

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application)
of The Ohio Bell Telephone Company) Case No. 93-487-TP-ALT
for Approval of an Alternative)
Form of Regulation.)

ENTRY

The Commission finds:

- (1) The Commission issued its opinion and order in this case on November 23, 1994, adopting a stipulation filed by a number of the parties, which provides, among other things, for the replacement of rate-of-return regulation with a price cap regulation plan, to be in effect for at least six years. Specifically, the stipulation provides that the price cap is to be adjusted on an annual basis to reflect the percentage change in the Gross Domestic Product-Price Index (GDP-PI), a productivity factor/consumer dividend offset, a service quality adjustment, and exogenous impacts reflecting significant tax and accounting changes. Further, by May 1, 1995, and by May 1 in subsequent years, the company shall file with the Commission the updated Price Cap Index (PCI) with documentation supporting its development. The documentation shall include the data supporting the development of the GDP-PI Factor, the development of the Service Quality Adjustment Factor, if any, the development of the Exogenous Adjustment Factor, and the development of the Group Price Index (GPI). Interested parties have 14 days from filing to respond to the company's proposed PCI and GPI documentation and the company has 14 days thereafter to file a response to any comments. Pursuant to the plan, the updated PCI is to become effective on July 1 of each year of the plan.
- (2) On May 1, 1997, as amended on May 23, 1997, Ameritech Ohio (aka The Ohio Bell Telephone Company) filed its proposed price cap updates and revisions to its rates to become effective on July 1, 1997. According to Ameritech, the new PCI results in an approximate \$8.8 million reduction in the company's price caps revenue ceiling. In addition, Ameritech explained that the GPI calculation, as shown in Exhibit 2 of the May 23, 1997 filing, demonstrates that the price reductions which have already taken place since the last approved GPI which was effective July 1, 1996 amounted to, in aggregate, approximately \$3.4 million. Ameritech's proposed adjustment to the GPI takes into

consideration: changes to tariffed rates; the contractual arrangements entered into by the company since July 1996; the conversion of toll routes from Schedule A to Schedule B; the conversion of toll routes to extended area service; and rate changes to Cell 4 services. After taking the GPI adjustments into account, Ameritech is proposing rate reductions amounting to approximately \$5.1 million to be effective July 1, 1997.

- (3) On May 15, 1997, as supplemented by letter filed on June 2, 1997, in response to Ameritech's proposed amendment, the Ohio Consumers' Counsel (OCC) filed a response to Ameritech's May 1, 1997 filing. OCC submits that the GPI must be revised and that additional price reductions must occur in order for Ameritech to comply with the revised PCI. More specifically, OCC maintains that the revenue reductions to the GPI as a result of the contractual arrangements entered into by the company, the conversion of toll routes from Schedule A to Schedule B, and the conversions of toll routes to extended area service are improper. Ameritech filed its reply to OCC's comments on May 29, 1997.
- (4) Upon review of Ameritech's filing and OCC's comments, the Commission finds that, pending our review of the appropriateness of Ameritech's adjustments to the GPI, Ameritech should be permitted to implement the \$5.1 million decrease as proposed in its filing. In light of the fact that our ultimate review and conclusion on the issues raised by OCC could only result in further decreases to rates, we believe that our approval of Ameritech's \$5.1 reduction is appropriate in order to provide the customers with decreases at the earliest possible time, that being July 1, 1997. It is our goal to review the issues raised by OCC and resolve these issues expeditiously. However, realizing that our decision on the issues raised will be issued beyond the July 1st date, Ameritech should take whatever actions are necessary to allow for the retroactive application of any rate decreases back to July 1, 1997, in the event we conclude that additional rate decreases are warranted.

It is, therefore,

ORDERED, That Ameritech shall implement the approximate \$5.1 million reduction in rates as more specifically set forth in its filing, as amended, and that the Commission will withhold ruling on whether additional rate reductions are appropriate pending our further consideration of the issues raised by OCC. It is, further,

ORDERED, That a copy of this entry be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Craig A. Glazer, Chairman

Jolynn Barry Butler

Ronda Hartman Fergus

David W. Johnson

Judith A. Jones

CP:jc