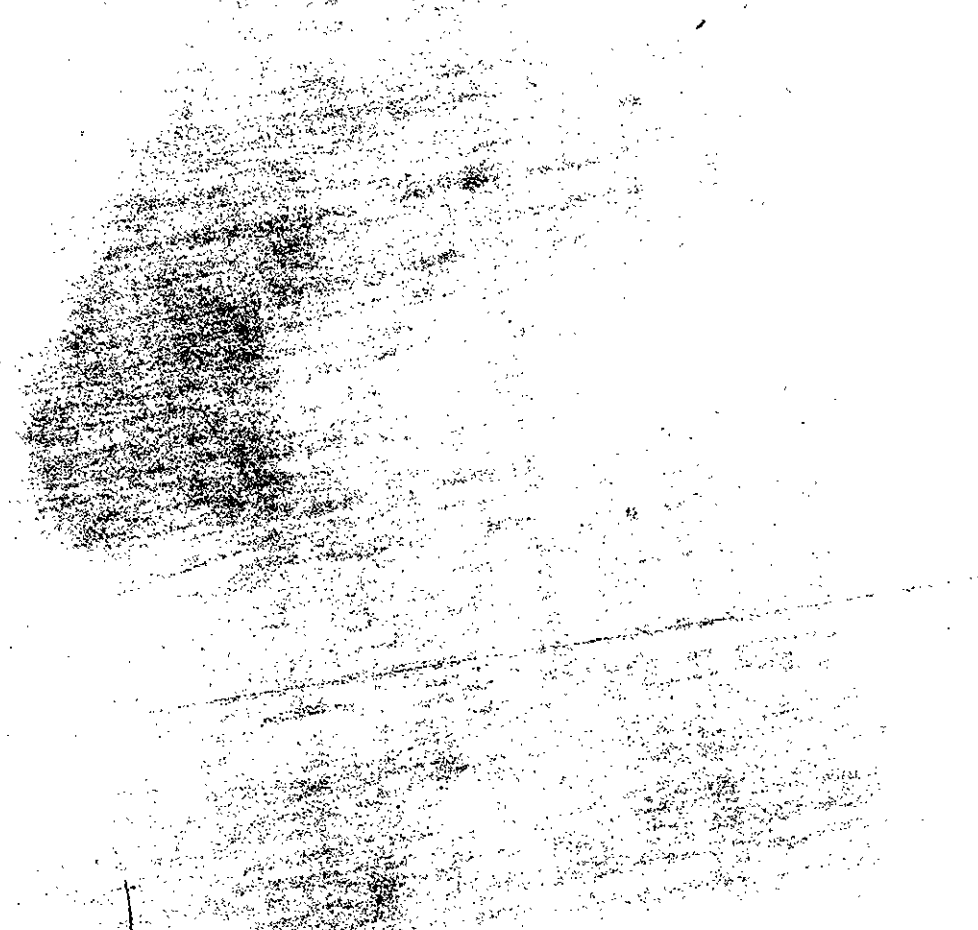
1 A. No. I recommend these costs be eliminated from test year  
2 expenses because the campaign is institutional advertising  
3 used to enhance the Company's image and advertise a name  
4 change which is not necessary for the provision of telephone  
5 service. Because the campaign advertises the name change,  
6 these costs are also non-recurring because such advertising  
7 should not recur unless the Company's name is changed again.  
8

9 Q. What is the effect on test year expenses of eliminating these  
10 advertising costs?

11 A. On Schedule BEH-14 I have eliminated \$2,418,000 in total  
12 company test year expenses for "Your Link to a Better Life"  
13 advertising. This results in a decrease to jurisdictional  
14 expenses of \$1,815,000.  
15



2. 11. 1988



OCC INTERROGATORIES NO. 7

491. Referring to Workpaper WP93C-1.5a, for each month January, 1992 until the most recent month available, what are the actual vision, medical, dental, and group life insurance costs incurred?

(\$000)					
<u>Year</u>	<u>Month</u>	<u>Vision</u>	<u>Medical</u>	<u>Dental</u>	<u>Group Life Ins.</u>
1992	January	62	3,751	450	74
	February	62	3,766	450	50
	March	62	3,770	450	119
	April	62	3,747	450	75
	May	62	3,769	450	74
	June	62	3,761	450	73
	July	62	3,613	435	71
	August	62	2,614	435	70
	September	62	2,239	435	70
	October	59	2,167	380	70
	November	59	2,167	380	72
	December	59	2,369	380	72
1993	January	59	3,632	380	66
	February	59	3,636	380	88
	March	59	3,635	380	86
	April	65	3,598	375	102
	May	65	3,592	375	65
	June	65	3,603	375	65
	July	65	3,181	380	65
	August	65	3,158	380	64
	September	65	3,161	380	67



OCC INTERROGATORIES NO. 10

535. Referring to the response to OCC Interrogatory No. 491:

- a) Why did the medical costs decrease from \$3,613,000 in July, 1992 to \$2,614,000 in August, 1992 and \$2,239,000 in September, 1992?
- b) Why did the medical costs increase from \$2,369,000 in December, 1992 to \$3,632,000 in January, 1993?
- c) Why did the medical costs decrease from \$3,603,000 in June, 1993 to \$3,181,000 in July 1993?
- d) Why did the dental costs decrease from \$435,000 in September, 1992 to \$380,000 in October, 1992?
- e) For each month October, 1993 until the most recent month available, what are the medical and dental costs?

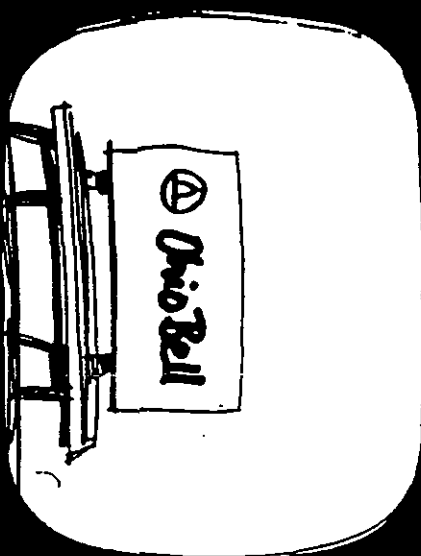
- 
- a) September, 1992 medical costs reflect a true-up based upon actual experience.
  - b) December, 1992 medical costs reflect a true-up based upon actual experience.
  - c) July, 1993 medical costs reflect a true-up based upon actual experience.
  - d) October, 1992 dental costs reflect a true-up based upon actual experience.
  - e) Objection. As to months beyond the base year, requested information is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. Ohio Admin. Code §4901-1-16(B).

OCC REQUEST FOR PRODUCTION OF DOCUMENTS NO. 10

193. Referring to the response to OCC Interrogatory No. 408, please provide copies of the advertising used in the "Your Link to a Better Life" advertising campaign.

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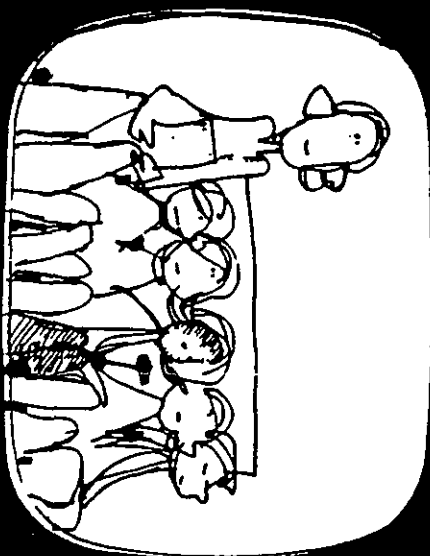
The requested documents are available for inspection and copying at the Central Repository at the offices of The Ohio Bell Telephone Company, 150 East Gay Street, Columbus, Ohio.



**LOOK FOR THE CAMEL. THE ONLY BRAND OF NO. 1.**

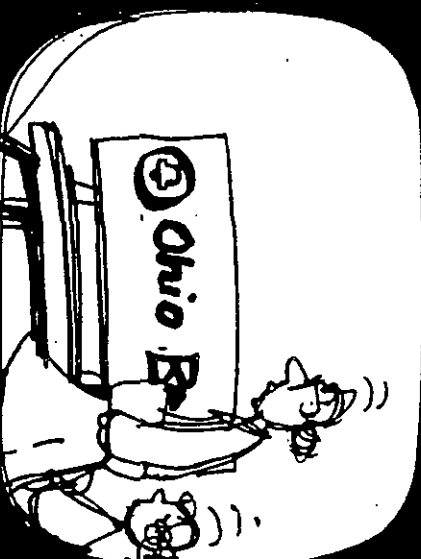
**University of North Carolina**

**AMERICAN LOGIC: How the smartest people**



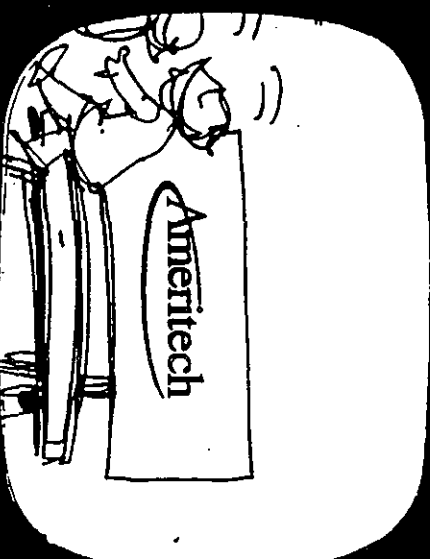
**AND ARE POVERTY, UNDER-OWNED, THIS LOOKS VERY RUSKY.**

**— THE NEW YORK CITY OFFICE —**



**A TEACHER AND GROUP OF SCHOLARSHIP APPEAL. THIS IS UNMATCHED THROUGHOUT.**

—That you've always depended on...



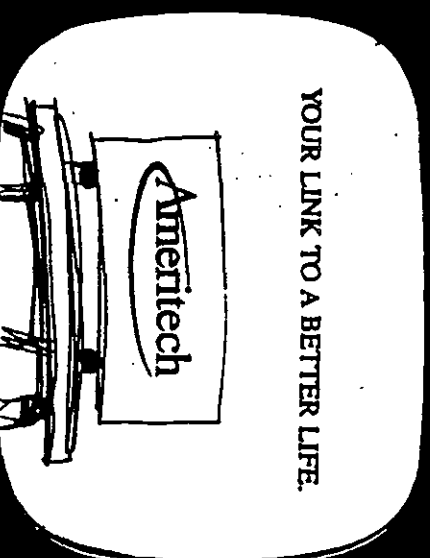
**TEACHERS AND KIDS GET UP AND GO, REVEALING BORN HAS CHANGED TO AMBITECH.**

— the big kitchen at... Atkinson



**NEOS FILM AND KIT FOR THE SPECTACULAR, WATERSLID CUT CREO BALL**

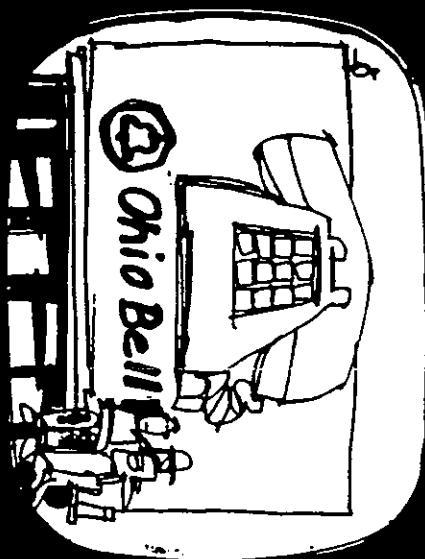
**—The company is working on with the issue of ETC.**



**YOUR LINK TO A BETTER LIFE.**

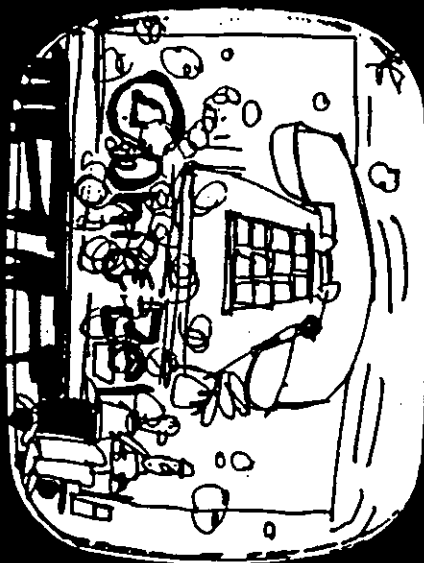
EMPTY BENCH FROM AS LOGO. SUPER TAG

**More than ever, your birth is a banner for**



GALLOP & GET LONELY  
LOOK DOWN CALABRA, TWO GUYS ON RECYCLED LIME IN FRONT  
OF A BELLBOOD WITH A SHIRT PHONE/CHORD BELL.  
AMERICA LODE, One and a happy life.

-1-



PHONE REMOVED, SHAVING EVERYTHING  
...a brand new identity.  
RE: (PHONE REMOVED)

-2-



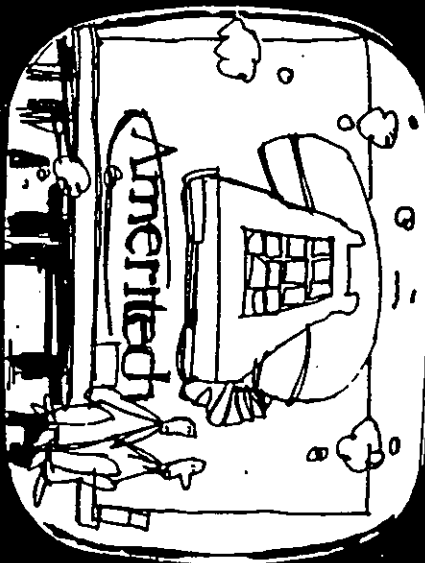
DUST AND DUSTING FLY UP, CONSIDERING CHORD BELL.  
How you can and do.

-3-

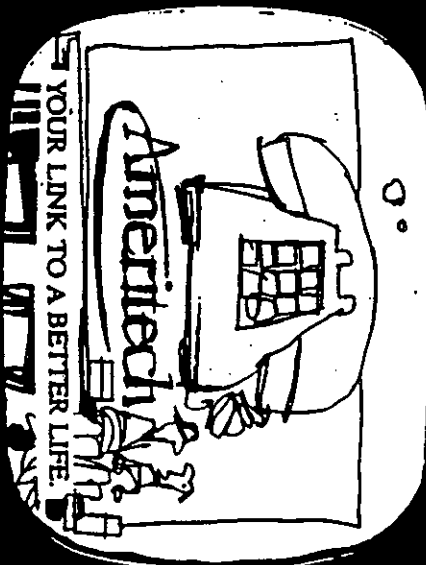


DUST BEGINS TO CLEAN, REVEALING BOY HAS CHANGED TO  
AMERITECH.

AMERITECH.



DUST CLEANS, TWO GUYS LOOK A BIT STUNNED YET...



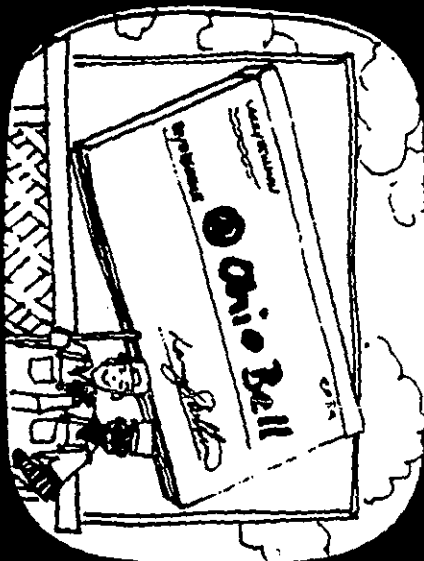
YOUR LINK TO A BETTER LIFE.

ONE OF THESE NONQUALITATIVELY DELIVERS A LINK.

MAIN LODE: How'd they get the number?

SUPER TAD.

AMERICA LODE: Ameritech, More than ever, your link to a better life.



PAID UP & LINGERING  
 LOOK DOWN CAMERA, TWO GUYS STRAGGLING BEFORE THE  
 BILLBOARD CHECK, IT REVEALS CARD BILL.  
 ALEXIS (V.O.): You're just waiting your turn to be in Orio Bell.



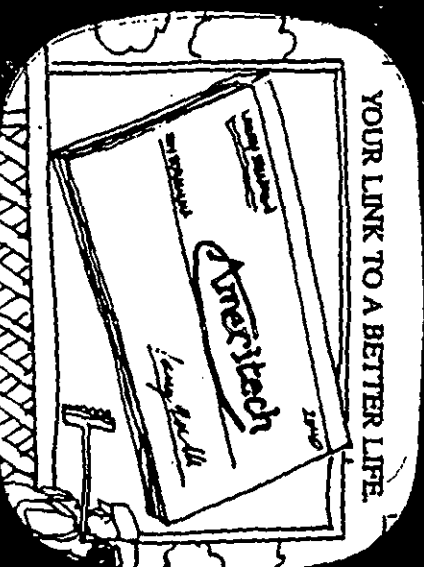
QUANT CHECK BLOWS OFF THE BILLBOARD  
 FROM ABOVE.



A NEW CHECK REVEALS IT REVEALS AMERICAN  
 YOU'VE BEEN WAITING YOUR TURN TO BE IN AMERICAN.



YOUR LINK TO A BETTER LIFE.



YOUR LINK TO A BETTER LIFE.

SLUTTER TAG

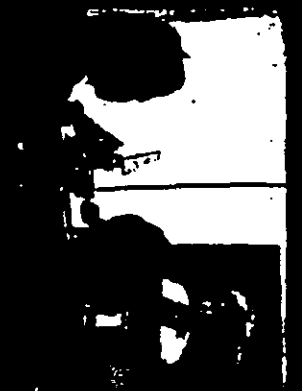
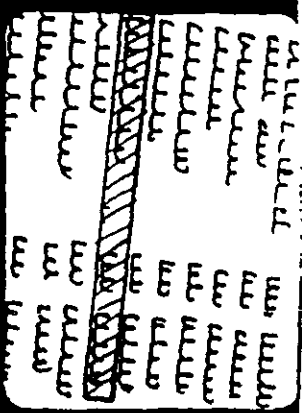
American Express, More than ever, your link to a better life.

TWO GUYS WALK OFF CAMERA, ONE COMMENTS.

1ST MAN (V.O.): On the left

2ND MAN (V.O.): Orio Bell.





DISE TO ELECTRONIC PHONE  
 DIRECTOR.  
 REVEALING

-9-

DISE TO AMERITECH SCENE AT  
 HOME, VIDEO CALLING.  
 WHAT'S IN STORE.

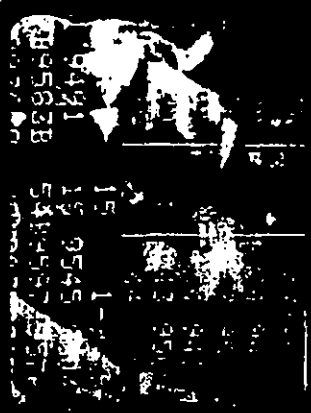
-10-

DISE TO AMERITECH INTERACTIVE  
 CLASSROOM.  
 BETTER WAYS

-11-

DISE TO CU AMERITECH INTERACTIVE  
 CLASSROOM.  
 OF LEARNING.

-12-



DISE TO BI-PACK STOCK EXCHANGE  
 SCENE, AMERITECH.

BETTER

-13-

DISE TO MTS SMALL MANUFACTURER.  
 ASSOCIATES VIEW MONITOR WITH  
 STOCK INFO.

WAYS

-14-

DISE TO AMERITECH LADY WITH  
 CHILD WORKING AT HOME, MS.

TO GROW.

-15-

DISE TO MS WEDDING SCENE.  
 BRIDE DANCING WITH GROOM.

BETTER LIVES

-16-



DISS TO CRANE MTS. DAD AND  
DAUGHTER ON BEACH.  
FOR

-17-



DISS TO MCG DAD HUGS DAUGHTER.  
ALL OF US.

-18-



DISS TO ME MAN EXERCISING WITH  
ELECTRO CARDIOGRAM MODULES  
ATTACHED.  
SO LET THE

-19-



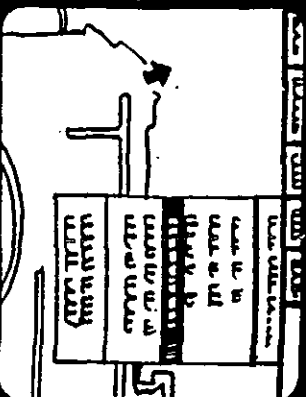
DISS TO LOW ANGLE MTS. MAN ON  
ELECTRIC. VIDEO CONFERRING  
WITH HIS PHYSICIAN.  
KNOWLEDGE FLOW...

-20-



DISS TO CRANE MTS. LOFT OFFICE  
SPACE. COMPUTERS EVIDENT.  
IT'S THE ROAD...

-21-



CUT TO CU SCREEN GRAPHIC.  
ICON SHIFT.  
(MUSIC)

-22-



CUT TO CU WOMAN'S REACTION  
TO COMPUTER INFORMATION.  
TO UNDERSTANDING

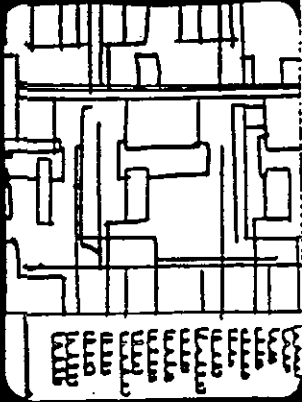
-23-



DISS TO HIGH TECH CONSTRUCTION  
SHOT. MS.  
IT'S THE PATHWAY

-24-

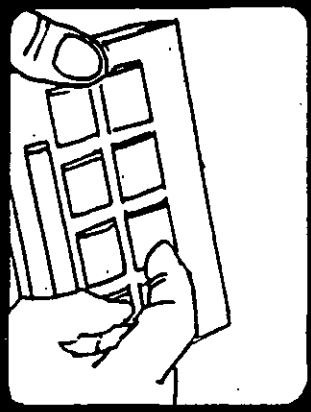




DISC TO CU COMPUTER SCHEMATIC.

(MUSIC)

-25-



DISC TO MAN'S POV WITH CONTROL MODULE, MCU.

(MUSIC)

-29-



DISC TO ENROUTE LAUNCH STOCK.

TO THE

-26-



DISC TO MRS. BACKLIT WHEELCHAIR COUPLE IN MUSEUM, VIEWING DETAIL OF VAN COCH SELF-PORTRAIT ON INTERACTIVE VIDEO WALL.

TO ENLIGHTENMENT

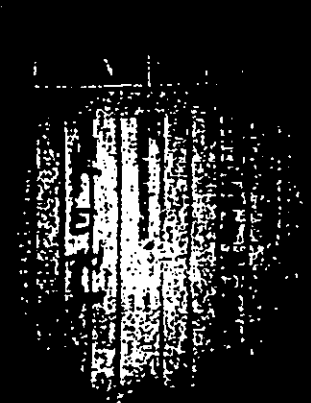
-30-



DISC TO HIS EARTH SHOT FROM SPACE. (STOCK)

STARS

-27-



DISC TO CU COMPUTER SCREEN, SIGNATURE BEING DONE ON DOCUMENT. AMERITECH.

IT'S THE

-31-



DISC TO LOW ANGLES MRS COUPLE IN MUSEUM. 81-PAGE AMERITECH LOOPS OVER NEXT THREE SCENES.

IT'S THE DOOMDAY

-28-



CUT TO MR MAN SIGNING DOCUMENT VIA INTERACTIVE CONFERENCE.

FUTURE

-32-

DIES TO LAST EVENING FROM NICK  
TECH CAR PHONE, MCV, AMERITECH.

(MUSIC)

-32-

DIES TO NAIL IN REEL CHAIR,  
PLAYING WITH YOUNG GIEL.  
AND IT'S OURS

-33-

DIES TO US FAMILY, AMERITECH.  
BI-SPACE AMERITECH LOOK OVER  
NEXT THREE SCENES.

-34-

DIES TO FAMILY ON INTERACTIVE  
SCREEN, AMERITECH.

(MUSIC)

-35-

PULL BACK TO SHOW GRANDPARENTS  
TALKING ON VIDEO PHONE.

(MUSIC)

-37-

DIES TO CU MAN ON AMERITECH  
CELLULAR PHONE, AMERITECH.  
AMERITECH: Imagines: bringing  
knowledge...

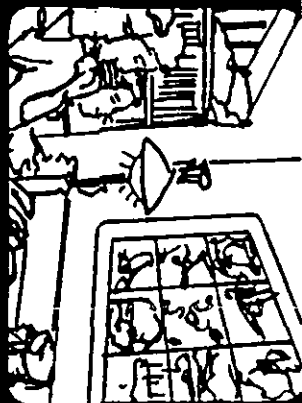
-38-

DIES TO ECU FINGERS ON KEYBOARD.  
AMERITECH.  
from every corner...

-39-

DIES TO DOCTOR REVIEWING INFO  
ON LARGE SCREEN, MS, AMERITECH.  
of the globe...

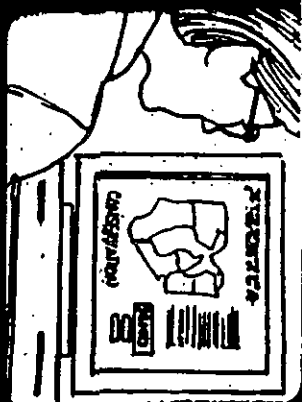
-40-



DISE TO BE FAMILY AT HOME  
VIEWING MULTI-SCREEN INFORMATION  
SYSTEM.

into every home.

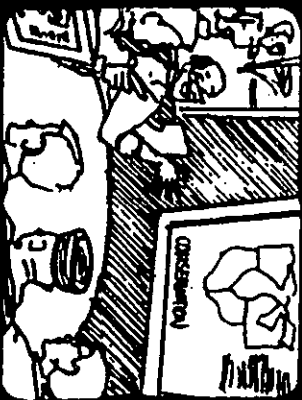
-41-



DISE TO MINUTE MAN, NEW WITH  
BI-LINGUAL COMPUTER DISPLAY,  
HITS "SEND" ICON.

every

-42-



DISE TO DOWN SHOT, SMALL  
MANUFACTURER'S CONFERENCE ROOM  
IS FOREIGN COUNTRY, WITH VIDEO  
SCREEN IMAGE OF BILLINGUAL  
SCREEN.

office,

-43-



DISE TO BE CELEBRATED AROUND  
COMPUTER IN CLASSROOM.

every

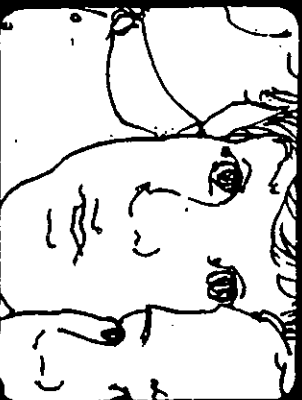
-44-



DISE TO NEW KIDS WITH COMPUTER  
SCREEN.

classroom.

-45-



DISE TO NEW KIDS' REACTION TO  
SCREEN.

(MUSIC)

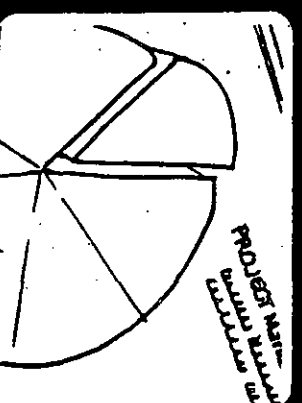
-46-



DISE TO 'CU, MAN AT COMPUTER,  
SCREEN IS REFLECTED IN HIS  
GLASSES.

AMERICAN

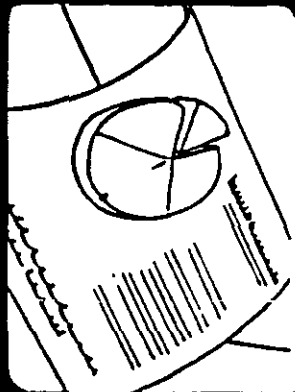
-47-



DISE TO MAN'S SCREEN GRAPHIC,  
EQU.

IS

-48-



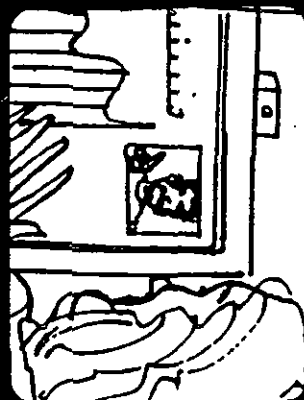
GRAPHIC IS RECEIVED ON FAX.  
READY

-49-



DIES TO INTERACTIVE P.C. SCREEN  
AS MAN TALKS TO WOMAN ABOUT  
GRAPHIC ON THE SCREEN.  
TO DO

-50-



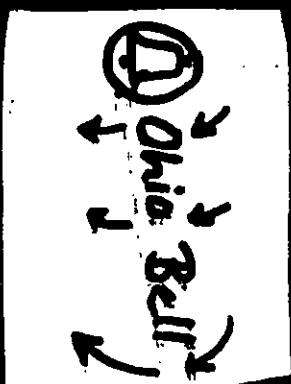
CUT TO WOMAN ON NEW P.C.,  
TALKING TO MAN.  
IT NOW.

-51-

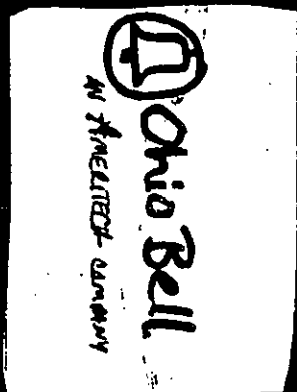


DIES TO FATHER, DAUGHTER AND  
MEN INTERACTING WITH VIDEO  
GRAPHICMENTS.  
AMERITECH...

-52-



Ohio Bell  
↑ ↓



Ohio Bell  
in fine-tuned company

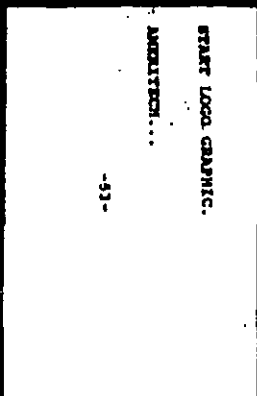
**AMERITECH**  
Your Link to a Better Life



DIES TO BE-BACK BOY SIGNING TO  
CAMERA.

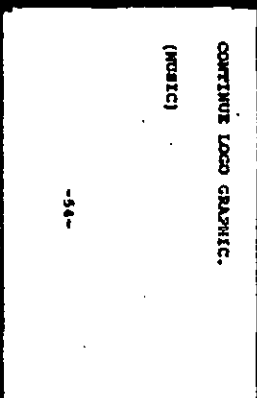
...BETTER LIFE.

-54-



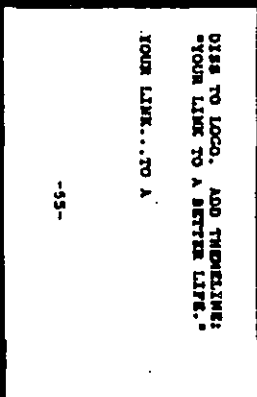
START LOGO GRAPHIC.  
AMERITECH...

-53-



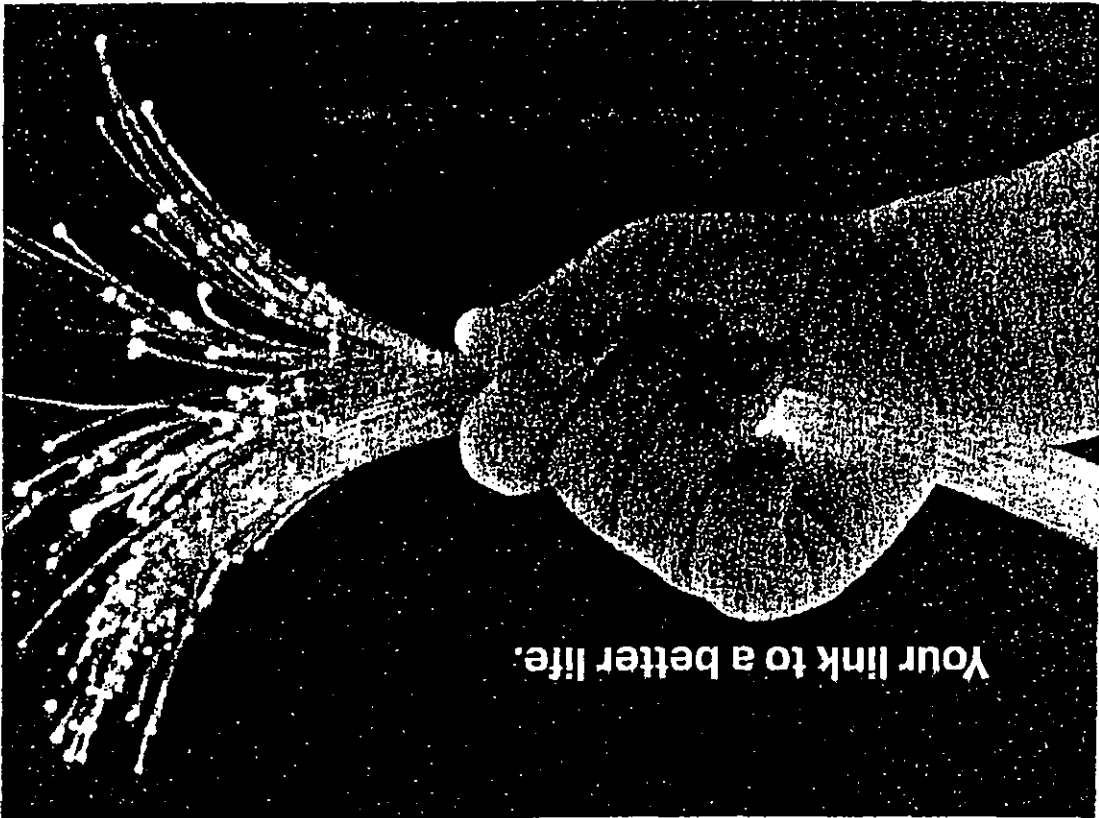
CONTINUE LOGO GRAPHIC.  
(MUSIC)

-54-



DIES TO LOGO. ADD THEMSELVES:  
"YOUR LINK TO A BETTER LIFE."  
YOUR LINK...TO A

-55-



Your link to a better life.

Over the coming months, you'll be hearing a lot about Ameritech. We're committed to becoming the world's premier provider of full-service communications, enabling us all to reach new heights in education, economic development, and quality of life. Ameritech stands poised to usher in this new information age. Because we believe the more you know, the more you grow.

Information will be available to everyone as never before. Businesses will become more competitive. Communities will become revitalized.

**AMERITECH**  
Your link to a better life.

Ameritech International  
Knowledge Data Systems  
NOTIS Systems  
Dynix

Ameritech Services  
Ameritech Development  
Ameritech Credit  
Ameritech Audiotex Services

@ Ohio Bell  
Ameritech Mobile Communications  
Ameritech Information Systems  
Ameritech Publishing

The  
Ameritech  
Companies  
in Ohio



A new world is taking shape.

With all the exciting new breakthroughs in communications, "business as usual" is an outdated concept.

Because today, images and data that once took days or even weeks to reach their destination are now received in seconds. So whether you're part of a start-up business or a major corporation, you can have ready access to the data you need to make critical decisions.

Ameritech is leading the way in applying this technology, helping businesses in our communities thrive in this information age. For example, with Ameritech's LAN-to-LAN interconnectivity, companies are managing inventory and sharing information electronically with real-time savings. A computer-aided design application helped one of the world's largest auto-makers increase productivity by allowing more than 150 suppliers to transfer design files

And a last-food industry giant watched productivity go up and commute time go down when Ameritech used ISDN lines to link employees working at home with colleagues at their corporate campus. Business is indeed changing for the better and Ameritech is committed to helping companies large and small run more efficiently and grow profitably. To learn more about how Ameritech's vision is benefiting economic development, call 1-800-786-LINK (for TDD/TTY access, call 1-800-242-9393).

**AMERITECH**  
Your link to a better life.

The  
Ameritech  
Companies  
in Ohio

@ Ohio Bell

Ameritech Mobile Communications  
Ameritech Information Systems

Ameritech Publishing

Ameritech Services

Ameritech Development

Ameritech Credit

Ameritech Audiotex Services

Ameritech International  
Knowledge Data Systems  
NOTIS Systems  
Dynix

The  
Ameritech  
Companies  
in Ohio

@ Ohio Bell  
Ameritech Mobile Communications  
Ameritech Information Systems  
Ameritech Publishing

Ameritech Services  
Ameritech Development  
Ameritech Credit  
Ameritech Audio/Text Services

Ameritech International  
Knowledge Data Systems  
NOTIS Systems  
Dynix

## **AMERITECH** Your link to a better life.

The traditional classroom we once knew is a thing of the past. In its place are classrooms without walls, where information from all over the globe is accessible at the touch of a finger. Ameritech, partnering with educators, is proud to be leading the way in making learning more involving and interactive. In Ohio's Appalachian region, for example, third and fourth grade teachers in three schools hone their teaching skills through a distance learning link with Ohio University's College of Education.

These are truly exciting times for the field of education. And the best is yet to come. Ameritech is committed to helping educators improve the quality of education while ensuring students, teachers and parents alike. And in Findlay, Ameritech's fiber optic lines provide two-way video that links schools together to share resources, enhance classroom instruction and tie into best-of-breed training for teachers and students alike.

Ameritech is committed to helping educators improve the quality of education while ensuring students, teachers and parents alike. These are truly exciting times for the field of education. And the best is yet to come.

To learn more about how Ameritech's vision is benefiting education in Ohio, call 1-800-786-LINK (For TDD/TTY access, call 1-800-242-9393).

School has changed since we were kids.

Ohio Bell Telephone Company  
 Rate Base: Accumulated Deferred Taxes  
 Accelerated Depreciation & Software  
 (\$000)

Eliminate Company adjustment to deferred taxes to  
 reflect the portion of plant applicable to plant in service (a)

(6,244)  
 Deduction to Rate Base (\$6,244)

(a) Company Exhibit 92A-3.1B, page 3



Schedule BEH-2

Ohio Bell Telephone Company  
Rate Base: Accumulated Deferred Taxes  
Balances Short Term in Nature  
(\$000)

Eliminate Company adjustments to:

Account 4100.2110 Vacation Pay - Current	(a)	8,679
Account 4100.2310 Lien Date Property Taxes	(a)	<u>(26,579)</u>

Deduction to Rate Base		<u><u>(\$17,900)</u></u>
------------------------	--	--------------------------

(a) Company Exhibit 92A-3.1

**Schedule BEH-3**

**Ohio Bell Telephone Company  
Rate Base: Accumulated Deferred Taxes  
SFAS Post Retirement Benefits  
(\$000)**

**Eliminate Deferred Income Taxes related to SFAS 106 (a) (15,404)**

**Deduction to Rate Base (\$15,404)**

**(a) Company Exhibit 92A-3.1**

Schedule BEH-4

Ohio Bell Telephone Company  
Rate Base: Unclaimed Funds  
(\$000)

Thirteen Month Average Balances 9/92 - 9/93

Accounts:		
4010.2921	(a)	(\$6)
4010.2922	(a)	(29)
4010.2923	(a)	(1,023)
4020.2929	(a)	<u>(1,292)</u>
Total Company		(2,350)
Total Company Adjustment	(b)	<u>116</u>
Adjusted Total Company		(2,234)
Jursidictional Allocation	(b)	<u>0.763690</u>
Jurisdictional Rate Base Deduction for Unclaimed Funds		<u><u>(\$1,706)</u></u>

(a) Derived from OCC Interrogatory Nos. 376 and 524

(b) Exhibit 92A-3.2 and WP 92A-3.2A ;Total Company adjustment rate of .0492

Schedule BEH-5

Ohio Bell Telephone Company  
Rate Base: Artworks  
(\$000)

Account 2122.2 - Art works

(a) (194)

Deduction to Rate Base:

(\$194)

(a) Exh. 92A-1, page 2

Ohio Bell Telephone Company  
Operating Expenses: Incentive Compensation  
(\$000)

	Adjusted Total Company (a)	O & M Allocation (b)	Total Company O&M (b)	Total Company "Adjustments" (b)	Total Company Adjusted (b)	Benefit Loadings (b)	Incentives & Benefit Loadings (b)	Jurisdictional Composite Factor (b)	Jurisdictional Adjustment
Eliminate: (c)									
Non-Management Success Sharing Program	(4,067)	0.8713	(3,544)	230	(3,314)	0	(3,314)	0.775072	(2,569)
Senior Management Short and Long Term Awards	(745)	0.9173	(683)	44	(639)	(28)	(667)	0.775072	(517)
	(4,812)		(4,227)	274	(3,953)	(28)	(3,981)		(3,086)
Eliminate 65% of : (c)									
Management Team Incentive	(3,281)	0.9173	(3,010)	195	(2,815)	(122)	(2,937)	0.775072	(2,276)
Management Individual Incentive	(2,211)	0.9173	(2,028)	132	(1,896)	(82)	(1,978)	0.775072	(1,533)
	(5,492)		(5,038)	327	(4,711)	(204)	(4,915)		(3,809)
Total Adjustment to Incentive Compensation Expense	(10,304)		(9,265)	601	(8,664)	(232)	(8,896)		(\$6,895)

(a) Schedule BEH 6.1

(b) WP 93C-3.4, pages 3 and 4

Total Company Adjustment Factor .06492

Benefits Loading Factors .0433

(c) See Testimony

Ohio Bell Telephone Company  
Operating Income: Incentive Compensation  
Determination of Total Company Test Year Amounts  
(\$000)

		Non-Mgt. Sucess Sharing	Senior Mgt. Short and Long Term	Mgt. Team Incentive	Mgt. Individual Incentive	Total
1993 Estimate	(a)		792	5,991	3,961	
1993 Allocation	(a)		0.7452	0.7452	0.7452	
1993 in Test Year			590	4,464	2,952	
Fourth Quarter 1992	(b)		155	911	666	
Test Year	(c)	4,319	745	5,375	3,618	14,057
C-3.4 Adjustments						
Page 3	(d)			(110)	(73)	(183)
Page 4	(e)	(252)	0	(217)	(144)	(613)
		4,067	745	5,048	3,401	13,261

(a) WP 93C-1.6a.1.a

(b) 4th Quarter Accrual Total Incentive (WP 93C-1.6a.1.a) 1,732

Less: 4th Quarter Accrual Team & Individual (WP 93C-3.4, page 4) 1,577

Equals 4th Quarter Accrual for Senior Mgt. Short and Long Term 155

(c) Non-Mgt. per WP 93C-1.6a.1.a, line 8

(d) WP 93C-3.4, page 3 - Total Company (Whole Dollars)

		Team	Individual
Average Award	(line 1)	3,514	2,323
Employees	(line 2)	127	127
Annual	(line 3)	446,278	295,021
In Test Year	(line 6)	110,041	72,745

(e) WP 93C-3.4, page 4, line 8

Schedule BEH-7

Ohio Bell Telephone Company  
Operating Income: Materials and Supplies Expense  
(\$000)

Eliminate Company View Adjustment to 1993 Material and Supplies Expense	(a)	(5,000)
1993 Allocation	(b)	<u>0.7452</u>
1993 Materials and Supplies in Test Year		(3,726)
Total Company Adjustments	(c)	<u>133</u>
Total Company Adjusted		(3,593)
Composite Jurisdictional Allocation	(d)	<u>0.780944</u>
		<u><u>(\$2,806)</u></u>

(a) WP 93C-1.1b.3.b.3

(b) WP 93C-1.1b.3 (1/93 - 9/93)

(c) Exh. 93C-1 - Composite Total Adjustment Factor A/C's 6112-6728

Total Company Adjustments 52,465

Total Company 1,472,287

Adjustment Factor 0.0356

(d) Exh. 93C-1

Ohio Bell Telephone Company  
Operating Income: Medical and Dental Expenses  
(\$000)

Medical Expense:

January - June 1993	(a)	21,696	
July - September 1993	(a)	9,500	
Estimated October - December 1993	(a)	9,500	
Annual Medical Expense		40,696	
Company Annual 1993 Medical Expense	(b)	43,600	
Adjustment to Total Company 1993 Annual Medical Expense		(2,904)	
1993 Allocation	(c)	0.7452	
1993 Medical Expense in Test Year		(2,164)	
Total Company Adjustments	(d)	77	
Total Company Adjusted		(2,087)	
Composite Jurisdictional Allocation	(e)	0.780944	
Adjustment to Jurisdictional Medical Expense			(1,630)

Dental Expense:

Annualized Dental Expense	(f)	4,560	
Company Annual 1993 Dental Expense	(b)	5,717	
Adjustment to Total Company 1993 Annual Medical Expense		(1,157)	
1993 Allocation	(c)	0.7452	
1993 Dental Expense in Test Year		(862)	
Total Company Adjustments	(d)	31	
Total Company Adjusted		(831)	
Composite Jurisdictional Allocation	(e)	0.780944	
Adjustment to Jurisdictional Dental Expense			(649)

Adjustment to Jurisdictional Medical and Dental Expenses (\$2,279)

(a) OCC Interrogatory No. 491

(b) WP 93C-1.5a

(c) WP 93C-1.1b.3

(d) Total Company Adjustment Factor .0356 - Schedule BEH-7, footnote (c)

(e) Exh. 93C-1

(f) See Testimony and OCC Interrogatory No. 491 (380 x 12 = 4,560)



Schedule BEH-9

Ohio Bell Telephone Company  
Operating Income: Pension Expense  
(\$000)

<b>Total Company Pension Cost based on January, 1993 Actuarial Study</b>	<b>(a)</b>	<b>(24,691)</b>
<b>Company Total Company Estimated 1993 Pension Cost</b>	<b>(b)</b>	<b><u>(15,996)</u></b>
<b>Adjustment to Total Company Pension Cost</b>		<b>(8,695)</b>
<b>Charged to Construction</b>	<b>(b)</b>	<b><u>(1,000)</u></b>
		<b>(7,695)</b>
<b>Total Company Adjustments</b>	<b>(b)</b>	<b><u>(500)</u></b>
<b>Ajusted Total Company</b>		<b>(7,195)</b>
<b>Composite Jurisdictional Allocation</b>	<b>(b)</b>	<b><u>0.775072</u></b>
<b>Adjustment to Jurisdictional Pension Expense</b>		<b><u><u>(\$5,577)</u></u></b>

(a) Schedule BEH 9.1

(b) WP 93C-3.6

Construction charges factor - .1150

Total Company adjustment factor - .06492

Schedule BEH-9.1

Ohio Bell Telephone Company  
Operating Income: Pension Expense  
Total Company Pension Expense based on January, 1993 Actuarial Study  
(\$000)

		Managment Plan	Non-Management Plan	Total
Ameritech Pension Expense	(a)	6,931	(124,123)	
Allocation to Ohio Bell	(a)	10.5419%	18.9848%	
Ohio Bell Pension Expense	(a)	731	(23,565)	(22,834)
AT & T Remibursments	(b)	(783)	(1,074)	(1,857)
Ohio Bell Gross Pension		(52)	(24,639)	(24,691)

(a) OCC Request for Production of Documents No. 191  
Ameritech 1992 Actuarial Report for Pension Expense (January, 1993)  
Exhibit B, pages II-5, II-7

(b) OCC Request for Production of Documents No. 130  
AT&T Reimbursments as Percentage of Ameritech Pension:

	Management	Non-Management
1993 Budgeted Pension:		
Ameritech Pension	10,000	(80,000)
AT&T Reimbursments	1,129	692
per Oho Bell Assumptions	11.2900%	-0.8650%
Pension per 1/93 Report:		
Ameritech Pension	6,931	(124,123)
AT&T Reimbursments	783	1,074

Schedule BEH-10

Ohio Bell Telephone Company  
Operating Income: Ohio Bell/Ameritech Logo Change Accrual  
(\$000)

Eliminate December, 1992 accrual to Account 6121 for changing building, motor vehicle and other signage	(a)	(7,696)
Total Company adjustments	(b)	<u>(194)</u>
Adjusted Total Company		(7,502)
Jurisdictional Allocation	(c)	<u>0.775108</u>
Jurisdictional Adjustment to Account 6121		<u><u>(\$5,815)</u></u>

(a) OCC Interrogatory No. 465

(b) WP 93C-1A.1, page 3, Total Company Adjustment Factor .0252

(c) Exhibit 93C-1, Account 6121

Ohio Bell Telephone Company  
Operating Income: Wages and Benefits  
(\$000)

		Non-Management	Management	Total
Average Number of Test Year				
Employees as used by Company	(a)	8,750	1,569	
Test Year End Number Employees	(b)	8,710	1,483	
Adjustment to Employee Levels		(40)	(86)	
Average Salary	(a)	33.409	51.291	
Annual Reduction to Wages		(1,336)	(4,411)	
O&M Ratio	(a)	0.87131	0.91731	
Reduction to O& M Wages		(1,164)	(4,046)	
Total Company Adjustments	(c)	(76)	(263)	
		(1,088)	(3,783)	
Overtime & Differential	(d)	(129)	(70)	
Adjustment to Total Company Wages		(1,217)	(3,853)	(5,070)
Benefit Loadings	(e)	(24)	(164)	(188)
Adjustment to Wages and Benefits		(1,241)	(4,017)	(5,258)
Jurisdictional Allocation	(f)	0.775072	0.775072	
Adjustment to Jurisdictional Wages and Benefits		(962)	(3,113)	(\$4,075)
Payroll Taxes	(f)	(93)	(293)	(386)
Jurisdictional Allocation	(a)	0.775072	0.775072	
Adjustment to Jurisdictional Wages and Benefits		(72)	(227)	(\$299)
Jurisdictional Adjustments		(1,034)	(3,340)	(\$4,374)

(a) WP 93C-3.2 and WP 93C-3.3

(b) OCC Interrogatory No. 470

(c) WP 93C-3.2 and WP 93C-3.3 Total Company Adjustment Factor .06492

(d) WP 93C-3.2b Non-mgt. 11.85% and Mgt. 1.84%

(e) WP 93C-3.2 Mgt. 2.23% and WP 93C-3.3 Non-mgt. 4.33%

(f) WP 93 C-3.5 Wages Reduction x .0761 (.99451 x .0765)

Portion of Wages subject to FICA x 1993 FICA Rate

Schedule BEH-12

Ohio Bell Telephone Company  
Operating Income: Property Taxes  
(\$000)

Public Utility Property Taxes:

Total Taxable Value	(a)	1,949,054	
Tax Rate	(b)	<u>0.07480</u>	
Tax			145,789

Real Estate Property Tax:

Total Taxable Value	(c)	136,487	
Tax Rate	(d)	<u>0.05301</u>	
Tax			<u>7,235</u>

Total Company Property Taxes 153,024

Test Year Total Company Property Taxes (e) 157,584

Adjustment to Total Company Property Taxes (4,560)

Total Company Adjustments (e) (37)

Total Company Adjusted (4,523)

Jurisdictional Allocation (e) 0.761821

Adjustment to Jurisdictional Property Taxes (\$3,446)

(a) WP 93C-1.9b.1a

(b) OCC Interrogatories Nos. 337 and 441

(c) WP 93C-1.9b.1b

(d) OCC Interrogatories Nos. 336 and 441

(e) WP 93C-3.14, Total Company Adjustments Factor .0082

Schedule BEH-13

Ohio Bell Telephone Company  
Operating Income: Federal Income Taxes  
Amortization of Excess Deferred Taxes  
(\$000)

<b>Unrestricted Deferred Tax Surplus as of 12/31/92 resulting from TRA 86</b>	<b>(a)</b>	<b>12,448</b>
<b>Total Company Adjustments</b>	<b>(b)</b>	<b><u>(294)</u></b>
<b>Total Company Adjusted</b>		<b>12,154</b>
<b>Jurisdictional Allocation</b>	<b>(c)</b>	<b><u>0.739107</u></b>
<b>Jurisdictional Amount</b>		<b>8,983</b>
<b>Amortization Period - Years</b>	<b>(d)</b>	<b><u>3</u></b>
<b>One Year Amortization's reduction to Deferred Taxes</b>		<b><u><u>(\$2,994)</u></u></b>

(a) Staff Data Request No. 29

(b) Exh. 93C-2, page 3 Total Company Adjustment Factor 0.0236  
(Total Co. Adjs. Other Tax Deferrals Total Co. Other Tax Deferrals)

(c) Exh. 93C-2, page 3 Composite Factor Total Other Deferrals

(d) See Testimony

Schedule BEH-14

Ohio Bell Telephone Company  
Operating Income: Ohio Bell/Ameritech Logo Change Advertising  
(\$000)

Eliminate Account 6613.92 Advertising Expense for "Your Link to A Better Life" Campaign/Promotion	(a)	(2,418)
Total Company Adjustments	(b)	<u>(41)</u>
Total Company Adjusted		(2,377)
Jurisdictional Allocation	(c)	<u>0.763624</u>
Adjustment to Jurisdictional Advertising Expense		<u><u>(\$1,815)</u></u>

- (a) OCC Request for Production of Documents No.189  
(b) WP 93C-1A.1 Total Company Adjustment Factor .01070  
(c) Exh. 93C-1, page 5