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Before  
THE PUBLIC UTILITIES COMMISSION OF OHIO

Case No. 94-1996-TP-PEX

TESTIMONY  
OF  
DENNIS R. MCNARY

By: Sandra K. Williams  
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Testimony of  
Dennis R. McNary

1. Q. Please state your name and business address.

A. My name is Dennis R. McNary and my business address is 99 Park Avenue West, Mansfield, Ohio 44902.

2. Q. By whom are you employed and what is your position?

A. I am employed by United Telephone Company of Ohio (United) as a Senior Analyst in the Revenues Department.

3. Q. Please state your educational background.

A. I have a Bachelor of Science degree in electrical engineering from Iowa State University.

4. Q. Describe your experience in the telephone industry.

A. I joined United in 1971 as a Staff Assistant-Methods in the Engineering Department. Subsequently, I held various management level positions in Engineering, Accounting, Rate Planning, and Revenues. It has been a personal job responsibility to prepare and interpret tariff-related items and prepare and present extended area service (EAS) information for the last ten years.

5. Q. What is the purpose of your testimony in this hearing?

A. My testimony presents the revenue and cost comparisons requested by the Commission for consideration in this case.

6. Q. Do you have in your possession a copy of what has been marked for identification as United Exhibit 2?

A. Yes.

7. Q. Was Exhibit 2, consisting of your testimony and Attachments A through D, prepared by you or under your direction and supervision?

A. Yes.

8. Q. What would United's marginal cost be to implement two-way flat-rate EAS between the Delphos Exchange and the Fort Jennings Exchange?

A. For two-way, flat-rate EAS between Delphos and Fort Jennings, United would experience an annual cost of \$36,872.

9. Q. Explain how you arrived at this figure.

A. The derivation of the net marginal cost is shown on Attachment A and is the marginal cost (line 5) minus the marginal revenue (line 6). The marginal cost on Line 5 is the net of the amounts shown on Lines 2 through 4.

10. Q. Explain the annual carrying charge on investment shown on line 2 of Attachment A.

A. Mr. Pokorski testified to the additional investment that would be required to provide flat-rate extended area service between these two exchanges. The annual carrying charge on investment is the annual cost to United to support this additional investment. The annual carrying charge consists of depreciation, cost of money,

federal income tax, maintenance, and property taxes. The calculation for this cost is shown on Attachment C.

11. Q. What is the toll impact shown on line 3 of Attachment A?
  - A. The Fort Jennings Telephone Company is a secondary toll carrier with United Telephone as the primary carrier. With this relationship, Fort Jennings concurs in United's tariffed toll rates. Fort Jennings bills its subscribers for the toll calls they originate, turns that revenue over to United, then bills United originating and terminating access charges. The loss to United, if EAS is implemented between Delphos and Fort Jennings, is the toll revenue billed by the two companies, offset by the access expense savings.
12. Q. Why is there no directory expense?
  - A. The directory that Delphos customers receive, the Lima Areawide Directory, already contains the listings for the Fort Jennings Exchange. Therefore, there is no additional cost if extended area service is implemented between Delphos and Fort Jennings.
13. Q. Will United receive any additional revenue if flat-rate EAS is implemented between Delphos and Fort Jennings?
  - A. No. Delphos will remain in Rate Schedule IV. Therefore, United will not receive any additional revenue if flat-rate EAS is implemented.
14. Q. What would be United's marginal costs to implement measured-rate EAS to the Fort Jennings exchange?

- A. This cost is shown on Attachment B, and is calculated in a similar manner to the flat-rate calculation on Attachment A. This attachment shows that the annual cost to implement measured-rate EAS to the Fort Jennings Exchange is \$20,707.
15. Q. Does United believe the Commission should grant the requested flat-rate extended area service in this case?
- A. No. United strongly opposes flat-rate extended area service. United has stated on numerous occasions and continues to maintain that flat-rate EAS has outlived its purpose and appropriateness, as many other jurisdictions have recognized. If flat-rate EAS is to remain an option, it should only be considered in the most compelling circumstances evidenced by extremes in terms of calling rate, distributions, and services required. United maintains that measured-rate extended area service is the fairer method of implementing extended area service.
16. Q. Does this conclude your testimony?
- A. Yes.

UNITED TELEPHONE COMPANY OF OHIO  
CASE NO 94-1996-TP-PEX  
FORT JENNINGS - DELPHOS

**TWO-WAY FLAT-RATE EAS**

Total Marginal Investment (1)	\$2,461
Annual Charges on Investment (2)	\$779
Toll Impact	
Toll Loss - Delphos	\$31,060
Toll Loss - Fort Jennings	\$48,736
Access Expense (saved)	(\$43,703)
Total toll impact (3)	\$36,093
Directory expense (4)	\$0
SUBTOTAL COSTS (5)	\$36,872
Local Revenue Increase (6)	
Rate Band Change	\$0
SUBTOTAL REVENUE	\$0
ANNUAL CHARGES AND TOLL IMPACT IN EXCESS OF ANNUAL REVENUE INCREASE (7)	\$36,872

- NOTES:
- (1) From Exhibit 1.
  - (2) From Attachment C.
  - (3) Total toll impact is the net of the toll revenue lost and the access expense saved.
  - (4) There is no directory expense because the listings for Fort Jennings subscribers already appear in the Lima areawide directory.
  - (5) Sum of lines 2, 3, and 4.
  - (6) Delphos does not change rate bands, therefore there is no additional flat-rate revenue.
  - (7) Amount is obtained by subtracting the Subtotal Revenue from the Subtotal Costs.

UNITED TELEPHONE COMPANY OF OHIO  
CASE NO 94-1996-TP-PEX  
FORT JENNINGS - DELPHOS

**TWO-WAY MEASURED-RATE EAS**

Total Marginal Investment (1)	\$0
Annual Charges on Investment (2)	\$0
Toll Impact	
Toll Loss - Delphos	\$31,060
Toll Loss - Fort Jennings	\$48,736
Access Expense (saved)	(\$43,703)
Total toll impact (3)	\$36,093
Directory expense (4)	\$0
SUBTOTAL COSTS (5)	\$36,093
Local Revenue Increase (6)	
ELC Revenue	\$15,386
SUBTOTAL REVENUE	\$15,386
ANNUAL CHARGES AND TOLL IMPACT IN EXCESS OF ANNUAL REVENUE INCREASE (7)	<b>\$20,707</b>

- NOTES:
- (1) From Exhibit 1.
  - (2) There is no investment, therefore, there are no annual charges.
  - (3) Total toll impact is the net of the toll revenue lost and the access expense saved.
  - (4) There is no directory expense because the listings for Fort Jennings subscribers already appear in the Lima areawide directory.
  - (5) Sum of lines 2, 3, and 4.
  - (6) Extended Local Calling Revenue as calculated on Attachment D.
  - (7) Amount is obtained by subtracting the Subtotal Revenue from the Subtotal Costs.

**UNITED TELEPHONE COMPANY OF OHIO  
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FORT JENNINGS - DELPHOS**

For Two-way Flat-rate EAS

**ANNUAL CARRYING CHARGES**

Cost of Money	6.34%
Depreciation	11.03%
Federal Income Tax	2.10%
Maintenance	8.78%
Other Taxes	3.42%

**ANNUAL COST ON INVESTMENT OF \$2,461.00**

Cost of Money	\$ 156.03
Depreciation	\$ 271.45
Federal Income Tax	\$ 51.68
Maintenance	\$ 216.08
Other Taxes	\$ 84.17
Total	<b>\$ 779.41</b>



**UNITED TELEPHONE COMPANY OF OHIO  
CASE NO. 94-1996-TP-PEX  
FORT JENNINGS - DELPHOS EAS**

**EXTENDED LOCAL CALLING REVENUE**

Delphos - Fort Jennings

$$243,876 \times 1.5 \text{ stimulation} = 365,814 \text{ annual minutes}$$

From LMS study, 74% are peak period, 26% are off-peak

$$365,814 \times 74\% \times \$0.047 = \$12,723.01$$

$$365,814 \times 26\% \times \$0.028 = \$2,663.13$$

**Total annual ELC revenue                      \$15,386.14**