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**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter of the Application of )  
Cincinnati Bell Telephone Company )  
For Approval of a Retail Pricing Plan )  
Which May Result In Future Rate Increases )  
And For A New Alternative Regulation Plan)

PUCO  
Case No. 96-899-TP-ALT

**REPLY OF CINCINNATI BELL TELEPHONE COMPANY IN  
SUPPORT OF WAIVER OF TIME & MOTION STUDY REQUIREMENTS**

AT&T Communications of Ohio, Inc. ("AT&T") and WorldCom, Inc.

("WorldCom") filed a Memorandum Contra to Cincinnati Bell Telephone Company's ("CBT's") request for a waiver of the time and motion study requirements. CBT had requested that the Commission waive the requirement that CBT perform time and motion studies. In the event that the Commission did not waive that requirement in its entirety, CBT requested that the Commission eliminate the requirement to perform this study for rate elements having less than ten observations per month. CBT further requested that the deadline for performing any remaining studies be extended from July 1, 2001 to no later than one year after the Commission issues its order on CBT's compliance cost studies.

CBT continues to believe that conducting time and motion studies are unnecessary and extremely burdensome. CBT is not aware of any other companies having been required to file time and motion studies to support their rates, nor is there any standing Commission rule requiring the performance of such studies. Conducting these studies will prolong the establishment of final nonrecurring rates until at least 2002 and will simply prolong financial uncertainty on this issue for both CBT and the CLECs.

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In addition, CBT expects the Intervenors to raise additional challenges to the studies and study design if any of the results indicate that a price increase is warranted.

As indicated in CBT's request, there are a large number of rate elements that CBT could have to study, or at least would have to establish procedures to study, if it is required to study all rate elements. In the event the Commission does not waive the requirement for CBT to perform the time and motion studies generally, CBT sought approval to eliminate any rate element having less than ten observations per month. While AT&T and WorldCom claim that CBT has provided no basis for such a minimum volume, the necessity for a threshold level of activity is necessary for the study to have any credibility at all. CBT presented a reasonable basis for establishing such a cutoff.

Developing an appropriate sample size requires information about the population being studied, so it is impossible for CBT to develop a precise threshold for limiting the number of rate elements to be studied at this time. Therefore, CBT presented ten observations as an absolute minimum requirement, even though it believes this minimum sample size is likely to be too low. As it indicated in its request for waiver, CBT typically designs its studies to achieve a relative precision of plus or minus 10% at a 95% confidence level. In order to determine the true minimum sample size, one must also know the relationship between the mean and the standard deviation of the studied population. For purposes of this application, CBT assumed that the standard deviation would be approximately one-fourth of the mean. Based on this assumption, which is lower than that generally found in other CBT samples, e.g. loop studies, CBT calculated a need for at least thirty observations. This equated to ten observations per month assuming that three months of data would be gathered for the study. As a result, if CBT

were to study rate elements using a fewer number of observations, the results would be statistically unreliable. Hence, it is reasonable to establish a minimum threshold to ensure that a sufficient number of observations will be obtained.

AT&T and WorldCom suggested that CBT's limited demand is the result of nonrecurring prices that are "unreasonably and prohibitively high." However, there is no evidence to that effect and this is only their unsubstantiated assertion. CBT believes that the limited demand for many of the rate elements is simply due to the fact that CLECs have no desire for these elements. For example, CBT has received zero orders related to switching-related unbundled network elements. This comes as no surprise to CBT as the intervenors in the TELRIC proceeding did not focus on switching related elements, indicating a lack of interest in these elements from the start. CBT's experience is that nearly every CLEC has its own switch. CBT is simply requesting that, for these types of rate elements, there is no need to attempt to study these elements as any results based on limited sample sizes will likely be challenged by parties to this case anyway. Therefore, eliminating the requirement to study these types of rate elements will minimize the cost of a study and harm no party.

Finally, in the event that the Commission requires CBT to complete time and motion studies, AT&T and WorldCom do not object to CBT's request for an extension of time to complete these studies. AT&T and WorldCom suggest that these studies be completed by the end of 2001. In its request for waiver, CBT had requested that the deadline to complete these studies be extended from July 1, 2001 to no later than one year after the Commission issues its order on CBT's compliance studies. CBT based its suggested deadline on the date of the Commission's final order because CBT was

concerned that delay in approving the compliance cost studies could create an unreasonable time frame in which to complete the time and motion studies. Although a schedule has been proposed for reviewing the compliance cost studies, this schedule does not address all compliance cost studies, nor does it establish any deadline for a final determination. CBT is still concerned that there could be insufficient time to complete the time and motion studies if a fixed deadline is established at this time. As stated in its waiver, CBT does not want to start a study prior to knowing that it is studying the correct rate structure. In fact, AT&T and WorldCom's memorandum states that they might object to the structure proposed by CBT. If the Commission decides to pick a fixed deadline at this time, CBT requests that the Commission recognize that CBT may need to request additional time once the expected time frame for completing the review of the compliance cost studies becomes more clear.

Respectfully submitted,

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CERTIFICATE OF SERVICE

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