

APPEARANCE SHEET

ALJ HEARING REPORT

DOCKET NO. I-00920020
 CASE NAME PUC v. Commonwealth Telephone Co.
 HEARING LOCATION Harrisburg
 HEARING DATE July 1,2, 1993
 ALJ Kashi

CHECK THOSE BLOCKS WHICH APPLY:
 Hearing held YES NO
 Testimony taken YES NO
 Hearing concluded YES NO
 Further hearing needed YES NO
 Estimated add'l days _____
 RECORD CLOSED YES _____ NO _____
 Date _____
 Briefs to be filed YES _____ NO _____
 Date _____
 BENCH DECISION YES _____ NO _____

*July 1 - 9:30 to 5 - P.S.H.
 July 2 - 10 to 7:30 - 8:5h*

REMARKS: *Next set of hearings
 beginning 19+20 and 23*

RECEIVED

JUL 06 1993

Office of A. L. J.
 Public Utility Commission

JUL 06 1993 *elf*

DOC NAMES, ADDRESSES AND TELEPHONE NUMBERS OF PARTIES OR COUNSEL OF RECORD
 PLEASE PRINT CLEARLY
 INCOMPLETE INFORMATION MAY RESULT IN DELAY OF PROCESS

DOC FOLDER

DOCKETED

| NAME and TELEPHONE NUMBER | JUL 26 1993 ADDRESS | APPEARING FOR |
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CHECK THIS BOX IF ADDITIONAL PARTIES OR COUNSEL OF RECORD APPEAR ON BACK.

Judith A. Valenik
 Reporter

COMMONWEALTH REPORTING

✓

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July 7, 1993

ADA
LDA

VIA HAND DELIVERY

John G. Alford, Secretary
PA Public Utility Commission
Room B-19, North Office Building
Harrisburg, PA 17120

Re: PA PUC v. Commonwealth Telephone Company
Docket No. I-00920020

Dear Secretary Alford:

Enclosed please find the original and two (2) copies of Commonwealth Telephone Company's Petition for Reconsideration in the above-captioned proceeding. As evidenced by the attached Certificate of Service, all parties of record have been served a copy of same.

If you should have any questions regarding the above, please do not hesitate to contact the undersigned.

Sincerely,

TUCKER ARENSBERG, P.C.

NORMAN JAMES KENNARD

NJK/dmb
ctco/inv2/pet4recon.doc

Enclosure

cc: All Parties of Record
W. Shaner

DOCUMENT
FOLDER

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PA. P. U. C.
INFO. CONTROL DIV.

ORIGINAL

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

COMMONWEALTH TELEPHONE
COMPANY

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Docket No. I-00920020

PETITION FOR RECONSIDERATION

RECEIVED
GENERAL COUNSEL
JUL 17 1993
INFO. COMM. DIV.
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AND NOW, comes Commonwealth Telephone Company ("CTCO"), by and through its attorneys, Tucker Arensberg, P.C., pursuant to 52 Pa. Code §5.41, and petitions the Administrative Law Judge ("ALJ") for reconsideration of his Order Compelling Discovery of certain discovery responses. In support of this Petition, CTCO avers as follows:

I. INTRODUCTION

1. On April 15, 1993, the OCA served Set VII of its Interrogatories in the above-captioned proceeding.

2. OCA Interrogatory Nos. 11 and 12 (Set VII) stated as follows:

Interrogatory No. 11:

Please provide annual income statements and balance sheets for CTCO and other affiliates for the years 1990, 1991, and 1992.

Interrogatory No. 12:

Please provide a Statement of Cash Flows and a Statement of

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DOCUMENT
FOLDER

Financial Condition for CTCO and its affiliates for the years 1990, 1991, and 1992.

3. On April 28, 1993, CTCO timely filed Objections to the above stated Interrogatories, inter alia, on the basis of overbreadth and relevance.

4. On May 28, 1993, OCA filed its Response to Objections and Motion to Compel, justifying its inquiry on rate of return grounds:

2. *The OCA submits that the requested information is relevant to determining an appropriate rate of return for CTCO because it concerns the financial condition of C-TEC. Specifically, this information concerns the riskiness of C-TEC the parent company of CTCO. As such, this information will help the OCA determine an appropriate rate of return for CTCO.*
3. *The OCA submits that this information is not overly broad because each C-TEC affiliate contributes to C-TEC's level of risk.*
4. *Finally, the OCA submits that its request for this information for the years 1990, 1991 and 1992 is justified because looking at a few years of this data will provide important information concerning trends in C-TEC's riskiness.*

Motion at 2.

5. By Order dated June 24, 1993, the ALJ granted the OCA's Motion to Compel on the grounds that the information sought is relevant. CTCO received this document (i.e., was served) on June 29, 1993, one day before trial in this matter. Today is the first opportunity CTCO has had to submit this Petition.

II. DISCUSSION

6. CTCO seeks reconsideration of the ALJ's ruling regarding the above Interrogatories because CTCO believes the ALJ's decision did not give adequate consideration to the significant and highly sensitive circumstances associated with producing income statements, balance sheets, statements of cash flow and statements of financial condition for C-TEC and its affiliates.

7. CTCO disputes OCA's contention that this information relates to rate of return issues relevant to CTCO, a Pennsylvania jurisdictional telephone utility. The subject of this proceeding is CTCO, not C-TEC or its affiliates.

8. In determining rate of return, the Commission consistently examines comparable groups of utilities (i.e., barometer companies) in determining the appropriate capital structure and rate of return for the utility under investigation. Typically, these examinations involve utilization of accepted methodologies such as the Discounted Cash Flow, Risk Premium, and Capital Asset Pricing Models. These well accepted methodologies typically utilize barometer groups or "portfolios" of similarly situated utilities for insight into the appropriate rate of return to be awarded to the subject utility.

9. In no case with which CTCO or the undersigned counsel is familiar has the rate of return ever been examined with reference to the utility's holding company or affiliates' financial condition, especially where such affiliates operate in

jurisdictions other than Pennsylvania. Financial details of other CTCO affiliates, especially out-of-state affiliates, are a function of the characteristics of the affiliates and the markets which they serve. The financial details of the holding company are also irrelevant to a determination of the proper common equity return for CTCO, a Pennsylvania telephone utility.

10. Further, CTCO does not believe that any protective order signed by the parties would adequately protect C-TEC and its affiliates' interests in preventing this highly competitive and sensitive information from being disclosed outside the realm of this proceeding. Even with a protective order, there is no guarantee that the information will not be disclosed, if only through inadvertence or misfeasance. Given the total lack of relevance, there is no reason to take any risks with this data.

11. CTCO further seeks reconsideration of the ALJ's Order as it runs completely counter to a decision issued by ALJ Solomon in Pennsylvania Public Utility Commission v. Enterprise Telephone Company, Docket No. R-00922317. In that case, ALJ Solomon denied an OCA Motion to Compel similar information from Enterprise Telephone Company's affiliates within Rochester Telephone Company. (A copy of ALJ Solomon's Order is provided as Attachment "A"). The ALJ characterized OCA's attempts to discover information about Enterprise's non-regulated affiliates as a classic "fishing expedition". (Order at p. 3). In his ruling, the ALJ definitively rejected the notion that it is appropriate to consider the financial condition and characteristics of non-regulated affiliates

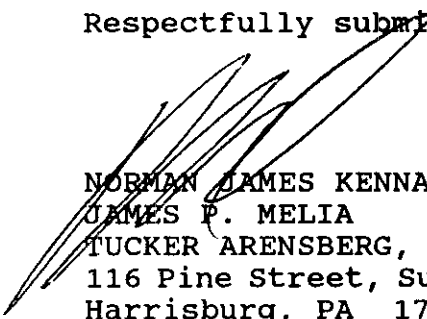
as part of an examination of the appropriate rate of return for the regulated entity.

12. On the other hand, CTCO has already presented C-TEC's Annual Reports for the years 1986-92 which contain summarized income statements by operating group (i.e., telephone, cable, communication services, mobile services and long distance services) and which also include a discussion of operations, revenues, expenses, capitalization and other indicia of financial performance of the individual operating units. Moreover, for the consolidated income statements, balance sheets, cash flows and statement of financial conditions for the C-TEC companies are included. The 1992 Annual Report to Shareholders is provided as Attachment "B". This information is more than sufficient to serve the general purposes of these two interrogatories as stated by the OCA.

13. For the foregoing reasons, CTCO requests reconsideration of the ALJ's June 24, 1993 Order relative to these discovery requests and respectfully requests its objections be upheld.

WHEREFORE, Commonwealth Telephone Company respectfully requests that its Petition for Reconsideration be granted and that its objections to production of Office of Consumer Advocate Interrogatory Nos. 11 and 12 (Set VII) be upheld.

Respectfully submitted,



NORMAN JAMES KENNARD
JAMES P. MELIA
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101

Dated: July 7, 1993

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
v. : DOCKET NO. I-00920020
COMMONWEALTH TELEPHONE COMPANY :

CERTIFICATE OF SERVICE

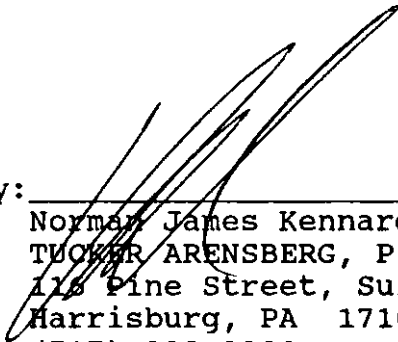
I hereby certify that, on this 7th day of July, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

The Honorable George M. Kashi
Administrative Law Judge
Room G08
PA Public Utility Commission
Harrisburg, PA 17105-3265

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Philip F. McClelland, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

By: 
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TUCKER ARENSBERG, P.C.
115 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-80922317
 :
 Enterprise Telephone Company :

ORDER SUR MOTION
TO COMPEL ANSWERS AND
TO DISMISS OBJECTIONS

On May 29 and June 3, 1992, the Office of Consumer Advocate (OCA) served Sets I and II, respectively, of its interrogatories on Enterprise Telephone Company (Enterprise). Thereafter, on June 11 and 15, 1992, Enterprise served its objections to certain of the OCA interrogatories as contained in Sets I and II, respectively. The objections were made to the following interrogatories:

- Set I, Questions 5, 6, 7, 29, 30 and 31; and
- Set II, Questions 2, 12, 13, 14 and 15.

The questions at issue in Set I relate generally to rate of return issues. Those in Set II deal with revenue, expense and rate base matters. We will deal with each set in turn.

With respect to Set I, the first group of questions objected to (numbers 5, 6, 7 and 29) seek information concerning Enterprise's parent company, Rochester Telephone Corporation

Rochester) and each of its subsidiaries. Those questions read as follows:

5. Please provide balance sheets as of 12/31/90 and 12/31/91 for each of the subsidiary companies owned by Rochester Telephone Corporation.
6. Please provide a schedule showing how each of the balance sheets of the subsidiaries of Rochester Telephone Corporation were consolidated into the total consolidated balance sheet.
7. Please state the percentage of common equity in the capital structure of each of the subsidiaries of Rochester Telephone Corp. as of 12/31/90 and as of 12/31/91.
8. Please provide the most recently allowed return on equity granted to Rochester Telephone and to each of its telephone subsidiaries. For each allowed return, please state the date of the allowance and the associated regulatory jurisdiction which made the allowance.

Enterprise grounded its objections on the "stand alone" basis employed in its filing, claiming financial data pertaining to Rochester and its subsidiaries would not be probative as to Enterprise's rate of return.

OCA, in its motion, states it is merely seeking information as to companies which are or may be comparable to Enterprise. Further, OCA justifies the disputed inquiries as relevant to the rate of return expectation of Enterprise's sole shareholder and the prohibition of 66 Pa.C.S. §2106 means that a utility may not pay its affiliated interest more than its cost of

providing capital. In response, Enterprise argues that the rate of return exploration of comparable utilities does not require a wide-ranging examination of the capital structures and rates of return of Enterprise's affiliates and that such information would be irrelevant. Moreover, says the utility, its corporate parent's expectations are irrelevant to a determination of Enterprise's common equity return.

As we view the OCA effort in these four interrogatories, it amounts to a classic "fishing expedition". Overly broad and thinly disguised, the interrogatories go beyond gathering information needed to fix an appropriate rate of return for Enterprise. In doing a Discounted Cash Flow analysis, it is necessary to consider the utility's dividend yields and expected stock price appreciation and those of comparable utilities; the capital structure and allowed return on equity of the companies in the group of comparables is not relevant. Interestingly, OCA's motion speaks of the Rochester affiliates as "companies which are or may be comparable to Enterprise." We do agree that OCA has the right to insure that 66 Pa.C.S. §2106 is complied with and would approve questions directed to ascertaining Rochester's cost of capital but such are not before us. Thus, we will not compel answers regarding Set I, Questions 5, 6, 7 and 29.

The remaining questions in Set I, that is Questions 30 and 31, read as follows:

30. Page 3 of the 1990 Annual Report to Stockholders of Rochester Telephone states that 'Our allowed rate of return of 11.7 percent in Rochester is simply not realistic.' With regard to that statement, please provide a copy of the order which made the 11.7 percent determination, and provide a complete explanation of how it was determined by the company that the 11.7 percent was not realistic.
31. Please state the date that Rochester Telephone originally took ownership of Enterprise Telephone.

The objection of Enterprise is to the effect that it should not have to explain the statements of its parent in Rochester's annual report and that the other information sought is as readily available to OCA as it is to Enterprise.

OCA, in its motion, contends that the data is relevant to the issues of Enterprise's reasonable capital structure and fair rate of return and relate directly to Rochester's cost of capital. The response of Enterprise to the motion on this point merely restated its initial objection.

We can see no obligation on the part of Enterprise to explain the rationale behind a statement made by another corporate entity. As for an order issued by a New York governmental agency and public documentation in the Commission's own file concerning the acquisition of Enterprise by Rochester,

being equally available to OCA, we think OCA should obtain such materials for itself. Therefore, we will not compel responses to Set I, Questions 30 and 31.

Turning now to Set II, the questions objected to numbers 2, 12, 13, 14 and 15; pertain to the elaboration of matters contained in the filing. The questions involved read as follows:

2. Please provide all workpapers supporting the development of the future test year rate base and the future test year pro forma operating income under present rates to the extent not included with the application.
12. Referring to Schedule 2, page 11, please provide a complete itemization of the other income of \$11,491,444 included in the deregulated category. The response should provide a description of each item, the dollar amount of each item, and the basis for treating each item of other income as deregulated.
13. Referring to Schedule 3, page 15, please provide an itemization of other income and expense. The response should provide a brief description of each item of other income and expense and the dollar amount of each item for 1992, as projected.
14. Please provide any true-up or correcting entries booked by the Company in 1992 that relate to 1991 operations.
15. Please provide a reconciliation of STAS revenues and expenses subject to recovery through the STAS in 1991, both before and after normalization adjustments.

In its objection to Question 2, Enterprise offered to supply the requested workpapers at or about the time it files its prepared testimony. Such is entirely unacceptable, for the reasons set forth in our Order Sur Motion to Impose Sanctions, dated July 21, 1992, at this docket. We will direct a prompt response as to this inquiry.

The utility claimed relevancy as a basis for refusing to supply OCA the itemizations called for in Questions 12 and 13. In its motion, OCA contends that it is critical to determine whether there are any allegedly deregulated operations which should actually be regulated and if the utility has properly allocated and assigned expenses to such deregulated activities. Enterprise's response simply reiterates its relevancy contention.

As the Commission's discovery rules make clear,

It is not ground for objection that the information sought will be inadmissible at hearing if the information sought appears reasonably calculated to lead to the discovery of admissible evidence.

32 Pa.Code §5.321(b) (emphasis added). We think the OCA requests satisfy the quoted test and will require prompt response to these two inquiries.

Enterprise's objection to Question 14 is grounded on the possible burden compliance might entail. The utility asserts its uncertainty as to which correcting entries will be of interest. The OCA motion points out that OCA needs to see the

list of entries, their magnitude and a brief description of each to determine which matters require further scrutiny, particularly since Enterprise's schedules begin with a column headed "Historical Year Per Books" which is then adjusted.

The arguments of Enterprise are without merit. We will expect the utility to provide a proper listing of all correcting entries so that OCA can focus its efforts and determine if all the appropriate adjustments to 1991's actual results were made by Enterprise.

Finally, as to the STAS inquiry, in Question 15, Enterprise objected on the ground that there is a separate STAS reconciliation proceeding and the instant question is irrelevant. OCA's motion points out the Commission practice of setting the STAS at zero at the conclusion of a rate case and the importance of assuring that the STAS has been properly reconciled, including the effects of any normalizations present in the case at bar. It is OCA's position that the separate reconciliation proceeding would not account for the effects of any normalizations which Enterprise proposes in this rate proceeding. The utility's response is that proper reconciliation of the STAS is not within the scope of this case and that OCA's experts can consult the Commission's files relative to the STAS reconciliation proceeding.

We find the OCA position to be sound and will direct that Enterprise comply with the requirement in Question 15.

Accordingly, we make the following


ORDER

AND NOW, this 24th day of July, 1992, upon consideration of the OCA Motion to Compel Answers and to Dismiss Objection and the Enterprise response thereto, it is hereby

ORDERED that the motion is granted in part and denied in part; and it is further

ORDERED that Enterprise shall, within seven (7) days from the date of this Order, serve upon OCA and the other parties of record full and complete responses in compliance with 52 Pa.Code §5.342 as to the following OCA interrogatories:

Set II, Questions 2, 12, 13, 14 and 15.


MORRIS J. SOLOMON
Administrative Law Judge



®

CORPORATION

1992 ANNUAL REPORT

| | |
|--|---|
| Company Descriptions | i |
| Shareholder Information | i |
| Shareholder Message | 1 |
| <i>Review of Operations</i> | 3 |
| <i>Corporate & National Issues</i> | 7 |
| <i>Looking Forward</i> | 8 |
| Financial Statements | 9 |



®

CORPORATION

C-TEC Corporation is a diversified telecommunications and high technology company that provides telephone, cable television, mobile, long-distance and communications services to a broad range of customers.

CABLE

C-TEC Cable Systems, one of the top 50 multiple system operators in the United States, serves over 218,000 cable television subscribers throughout New York, New Jersey, Pennsylvania and Michigan.

MOBILE SERVICES

The Mobile Services Group comprises Cellular Plus, which offers cellular telephone service in eight counties in Northeastern and Central Pennsylvania, as well as counties in Southeast Iowa; and Paging Plus, which provides telephone answering and paging services throughout Eastern Pennsylvania.

TELEPHONE

Commonwealth Telephone Company provides local telephone service in nineteen counties throughout Eastern Pennsylvania. With more than 200,000 main access lines, Commonwealth is the 20th largest of the 1,328 telephone companies in the United States.

LONG DISTANCE

Commonwealth Long Distance Company provides various long-distance telephone services to customers in Eastern Pennsylvania, and resells service to strategic locations throughout the U.S.

COMMUNICATIONS SERVICES

Commonwealth Communications provides network engineering, integration and management, communications facilities management and premises wiring and campus distribution systems to diverse clients throughout the United States. The company also sells, installs and maintains business communications systems on a regional basis.

TRANSFER AGENT AND REGISTRAR

First Eastern Bank, N.A.
11 West Market Street
Wilkes-Barre, PA 18768

INDEPENDENT ACCOUNTANTS

Coopers & Lybrand
2400 Eleven Penn Center
Philadelphia, PA 19103-2962

STOCK INFORMATION

Common Stock
Traded Over the Counter
NASDAQ/National Market System
Symbol: CTEX

Class B Common Stock
Traded Over the Counter
NASDAQ/Bid & Asked Quotations
Symbol: CTEX-B

FORM 10-K

A copy of Form 10-K may be
obtained by writing to:
Thelma Marshall
C-TEC Corporation
46 Public Square
P.O. Box 3000
Wilkes-Barre, PA 18703-3000

A Message to Shareholders:

More than any other factor, change is essential to business success in the nineties. In the telecommunications industry, the ability to anticipate, execute and accommodate change will separate those organizations that have successful futures from those that do not.

At C-TEC Corporation, a graphic example of change is our annual report. Rather than producing this document in its past format, we reviewed the overall process and revamped the publication. Our objective was to determine the best and most cost-effective way to deliver our financial statements. The result is this revised report, which represents a six-fold cost-savings.

Although changing the design of the annual report is not exceptionally dramatic, it is indicative of the initiatives that shaped C-TEC during 1992. In all areas, management evaluated operations for efficiency in meeting customer needs as well as cost-effectiveness in providing services.

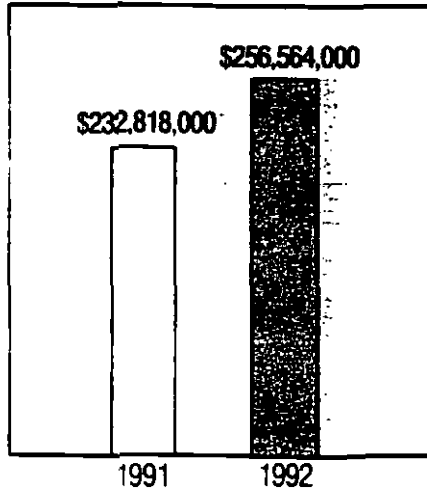
Prior years were characterized by acquisition. This past year was distinguished by assimilation. Since the 1989 purchase of the Michigan cable systems, C-TEC has operated in a high-growth mode, actively seeking new properties and expanding existing services. The focus throughout 1992, however, was on integrating previously acquired operations, consolidating to assure efficiency and fine-tuning procedures to achieve optimal performance.

Change permeated our organization and characterizes our accomplishments. Many of the changes made in 1992 prepare us for the future. Specifically, we consolidated our cable customer service operations; further modernized our telephone network and expanded distance learning applications; increased market share in cellular and paging through innovative sales and marketing strategies; provided enhanced residential and business services to long-distance customers; and secured significant contracts for our engineering and consulting business.

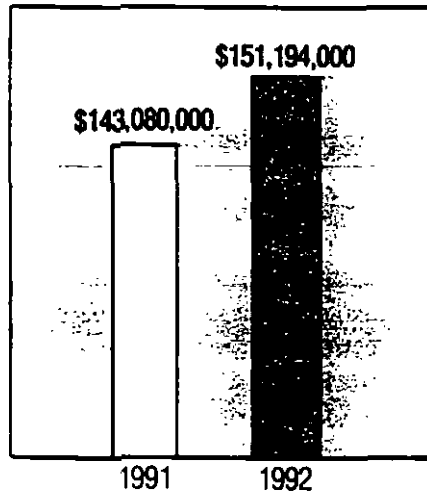
While these efforts are in themselves noteworthy, they are especially important in that they will help us to move into the

Prior years were characterized by acquisition. This past year was distinguished by assimilation.

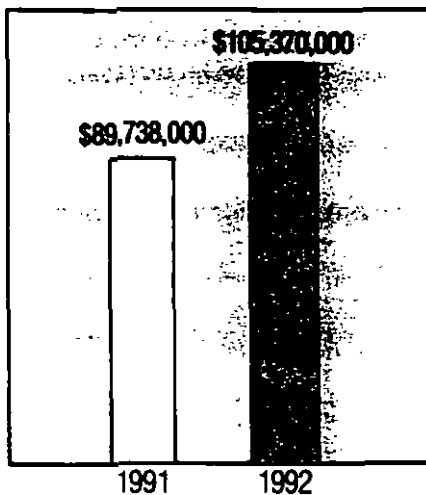
SALES



OPERATING EXPENSES EXCLUDING DEPRECIATION AND AMORTIZATION



OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION



next century. Our often stated strategy is to invest for the long term. Given this consistent philosophy, in November we committed up to \$3.5 million to Northeast Networks, Inc., an alternative access telephone service provider in Westchester County, New York. As a result of this transaction, C-TEC will acquire ownership interest and have majority representation on the company's board of directors until our investment, plus a return thereon, has been recovered. While we recognize that it will take time for this new business to reach its potential, we believe that Northeast Networks will add long-term value for our stockholders.

Our strategy is to invest for the long term.

A review of C-TEC's 1992 financial performance will show that sales were

\$256,564,000 and net loss was \$2,061,000 or (\$.13) per average common share. Operating income before depreciation and amortization was \$105,370,000. The significant results were based primarily upon operating efficiencies. In addition, the company realized a significant gain on the sale of QVC stock (a cable TV programming company) owned by the Cable Group, which sold this investment to capitalize on favorable market conditions.

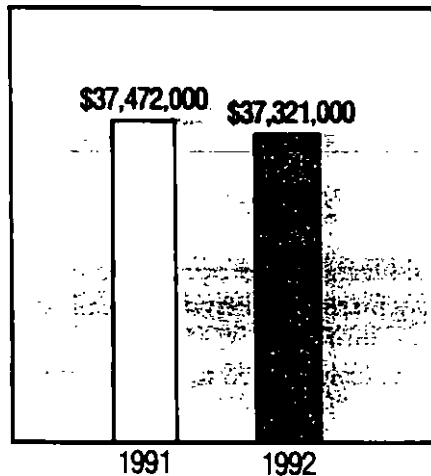
At the October meeting, C-TEC's Board of Directors authorized the repurchase of up to one million shares of the company's common stock. The board did not establish any specific timetable to fulfill the authorization nor did it require that all of the shares be purchased. Although no specific purchase price was cited, it is the company's intention to acquire stock on the open market if the market price is deemed attractive. To date, no stock has been acquired under this authorization.

As already noted, considerable progress was made within the operating groups. However, we had a disappointment when Commonwealth Telephone Company failed in its efforts to reach a new labor agreement with its unionized employees. It was with deep regret that we found it necessary to declare that we reached an

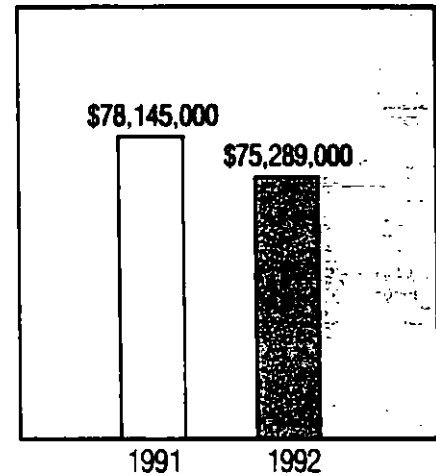
impasse in our collective bargaining efforts. As a result, on October 24, 1992, we terminated the December 1988 contract, the terms of which had been extended for eleven months. It is our belief that the final offer to unionized employees provided a competitive, reasonable and fair package of wages and benefits, and we are disappointed that we were unable to reach a new agreement. At the date of this printing, we have continued to compensate members of the bargaining group at the same wage rates which were paid when we terminated the contract.

In summary, C-TEC's performance in 1992 was strong, focusing on improving operations, increasing market share and integrating previous acquisitions. While management's decisions are based on long-term rather than immediate results, we are certainly very encouraged by our financial performance for 1992.

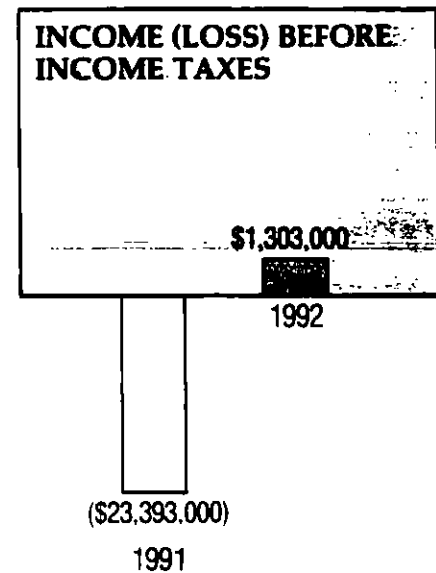
INTEREST EXPENSE



DEPRECIATION AND AMORTIZATION



INCOME (LOSS) BEFORE INCOME TAXES



Review of Operations Mobile Services Group

CELLULAR PLUS, PAGING PLUS and ANYMESSAGE

Nationally, the cellular industry celebrated a banner year in 1992 with the signing of its ten-millionth subscriber, making cellular the fastest growing means of communication in history. Cellular Plus is no exception to this unprecedented growth, surpassing 1992 sales figures by 34 percent and increasing its customer base by 47 percent. This phenomenal growth allowed Cellular Plus to maintain its position as market leader in both its Northeast Pennsylvania and State College markets.

These numbers can be attributed to innovative and expanded sales and marketing efforts, in conjunction with continuous system improvements and expansion. To increase service territory, three new cell sites were activated in Cellular Plus-managed properties, and the company anticipates activating nine additional sites by year-end 1993.

Other enhancements to service include plans to offer "Follow-Me-Roaming" to its Pennsylvania customers. This service automatically

forwards calls to a customer's current location when they are outside the home service area, without requiring the caller to dial special

roamer access codes.

Phenomenal growth allowed Cellular Plus to maintain its position as market leader.

Turning to the Iowa cellular markets, five new cell sites were activated, resulting in a covered population increase of nearly 155,000, an 81 percent gain. In 1993, we expect to add five more sites. At completion, the Cellular Plus Iowa

SuperSystem will offer customers the ability to enjoy favorable rates for all calling throughout 24 counties in Iowa.

Paging Plus experienced significant growth as

well, capitalizing upon frequency licenses acquired in 1990. The planned build-out will allow Paging Plus to market its services to a larger population base throughout major metropolitan areas along the Eastern Seaboard and Northeast and Central Pennsylvania, while offering customers a variety of coverage options depending on their paging needs.

In addition to cellular and paging, customers are presented with state-of-the-art telephone answering services through the company's AnyMessage business. Offering an integrated message management approach, AnyMessage works in unison with Paging Plus, notifying customers of messages through their pagers. Although the services are sophisticated, they are popular with local school districts in the form of a "Homework Hotline," whereby students access an automated voice mail system to learn of specific class assignments.

Long Distance Services

COMMONWEALTH LONG DISTANCE COMPANY

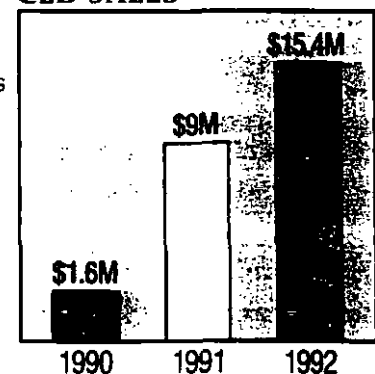
Commonwealth Long Distance (CLD) generated strong sales in 1992, surpassing 1991's results by 70 percent.

These impressive increases were due to a variety of factors; most notably, the company added to its sales force and strengthened its emphasis on expansion outside the Commonwealth Telephone Company franchised territory. These gains were added to a strong penetration of residential customers during equal access balloting in the Commonwealth Telephone areas. CLD also launched a new calling card and augmented its telemarketing operation, now a fully independent function. This past year, CLD began offering new products to provide competitively priced, switched and dedicated inbound and outbound services to large volume customers anywhere in the United States. It was also the first full year of utilizing our own leased network and switch partition, which resulted in reduced costs.

The company is committed to providing unique solutions for business and residential

customers. Designing programs to meet specific needs, CLD introduced two new calling plans in 1992. Begun in March, CLD Vertex offers small businesses volume-based discounts determined by actual monthly usage. A similar discount calling plan was tailored for the residential market. With CLD Homeplan, volume-based discounts apply to calls made 24 hours a day, seven days a week. The plan contains no calling restrictions, no monthly fees, and no monthly usage minimums. Another new, cost-effective offering and the fastest growing segment of the long-distance industry is CLD's in-line 800 program for single-line businesses and residential users of inbound calling. This entry, along with other new services, positions CLD well for future expansion as number portability takes effect in 1993.

CLD SALES



Telephone

COMMONWEALTH TELEPHONE COMPANY

Continual refinements to its network infrastructure along with improvements to its internal operations resulted in a number one ranking for Commonwealth Telephone Company in 1992. For an unprecedented third consecutive year, the Pennsylvania Public Utility Commission (PUC) cited Commonwealth's customer service efforts as being the best among all telephone utilities in the state. Also celebrated during the year was the passing of the 200,000 mark in main access lines, earning Commonwealth its rank as the 20th largest telephone company in the United States.

The company's sales increased by \$3.7 million, or 3 percent, while operating income before depreciation and amortization increased by \$4.1 million, or 7 percent in 1992. After deducting expenses (primarily for interest incurred to finance construction), and income taxes, the company had net income of \$20.5 million.

Cash generated by operations was one of the primary sources of funding for capital expenditures used for continued growth, modernization and replacement of telephone plant. Investment in these expenditures exceeded \$28 million in 1992. Results of the year's capital construction program include: 90 percent of Commonwealth Telephone's exchanges have been converted to equal access; more than 95 percent of access lines are now digital; and nearly 800 route miles of fiber optic cable have been deployed throughout the network. At the Dallas and Clarks Summit central offices, we installed supernode processing, which allows additional lines, calls and overall traffic to be directed with ease and efficiency. We also installed our first SONET capability and prepared the foundation to introduce CLASS calling services in 1993 as well as to significantly expand 911 services. Finally, we invested in capital and human resources to prepare our network for Signaling System 7 (SS7) interconnection.

Commonwealth Telephone introduced "Personal Ringing" this year. Subscribers receive a second telephone number which, when called, produces a "distinctive ring." This offering is particularly attractive to family households. For businesses and other institutions, Commonwealth Telephone presented Northern Telecom's DataPath and Dialan Switched Digital services, providing a wide range of data communications applications. Cost-effective videoconferencing capabilities, including two-way interactive video, have been targeted to the educational market, specifically for distance learning applications.

Internally, Commonwealth Telephone reorganized within Operations and Support Services, and completed staffing in the Sales and Marketing departments. Sales territories are now aligned with operations' territories, resulting in integrated and overall improved customer service. The effectiveness of the company's sales efforts has also been enhanced through Commonwealth's incorporation of advanced sales training and recognition programs.

As previously noted in the corporate overview, negotiations regarding a new labor agreement reached an impasse, and as of the publication time of this report, the issue remains unresolved. Another matter begun in 1992 and still ongoing is the PUC's investigation into telephone utility earnings. As one of the state's largest phone companies, Commonwealth has responded to the PUC's request for information on rate of return and transactions with affiliates. Commonwealth Telephone has been informed that the PUC intends to continue its investigation of the company's rate of return.

*In 1992,
Commonwealth
Telephone passed
the 200,000
mark in main
access lines.*

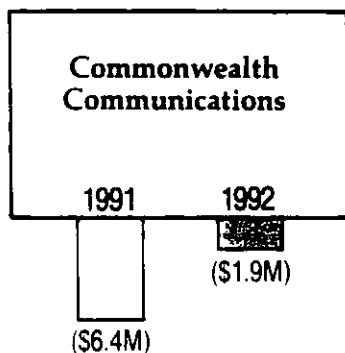
Communications Services

COMMONWEALTH COMMUNICATIONS, INC.

In 1992, Commonwealth Communications experienced improved financial results, primarily attributed to significant decreases in operating costs—approximately 23 percent—and continued strong sales of over \$14 million.

During the year, the company re-evaluated its business and concentrated on securing lower risk projects than those previously acquired. As a result, the company focused on providing services in the areas of communications facilities management to a number of major corporate clients in New York, New Jersey and Pennsylvania. These clients included inter-

OPERATING LOSS BEFORE DEPRECIATION AND AMORTIZATION



national financial investment firms and one of the world's largest computer corporations. Commonwealth also provided premises distribution (cabling) systems, primarily in the health care and educational markets, not only to local facilities and institutions but to those of international reputation as well. Substantial increases in telephone business systems sales were due to major new installation and upgrade projects.

As part of the company's expansion efforts, the Reston, Virginia, office was established as an independent profit center. The Philadelphia market is also targeted for consideration as a separate profit center.

As a result of these improvements, operating loss before depreciation and amortization decreased by \$4.5 million or 70 percent.

Overall, Commonwealth Communications' improved performance in 1992 prove the company to be a viable operation nearing profitability.

Cable Television

C-TEC CABLE SYSTEMS

With strong gains in sales and subscribers, C-TEC Cable Systems delivered a notable performance in 1992.

Realizing a 12 percent increase, sales were in excess of \$85 million. Operating income before depreciation and amortization improved by 8 percent to more than \$32 million. The company also boasted a 5 percent increase in customers, bringing the year-end total to more than 218,000 served throughout New Jersey, New York, Michigan and Pennsylvania.

Completing the service centralization program begun in 1990, C-TEC Cable Systems consolidated all customer service operations in one facility. By having all service functions at a single location, the company has achieved economies of scale and customers have benefited

from consistency within operations and extended service hours.

Since C-TEC Cable Systems is one of the top fifty multiple system operators in the country, the volume of service calls routed to one location required the installation of an automatic call distribution system to adjust call flow and assist call completion. An automated response unit electronically assists customers in both Eastern and Western markets through a menu-driven series of C-TEC Cable's services. The increased automation has resulted in customers being able to quickly and conveniently access payment information, select viewing alternatives, report service outages and upgrade cable programming options.

C-TEC Cable Systems generated substantial increases in its pay business even though the

cable industry reports declines in this area. Through innovative and enhanced marketing, the company revitalized its pay business, offering customers premium packaging and discounts. As a result, C-TEC Cable enjoyed a 2 percent growth in this segment.

The company also expanded automatic number identification pay-per-view (ANI PPV) ordering options. Digital cable radio, a new satellite audio pay service that provides customers with access to 19 channels of digital quality continuous music, was introduced during the year. The company plans to expand the offering of this service in 1993.

In October, Congress overrode President Bush's veto and enacted the Cable Television Consumer Protection and Competition Act of 1992. The Act amends the Cable Act of 1984 and the Communications Act of 1934. The new legislation requires the Federal Communications Commission (FCC) to establish standards and rules regarding a myriad of cable-related issues, including basic rate regulation, mandatory television station must-carry status, payment to broadcasters for re-transmission consent and establishment of technical performance standards for cable operators. The FCC is currently entertaining comments on these issues and lawsuits have been filed in Federal Court by interested parties challenging the validity of certain provisions of the new Cable Act. C-TEC expressed opposition to this new law because we believe that regulation is contrary to the best interests of our customers and shareholders. We will, of course, abide by the provisions of this new law while continuing efforts to eliminate regulatory constraints in the future.

As noted in last year's report, C-TEC Cable Systems entered into a management agreement

Through innovative and enhanced marketing, C-TEC Cable Systems revitalized its pay business, recognizing a 2 percent growth in this segment.

with Mercom, Inc., a Michigan-based cable television company. In 1992, C-TEC successfully managed Mercom's operations and improved the company's financial results. C-TEC Cable Systems earned a management fee of approximately \$970,000 as a result of its management services.

Although C-TEC Cable did not expand significantly through acquisitions or new franchises this past year, the company did grow existing service regions by adding 1.8 percent more homes passed by cable and 5 percent more customers. Due to its commitment to quality customer service and strong community relations, the company secured renewals of existing franchises. The company pursued opportunities for future expansion of the business through alternative access and, for potential customers in rural areas, through direct broadcast satellite (DBS).

Corporate and National Issues

While C-TEC's operations were reorganizing and consolidating, programs affecting our human resources also changed. During this election year the health care crisis exploded as a national priority and, within C-TEC, we addressed this critical issue in several ways. Building upon the previous years' educational efforts, management developed and conducted corporatewide informational meetings designed to increase employees' awareness of the problem. The meetings focused on national issues as well as our own corporate and individual challenges. Part of the company's response to escalating costs was to increase options available under C-TEC's flexible benefits plan while instituting a capping structure limiting the company's expenditures. Furthermore, due to new accounting requirements regarding post-retirement health care and the large liability that would require recognition on the company's financial statement for this benefit, C-TEC discontinued health care benefits for employees retiring after January 1, 1993.

These changes allow C-TEC Corporation to continue providing for the welfare of active employees and their dependents, while balancing this commitment with the company's need to contain spiraling health care costs. The liability associated with continuing the capped benefit for current retirees will be recognized starting in 1993. However, this amount is substantially less than it would have been if the benefit were not capped for current retirees and terminated for future retirees.

In the area of compensation the company designed and implemented a long-term incentive plan for mid-management; offered a variety of incentive-based commission plans; and, overall, developed salary programs tailored to the specific needs of each business.

In matters of public policy, C-TEC endorses a consistent, rational approach which permits

management to best control costs and the impact on productivity while maintaining sensitivity for the needs of employees and customers. Like companies throughout the U.S., C-TEC responded to changing legislation and a variety of concerns, such as the Americans with Disabilities Act, workers' compensation reform and health care issues. Philosophically, we are opposed to growing or creeping government regulation.

Much attention also focused on trends and legislation specific to the telecommunications industry. Management considered the business implications of cable/telco regulatory reform and emerging technologies. We will continue to devote increasing time and resources to these areas in order to strengthen C-TEC's ability to accommodate and, more importantly, capitalize on change.

Looking Forward

We are satisfied by the results of 1992. It was a year marked by steady growth, and punctuated with changes designed to refine our operations and improve customer service.

Cash generation from operations continued to increase. This is essential for us to fund the debt structure which supports our businesses and enables us to meet the tremendous demands for modernization. Our investment philosophy, combined with 1992's accomplishments, provides C-TEC with a formula for long-term growth, which is the objective that drives our actions and determines our future success. Commitment to this strategy requires continued capital expenditures to improve the infrastructures that provide the basis for new services.

Therefore, in our core businesses—telephone, cable and cellular—we will continue to be capital intensive in order to upgrade plant and implement new technologies. Further, we will seek prudent acquisition opportunities that fit our criteria and add long-term value to the corporation. In long distance, our efforts will again focus on increasing market share and, in communications services, we will concentrate on securing profitable projects geared toward our area of expertise. Finally, in all operations, we will be even more customer-oriented, changing our existing structures and offering new services to meet customers' needs.

Investment geared to the creation of long-term value remains our philosophy. We believe this business philosophy best serves our shareholders, employees, customers and the communities in which we operate.



Andrew J. Sordoni, III
Chairman



Charles E. Parente
President and Chief Executive Officer

Our investment philosophy, combined with 1992's accomplishments, provides C-TEC with a formula for long-term growth.

C-TEC Corporation 1992 Annual Report

FINANCIAL SECTION

C-TEC Corporation and Subsidiaries

Selected Financial Data

| For the Years Ended December 31, | 1992 | 1991 | 1990 | 1989* | 1988†* |
|---|------------|-------------|------------|------------|------------|
| (Thousands of Dollars Except Per Share Amounts) | | | | | |
| Sales | \$ 256,564 | \$ 232,818 | \$ 200,383 | \$ 161,005 | \$ 141,444 |
| (Loss) Income from continuing operations | \$ (2,061) | \$ (19,415) | \$ (9,594) | \$ 5,787 | \$ 17,709 |
| (Loss) Income per average common share from continuing operations | \$ (.13) | \$ (1.18) | \$ (.58) | \$.35 | \$ 1.06 |
| Dividends per share** | \$ — | \$ — | \$ — | \$.14 | \$.29 |
| Total assets | \$ 586,366 | \$ 596,000 | \$ 580,429 | \$ 486,850 | \$ 270,013 |
| Long-term debt | \$ 421,780 | \$ 432,482 | \$ 364,970 | \$ 268,290 | \$ 100,383 |

* Operating results have been restated to reflect a disposition accounted for as discontinued operations.

† Restated to reflect the 1989 stock split in the form of a dividend of two additional shares for each share of Common and Class B Common Stock.

** Based on average shares of Common Stock and Class B Common Stock.

Management's Discussion and Analysis of Results of Operations and Financial Condition

(Thousands of dollars, except per share amounts)

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto:

The Company

C-TEC Corporation ("the Company") is a diversified telecommunications company. The Company is organized into five principal operating groups: Telephone, Cable Television, Mobile Services, Communications Services, and Long-Distance Telephone Service.

Operations - 1992 vs 1991

The Company's net loss for 1992 was \$2,061 or \$.13 per average common share as compared to a net loss of \$12,392 or \$.75 per average common share in 1991. Included in 1991 was a \$7,023 gain on the disposal of the Information Services Group. The Company's loss from continuing operations in 1992, which included a gain of \$6,074 on the sale of marketable securities, improved by \$17,354 or 89.4% (\$1.05 per average common share) over 1991.

Except Long Distance, which showed a slight decrease in income, each business group contributed toward the improvement in continuing operations in 1992.

The improvement, applicable to each operating group, is as follows:

| Group | Increase (Decrease) | % |
|-------------------------|---------------------|---------|
| Telephone | \$3,450 | 20.2% |
| Cable | \$6,033 | 30.3% |
| Mobile Services | \$1,581 | 19.9% |
| Communications Services | \$2,797 | 88.3% |
| Long Distance | \$ (127) | (13.7)% |

Sales were \$256,564 in 1992, an increase of 10.2% over 1991 sales of \$232,818. The increase in sales is primarily due to new services and increased marketing efforts during 1992 which are discussed later in greater detail.

The increase in sales by operating group is as follows:

| Group | Increase (Decrease) | % |
|-------------------------|---------------------|--------|
| Telephone | \$3,729 | 3.1% |
| Cable | \$9,171 | 12.1% |
| Mobile Services | \$4,694 | 33.6% |
| Communications Services | \$ (310) | (2.2)% |
| Long Distance | \$6,383 | 70.4% |

The Company's share of the income or losses of unconsolidated subsidiaries improved by \$1,801. A significant reason for the improvement was the Company's ability during the year to capably discharge its responsibilities under its management services agreement with Mercom, Inc., ("Mercom"). C-TEC's share of Mercom's net loss in 1992 was \$1,563 lower than in 1991. Additionally, C-TEC's 1991 share of Mercom's losses included the effect from prior years of retroactive application of the equity method of accounting. The Company was required to make this accounting change in December 1991 when it acquired significant influence over the operating and financial policies of Mercom.

The Company measures its performance, to a large extent, based on growth in operating cash flows, defined as operating income after allocated general corporate expenses but before depreciation and amortization. This measure is viewed to be one of the most significant contributors to enhanced long-term shareholder value. Management uses this measure to assess the degree to which discretionary resources are available for replacement and modernization of plant, to offer new services to customers, to further improve the quality of service, and to assess new investment opportunities.

In 1992, operating cash flow was \$105,370 as compared to \$89,738 in 1991.

The increase in operating cash flows by operating group is as follows:

| Group | Increase (Decrease) | % |
|-------------------------|---------------------|---------|
| Telephone | \$4,148 | 7.4% |
| Cable | \$2,517 | 8.4% |
| Mobile Services | \$2,913 | 3552.4% |
| Communications Services | \$4,466 | 89.6% |
| Long Distance | \$ (241) | (26.1)% |

Operations - 1991 vs 1990

The Company recorded a net loss from continuing operations in 1991 of \$19,415 or \$1.18 per average common share compared to a net loss from continuing operations of \$9,594 or \$.58 per average common share in 1990.

Operating results in 1991 were primarily impacted by the Company's expansion of cellular operations through acquisitions over the preceding two years. Accordingly, operating losses in the Mobile Services Group increased by \$9,839, of which \$5,927, (\$.36 per average common share), is primarily associated with the amortization of intangible assets purchased and costs associated with the start-up of new operations.

1991 results were also adversely impacted by increased interest expense of \$3,334 or \$.20 per average common share. This increase is a result of additional borrowings necessary to fund acquisitions, capital expenditures and operations.

In addition, as a result of C-TEC assuming operational control of Mercom, Inc., in December 1991, the Company was required to make an accounting change in the recording of this investment from the cost to the equity method. Accordingly, this accounting change reduced 1991 results by \$2,404 or \$.15 per average common share.

After including the gain on disposal and the losses for discontinued operations, the Company recorded net losses of \$12,392 and \$9,943 in 1991 and 1990, respectively.

During 1991 the Company had operating income after allocated general corporate expenses but before depreciation and amortization of \$89,738 compared to \$80,385 in 1990. The following table reflects this increase applicable to each of the five principal operating groups:

| Group | Increase (Decrease) | % |
|-------------------------|---------------------|---------|
| Telephone | \$ (531) | (0.9)% |
| Cable | \$ 5,088 | 20.5% |
| Communications Services | \$(2,216) | (52.7)% |
| Mobile Services | \$ 1,318 | 94.1% |
| Long Distance | \$ (180) | (24.3)% |

In 1991, sales increased by \$32,435 or 16.2% over 1990. The following table reflects this increase applicable to each of the five principal operating groups:

| Group | Increase | % |
|-------------------------|----------|--------|
| Telephone | \$ 6,206 | 5.5% |
| Cable | \$12,203 | 19.1% |
| Communications Services | \$ 3,384 | 30.9% |
| Mobile Services | \$ 3,240 | 30.1% |
| Long Distance | \$ 7,402 | 445.9% |

Effects of Inflation

The Company believes that it provides its services in a highly efficient manner and thereby limits inflationary impact. Sales increased 10.2% in 1992, primarily due to increases in volume rather than in the prices which the Company charges for its

products. Costs and expenses, exclusive of depreciation and amortization, increased 5.6%. This result compares favorably to the increase in the rate of inflation of 2.9% as measured by the Consumer Price Index. Although the Company has controlled its costs, over 40% of its sales are subject to current rate-making practices in the telephone industry. This regulation causes the effects of inflation to be borne to a large extent by the Company's stockholders. However, while the recovery of the cost of telephone plant is effectively limited to the historical cost of those facilities, the obligations to holders of fixed rate debt and preferred stock are also limited to historical costs. As a result, the negative impact on sales caused by rate-making regulations is reduced by the lack of inflationary impact on the Company's fixed rate debt and preferred stock.

Inflation may have a greater impact on the Company in future years as a result of the impact of the Cable Television Consumer Protection and Competition Act of 1992, which is discussed in Regulatory Issues.

Liquidity and Capital Resources

| | December 31, | |
|---|-------------------------|-----------|
| | 1992 | 1991 |
| Cash and Temporary Cash Investments | \$ 58,837 | \$ 49,636 |
| Working Capital | \$ 40,928 | \$ 32,116 |
| Long-Term Debt (including current maturities) | \$426,249 | \$437,039 |
| | Year Ended December 31, | |
| | 1992 | 1991 |
| Net Cash Provided by Operating Activities | \$ 65,250 | \$ 69,820 |
| Investing Activities: | | |
| Additions to property, plant & equipment | \$ 51,207 | \$ 55,050 |
| Investments | 2,320 | — |
| Acquisitions | 871 | 20,606 |
| Total | \$ 54,398 | \$ 75,656 |

In addition to a reduction of long-term debt of \$10,790 during 1992, the Company's cash and working capital positions at December 31, 1992 improved significantly over 1991. These improvements are due to strong operating performance, lower acquisitions and proceeds of \$6,483 generated from the sale of marketable securities in the Cable Group.

Pursuant to the terms of mortgage notes payable to the United States of America through the Rural Electrification Administration, Federal Financing Bank and the Rural Telephone Bank, the Telephone Group is restricted as to the amount of dividends and other distributions of capital which may be paid to the Company. As of December 31, 1992 the Telephone Group had cash and temporary cash investments of \$45,750. The maximum allowable distribution to the Company was approximately \$966 at December 31, 1992. Nevertheless, the portion which is restricted from distribution to the Company is unrestricted in use for operations of the Telephone Group, whose 1993 construction budget is approximately \$41,633.

The Company's cash provided by operating activities continued to exceed additions to property, plant and equipment. Net cash provided by operating activities represented 127% of additions to property, plant and equipment for each of the years ended December 31, 1992 and 1991. Since the nature of the Company's businesses is capital intensive, management believes that the ability to generate cash in excess of capital additions is a vital factor in providing discretionary resources for acquisitions and investments as well as to meet scheduled

debt payments. The Company's 1993 construction budget is estimated to be approximately \$63,597. Management believes that in 1993 cash provided by operating activities will again be sufficient to fund capital expenditures.

The Company has the following credit facilities available at December 31, 1992:

| Credit Facility | Amount | |
|--|-----------|------------------------------|
| | Available | Terms |
| Parent Credit Agreement | \$50,000 | Due 01/1/94 |
| Cable Group Revolving Secured Credit Agreement | \$12,750 | Due 9/30/96 |
| Parent line of credit | \$12,500 | Cancelable at option of bank |
| Cable Group line of credit | \$ 2,000 | Cancelable at option of bank |

The Company has adequate resources to meet its short-term obligations, including any liability which may arise as a result of the IRS audit discussed in Note 12 to the consolidated financial statements. Management believes that the Company will continue to generate cash from operations in order to meet long-term obligations.

The Company may make additional investments during 1993 in Mercom, Inc., in which it has a 42% ownership at December 31, 1992.

The Company has maintained a no cash dividend policy since 1989. The Company does not intend to alter this policy in the foreseeable future. The Company has no plans to issue additional equity.

Financial Condition

Current assets have increased \$13,558 over 1991. This includes an increase in cash and temporary cash investments of \$9,201. In addition, accounts receivable increased \$3,714 primarily due to: (1) an interstate toll revenue settlement adjustment of \$1,220; (2) a Cable Group rate increase in October; and (3) a change by the Cable Group to cycle billing in November which likewise accounts for the corresponding increase in advance billings and customer deposits. Inventory increased \$892, primarily due to receipt of materials for certain 1993 construction projects of the Telephone Group. The increase in investments of \$2,891 is primarily due to additional investments of \$2,320 in Mercom, Inc., made in 1992. The Company has a 42% ownership in Mercom, Inc., at December 31, 1992. Accounts payable and accrued expenses together increased \$2,098 over 1991 primarily due to an accrual for retrospective workmen's compensation premium adjustments and accruals for software purchases of the Telephone Group.

Impact of Future Accounting Changes

See Notes 10 and 11 to the 1992 consolidated financial statements for a discussion of the effects of required accounting changes for postretirement benefits, postemployment benefits, and income taxes on the future financial condition and results of operations of the Company.

Operating Groups

The results discussed below reflect operating results after allocation of general corporate expenses. Segment information presented in Note 13 to the consolidated financial statements reports operating results before allocation of general corporate expenses.

Telephone Group

Telephone Group sales increased \$3,729 or 3.1% in 1992 and \$6,206 or 5.5% in 1991. The 1992 increase is primarily due to rate of return adjustments of \$2,596 and interstate toll revenue settlement adjustments of \$1,863. These increases were offset by lower directory advertising revenue of \$1,562. The 1991 increase is due to increases in local service and toll revenues resulting from growth in access lines and higher toll message volumes. Additionally, access charge revenue increased due to higher message volumes.

The Group's operating expenses, excluding depreciation and amortization, decreased \$419 or .06% in 1992 as compared to an increase of \$6,737 or 11.9% in 1991. The most significant decreases for 1992 occurred in central office software expense due to the timing of installation of related projects and in data processing expenses.

Depreciation expense decreased \$2,740 over 1991 primarily due to a decrease in the average composite rate from 6.09% to 5.76%.

The Telephone Group has been unable to reach a new labor agreement with the Communications Workers of America - A.F.L.-C.I.O. The former contract was canceled by the Telephone Group on October 24, 1992. The bargaining unit employees continue to work under the basic terms of the now expired contract. Whether a new contract will be negotiated is unknown at this time. The Group has developed a contingency plan for continuation of operations in the event of a work stoppage by the bargaining unit employees; however, there is no assurance that a work stoppage will not have a negative impact on the Company.

Cable Television Group

The Cable Television Group realized increased sales of \$9,171 or 12.1% in 1992 and \$12,203 or 19.1% in 1991. In 1992, increases of \$7,824 are primarily due to an increase of approximately 11,000 more subscribers as well as to basic and premium rate increases. The Group enjoyed a 2% increase in pay services revenue, despite general industry declines in this business sector. Enhanced marketing efforts such as premium pricing and discounts are the primary contributing factors. Additionally, management fees under the Group's management services agreement with Mercom, Inc., accounted for \$970 of the increase. The 1991 increases are primarily due to acquisitions, construction of additional systems, and rate increases.

Operating expenses, excluding depreciation and amortization, increased \$6,654 or 14.4% in 1992 and \$7,115 or 18.2% in 1991. In 1992, additional programming expense of \$2,478 was attributable to additional subscribers as well as to programming rate increases. In addition, allocated general corporate expenses increased \$3,019 in 1992.

The Cable Group realized a gain of \$6,074 on the sale of marketable equity securities in 1992. Convertible preferred shares of a cable programming company were acquired at \$15 per share in June 1990 as part of a ten-year affiliation agreement. Each share was convertible into ten shares of common stock. The Group exercised its option to convert the shares during 1992. The majority of these were sold in the third and fourth quarters of 1992 and in January 1993.

The Cable Group also benefitted from lower interest rates during 1992, resulting in lower interest expense of \$1,000. However, this was offset by \$922 in higher depreciation due to plant extensions and new franchises.

Prior acquisitions and additional miles of plant for new franchises are the primary contributors toward annual noncash depreciation and amortization charges which approximate \$40,000 as well as toward interest charges which approximate \$18,000. As a result, despite significant operating cash flow, the Group expects to continue to experience losses from continuing operations. The effect of the Cable Television Consumer Protection and Competition Act of 1992 on the future operations of the Cable Television Group is discussed in greater detail in Regulatory Issues.

Mobile Services Group

Sales of the Mobile Services Group increased \$4,694, or 33.6% in 1992, and \$3,240, or 30.1% in 1991. The sales increase in 1992 is largely due to expanded marketing efforts including reduced phone prices and free phone promotions. These promotions contributed to increases in access and usage of \$1,373 or 34.4% and \$841, or 27.7%, respectively, during

1992. Also contributing to the increases in these categories is the effect of a full year of activity in new cellular operations in certain RSAs in Iowa and Pennsylvania, which commenced in 1991. Foreign roaming sales also increased \$1,788, or 63.5%. The 1991 increase in sales is primarily due to the start up of new cellular operations and dramatic growth in the number of customers which this group serves.

Operating expenses, excluding depreciation and amortization, increased only \$1,781, or 12.7% in 1992 as compared to increases of \$1,922, or 15.8% in 1991. In 1992 the cost of phones increased \$890, or 55.7%, as a result of the promotions discussed previously. Additionally, selling expenses increased \$622, or 53.7%, primarily due to higher commissions, as a result of hiring additional account executives to stimulate sales and service new territories. Allocated general corporate expenses decreased \$802 in 1992.

Depreciation and amortization expense decreased \$815 during 1992 primarily as a result of the expiration of the terms of certain noncompete agreements.

Communications Services Group

Sales of the Communications Services Group decreased \$310, or 2.2% in 1992, as compared to increases of \$3,384, or 30.9% in 1991. However, the Group benefitted from lower operating expenses, excluding depreciation and amortization, of \$4,776, or 22.9% in 1992, as compared to increases of \$5,600, or 37% in 1991. These variances result from a concentration in 1992 on securing less risky, higher margin projects. The Group recognized losses of \$1,382 during 1991 resulting from the non-performance of a subcontractor for the Group on a major telecommunications project. The Group, therefore, was required to complete the project. The subcontractor experienced its difficulties due to poor cost estimates. The Group has gone through a risk evaluation of its business and has concentrated its efforts to secure future contracts that do not have a high degree of risk. The Group has also instituted new policies over the acceptance of new business. However, this does not constitute assurance that losses will not be incurred on future contracts. The nature of the Group's business contains an element of inherent risk and the Group is always subject to losses as a result of economic conditions.

The remaining decrease in operating expenses excluding depreciation and amortization during 1992 is attributable to lower allocated general corporate expenses of \$2,071 and the recovery of \$305 for amounts written off as uncollectable during 1991 related to the project discussed previously. There were no significant write-offs during 1992.

The results of operations of the Communications Services Group are continually subject to fluctuations due to market conditions, including the effects of competition on margins.

Long-Distance Group

Sales increased \$6,383, or 70.4% in 1992. Increased market share resulting from equal access cutovers led to an increase in customers and a 56.4% increase in the volume of minutes billed. This generated sales increases of \$4,910 during 1992. Dedicated sales increased \$443. Growth and expansion of services such as calling card (\$506 increase) and telemarketing, as well as new products which provide competitively priced switched and dedicated inbound and outbound services to large volume customers anywhere in the United States (\$482 increase), account for the remainder of the improvement.

Operating expenses, exclusive of depreciation and amortization, increased \$6,624, or 66.3% during 1992. The primary components of this increase are: (1) carrier expense of \$1,922 due to growth in volume of minutes and (2) access charges of \$3,129 due to increases in minutes and rates.

Since the Long-Distance Group started operations in mid 1990, results of operations for 1991 primarily reflect significant

costs to introduce this Group to the market and to acquire market share.

The focus of this Group continues to be market share and the introduction of new products. Management anticipates continued operating losses as this Group develops its business.

REGULATORY ISSUES

CABLE TELEVISION CONSUMER PROTECTION AND COMPETITION ACT

The Cable Television Consumer Protection and Competition Act of 1992 (the "Act"), enacted on October 5, 1992 and effective April 3, 1993, regulates the cable television industry.

Basic Rate Regulation

The most significant provision of the Act requires the FCC to establish rules to ensure that rates for basic services are reasonable for subscribers in areas without effective competition. Basic service is the level of programming which must be subscribed to in order to receive access to any other tier of service. The basic service tier must, at a minimum, include all "must-carry" channels; any public, educational, or governmental access channels required by the franchisor, and all television signals other than non-local satellite-delivered superstations. The FCC must determine whether each cable system is subject to effective competition.

Effective competition is defined by the Act to exist if: (1) fewer than 30 percent of the households in the franchise area subscribe to the service of the current cable system; (2) the franchise area is served by at least two unaffiliated multichannel video programming distributors, each of which offers programming to at least 50 percent of the households and is subscribed to by 15 percent of such households; or (3) a multichannel video operator owned by a franchise authority offers service to at least 50 percent of the households in the franchise area. It is likely that very few U.S. cable systems face this type of competition. For those systems not subject to effective competition, rules for basic tier service may be regulated by the FCC based on criteria which it is required by the Act to establish. The FCC may, at its option, delegate the responsibility of regulation to the applicable local franchise authority, if such authority is certified by the FCC. A local franchise authority may become certified by filing assurances with the FCC that it has the legal authority to regulate and that its regulatory plan is comparable to the regulations which the FCC must establish.

The FCC has broad authority in adopting regulations to ensure that rates are reasonable. The Act permits the FCC to determine what is a "reasonable profit" for the cable operator. The factors which the FCC must take into account in making this determination, include, among other things, rates for cable systems subject to effective competition; direct costs of obtaining and providing basic tier service; capital and operating costs

of the cable operators, including programming costs; advertising revenues received by the cable operator from basic tier service programming; and certain franchise expenses. The FCC must establish criteria for determining whether rates for services other than basic tier are reasonable and must develop procedures for resolution of complaints and refund of rates determined to be unreasonable.

Anti-Buy Through

The Act prohibits cable operators from requiring subscribers to buy any level of service other than basic tier to receive programming offered on a per-channel or per-program basis.

Must-Carry

Cable operators are required by the Act to carry the signals of qualified local commercial and non-commercial television stations which demand carriage.

Retransmission Consent

The FCC requires cable operators to negotiate licenses with those local commercial television stations whose programming the operator desires the right to carry but which do not demand carriage.

Other Provisions

Under the Act, the FCC must also establish regulations regarding: (1) cable operators customer service requirements; (2) limitations on indecent and objectionable programming; (3) resolution of complaints relative to unreasonable rates; (4) signal quality; (5) disposition of home wiring; (6) limitations on ownership of cable systems; and (7) consumer electronics equipment compatibility.

Various legal proceedings by other cable operators have commenced regarding the constitutionality of several of the Act's provisions.

The Cable Group cannot make a final determination of the effect of the Act on its operations until the FCC finalizes the regulations which it is required to establish.

While it is undeterminable at this time if subscribers will ultimately benefit from the Act, the Cable Group maintains a commitment to continue providing dependable, quality programming and excellent service and reception to its subscribers at a reasonable price. It is impossible to project the impact of this new regulatory environment on future operations, but it is likely that the regulatory environment will result in higher costs and lower margins in the future.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

The Pennsylvania Public Utility Commission ("PPUC"), currently is investigating the appropriateness of Commonwealth Telephone Company's ("CTCo") transactions with affiliates, as well as analyzing the earnings of CTCo and other telephone companies in Pennsylvania. This investigation is ongoing and no determination has been made by the PPUC.

Consolidated Statements of Operations

C-TEC Corporation and Subsidiaries

| For the Years Ended December 31. | 1992 | 1991 | 1990 |
|--|-------------------|--------------------|-------------------|
| (Thousands of Dollars Except Per Share Amounts) | | | |
| Sales | \$ 256,564 | \$ 232,818 | \$ 200,383 |
| Costs and Expenses | 226,483 | 221,225 | 182,457 |
| Operating Income | 30,081 | 11,593 | 17,926 |
| Interest income | 2,178 | 1,801 | 1,321 |
| Interest expense | (37,321) | (37,472) | (31,889) |
| Gain on sale of marketable equity securities | 6,074 | — | — |
| Other income (expenses), net | 291 | 685 | (1,242) |
| Income (Loss) Before Income Taxes | 1,303 | (23,393) | (13,884) |
| Provision (benefit) for income taxes | 3,284 | (5,486) | (3,782) |
| Loss Before Minority Interest and Equity in Unconsolidated Entities | (1,981) | (17,907) | (10,102) |
| Minority interest in (income) loss of consolidated entities | (150) | 223 | 477 |
| Equity in income (loss) of unconsolidated entities | 70 | (1,731) | 31 |
| Loss from Continuing Operations | (2,061) | (19,415) | (9,594) |
| Loss from discontinued operation, net of income tax benefits | — | — | (349) |
| Gain on disposal, net of income tax expense | — | 7,023 | — |
| Net Loss | \$ (2,061) | \$ (12,392) | \$ (9,943) |
| (Loss) Earnings Per Average Common Share | | | |
| Loss from continuing operations | \$ (.13) | \$ (1.18) | \$ (.58) |
| Loss from discontinued operation | — | — | (.02) |
| Gain on disposal | — | .43 | — |
| Net Loss | \$ (.13) | \$ (.75) | \$ (.60) |
| Average Common Shares Outstanding | 16,490,628 | 16,482,733 | 16,473,512 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

C-TEC Corporation and Subsidiaries

| For the Years Ended December 31, | 1992 | 1991 | 1990 |
|--|------------|-------------|------------|
| (Thousands of Dollars) | | | |
| Cash Flows from Operating Activities | | | |
| Net Loss | \$ (2,061) | \$ (12,392) | \$ (9,943) |
| Depreciation and amortization | 75,289 | 78,145 | 62,712 |
| Deferred income taxes and investment tax credits, net | (940) | (4,683) | (3,336) |
| Gain on sale of marketable equity securities | (6,074) | — | — |
| Net change in certain assets and liabilities | (1,990) | 7,188 | 34 |
| Provision for losses on accounts receivable | 1,111 | 2,031 | 1,240 |
| Equity in (income) loss of unconsolidated subsidiaries | (70) | 1,731 | (31) |
| Other | (15) | (2,200) | 2,100 |
| Net cash provided by operating activities | 65,250 | 69,820 | 52,776 |
| Cash Flows from Investing Activities | | | |
| Additions to property, plant and equipment | (51,207) | (55,050) | (69,657) |
| Acquisitions | (871) | (20,606) | (57,714) |
| Investment in non-current marketable securities | (2,320) | — | (9,884) |
| Proceeds from sale of marketable equity securities | 6,483 | — | — |
| Other | 2,689 | 4,647 | 104 |
| Net cash used in investing activities | (45,226) | (71,009) | (137,151) |
| Cash Flows from Financing Activities | | | |
| Net short-term (repayments) borrowings | — | (36,626) | 3,264 |
| Increase (decrease) in minority interest | 110 | (145) | 1,038 |
| Redemption of long-term debt | (28,666) | (174,720) | (27,900) |
| Redemption of preferred stock | (19) | (19) | (19) |
| Proceeds from the issuance of common stock | 22 | 129 | 146 |
| Issuance of long-term debt | 17,876 | 238,149 | 127,120 |
| Purchase of treasury stock | (146) | — | (1,523) |
| Net cash (used in) provided by financing activities | (10,823) | 26,768 | 102,126 |
| Increase in cash and temporary cash investments | 9,201 | 25,579 | 17,751 |
| Cash and temporary cash investments at beginning of year | 49,636 | 24,057 | 6,306 |
| Cash and temporary cash investments at end of year | \$ 58,837 | \$ 49,636 | \$ 24,057 |
| Changes in Certain Assets and Liabilities | | | |
| Accounts receivable and unbilled revenues | \$ (4,573) | \$ (1,187) | \$ (4,542) |
| Material and supply inventory | (892) | 1,176 | (683) |
| Income taxes receivable | 132 | 4,974 | 1,717 |
| Accounts payable | 5,753 | (2,255) | 1,587 |
| Accrued expenses | (3,387) | 4,842 | 808 |
| Other, net | 977 | (362) | 1,147 |
| Net change in certain assets and liabilities | \$ (1,990) | \$ 7,188 | \$ 34 |
| Supplemental Disclosures of Cash Flow Information | | | |
| Cash paid during the year for: | | | |
| Interest (net of amounts capitalized) | \$ 37,053 | \$ 37,595 | \$ 31,832 |
| Income taxes | \$ 3,512 | \$ 2,469 | \$ 1,833 |

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

C-TEC Corporation and Subsidiaries

| December 31, | 1992 | 1991 |
|---|------------------|------------------|
| (Thousands of Dollars) | | |
| ASSETS | | |
| Current Assets | | |
| Cash and temporary cash investments | \$ 58,837 | \$ 49,636 |
| Accounts receivable, net of reserve for doubtful accounts of \$559 in 1992 and \$381 in 1991 | 32,810 | 29,096 |
| Unbilled revenues | 1,128 | 1,380 |
| Material and supply inventory, at average cost | 3,968 | 3,076 |
| Income taxes receivable | — | 132 |
| Prepayments and other | 2,247 | 2,112 |
| Total current assets | 98,990 | 85,432 |
| Property, Plant and Equipment | | |
| Telephone plant | 361,590 | 365,350 |
| Cable plant | 163,552 | 146,684 |
| Cellular plant | 21,967 | 19,348 |
| Other property, plant and equipment | 8,206 | 7,104 |
| Total property, plant and equipment | 555,315 | 538,486 |
| Accumulated depreciation | 227,395 | 220,713 |
| Net property, plant and equipment | 327,920 | 317,773 |
| Investments | 15,263 | 12,372 |
| Intangible Assets, net | 137,418 | 172,901 |
| Deferred Charges | 6,775 | 7,522 |
| Total Assets | \$586,366 | \$596,000 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Current maturities of long-term debt and preferred stock | \$ 4,488 | \$ 4,576 |
| Accounts payable | 19,325 | 13,572 |
| Advance billings and customer deposits | 7,633 | 6,161 |
| Accrued taxes | 5,449 | 4,453 |
| Accrued interest | 6,221 | 5,953 |
| Accrued expenses | 14,946 | 18,601 |
| Total current liabilities | 58,062 | 53,316 |
| Long-Term Debt | 421,780 | 432,482 |
| Deferred Credits | | |
| Deferred income taxes | 31,692 | 31,470 |
| Deferred investment tax credits | 2,734 | 3,896 |
| Other | 3,072 | 3,672 |
| Total deferred credits | 37,498 | 39,038 |
| Minority Interest | 1,908 | 1,842 |
| Redeemable Preferred Stock | 294 | 313 |
| Common Shareholders' Equity | 66,824 | 69,009 |
| Commitments and Contingencies | | |
| Total Liabilities and Shareholders' Equity | \$586,366 | \$596,000 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Common Shareholders' Equity

C-TEC Corporation and Subsidiaries

| | Common Stock Issued | | Additional Paid-In Capital | Retained Earnings | Treasury Stock | Other | Total |
|---------------------------------------|---------------------|-----------|----------------------------|-------------------|----------------|---------|----------|
| | Shares | Par Value | | | | | |
| (Thousands of Dollars) | | | | | | | |
| Balance, December 31, 1989 | 16,931,521 | \$16,932 | \$22,268 | \$59,174 | \$(5,783) | — | \$92,591 |
| Net loss | — | — | — | (9,943) | — | — | (9,943) |
| Common stock issued (note 9a)— | | | | | | | |
| Incentive stock options | 20,500 | 21 | 140 | — | — | — | 161 |
| Stock repurchases | (21,569) | (22) | — | — | — | — | (22) |
| Treasury stock transactions (at cost) | | | | | | | |
| Incentive stock options | (20,500) | (21) | — | — | 0 | — | (15) |
| Stock repurchases | 21,569 | 22 | — | — | (1,523) | — | (1,501) |
| Other | — | — | — | — | — | (3,339) | (3,339) |
| Balance, December 31, 1990 | 16,931,521 | 16,932 | 22,408 | 49,231 | (7,300) | (3,339) | 77,932 |
| Net loss | — | — | — | (12,392) | — | — | (12,392) |
| Common stock issued (note 9a)— | | | | | | | |
| Incentive stock options | 18,000 | 18 | (142) | — | — | — | (124) |
| Treasury stock transactions (at cost) | | | | | | | |
| Incentive stock options | (18,000) | (18) | — | — | 272 | — | 254 |
| Cancelled | (44,086) | (45) | (1,001) | — | 1,046 | — | — |
| Other | — | — | — | — | — | 3,339 | 3,339 |
| Balance, December 31, 1991 | 16,887,435 | 16,887 | 21,265 | 36,839 | (5,982) | — | 69,009 |
| Net loss | — | — | — | (2,061) | — | — | (2,061) |
| Common stock issued (note 9a)— | | | | | | | |
| Stock repurchases | (12,595) | (12) | — | — | — | — | (12) |
| Incentive stock options | 3,000 | 3 | (38) | — | — | — | (35) |
| Treasury stock transactions (at cost) | | | | | | | |
| Stock repurchases | 12,595 | 12 | — | — | (146) | — | (134) |
| Incentive stock options | (3,000) | (3) | — | — | 0 | — | 57 |
| Balance, December 31, 1992 | 16,887,435 | \$16,887 | \$21,227 | \$34,778 | \$(6,068) | — | \$66,824 |

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Thousands of dollars, except per share amounts)

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of C-TEC Corporation and its wholly and majority owned subsidiaries (the Company), after elimination of significant intercompany accounts and transactions. The Company's subsidiaries are divided into five principal groups: Telephone, Cable Television, Communications Services, Mobile Services, and Long Distance. Other investments are accounted for by the equity method. These include cellular partnerships and a cable company in which the Company has the ability to exercise significant management influence.

Earnings (Loss) Per Share

Earnings (loss) per share amounts are based on the weighted average number of common shares outstanding including Class B Common. No effect is given to antidilutive securities.

Cash Flows

For purposes of reporting cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be temporary cash investments.

Property, Plant and Equipment

Telephone plant reflects the original cost of construction, including payroll and related costs such as taxes, pensions and other fringe benefits, and certain general administrative costs.

Depreciation on telephone plant is based on the estimated remaining lives of the various classes of depreciable property and straight-line composite rates. The average rates were 5.76%, 6.09% and 6.80% in 1992, 1991, and 1990, respectively. At the time property is retired, the original cost, plus cost of removal, less salvage, is charged to accumulated depreciation.

Cable television plant includes the original cost of construction and certain capitalized costs, including interest incurred prior to receipt of the first subscriber revenue.

Depreciation on cable plant is provided on the straight-line method based on the estimated useful lives of the various classes of depreciable property. The average estimated useful lives of depreciable cable plant are:

| | |
|---|----------------|
| Building | 25 - 45 years |
| Cable Television Distribution Equipment | 8 - 22.5 years |
| Other Equipment | 4 - 10 years |

Gain or loss is recognized on major retirements and dispositions. Major replacements and betterments are capitalized.

Depreciation on cellular and other property, plant and equipment is provided on a straight-line basis over the estimated useful lives of the property ranging from 3 to 45 years. Gain or loss is recognized on major retirements and dispositions.

Repairs of all property, plant and equipment and minor replacements and renewals are charged to expense as incurred.

Intangible Assets and Deferred Charges

Intangible assets consist primarily of amounts allocated upon purchase of assets of existing operations and include the excess of cost over fair value of net tangible assets. Intangible assets are amortized on a straight-line basis over the expected period of benefit, which does not exceed 40 years.

Deferred charges principally include costs incurred to obtain financing and prepaid pension cost. Debt issuance costs are amortized on the straight-line basis over the term of the financing acquired. Amortization of debt issuance costs is included in interest expense in the consolidated statements of operations.

Revenue Recognition

Telephone network access and long-distance service revenues are derived from access charges, toll rates and settlement arrangements. IntraLATA (LATAs are geographic areas within which toll traffic is handled jointly by local telephone companies) access and long-distance revenues are a function of the IntraLATA Toll Originating Responsibility Plan (ITORP). Under the ITORP system, the Telephone Group bills and retains IntraLATA toll rates applicable to its customers for originating traffic. Access charges are paid to the local telephone company terminating the traffic. In addition, the Telephone Group is paid access charges for terminating traffic originating from other local telephone companies. InterLATA/Intrastate revenues are based on access charge billings to interexchange carriers. Interstate revenues reflect access charges applied to end-users and interexchange carriers. Interstate access charges are subject to a pooling process with the National Exchange Carrier Association (N.E.C.A.). Final interstate revenues are based on nationwide average costs applied to certain demand quantities.

Notes to Consolidated Financial Statements (Thousands of dollars, except per share amounts)

Revenues from basic and premium cable programming services are recorded in the month the service is provided.

Cellular air time is recorded as revenue when earned. Telephone equipment sales are recorded at the time the equipment is delivered to the customer.

Long-term contracts are accounted for on the percentage-of-completion method. Estimated sales and earnings are recognized as equipment is installed or contract services rendered, with estimated losses, if any, charged to income currently.

Income Taxes

The Company and its subsidiaries report income for federal income tax purposes on a consolidated basis. Income taxes are provided in accordance with the comprehensive income tax allocation method. Deferred income taxes are provided for timing differences in the recognition of revenues and expenses for tax and financial statement purposes. Investment tax credits for the Telephone and Cable Groups have been deferred in prior years and are being amortized over the average lives of the applicable property. The Telephone Group amortizes excess deferred taxes over the remaining life of the plant which gave rise to the excess.

The Company's federal income tax returns are subject to review by the Internal Revenue Service, the results of which cannot be predicted with certainty.

Financial Instruments

The Company enters into interest rate swap agreements in the management of interest rate exposure. The difference to be paid or received on these agreements is accrued as interest rates change and is recognized over the respective payment periods during the lives of the agreements.

2. Business Combinations

During 1991, the Company acquired additional cable properties serving subscribers in Michigan and New Jersey, for \$5,065.

In January 1991, the Company completed the purchase of an Iowa RSA cellular license for \$15,541.

These transactions were accounted for under the purchase method of accounting and the results of operations were not significant to the consolidated financial statements.

3. Discontinued Operation

In late 1990, the Company signed a definitive agreement for the sale of assets of the Information Services Group and the Company's corporate data processing function. This disposition was recorded at an after-tax gain of \$7,023 in 1991. The agreement also provides a minimum royalty fee of \$3,600 on cellular software products sold through January 1, 1998.

Operating results of the Information Services Group for the year ended December 31, 1990 are shown as discontinued operations in the consolidated statement of operations. Sales of the Information Services Group were \$5,630 in 1990.

4. Investments

The Company's investments reflected on the accompanying consolidated balance sheets at December 31 are as follows:

| | 1992 | 1991 |
|---------------------------------|-----------------|-----------------|
| Mercom, Inc. Common Stock | \$ 4,674 | \$ 3,194 |
| Rural Telephone Bank Stock | 7,548 | 7,548 |
| Cellular and Other Partnerships | 2,955 | 1,129 |
| Other Stock Investments | 86 | 501 |
| Total Investments | \$15,263 | \$12,372 |

Investments carried at equity consist of the following at December 31:

| | Percentage Owned | |
|---------------------------------|------------------|-----------|
| | 1992 | 1991 |
| Cellular and Other Partnerships | 28% - 50% | 28% - 50% |
| Mercom, Inc. | 42.46% | 19.87% |

Notes to Consolidated Financial Statements (Thousands of dollars, except per share amounts)

During 1991, the Company obtained significant influence over the operating and financial policies of Mercom, Inc. Accordingly, the Company changed from the cost to the equity method to account for this investment and recorded the Company's proportionate share of losses and amortization of excess cost over net assets for \$841 and \$2,404 in 1992 and 1991, respectively. At December 31, 1992 and 1991, the Company's investment in Mercom, Inc. exceeded its underlying equity in the net assets of Mercom, Inc. by \$10,660 and \$5,649, respectively, which excess is being amortized on a straight-line basis over 15 years.

The following table reflects the summarized financial position and results of operations of Mercom, Inc.

| | 1992 | 1991 | 1990 |
|-----------------------|------------|------------|------------|
| Assets | \$ 23,873 | \$ 26,657 | \$ 30,557 |
| Liabilities | \$ 36,175 | \$ 37,815 | \$ 33,931 |
| Stockholders' Deficit | \$(12,302) | \$(11,158) | \$ (3,374) |
| Sales | \$ 11,986 | \$ 11,041 | \$ 9,667 |
| Net Loss | \$ (1,144) | \$ (7,784) | \$ (1,103) |

At December 31, 1992, the carrying value of the Company's investment in Mercom, Inc. exceeded the quoted market value by \$1,879. The Company believes that the decline in value is temporary and that the carrying value of the investment does not exceed the recovery value. It is not the Company's intention to sell or dispose of this investment.

Other stock investments consist primarily of investments in marketable equity securities of a cable programming company. During 1992, the Company sold \$409 of its other stock investments for \$6,483, realizing a gain of \$6,074. At December 31, 1992, gross unrealized gains on other stock investments were approximately \$1,900. Subsequent to December 31, 1992, a gain of approximately \$1,460 was realized on the sale of a portion of these securities.

5. Intangible Assets

Intangible assets consist primarily of the following: (1) Cable television franchises and subscriber lists of \$105,504 and \$105,099 at December 31, 1992 and 1991, respectively, which are being amortized over periods ranging from 3.3 to 19.3 years; (2) Cable noncompete agreements of \$74,313 and \$74,088 at December 31, 1992 and 1991, respectively, which are being amortized over five years; (3) Cellular MSA and RSA licenses of \$38,602 at December 31, 1992 and 1991, which are being amortized over 10 years; and (4) Cellular noncompete agreements of \$14,200 at December 31, 1992 and 1991 which are being amortized over 2 years. In addition, the excess of cost over fair value of cable television assets acquired for \$4,106 at December 31, 1992 and 1991 is being amortized over periods ranging from 5 to 40 years. The excess of cost over fair value of cellular assets acquired of \$8,624 at December 31, 1992 and 1991 is being amortized over 25 years.

Other intangible assets of \$3,137 and \$3,118 at December 31, 1992 and 1991, respectively, are being amortized over periods ranging from 3.8 to 19.3 years.

Amortization expense charged to operations in 1992 and 1991 was \$36,396 and \$37,408, respectively. Accumulated amortization was \$111,068 and \$74,936 at December 31, 1992 and 1991, respectively.

6. Deferred Charges

Deferred charges consist of the following at December 31:

| | 1992 | 1991 |
|--|----------|----------|
| Cable unamortized debt issuance costs | \$ 1,257 | \$ 1,504 |
| Parent unamortized debt issuance costs | 687 | 1,637 |
| Prepaid pension cost | 2,852 | 2,413 |
| Other | 1,979 | 1,968 |
| Total | \$ 6,775 | \$ 7,522 |

Notes to Consolidated Financial Statements

Thousands of dollars, except per share amounts

7. Debt

a. Long-Term Debt

The long-term debt outstanding at December 31, 1992 and 1991 is as follows:

| | 1992 | 1991 |
|---|-------------------|-------------------|
| Long-term debt | | |
| Mortgage notes payable to the United States of America— | | |
| Rural Electrification Administration (REA)— | | |
| 2% due 1993 to 2003 | \$ 415 | \$ 457 |
| Federal Financing Bank (FFB)— | | |
| 12.177% due 2001 | 165 | 200 |
| 8.36% due 2009 | 2,715 | 2,785 |
| 7.693% due 2012 | 11,346 | 11,603 |
| Rural Telephone Bank (RTB)— | | |
| 5% due 2009 | 26,610 | 27,120 |
| 5.43% due 2009 | 30,494 | 31,053 |
| 6.14% due 2009 | 5,925 | — |
| 7% due 2012 | 1,773 | 1,814 |
| 6.5% due 2013 | 17,553 | 17,959 |
| 7% due 2015 | 40,068 | 40,794 |
| Senior Secured Notes | | |
| 9.65% due 1999 | 150,000 | 150,000 |
| Senior Secured Notes | | |
| 9.52% due 2001 | 100,000 | 100,000 |
| Revolving Credit Agreements | 36,000 | 41,000 |
| Other | 3,185 | 4,719 |
| Industrial Development Agency obligations, 70% prime | — | 4,770 |
| Bank term loans, at various rates | — | 2,765 |
| Total | 426,249 | 437,039 |
| Due within one year | (4,469) | (4,557) |
| Total Long-Term Debt | \$ 421,780 | \$ 432,482 |

During 1990, the Telephone Group entered into an agreement with the RTB that provides for borrowings up to \$89,996. The Telephone Group has borrowed \$64,149 under this agreement. In 1990, in accordance with the terms of the agreement, this Group was required to make an investment in RTB stock equal to approximately 5% of the total available borrowing amount. Principal and interest are payable monthly.

The Telephone Group has other borrowings with the United States of America through the REA, FFB and RTB under various mortgage notes and security agreements. In accordance with these agreements, quarterly sinking fund payments are being made on all notes and portions of amounts borrowed have been used to purchase common stock of the RTB.

Substantially all the assets of the Telephone Group are subject to liens of the various security agreements described above. In addition, the Telephone Group is restricted as to the amount of dividends that may be distributed, the amount of any investment in an affiliated company, and the redemption of capital stock.

In prior years, the Cable Group entered into agreements with several industrial development agencies regarding the use of proceeds from the issuance of industrial development revenue bonds. The funds were used to finance the construction of certain cable facilities. These bonds were effectively retired in 1992 when the Company purchased the bonds at face value. No gain or loss was recognized on the transaction.

In 1989, in order to complete the August 29, 1989 Michigan cable television acquisition, the Cable Group entered into a private placement of Senior Secured Notes for \$150,000 and a \$70,000 Revolving Secured Credit Agreement, which the Company voluntarily reduced to \$60,000 in 1990. The Senior Secured Notes and the Revolving Secured Credit Agreement are collateralized by the stock of the Cable Group subsidiaries. On September 1, 1996 and on each September 1 thereafter, a mandatory principal repayment is required on the Senior Secured Notes. The Senior Secured Notes and Revolving Secured Credit Agreement contain restrictive covenants which, among other things, require maintenance of a specified debt to cash flow ratio.

Notes to Consolidated Financial Statements (Thousands of dollars, except per share amounts)

The Revolving Secured Credit Agreement with a group of commercial banks provides revolving credit borrowings up to \$48,750 as of December 31, 1992. The total commitments are reduced on a quarterly basis through maturity in September 1996. These quarterly reductions escalate on an annual basis. Interest is paid based on Prime, LIBOR or CD Rates, depending on the type of loan and terms of the agreement. A fee of 3/8% per annum is required on the unused portion of the available commitment (\$12,750 at December 31, 1992). The Cable Group had borrowings of \$36,000 (4.61% weighted average interest rate) and \$41,000 (6.39% weighted average interest rate) as of December 31, 1992 and 1991, respectively, under this agreement.

In March 1991, the Company entered into a \$95,000 Credit Agreement with a syndicate of banks that provided revolving credit borrowings through June 30, 1992. Proceeds from this Credit Agreement were utilized to repay a terminated agreement and \$9,300 of short-term notes outstanding as of December 31, 1990. This agreement contained restrictive covenants, including the maintenance of a specified debt to cash flow ratio. Interest was paid based on Prime, LIBOR or CD Rates, depending on the type of loan and terms of the agreement. This revolver was subsequently reduced to \$50,000 in December of 1991. There were no borrowings under this agreement as of December 31, 1991.

In March 1992, this Credit Agreement was amended and restated. The more significant amendments to the Credit Agreement extend the revolving credit period through June 1, 1994 at which time the outstanding balance converts to a term loan with mandatory quarterly reductions through June 1, 1997. The specified debt to cash flow ratios were also increased through December 1993, with certain reductions thereafter to final maturity.

The Company pays a commitment fee of 1/2% per annum on the unused portion of the available commitment. There were no borrowings outstanding under this agreement as of December 31, 1992.

In December 1991, the Company entered into a private placement of Senior Secured Notes for \$100,000 at 9.52% due 2001. Proceeds were utilized to prepay revolver borrowings outstanding on the closing date. This agreement contains restrictive covenants, including maintenance of a specified debt to cash flow ratio. On December 1, 1996 and on each December 1 thereafter, a mandatory principal repayment is required on the Senior Secured Notes.

The Credit Agreement and the Senior Secured Notes are collateralized by a pledge of the stock of the telephone and mobile services subsidiaries.

During prior years, the Company borrowed funds under an unsecured term loan agreement at 8.25% for the construction and development of certain cable television systems. This loan was also repaid during 1991 from proceeds from the new credit agreement entered into in March 1991.

The Cable Group was obligated for an 8.45% loan collateralized by the assets of Home Link, the Company's 80% owned cable subsidiary. This loan was repaid during 1992.

Maturities and sinking fund requirements on long-term debt for each year ending December 31, 1993 through 1997 are as follows:

| Year | Aggregate Amounts |
|------|-------------------|
| 1993 | \$ 4,469 |
| 1994 | 14,606 |
| 1995 | 20,246 |
| 1996 | 52,728 |
| 1997 | 65,734 |

At December 31, 1992, the Company had an outstanding interest rate swap agreement which expires in December 1994. Under the agreement, the Company receives a fixed rate of 9.52% on \$100,000 and pays a floating rate of LIBOR plus 502 basis points (8.52% at December 31, 1992), as determined in six-month intervals. The transaction effectively changes a portion of the Company's interest rate exposure from a fixed-rate to a floating-rate basis.

b. Short-Term Debt

At December 31, 1992, the Company had unused lines of credit that provide for borrowings of up to \$12,500 at rates varying from money market rates to prime less 1/4% (5% to 6%, respectively, at December 31, 1992). In addition, the Cable Group had an unused line of credit for \$2,000 at prime (6% at December 31, 1992). Short-term unsecured borrowings may be made under these lines of credit. All unused lines of credit are cancellable at the option of the banks.

The Company pays commitment or facility fees of approximately 3/10% on the unused credit line commitments to compensate the banks for maintaining availability of the above mentioned lines of credit.

Notes to Consolidated Financial Statements (Thousands of dollars, except per share amounts)

8. Redeemable Preferred Stock

The preferred stock of a subsidiary is redeemable in whole or in part at the Company's option upon 30 days' notice at its optional redemption prices. Such prices are not significantly different from par value. Preferred stock is entitled, in voluntary liquidation, to an amount equal to the optional redemption price and, in involuntary liquidation, to par value plus accrued dividends. The redeemable preferred stock outstanding at December 31, 1992 and 1991 is as follows:

| | 1992 | 1991 | 1992 | 1991 |
|---|---|--------------|---------------|---------------|
| | <u>Number of</u> <u>Shares Outstanding</u> | | | |
| Redeemable Preferred Stock | | | | |
| Cumulative, \$100 par value, authorized 102,531 shares in 1992 and 102,719 shares in 1991 | | | | |
| Series C, 5%, due 2005 | 1,430 | 1,540 | \$ 143 | \$ 154 |
| Series E, 5¼%, due 2008 | 880 | 935 | 88 | 93 |
| Series F, 5½%, due 2029 | 823 | 846 | 82 | 85 |
| Total | <u>3,133</u> | <u>3,321</u> | 313 | 332 |
| Due within one year | | | <u>(19)</u> | <u>(19)</u> |
| Total preferred stock | | | <u>\$ 294</u> | <u>\$ 313</u> |

In addition, the Series C, E, and F Preferred Stock of a subsidiary include provisions for a mandatory sinking fund sufficient to retire approximately 188 shares each year at par plus accrued dividends. Sinking fund requirements for each year ending December 31, 1993 through 1997 are approximately \$19. In 1992 and 1991, 188 shares were redeemed each year.

9. Common Shareholders' Equity

a. Common Stock

On April 25, 1991, the Company reduced the number of authorized shares of Class B Common Stock to 8,753,203 shares by reducing the authorized but unissued shares by 186,729 and cancelling 44,086 shares of the Company's Class B Common Stock held as Treasury Shares.

Common shareholders' equity at December 31, 1992 and 1991 is as follows:

| | 1992 | 1991 | 1992 | 1991 |
|---|---|-------------------|-----------------|-----------------|
| | <u>Number of</u> <u>Shares Outstanding</u> | | | |
| Common Shareholders' Equity | | | | |
| Common Stock, \$1 par value, authorized 35,000,000 shares, issued 8,134,964 in 1992 and 8,134,292 in 1991 | 7,959,365 | 7,969,293 | \$ 8,135 | \$ 8,134 |
| Class B Stock, \$1 par value, authorized 8,753,203 shares, issued 8,752,471 in 1992 and 8,753,143 in 1991 | 8,524,228 | 8,523,895 | 8,752 | 8,753 |
| Total Common Stock | <u>16,483,593</u> | <u>16,493,188</u> | 16,887 | 16,887 |
| Additional Paid-in Capital | | | 21,227 | 21,265 |
| Retained Earnings | | | 34,778 | 36,839 |
| Treasury Stock at cost, 403,842 shares in 1992 and 394,247 shares in 1991 | | | <u>(6,068)</u> | <u>(5,982)</u> |
| Total common shareholders' equity | | | <u>\$66,824</u> | <u>\$69,009</u> |

On April 26, 1984, the shareholders adopted the Company's 1984 Stock Option and Stock Appreciation Rights Plan (the Plan). The Plan provides for the grant of Stock Options (options) and Stock Appreciation Rights (SARs) to key employees of the Company. Up to 450,000 shares of stock and up to 900,000 SARs may be issued under the Plan.

The options and SARs may not be exercised before one year from the date of grant and may not be exercised after an employee's employment terminates for any reason other than death, unless provided otherwise at the time of grant. Generally, the options and SARs are to be granted within ten years from the date of the adopted Plan.

Notes to Consolidated Financial Statements (Thousands of dollars, except per share amounts)

During 1988, the Board of Directors made certain revisions to the Plan. The amended Plan provides for the grant of both Nonqualified and Incentive Stock Options and SARs. The Board of Directors determines the option price at the date of grant. The Incentive Stock Options are not exercisable before one year or after five years from date of grant in the case of a ten percent shareholder; or before one year or after ten years from date of grant in all other cases.

Incentive Stock Options, all of which were exercisable as of December 31, 1992, are primarily granted to executive officers of the Company and may only be exercised on a quarterly basis during a ten-day window period.

Credits associated with SARs were \$152, \$38 and \$1,074 in 1992, 1991 and 1990, respectively.

Transactions involving the Plan are summarized as follows:

| Option Shares | 1992 | 1991 | 1990 |
|--|---------|----------|----------|
| Outstanding, January 1 | 29,000 | 50,000 | 70,500 |
| Granted | —0— | —0— | —0— |
| Cancelled | —0— | (3,000) | —0— |
| Exercised (at \$7.20) | (3,000) | (18,000) | (20,500) |
| Outstanding, December 31, (at \$7.20) | 26,000 | 29,000 | 50,000 |
| Exercisable, December 31 | 26,000 | 9,000 | 7,000 |

Stock Appreciation Rights

| | | | |
|--|---------|----------|----------|
| Outstanding, January 1 | 58,000 | 100,000 | 141,000 |
| Granted | —0— | —0— | —0— |
| Cancelled | —0— | (6,000) | —0— |
| Exercised | (6,000) | (36,000) | (41,000) |
| Outstanding, December 31, (at \$8.00) | 52,000 | 58,000 | 100,000 |
| Exercisable, December 31 | 52,000 | 18,000 | 14,000 |

At December 31, 1990, the cost of noncurrent marketable securities exceeded their market value by \$3,339. The Company believed the decline in value of these securities to be temporary and accordingly an allowance for unrealized losses was established and shareholders' equity was reduced by a corresponding amount. The Company has subsequently changed to the equity method of accounting for this investment (see Note 4).

b. Retained Earnings

Pursuant to the terms of mortgage notes and security agreements (see Note 7) and preferred stock, there are restrictions as to the amount of dividend payments that can be paid by the telephone subsidiary to the Company. As of December 31, 1992, the maximum allowable distribution was approximately \$966.

Notes to Consolidated Financial Statements

Thousands of dollars, except per share amounts.

10. Pensions and Employee Benefits

Substantially all of the Company's employees are included in a trustee noncontributory defined benefit pension plan. Upon retirement, employees are provided a monthly pension based on length of service and compensation. The Company funds pension costs to the extent necessary to meet the minimum funding requirements of ERISA. No contributions were required or made for the years ended December 31, 1992, 1991 and 1990.

Pension credit for 1992, 1991 and 1990 is as follows:

| | 1992 | 1991 | 1990 |
|--|----------|----------|----------|
| Benefits earned during the year (service cost) | \$ 1,429 | \$ 1,148 | \$ 1,118 |
| Interest cost on projected benefit obligation | 2,259 | 2,051 | 1,913 |
| Actual return on plan assets | (2,284) | (6,690) | 573 |
| Other components - net | (1,844) | 3,110 | (4,490) |
| Net periodic pension credit | \$ (440) | \$ (381) | \$ (886) |

The Company's pension plan has assets in excess of the accumulated benefit obligations. Plan assets include equity, cash, and fixed income securities. The following table sets forth the plan's funded status and amounts recognized in the Company's consolidated balance sheets at December 31, 1992, 1991 and 1990. Prepaid pension cost is included in Deferred Charges on the accompanying Consolidated Balance Sheets.

| December 31, | 1992 | 1991 | 1990 |
|---|----------|----------|----------|
| Plan assets at fair value | \$45,834 | \$43,951 | \$38,196 |
| Actuarial present value of benefit obligations: | | | |
| Accumulated benefit obligation: | | | |
| Vested | 26,222 | 23,657 | 19,670 |
| Nonvested | 895 | 732 | 642 |
| Total | 27,117 | 24,389 | 20,312 |
| Effect of increases in compensation | 7,133 | 5,879 | 5,125 |
| Plan assets in excess of projected benefit obligation | 11,584 | 13,683 | 12,759 |
| Unrecognized transition asset | (6,094) | (6,648) | (7,202) |
| Unrecognized prior service cost | 1,677 | 876 | 935 |
| Unrecognized net gain | (4,315) | (5,498) | (4,460) |
| Prepaid pension cost | \$ 2,852 | \$ 2,413 | \$ 2,032 |

The following assumptions were used in the determination of the projected benefit obligation and net periodic pension credit:

| December 31, | 1992 | 1991 | 1990 |
|--|------|-------|------|
| Discount rate | 7.0% | 7.25% | 8.0% |
| Expected long-term rate of return on plan assets | 8.0% | 8.0% | 8.0% |
| Long-term rate of compensation increases | 6.0% | 6.5% | 6.5% |

The Company sponsors a 401(k) savings plan covering substantially all employees who are not covered by collective bargaining agreements. Contributions made by the Company to the 401(k) plan are based on a specified percentage of employee contributions. Contributions charged to expense were \$524, \$449, and \$465 in 1992, 1991, and 1990, respectively.

In addition to providing pension benefits, the Company has provided certain health care and life insurance benefits for retired employees. Premiums of approximately \$189, \$206, and \$116 were expensed as paid in 1992, 1991, and 1990, respectively.

Notes to Consolidated Financial Statements (Thousands of dollars, except per share amounts)

Beginning in the first quarter of 1993, Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106") will require the Company to account for these benefits on an accrual basis rather than the pay-as-you-go method. This new accounting requirement does not change the funding of these benefits. Implementation of this new standard will require the recognition of a liability on the Company's balance sheet based on the aggregate amount which would have been required to be accrued in prior years had the new standard been in effect in those years. The Company expects to elect immediate recognition of this liability in the amount of approximately \$3,300, as a cumulative effect of a change in accounting principle. Additionally, future annual expense associated with these benefits will be approximately \$200, for interest costs on the postretirement benefit liability.

A significant portion of the postretirement benefit liability applies to the Company's telephone subsidiary and is subject to regulatory accounting requirements. The Company has taken measures to reduce the impact of this new accounting standard in the future. These measures include the elimination of the benefit for employees retiring after January 1, 1993 and capping the benefit for current retirees.

The Pennsylvania Public Utility Commission has indicated that, generally, only an allowance for the pay-as-you-go method would be included in rates. It is unlikely that the Company will include this cost in rates within five years of adoption of SFAS 106. Therefore, pursuant to Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," the Company will record through the income statement the cost of this liability.

During the fourth quarter of 1992 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 112, "Employer's Accounting for Postemployment Benefits" which is effective for fiscal years beginning after December 15, 1993. This standard will require accrual accounting rather than the current pay-as-you-go method for certain self-insured postemployment benefits such as COBRA and workers' compensation, among others. Determination of an estimate of the effect of this new accounting standard on the Company's financial statements at the date of adoption and on future operating results will depend upon various factors which are currently being reviewed by the Company and which include potential modifications of benefits. The Company has not decided on the timing or method of adoption.

11. Income Taxes

The Provision (Benefit) for Income Taxes Consists of the Following:

| | 1992 | 1991 | 1990 |
|--|----------|------------|------------|
| Currently payable (refundable)— | | | |
| Federal | \$ 1,601 | \$ 879 | \$ (2,797) |
| State | 2,623 | 3,392 | 2,093 |
| Total current | 4,224 | 4,271 | (704) |
| Deferred, net (see below)— | | | |
| Federal | (1,273) | (4,226) | (2,160) |
| State | 1,495 | 760 | 202 |
| Total deferred | 222 | (3,466) | (1,958) |
| Investment tax credits, net of amortization | (1,162) | (1,217) | (1,378) |
| Provision (benefit) for income taxes | \$ 3,284 | \$ (412) | \$ (4,040) |
| Provision (Benefit) for Income Taxes Reflected in the Consolidated Statements of Operations | | | |
| | 1992 | 1991 | 1990 |
| Provision (benefit) for income taxes | \$ 3,284 | \$ (5,486) | \$ (3,782) |
| Provision (benefit) from discontinued operations | — | 5,074 | (258) |
| Total provision (benefit) for income taxes | \$ 3,284 | \$ (412) | \$ (4,040) |

Notes to Consolidated Financial Statements (Thousands of dollars, except per share amounts)

Deferred Income Taxes Consist of Timing Differences Related to:

| | 1992 | 1991 | 1990 |
|--|---------------|-------------------|-------------------|
| Excess of tax over book depreciation expense | \$ 1,255 | \$ 652 | \$ 6,301 |
| Pension income | 169 | 24 | 320 |
| Capitalization requirements | (971) | (205) | (701) |
| Cost of plant removal | 330 | 93 | 229 |
| Amortization of excess deferred taxes | (413) | (540) | (513) |
| SARs expense, net | 71 | 19 | 630 |
| Alternative Minimum Tax | (977) | (634) | (7,599) |
| Amortization of subscriber lists | 741 | (20) | 975 |
| Accrued compensation | 146 | 6 | (672) |
| Adjustment to prior years | 589 | 141 | (1,004) |
| Gain on sale of assets | (218) | (111) | (145) |
| Provision for estimated expenses | (500) | — | — |
| Benefit of reversal of previously established deferred taxes | — | (2,946) | — |
| Other, net | — | 55 | (114) |
| Benefit of rate differential resulting from net operating loss carryback | — | — | 335 |
| Deferred provision (benefit) | \$ 222 | \$ (3,466) | \$ (1,958) |

The Provision (Benefit) for Income Taxes is Different from the Amounts Computed by Applying the U.S. Statutory Federal Tax Rate of 34%. The Differences are as Follows:

| | 1992 | 1991 | 1990 |
|--|-----------------|-----------------|-------------------|
| Income (loss) before provision (benefit) for income taxes | \$ 1,223 | \$ (12,804) | \$ (13,983) |
| Federal tax provision (benefit) at statutory rate | \$ 416 | \$ (4,353) | \$ (4,754) |
| Increase (reduction) due to: | | | |
| State income taxes, net of federal benefit | 2,626 | 2,717 | 1,514 |
| Depreciation (flow-through) | 151 | 425 | 625 |
| Amortization of investment tax credits | (1,162) | (1,217) | (1,378) |
| Benefit of rate differential applied to reversing timing differences | (420) | (420) | (420) |
| Adjustments to prior year's accrual | 1,121 | 962 | 794 |
| Dividends received deductions | (28) | (11) | 22 |
| Non-deductible goodwill | 594 | 612 | 335 |
| Rate differential due to net operating loss carryback | — | 63 | (543) |
| Equity in unconsolidated entity | 286 | 817 | — |
| Tax-exempt interest income | (435) | (67) | (15) |
| Other, net | 135 | 60 | (220) |
| Provision (benefit) for income taxes | \$ 3,284 | \$ (412) | \$ (4,040) |

The Company has federal income tax net operating loss carryforwards of \$40,990, which begin to expire in 2006.

A cable television subsidiary has unused net operating loss and investment tax credit carryforwards of approximately \$2,686 and \$223 respectively, at December 31, 1992, which arose prior to acquisition. The Company will be able to utilize these carryforwards to the extent the cable television subsidiary generates future taxable income. These carryforwards expire beginning in 1995 through 1997. In addition, a Mobile Services subsidiary has net operating loss carryforwards of \$1,753 which also arose prior to acquisition. These carryforwards will expire beginning in 2003 through 2005. This subsidiary also has a net operating loss carryforward of \$605 which is subject to statutory limitations. If utilized, such carryforwards will be used to reduce the intangible assets acquired.

Notes to Consolidated Financial Statements (Thousands of dollars, except per share amounts)

In 1992, 1991 and 1990 the Company was liable for Alternative Minimum Tax (AMT) in the amount of \$960, \$572 and \$7,437, respectively. At December 31, 1992, the Cumulative Minimum Tax credit was \$9,836. This amount can be carried forward indefinitely to reduce regular tax liabilities that exceed the AMT in future years.

The final resolution of the Company's current IRS examination discussed further in Note 12 may impact both the net operating loss carryforwards and cumulative minimum tax credits.

Included in the Telephone Group's plant account are certain taxes and payroll related costs which were required to be capitalized for book purposes by the Pennsylvania Public Utility Commission (PPUC) prior to 1988, some of which were expensed for tax purposes. The income tax effects of such differences are being recorded using the flow-through method. Under the established rate-making practices applied by the PPUC, the deferred taxes not provided are to be collected in subscribers' rates prospectively through increased charges for income taxes paid. The cumulative amount at December 31, 1992 for which deferred taxes have not been provided was \$1,117.

During the first quarter of 1992, the Financial Accounting Standards Board issued SFAS No. 109, Accounting for Income Taxes, ("SFAS 109"), which requires a change from the deferral method to the asset and liability method of accounting for income taxes. Under the deferral method, annual income tax expense is matched with pretax accounting income by providing deferred taxes at current rates for timing differences between the financial reporting and income tax methods of accounting. The asset and liability method prescribed by SFAS 109 requires deferred tax liabilities and assets to be based on the differences between financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. The Company will be required to adopt SFAS 109 in the first quarter of 1993 and will apply the provisions of SFAS 109 on a prospective basis. Since the Pennsylvania Public Utility Commission has not adopted SFAS 109 for rate-making purposes, the Company's telephone subsidiary will account for SFAS 109 in conjunction with SFAS 71 and record a net regulatory asset of \$866.

The Company estimates that, under SFAS 109, it will record a \$1,538 charge against income in the first quarter of 1993. This adjustment will be reported as a cumulative effect of a change in accounting principle. A deferred tax liability of \$2,404 and a regulatory asset of \$866 will be recorded on the balance sheet.

Additionally, SFAS 109 treats regulatory unamortized ITC as a deductible temporary difference for which a deferred tax asset must be recognized. This treatment results in a regulatory liability to the extent the unamortized ITC is required to be used to reduce future revenue requirements and a corresponding gross up in the related deferred tax asset. The Company estimates that its regulatory liability and corresponding deferred tax asset related to unamortized ITC will be \$1,500.

The Company's income tax expense and net income may be subject to increased volatility in the future due to the effect on the Company's unregulated subsidiaries by the requirement to adjust deferred income tax balances based on enacted changes in tax laws, including tax rates.

12. Commitments and Contingencies

a. The Telephone Group's construction budget for 1993 is approximately \$41,633 for which the Telephone Group had various purchase commitments at December 31, 1992. In addition, the Cable Television and Mobile Services Groups' construction budgets for 1993 are approximately \$12,797 and \$7,468, respectively.

b. Total rental expense, primarily for pole rentals, was \$3,818 and \$4,043 in 1992 and 1991, respectively. Total rental expense (principally EDP equipment and pole rentals) was \$5,397 in 1990. At December 31, 1992, rental commitments under noncancellable leases, excluding annual pole rental commitments of approximately \$2,672 which are expected to continue indefinitely, are as follows:

| Year | Aggregate Amounts |
|------------|-------------------|
| 1993 | \$814 |
| 1994 | \$475 |
| 1995 | \$270 |
| 1996 | \$238 |
| 1997 | \$132 |
| After 1997 | \$337 |

c. In 1992, the Company entered into a restated data processing agreement for the provision to the Company of data processing services and products including the general management of the Company's data processing operations and installation and enhancement of software systems. The Company pays a monthly fee of \$288, with provision for monthly increases based on increases in usage of services over base volumes and for annual increases based on increases in the Consumer Price Index. The Company provides certain facilities and data processing equipment to its service provider at no charge as part of this agreement. The agreement expires December 1997.

Notes to Consolidated Financial Statements (Thousands of dollars, except per share amounts)

d. The Company anticipates receiving Notices of Proposed Adjustments from the Internal Revenue Service relating to the examination of the Company's consolidated federal income tax returns for 1989, 1990, and 1991. The IRS has proposed to disallow the claimed amortization of certain intangible assets. Through December 1992, approximately \$89,000 in amortization of these assets has been deducted for tax purposes.

Management believes that its position is supportable and intends to vigorously oppose these adjustments. Additionally, several of the deductions in question are subject to the outcomes of pending litigation involving other companies. In the opinion of management, adequate provision has been made for all income taxes and interest which may arise as a result of the proposed adjustments. Management believes that the ultimate resolution of this matter will not have a material adverse effect on the financial position of the Company.

e. The Pennsylvania Public Utility Commission ("PPUC"), currently is investigating the appropriateness of Commonwealth Telephone Company's ("CTCo") transactions with affiliates, as well as analyzing the earnings of CTCo and other telephone companies in Pennsylvania. This investigation is ongoing and no determination has been made by the PPUC.

f. In November 1992, the Company committed to invest up to \$3,500 in Northeast Networks, Inc., ("NNI"), an alternative access telephone service provider in Westchester County, New York. In return for its investment, the Company will acquire an ownership interest and have majority representation on NNI's board of directors until the Company's original investment, plus a return thereon, has been recovered. At December 31, 1992, the Company had not made an investment in NNI but had outstanding advances to NNI of \$104.

g. During 1992, the Telephone Group entered into various software licensing agreements which will enable it to provide enhanced services to customers. Future obligations under these agreements are \$496, \$263, and \$792, for the years ended December 31, 1993, 1994 and 1995, respectively, and \$592 for each of the years ended December 31, 1996, 1997, and 1998.

13. Financial Information by Business Segment

The Company's operations are classified into five principal segments: Telephone, Cable Television, Communications Services, Mobile Services, and Long Distance. Intersegment sales are not significant and are eliminated in the segment information presented.

| 1992 | Telephone | Cable Television | Communications Services | Mobile Services | Long Distance | Parent & Other | Consolidated |
|--|-----------|------------------|-------------------------|-----------------|---------------|----------------|--------------|
| Sales | \$123,039 | \$ 85,299 | \$ 14,015 | \$ 18,687 | \$ 15,445 | \$ 79 | \$256,564 |
| Operating income (loss) before depreciation and amortization | 72,285 | 40,937 | (891) | 3,552 | (1,163) | (9,350) | 105,370 |
| Depreciation and amortization | 20,606 | 40,708 | 212 | 12,588 | 349 | 826 | 75,289 |
| Operating income (loss) | 51,679 | 229 | (1,103) | (9,036) | (1,512) | (10,176) | 30,081 |
| Interest income | | | | | | | 2,178 |
| Interest expense | | | | | | | 37,321 |
| Gain on sale of marketable equity securities | | | | | | | 6,074 |
| Other income, net | | | | | | | 291 |
| Income before income taxes | | | | | | | \$1,303 |
| Additions to property, plant, and equipment | \$ 28,190 | \$ 17,263 | \$ 123 | \$ 3,584 | \$ 195 | \$ 1,852 | \$ 51,207 |
| Identifiable assets | \$289,544 | \$209,190 | \$ 5,259 | \$ 63,372 | \$ 3,887 | \$15,114** | \$586,366 |
| 1991* | | | | | | | |
| Sales | \$119,310 | \$ 76,128 | \$ 14,325 | \$ 13,993 | \$ 9,062 | — | \$232,818 |
| Operating income (loss) before depreciation and amortization | 67,057 | 35,401 | (3,287) | 1,442 | (888) | (9,987) | 89,738 |
| Depreciation and amortization | 23,346 | 39,862 | 203 | 13,405 | 428 | 901 | 78,145 |
| Operating income (loss) | 43,711 | (4,461) | (3,490) | (11,963) | (1,316) | (10,888) | 11,593 |
| Interest income | | | | | | | 1,801 |
| Interest expense | | | | | | | 37,472 |
| Other income, net | | | | | | | 685 |
| Loss before income taxes | | | | | | | \$(23,393) |
| Additions to property, plant, and equipment | \$ 39,684 | \$ 11,159 | \$ 96 | \$ 3,963 | \$ 106 | \$ 42 | \$ 55,050 |
| Identifiable assets | \$271,899 | \$232,393 | \$ 7,516 | \$ 71,745 | \$ 1,926 | \$10,521** | \$596,000 |
| 1990* | | | | | | | |
| Sales | \$113,104 | \$ 63,925 | \$ 10,941 | \$ 10,753 | \$ 1,660 | — | \$200,383 |
| Operating income (loss) before depreciation and amortization | 63,621 | 28,056 | (3,351) | (550) | (742) | (6,649) | 80,385 |
| Depreciation and amortization | 21,941 | 36,878 | 133 | 2,248 | 47 | 1,212 | 62,459 |
| Operating income (loss) | 41,680 | (8,822) | (3,484) | (2,798) | (789) | (7,861) | 17,926 |
| Interest income | | | | | | | 1,321 |
| Interest expense | | | | | | | 31,889 |
| Other (expense), net | | | | | | | (1,242) |
| Loss before income taxes | | | | | | | \$(13,884) |
| Additions to property, plant, and equipment | \$ 40,618 | \$ 19,370 | \$ 565 | \$ 6,961 | \$ 23 | \$ 2,017 | \$ 69,554 |
| Identifiable assets | \$239,352 | \$263,551 | \$ 7,107 | \$ 63,949 | \$ 1,463 | \$ 3,108 | \$578,530 |

* Restated to exclude the effects of allocated general corporate expenses on operating income (loss) before depreciation and amortization and on operating income (loss). Amounts for 1990 also exclude the applicable segment information for a discontinued operation, including identifiable assets of \$1,899.

** Includes the net investment in Mercom, Inc. for \$4,674 and \$3,194 in 1992 and 1991, respectively.

Notes to Consolidated Financial Statements (Thousands of dollars, except per share amounts)

14. Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

a. Cash and temporary cash investments

The carrying amount approximates fair value because of the short maturity of these instruments.

b. Long-term investments

Long-term investments consist primarily of investments accounted for under the equity method for which disclosure of fair value is not required and Rural Telephone Bank ("RTB") Stock. It was not practicable to estimate the fair value of the RTB Stock because there is no quoted market price for the stock, it is issued only at par, can be held only by recipients of RTB loans and therefore, is transferable only if the underlying loan is also transferred.

c. Long-term debt

The fair value of fixed rate long-term debt was estimated based on the Company's current incremental borrowing rate for debt of the same remaining maturities. The fair value of floating rate long-term debt is considered to be equal to carrying value since the debt reprices at least every six months and the Company believes that its credit risk has not changed from the time the floating rate debt was borrowed and therefore, would obtain similar rates in the current market.

d. Interest rate swap

The Company's interest rate swap agreement effectively exchanges a portion of the Company's interest rate exposure from a fixed rate to a floating rate basis. The interest rate swap reprices on six-month intervals and the Company believes that its credit risk has not changed since the date of the agreement and therefore that the floating rate in effect at December 31, 1992 under the agreement is the same rate at which a similar agreement could have been entered into at that date. The carrying amount in the following table represents interest accrued on debt underlying the agreement at December 31, 1992 which is equal to its fair value.

The estimated fair value of the Company's financial instruments are as follows:

| | December 31, 1992 | |
|--|--------------------|---------------|
| | Carrying Amount | Fair Value |
| Financial assets: | | |
| Cash and temporary cash investments | \$ 58,837 | \$ 58,837 |
| Financial liabilities: | | |
| Fixed rate long-term debt: | | |
| REA, FFB and RTB obligations | \$137,064 | \$115,592 |
| Senior Secured Notes - 9.65% | \$150,000 | \$155,228 |
| Senior Secured Notes - 9.52% | \$100,000 | \$101,904 |
| Floating rate long-term debt: | | |
| Revolving Credit Agreement | \$ 36,000 | \$ 36,000 |
| Other | \$ 3,185 | \$ 3,185 |
| Unrecognized financial instruments: | | |
| Interest rate swap | \$ 636 | \$ 636 |

15. Off Balance Sheet Risk and Concentration of Credit Risk

The Company is a party to an interest rate contract used to manage the risk associated with changing interest rates as described in Note 7. The counterparty to this contract is a major international financial institution. The Company is exposed to economic losses in the event of nonperformance by this counterparty; however, it does not anticipate such nonperformance.

Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of trade receivables and cash and temporary cash investments.

The Company places its cash and temporary cash investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. The Company does, however, maintain unsecured cash and temporary cash investment balances in excess of federally insured limits.

Concentrations of credit risk with respect to receivables are limited due to a large, geographically dispersed customer base.

Notes to Consolidated Financial Statements (Thousands of dollars, except per share amounts)

16. Quarterly Information (Unaudited)

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|------------------|-------------------|------------------|-------------------|
| 1992 | | | | |
| Sales | \$ 60,349 | \$ 62,012 | \$ 65,064 | \$ 69,139 |
| Operating income | 5,138 | 6,647 | 7,958 | 10,338 |
| Net Income (Loss) | (3,408) | (2,256) | 2,117 | 1,486 |
| Net Income (Loss) Per Average Common Share | | | | |
| | \$ (.21) | \$ (.14) | \$.13 | \$.09 |
| Common Stock* | | | | |
| Market Price | | | | |
| High | \$ 16.25 | \$ 15.00 | \$ 14.00 | \$ 15.25 |
| Low | 14.50 | 10.75 | 9.75 | 10.00 |
| Class B Stock* | | | | |
| Bid Price | | | | |
| High | \$ 18.375 | \$ 16.50 | \$ 16.00 | \$ 16.25 |
| Low | 16.25 | 13.50 | 13.00 | 14.00 |
| 1991 | | | | |
| Sales | \$ 55,620 | \$ 55,200 | \$ 60,936 | \$ 61,062 |
| Operating income | 3,744 | 2,084 | 3,184 | 2,580 |
| Net Income (Loss) | 3,817 | (4,890) | (4,586) | (6,733) |
| Net Income (Loss) Per Average Common Share | | | | |
| | \$.23 | \$ (.29) | \$ (.29) | \$ (.40) |
| Common Stock* | | | | |
| Market Price | | | | |
| High | \$ 17.50 | \$ 17.50 | \$ 17.00 | \$ 16.75 |
| Low | 11.75 | 13.50 | 13.00 | 13.50 |
| Class B Stock* | | | | |
| Bid Price | | | | |
| High | \$ 19.375 | \$ 19.25 | \$ 18.25 | \$ 17.50 |
| Low | 15.00 | 16.00 | 16.75 | 14.25 |

* The Company's stock prices are quoted from the National Association of Securities Dealers, Inc. monthly statistical report.

- (1) Net income for the fourth quarter of 1992 was favorably impacted by \$1,759 associated with interstate toll revenue settlement adjustments. Included in this amount are \$273, \$290, \$257, and \$791 relating to the first, second and third quarters of 1992 and primarily the year 1991, respectively.
- (2) Net income from the third and fourth quarters of 1992 was favorably impacted by \$2,016 and \$1,993, respectively, for a gain, net of taxes, on the sale of marketable securities.
- (3) Net income for the first quarter of 1991 reflects a gain on the disposal of a business segment for \$8,001 or \$.49 per average common share. This amount was reduced in the third quarter by \$978 or \$.06 per average common share by Pennsylvania tax law changes. These changes included, among other negative factors, the elimination of prior net operating loss carryforwards.
- (4) The first and third quarters of 1991 reflect higher costs associated with stock appreciation rights (SARs). Accordingly, results were reduced by \$632 and \$426 or \$.04 and \$.03 per average common share, respectively. The net loss for the second quarter of 1991 reflects lower costs associated with SARs for \$442 or \$.03 per average common share.
- (5) Net loss for the third quarter of 1991 was favorably impacted by \$880 associated with interstate toll revenue settlement adjustments. Included in this amount are \$105, \$103, \$470, and \$170, relating to the first and second quarters of 1991 and the years 1990 and 1989, respectively.

Report of Management

The integrity and objectivity of the financial information presented in this annual report is the responsibility of the management of C-TEC Corporation.

The financial statements report on management's accountability for Company operations and assets. To this end, management maintains a system of internal controls and procedures designed to provide reasonable assurance that the Company's assets are protected and that all transactions are accounted for in conformity with generally accepted accounting principles. The system includes documented policies and guidelines, augmented by a comprehensive program of internal and independent audits conducted to monitor overall accuracy of financial information and compliance with established procedures.

Coopers & Lybrand, independent accountants, conduct a review of internal accounting controls to the extent required by generally accepted auditing standards and perform such tests and procedures as they deem necessary to arrive at an opinion on the fairness of the financial statements presented herein.

The Board of Directors meets its responsibility for the Company's financial statements through its Audit Committee which is comprised exclusively of directors who are not officers or employees of the Company. The Audit Committee recommends to the Board of Directors the independent auditors for election by the shareholders. The Committee also meets periodically with management and the independent and internal auditors to review accounting, auditing, internal accounting controls and financial reporting matters. As a matter of policy, the internal auditors and the independent auditors periodically meet alone with, and have access to, the Audit Committee.



James E. Bogdan
Vice President—
Chief Financial Officer

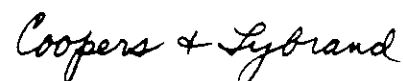
Report of Independent Accountants

To the Shareholders of C-TEC Corporation:

We have audited the accompanying consolidated balance sheets of C-TEC Corporation and Subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of operations, common shareholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of C-TEC Corporation and Subsidiaries as of December 31, 1992 and 1991, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1992 in conformity with generally accepted accounting principles.



2400 Eleven Penn Center
Philadelphia, Pennsylvania
February 26, 1993

BOARD OF DIRECTORS

Andrew J. Sordoni, III
Chairman

William B. Sordoni
Vice Chairman

Charles E. Parente
President and Chief Executive Officer

Clarence J. Fitze
Realtor, Tunkhannock, PA

Stuart E. Graham
Chairman, President and CEO
Sordoni/Skanska Construction Co., Parsippany, NJ

Frank M. Henry
President, Frank Martz Coach Company, Wilkes-Barre, PA

Donald G. Reinhard
President and CEO
Pencor Services, Inc., Palmerton, PA

Eugene Roth, Esq.
Attorney-at-Law
Rosenn, Jenkins & Greenwald, Wilkes-Barre, PA

COMMITTEES

EXECUTIVE COMMITTEE

Andrew J. Sordoni, III
Chairman

Charles E. Parente

William B. Sordoni

AUDIT COMMITTEE

Frank M. Henry
Chairman

Stuart E. Graham

Donald G. Reinhard

PENSION COMMITTEE

Clarence J. Fitze
Chairman

James E. Bogdan

John J. Menapace

Charles E. Parente

William B. Sordoni

COMPENSATION COMMITTEE

Eugene Roth, Esq.
Chairman

Clarence J. Fitze

Stuart E. Graham

CORPORATE OFFICERS

Andrew J. Sordoni, III
Chairman

William B. Sordoni
Vice Chairman

Charles E. Parente
President and Chief Executive Officer

Jack H. Thomas
Executive Vice President and Chief Operating Officer

James E. Bogdan
Vice President and Chief Financial Officer, Treasurer

Raymond B. Ostroski
Vice President and General Counsel, Corporate Secretary

John J. Menapace
Vice President and Chief Administrative Officer

John C. Balan
Executive Vice President, Communications Services

Marc C. Elgaway
Executive Vice President, Mobile Services

Michael J. Mahoney
Executive Vice President, C-TEC Cable Systems

Paul W. Mazza
Executive Vice President, Commonwealth Telephone Company

Donald P. Roskos
Executive Vice President, Commonwealth Long Distance



Wilkes-Barre, Pennsylvania

NJK

July 7, 1993

RECEIVED

JUL 8 1993

SECRETARY'S OFFICE
Public Utility Commission

John G. Alford, Secretary
PA Public Utility Commission
Room B-19, North Office Building
Harrisburg, PA 17120

Re: PA Public Utility Commission v. Commonwealth
Telephone Company, Docket No. I-00920020

Dear Secretary Alford:

As evidenced by the attached Certificate of Service, please be advised that CTCO's responses to the OCA's List of Outstanding Informal Discovery Requests, Nos. 1 through 7, have been served upon the parties in the above-captioned proceeding.

If you should have any questions regarding the above, please do not hesitate to contact the undersigned.

Sincerely,

TUCKER ARENSBERG, P.C.


NORMAN JAMES KENNARD

NJK/dmb
ctco/inv2/inform.dis

cc: All Parties of Record
W. Shaner

DOCUMENT
FOLDER

ORIGINAL

RECEIVED

JUL 8 1993

SECRETARY'S OFFICE
Public Utility Commission

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

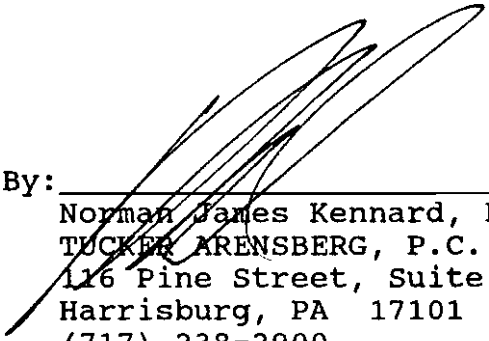
PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
v. : DOCKET NO. I-00920020
COMMONWEALTH TELEPHONE COMPANY :

CERTIFICATE OF SERVICE

I hereby certify that, on this 7th day of July, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

By: 
Norman James Kennard, Esquire
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

DOCKETED
JUL 28 1993
**DOCUMENT
FOLDER**

July 9, 1993

John G. Alford, Secretary
PA Public Utility Commission
Room B-19, North Office Building
Harrisburg, PA 17120

RLS

Re: PA Public Utility Commission v. Commonwealth
Telephone Company, Docket No. I-00920020

Dear Secretary Alford:

Please be advised that CTCO has served upon the parties, under this cover letter, its response to AT&T Interrogatory Set I-73, representing Data Request No. 7 as set forth in our correspondence dated July 8, 1993.

If you should have any questions regarding the above, please do not hesitate to contact the undersigned.

Sincerely,

TUCKER ARENSBERG, P.C.

Norman James Kennard
NORMAN JAMES KENNARD

NJK/dmb
ctco/inv2/filing4.ltr

cc: Hon. G. Kashi (w/o enclosure)
All Parties of Record
W. Shaner (w/o enclosure)

DOCUMENT
FOLDER

RECEIVED

JUL 12 1993

SECRETARY'S OFFICE
Public Utility Commission

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
v. : DOCKET NO. I-00920020
COMMONWEALTH TELEPHONE COMPANY :

CERTIFICATE OF SERVICE

I hereby certify that, on this 9th day of July, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

Kandace F. Melillo, Esquire*
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Philip F. McClelland, Esquire*
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

DOCUMENT
FOLDER
DOCKETED
JUL 30 1993

By: Norman James Kennard
Norman James Kennard, Esquire
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

* - Via Hand Delivery

RECEIVED
JUL 12 1993
SECRETARY'S OFFICE
Public Utility Commission

July 12, 1993

Philip E. McClelland
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

RLS

Re: PA PUC v. Commonwealth Telephone Company/Response to
James W. Currin's Informal Discovery, Request No. 13
Docket No. I-00920020

RECEIVED
JUL 13 1993

Dear Mr. McClelland:

Enclosed please find Commonwealth Telephone Company's ~~SECRETARYS OFFICE~~ ~~Public Utility Commission~~ to Informal Discovery Request No. 13 propounded during Mr. ~~Public Utility Commission~~ informal discovery meeting at Commonwealth Telephone. Please be advised that the Office of Consumer Advocate is the only party being provided with these responses at this time due to their voluminous nature. Other parties will be supplied this information upon request.

Should you have any questions regarding same, please feel free to contact me.

Sincerely,

TUCKER ARENSBERG, P.C.

James P. Melia
JAMES P. MELIA

JPM/dmb
ctco/inv2/mcclell.3

Enclosure

cc: All Parties of/Record
Secretary Alford (w/o enclosure)
W. Shaner (w/o enclosure)

DOCUMENT
FOLDER

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 :
 :
 v. : DOCKET NO. I-00920020
 :
 COMMONWEALTH TELEPHONE COMPANY :

CERTIFICATE OF SERVICE

I hereby certify that, on this 12th day of July, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

By: *James P. Melia*
James P. Melia, Esquire
BUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

DOCKETED
AUG 03 1993

**DOCUMENT
FOLDER**

COMMONWEALTH TELEPHONE COMPANY
PA PUC DOCKET NO. I-00920020

Responses to Requests Per James W. Currin
During Informal Discovery Meeting

13. From the "Integrated Network Plan", provide the introduction, narrative, and economic analysis.

ANSWER: A copy of the requested pages from the Company's "Integrated Network Plans" accompany this response.

PREPARED BY: Earl M. Robinson, President
AUS Consultants--Weber Fick & Wilson Division

July 14, 1993

RECEIVED

JUL 16 1993

SECRETARY'S OFFICE
Public Utility Commission

John G. Alford, Secretary
PA Public Utility Commission
Room B-19, North Office Building
Harrisburg, PA 17120

Re: PA Public Utility Commission v. Commonwealth
Telephone Company, Docket No. I-00920020

Dear Secretary Alford:

Please be advised that CTCO has served upon the parties, under this cover letter, its response to Data Request Nos. 1, 11 through 16, and 21 through 25 as set forth in our correspondence dated July 8, 1993.

If you should have any questions regarding the above, please do not hesitate to contact the undersigned.

Sincerely,

TUCKER ARENSBERG, P.C.

James P. Melia
JAMES P. MELIA

RES

JPM/dmb
ctco/inv2/filing6.ltr

cc: Hon. G. Kashi (w/o enclosure)
Secretary Alford (w/o enclosure)
All Parties of Record
W. Shaner (w/o enclosure)

DOCUMENT
FOLDER

COPY

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
v. : DOCKET NO. I-00920020
COMMONWEALTH TELEPHONE COMPANY :

CERTIFICATE OF SERVICE

I hereby certify that, on this 14th day of July, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Philip F. McClelland, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

DOCKETED
AUG 10 1993
DOCUMENT
FOLDER

By: James P. Melia
James P. Melia, Esquire
RUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

RLS

July 15, 1993

RECEIVED

JUL 16 1993

John G. Alford, Secretary
PA Public Utility Commission
Room B-19, North Office Building
Harrisburg, PA 17120

SECRETARY'S OFFICE
Public Utility Commission

Re: PA Public Utility Commission v. Commonwealth
Telephone Company, Docket No. I-00920020

Dear Secretary Alford:

As evidenced by the attached Certificate of Service, please be advised that CTCO has served upon the parties, under this cover letter, its response to Data Request Nos. 17 through 20 in the above-captioned matter.

If you should have any questions regarding the above, please do not hesitate to contact the undersigned.

Sincerely,

TUCKER ARENSBERG, P.C.

NORMAN JAMES KENNARD

NJK/dmb
ctco/inv2/filing7.ltr

cc: Hon. G. Kashi (w/o enclosure)
Secretary Alford (w/o enclosure)
All Parties of Record (w/ enclosure)
W. Shaner (w/o enclosure)

DOCUMENT
FOLDER

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED

JUL 16 1993

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

COMMONWEALTH TELEPHONE COMPANY

:
:
:
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:
:

SECRETARY'S OFFICE
Public Utility Commission

DOCKET NO. I-00920020

CERTIFICATE OF SERVICE

I hereby certify that, on this 15th day of July, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Philip F. McClelland, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

DOCKETED
AUG 10 1993

DOCUMENT
FOLDER

By: _____

Norman James Kennard, Esquire
TECKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

C O M M A L

RLS

July 16, 1993

RECEIVED

JUL 19 1993

John G. Alford, Secretary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

SECRETARY'S OFFICE
Public Utility Commission

**RE: PA PUC v. COMMONWEALTH TELEPHONE COMPANY
DOCKET NO. I-00920020**

Dear Secretary Alford:

On July 7, 1993, counsel for Commonwealth Telephone Company ("CTCO") filed a Petition for Reconsideration of a ruling of Administrative Law Judge Kashi relative to certain Office of Consumer Advocate ("OCA") discovery, specifically, Set VII, Nos. 11 and 12.

Please be advised that CTCO has reached an agreement with OCA regarding the information sought in this discovery. Consequently, CTCO requests that its Petition for Reconsideration be withdrawn.

Your consideration of this request is appreciated.

DOCKETED

AUG 11 1993

Sincerely,

TUCKER ARENSBERG, P.C.

James P. Melia
JAMES P. MELIA

JPM:th
ctco\alford.ltr

cc: All Parties of Record
Honorable George Kashi

DOCUMENT
FOLDER

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. :
Commonwealth Telephone Company :

I-00920020

RECEIVED
JUL 29 11 51 AM '93
M.P.U.C.
INFO. CONTROL DIV.

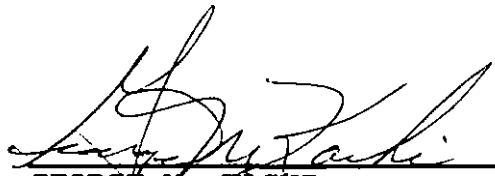
RLS

ORDER

AND NOW this *21st* day of July, 1993 upon consideration of Commonwealth Telephone Company's ("CTCO") letter petition to withdraw its Petition for Reconsideration of our Order compelling certain responses to discovery interrogatories, together with the Commission regulations at 52 Pa. Code §5.94 which govern the withdrawal of pleadings in a contested proceeding, the letter petition is hereby granted and the Secretary is directed to mark the Petition for Reconsideration withdrawn.

DOCKETED

AUG 12 1993



GEORGE M. KASHI
Administrative Law Judge

DOCUMENT
FOLDER

I-00920020 - Parties of Record

Scott Burnside, Vice Pres.
Regulatory & Public Affairs
Commonwealth Telephone Company
100 Lake Street
Dallas, PA 18612

Mark A. Keffer, Esq.
AT&T
Room 3A2
3201 Jermantown Road
Fairfax, Virginia 22030-2885

Kandace Melillo, Esq.
PA PUC - Office of Trial Staff
P.O. Box 3265
Harrisburg, PA 17120

Norman James Kennard, Esq.
Tucker Arensburg, PC
116 Pine Street
Harrisburg, PA 17120

Phillip McClelland, Esq.
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

cc: Chief ALJ/Lewis/Scheduler
Mr. Frazier - PIO
Mr. Cadden
Office of Trial Staff - 4
Law Bureau
Consumer Advocate
Small Business Advocate
Mr. Barrett
Mrs. Plantz
New Filing

July 19, 1993

John Alford, Secretary
PA PUBLIC UTILITY COMMISSION
P.O. Box 3265
Harrisburg, PA 17120

RLS

Re: Pennsylvania Public Utility Commission v. Commonwealth Telephone Company, Docket No. I-00920020

Dear Secretary Alford:

Enclosed please find the original and two (2) copies of the Interrogatories of Commonwealth Telephone Company to the Office of Consumer Advocate (Set I) for filing in the above-captioned matter. As evidenced by that attached Certificate of Service, all parties of record have been served a copy of this document.

Thank you for your attention to this matter.

Sincerely,

TUCKER ARENSBERG, P.C.

NORMAN JAMES KENNARD

NJK/dmb
ctco/inv2/oca-set1.int

Enclosure

cc: All Parties of Record
W. Shaner

RECEIVED

JUL 20 1993

SECRETARY'S OFFICE
Public Utility Commission

DOCUMENT
FOLDER

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
v. : DOCKET NO. I-00920020
COMMONWEALTH TELEPHONE COMPANY :

**INTERROGATORIES OF COMMONWEALTH
TELEPHONE COMPANY TO THE OFFICE OF
CONSUMER ADVOCATE (SET I)**

DOCUMENT
FOLDER

DOCKETED
AUG 11 1993

RECEIVED
JUL 27 1993
SECRETARY'S OFFICE
Public Utility Commission

NORMAN JAMES KENNARD, ESQUIRE
TUCKER ARENSBERG, P.C.
116 PINE STREET, SUITE 403
HARRISBURG, PA 17101
(717) 238-2900

DATED: JULY 19, 1993

ATTORNEYS FOR COMMONWEALTH
TELEPHONE COMPANY

I. DEFINITIONS

- A. Wherever appropriate in these Interrogatories, the singular form of a word shall include the plural.
- B. "And" as well as "or" shall be construed either disjunctively or conjunctively as necessary to bring within the scope of these Interrogatories any information which might otherwise be construed to be outside their scope.
- C. Wherever a masculine pronoun or possessive adjective appears, reference is made to both male and female persons, as appropriate.
- D. The words "document", "documents", "writing", and "writings" shall include, but are not limited to, any written, recorded, or graphic matter, however produced or reproduced, including the original and all non-identical copies (whether different from the original because of notes made on or attached to such copies, or otherwise, regardless of origin or location) of all letters, telegrams, memoranda, reports, photographs, photographic slides, forms, studies, calendar or diary entries, pamphlets, notes, charts, graphs, tapes, diagrams, maps, plans, tabulations, proposals, records of conferences and telephone or other communications, checks, check stubs, data processing materials or other written, recorded, electronic or mechanical forms of notations of events or intentions or any other written, recorded, electronically

or mechanically printed, produced or reproduced material whatsoever.

- E. The word "identify" when used with respect to an individual requires a statement as to the full name and present home and business addresses of such person, the present or last known position and business affiliation of such person, and his position and business affiliations at all times during the period covered herein.
- F. The word "identify" with respect to a document requires a statement as to the date and type of document, the identity of the person who prepared the document, the identity of the person over whose signature the document was written, the identity of the person to whom the document was sent, the present location of the document, together with a description of its contents. If any document or category of document requested to be identified was once in existence, but is no longer, specify for each document or category: (a) the date on which it ceased to exist; (b) the circumstances under which it ceased to exist; (c) the identity of all persons having knowledge of its contents; and (d) the information contained therein.
- G. The term "relating to" or "related thereto" shall mean: consisting of, referring to, reflecting or being in any

way logically or factually connected with the matter discussed.

- H. The term "Commission" shall mean the Pennsylvania Public Utility Commission.
- I. The term "OCA" and "Consumer Advocate" shall mean the Respondent and Respondent's employees and/or agents.
- J. The term "CTCO" or the "Company" shall mean Commonwealth Telephone Company, its employees, agents or other authorized representatives.

II. INSTRUCTIONS

The following instructions shall be considered applicable to these interrogatories:

- A. In answering the Interrogatories, Respondent is requested to furnish all information known or available to it, regardless of whether such information is directly in its possession or that of its agents, servants, employees, representatives, attorneys, and accountants, as well as their respective agents, employees or representatives over whom it exercises control.
- B. If any of these Interrogatories cannot be answered fully and completely, Respondent shall answer to the extent possible, specifying the reasons for its inability to answer the remainder and stating the substance of its knowledge, information or belief concerning the subject matter of the unanswered portion.
- C. Respondent is reminded that all answers must be made separately and fully, and that an incomplete or evasive answer is deemed to be a failure to answer.
- D. Respondent is under a continuing duty reasonably to supplement its responses.
- E. Answers are to be provided within fifteen (15) days of receipt of these Interrogatories.
- F. Objections are to be provided within five (5) days of service of these Interrogatories, pursuant to 52 Pa. Code Section 5.342(d).

III. INTERROGATORIES

1. Identify any and all dockets where Randy M. Allen has testified or presented testimony since 1989, including: the subject company, the agency before which he appeared, the docket number, and the party upon whose behalf Randy M. Allen testified. Provide copies of all direct testimony submitted by Randy M. Allen in any proceeding involving a local exchange carrier.
2. Identify any and all dockets where Thomas S. Catlin has testified or presented testimony since 1989, including: the subject company, the agency before which he appeared, the docket number, and the party upon whose behalf Thomas S. Catlin testified. Provide copies of all direct testimony submitted by Thomas S. Catlin in any proceeding involving a local exchange carrier.
3. Identify any and all dockets where J. Randall Woolrich has testified or presented testimony since 1989, including: the subject company, the agency before which he appeared, the docket number, and the party upon whose behalf J. Randall Woolrich testified. Provide copies of all direct testimony submitted by J. Randall Woolrich in any proceeding involving a local exchange carrier.
4. Identify any and all direct experience of Randy M. Allen involving the telephone industry generally and, specifically, local exchange carriers. Fully and completely describe any such experience.
5. Identify any and all direct experience of Thomas S. Catlin involving the telephone industry generally and, specifically, local exchange carriers. Fully and completely describe any such experience.
6. Identify any and all direct experience of J. Randall Woolrich involving the telephone industry generally and, specifically, local exchange carriers. Fully and completely describe any such experience.
7. Provide a copy of all proposals to consult and/or testify in this proceeding submitted to the OCA by "Exeter Associates, Inc.", "Snively, King & Associates, Inc.", J. Randall Woolrich and/or the "Columbia Group, Inc."
8. Please provide copies of all other proposals to consult and/or testify in this proceeding submitted to the OCA which were not provided in response to the immediately preceding interrogatory.

9. Provide any and all workpapers underlying the testimony and schedules of the OCA witnesses.
10. Identify the original source of each and every number, cost, or other figure appearing in the testimony and exhibits of Randy M. Allen to the extent not already done so by the witness.
11. Attached hereto are Tables I and II and a Memorandum from the Commission's Director of Operations dated July 25, 1986. Complete Tables I and II based upon the OCA's recommendations in this proceeding.
12. Reference OCA St. 2. Identify any and all reason(s) known to the witness which would or could prevent CTCO from becoming a "cost company".
13. Reference OCA St. 2. Assume for purposes in responding to this Interrogatory that CTCO were to become a "cost company". State whether the witness believed whether there would remain any basis for the witness's proposal to utilize "residual ratemaking". If the response is anything other than an unqualified negative, fully and completely identify each and every basis for continuing to use "residual ratemaking" procedures when a company has converted to separated cost procedures at the FCC.
14. Reference OCA St. 2. Fully and completely identify each and every reason or fact known to the witness which would mitigate or tend to mitigate against utilization of "residual ratemaking" in this proceeding.
15. Reference OCA St. 2, Page 7, Lines 8-10. State whether the witness believes that the jurisdictional separations cost study presented by CTCO in this proceeding is fully consistent with the FCC's Part 36 regulations. If the response is anything other than any unqualified negative, fully and completely identify each and every basis upon which the witness believes that the jurisdictional separations cost study presented by the Company is not consistent with Part 36.
16. Reference OCA St. 2, Page 6, Lines 7-11. Identify any other rationale known to the witness which supports the FCC's use of average schedules. Fully and completely explain such additional rationale, if any, and provide citations to FCC statements which support or tend to support the witness's response.
17. Reference OCA St. 2, Page 7, Lines 14-15. Identify each and every cost referenced by the witness in this passage of his testimony.

18. Reference OCA St. 2, Page 7, Lines 17-21. Identify each and every quarterly report which, in the witness's opinion, show interstate and total company rates of return in excess of those allowed by the FCC or this Commission. Identify the rates of return allowed by the FCC or this Commission. Identify the interstate and total company rates of return in each period which the witness claims are in excess. State whether such reports are based upon per book results or are adjusted for ratemaking purposes.
19. Reference OCA St. 2, Page 7, Lines 21-23. State whether the witness agrees with the Company that its intrastate rates do not recover costs allocated to the intrastate jurisdiction based upon cost Part 36 jurisdictional separations procedures. If the response is anything other than an unqualified negative, fully and completely identify each and every basis for the witness's disagreements.
20. Reference OCA St. 2, Page 9. Provide a full and complete copy of every state regulatory order, known to the witness, which addresses "residual ratemaking".
21. Reference OCA St. 2, Page 9. Provide a full and complete copy of each and every decision of this Commission, which endorses the use of "residual ratemaking".
22. Reference OCA St. 2, Page 9, Line 27. State whether the witness agrees that deregulated services should be excluded from "total Company revenue requirements" prior to inclusion in the "residual ratemaking" formula espoused by the witness. If the response is anything other than an unqualified negative, fully and completely identify each and every basis for the witness's response.
23. Reference OCA St. 2, Page 9, Line 31 through Page 10, Line 2. Fully and completely explain the rationale underlying the witness's proposal to utilize "the higher FCC allowed rate of return".
24. Reference Exhibit RMA-2, Schedule 1. Please exclude from the results set forth in the referenced exhibit the amount classified as "Average Schedule Adjustment" (Exhibit RMA-2, Schedule 2, Page 1) and restate the Exhibit RMA-2, Schedule 1, Pages 1 and 2 results.
25. Reference OCA St. 3, Exhibit RMA-3, Schedule 1. Given that the FCC has deregulated interstate Billing and Collection services, fully and completely state each and every basis, including legal, upon which the witness and

the OCA propose to include the revenues and expenses associated with this service into state ratemaking.

26. Reference OCA St. 3, Page 7, Lines 12-13. Identify each and every "Billing and Collection resource" utilized by CTCO to provide billing and collection services.
27. Reference OCA St. 3, Page 7, Lines 12-13. Identify each and every company or other entity known to the witness which is not a local exchange carrier, but possesses the "resources to provide these services".
28. Reference OCA St. 3, Page 7, Line 16. Fully and completely explain the "Intrastate system" referenced by the witness in testimony. Specifically, does this phrase refer to CTCO's operation as a local exchange carrier or the "Billing and Collection resources" previously referenced in the witness's testimony?
29. Reference OCA St. 3, Page 9, Lines 1-2. Identify each and every utility known to the witness that has an interest in an aircraft or is charged the costs associated with an aircraft operated by an affiliate.
30. Reference OCA St. 3, Page 9, Lines 2-3. Of those utilities identified in response to the immediately preceding Interrogatory, identify those where an adjustment was approved by the regulatory authority to remove the expense below the line. Fully and completely identify any other adjustment made by such regulatory authority.
31. Reference Exhibit RMA-3, Schedule 2. Fully and completely identify any costs associated with flights by C-TEC executives which should be properly charged back to CTCO.
32. Reference OCA St. 3, Page 10, Lines 1-2. Provide the workpapers associated with the calculation of a "45 percent markup".
33. Reference OCA St. 3, Page 10, Lines 8-10. Please identify the data which would be necessary, in the witness's opinion, to determine "the appropriate CCI margin".
34. Reference OCA St. 3, Page 10, Lines 7-8. Identify the cost to CTCO of completing "such projects utilizing qualified in-house staff". Provide any and all workpapers and describe any and all assumptions made in responding to this Interrogatory.

35. Reference OCA St. 3, Page 13, Lines 3-5. Identify each and every instance where, in the witness's opinion, C-TEC and CTCO have not "followed the approved allocation factor". In each such instance identified, provide a citation to the Commission's approval of a different factor.
36. Reference OCA St. 3, Page 13, Line 24 through Page 14, Line 1. Provide the workpaper which demonstrates the calculation of a 47.46% allocation factor, including the calculation of the "relationship between the budgeted and actual factor in 1992".
37. Reference OCA St. 3, Page 16, Lines 6-8. State whether it is the witness's position that wage increases for non-bargaining employees is known, but not measurable. If the response is anything other than an unqualified affirmative, fully and completely explain each and every basis for the witness's response.
38. Reference OCA St. 3, Page 17, Lines 24-25. Identify each and every utility referenced by the witness and identify the rate of inflation and the rate of expense increases for each such utility.
39. Reference OCA St. 3, Page 17, Line 25 through Page 18, Line 1. Provide any and all support known to the witness for the position taken that ongoing productivity and efficiency improvements are more particularly realized by telephone utilities.
40. Reference OCA St. 3, Page 18, Lines 1-2. Identify each and every method known by the witness which can be used to calculate a "productivity offset". Of those methods listed, please state the witness's position as to the strength and weaknesses of each.
41. Reference OCA St. 3, Page 18, Lines 8-10. Identify, to the extent which the witness is aware, the inflation factor utilized by CTCO in developing its budget.
42. Reference OCA St. 3, Page 18, Lines 12-21. Please identify each and every event, known to the witness, which affected the change(s) in expenses for the four categories identified, which change(s) will not be ongoing.
43. Reference OCA St. 3, Page 22, Lines 12-13. Fully and completely identify each and every basis for the witness's use of a five year normalization period.

44. Reference OCA St. 3, Page 25, Lines 4-5. Fully and completely identify each and every basis upon which the witness supports a five year "recovery period" for state accumulated deferred income taxes.
45. Reference OCA St. 3, Page 25, Lines 1-6 and Exhibit RMA-1, Schedule 3 and Exhibit RMA-2, Schedule 3. Given that the witness proposes to "restore" to ratepayers, the state accumulated deferred income taxes, state whether, in the witness's opinion, it would also be reasonable to reduce the amount of rate base deduction. Fully and completely explain your response.
46. Reference OCA St. 3, Page 27, Lines 7-8. Identify each and every basis utilized by the witness to claim that 1991 provides "a reasonable approximation of a representative annual level of consolidated tax savings." Identify each and every event subsequent to 1991, actual or projected, which would render 1991 results not representative.
47. Reference OCA St. 3, Page 28, Lines 8-9. Identify the cost of capital to ratepayers. Identify any and all assumptions and provide the workpapers related to this calculation.
48. Reference OCA St. 3, Page 28, Lines 24-25. Fully and completely explain "the used and useful principal of public utility regulation" as understood by the witness.
49. Reference OCA St. 3, Page 29, Lines 12-15. State whether the witness is of the opinion that CTCO has prematurely or unnecessarily invested in utility plant. If the response is anything other than an unqualified negative, fully and completely identify each and every project and the basis for the witness's opinion that such investment was premature or unnecessary.
50. Reference OCA St. 3, Page 30, Lines 9-10. The reference to the Interrogatory set and question number were not included in the materials served upon CTCO. Please provide the appropriate reference.
51. Reference OCA St. 3, Page 30, Lines 7-16. Please identify those facilities currently held by CTCO in its property held for future use account.
52. Reference OCA St. 3, Page 31, Lines 4-5. Provide any and all support which exists for the witness's statement that 100% of customer deposits are collected under the jurisdiction of the PA PUC.

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 :
v. : DOCKET NO. I-00920020
 :
COMMONWEALTH TELEPHONE COMPANY :

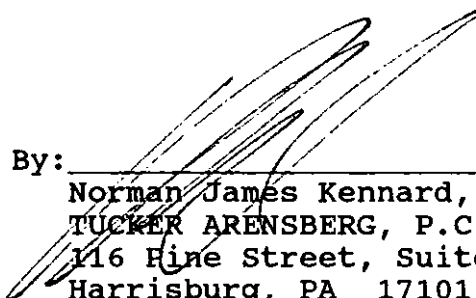
CERTIFICATE OF SERVICE

I hereby certify that, on this 19th day of July, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Philip F. McClelland, Esquire*
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

By: 
Norman James Kennard, Esquire
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

* - VIA FACSIMILE AND U.S. FIRST CLASS MAIL

July 20, 1993

RECEIVED

JUL 21 1993

SECRETARY'S OFFICE
Public Utility Commission

VIA FACSIMILE AND U.S. FIRST CLASS MAIL

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

Re: Pennsylvania Public Utility Commission v. Commonwealth Telephone Company, Docket No. I-00920020

Dear Mr. Keffer:

Enclosed please find the original and two (2) copies of the Interrogatories of Commonwealth Telephone Company to AT&T Telecommunications Co., Inc. (Set I) for filing in the above-captioned matter. As evidenced by that attached Certificate of Service, all parties of record have been served a copy of this document.

Sincerely,

TUCKER ARENSBERG, P.C.

Norman James Kennard

NORMAN JAMES KENNARD

ELS

NJK/dmb
ctco/inv2/att-set1.int

Enclosure

cc: Secretary Alford (w/o enclosure)
All Parties of Record
W. Shaner

DOCUMENT
FOLDER

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
v. : DOCKET NO. I-00920020
COMMONWEALTH TELEPHONE COMPANY :

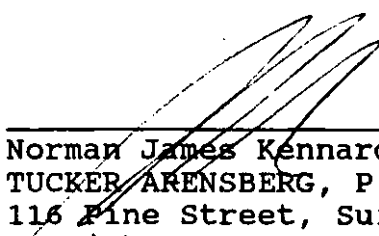
CERTIFICATE OF SERVICE

I hereby certify that, on this 20th day of July, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

Kandace F. Melillo, Esquire^{*}
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Philip F. McClelland, Esquire^{*}
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Mark Keffer, Esquire^{**}
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

By: 
Norman James Kennard, Esquire
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

* - VIA HAND DELIVERY

** - VIA FACSIMILE AND U.S. FIRST CLASS MAIL

DOCKETED
AUG 13 1993

DOCUMENT
FOLDER

July 20, 1993

VIA HAND DELIVERY

John Alford, Secretary
PA PUBLIC UTILITY COMMISSION
P.O. Box 3265
Harrisburg, PA 17120

RECEIVED
JUL 21 1993
SECRETARY'S OFFICE
Public Utility Commission

Re: Pennsylvania Public Utility Commission v. Commonwealth Telephone Company, Docket No. I-00920020

Dear Secretary Alford:

Enclosed please find the original and two (2) copies of the Interrogatories of Commonwealth Telephone Company to the Office of Consumer Advocate (Set II) for filing in the above-captioned matter. As evidenced by that attached Certificate of Service, all parties of record have been served a copy of this document.

Thank you for your attention to this matter.

Sincerely,

TUCKER ARENSBERG, P.C.

NORMAN JAMES KENNARD

BLS

NJK/dmb
ctco/inv2/oca-act2.int

Enclosure

cc: All Parties of Record
W. Shaner

DOCUMENT
FOLDER

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

COMMONWEALTH TELEPHONE COMPANY

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DOCKET NO. I-00920020

JUL 21 1993
SECRETARY'S OFFICE
Public Utility Commission

INTERROGATORIES OF COMMONWEALTH
TELEPHONE COMPANY TO THE OFFICE OF
CONSUMER ADVOCATE (SET II)

DOCUMENT
FOLDER

DOCKETED
AUG 17 1993

NORMAN JAMES KENNARD, ESQUIRE
TUCKER ARENSBERG, P.C.
116 PINE STREET, SUITE 403
HARRISBURG, PA 17101
(717) 238-2900

DATED: JULY 20, 1993

ATTORNEYS FOR COMMONWEALTH
TELEPHONE COMPANY

I. DEFINITIONS

- A. Wherever appropriate in these Interrogatories, the singular form of a word shall include the plural.
- B. "And" as well as "or" shall be construed either disjunctively or conjunctively as necessary to bring within the scope of these Interrogatories any information which might otherwise be construed to be outside their scope.
- C. Wherever a masculine pronoun or possessive adjective appears, reference is made to both male and female persons, as appropriate.
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or mechanically printed, produced or reproduced material whatsoever.

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- F. The word "identify" with respect to a document requires a statement as to the date and type of document, the identity of the person who prepared the document, the identity of the person over whose signature the document was written, the identity of the person to whom the document was sent, the present location of the document, together with a description of its contents. If any document or category of document requested to be identified was once in existence, but is no longer, specify for each document or category: (a) the date on which it ceased to exist; (b) the circumstances under which it ceased to exist; (c) the identity of all persons having knowledge of its contents; and (d) the information contained therein.
- G. The term "relating to" or "related thereto" shall mean: consisting of, referring to, reflecting or being in any

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- H. The term "Commission" shall mean the Pennsylvania Public Utility Commission.
- I. The term "OCA" and "Consumer Advocate" shall mean the Respondent and Respondent's employees and/or agents.
- J. The term "CTCO" or the "Company" shall mean Commonwealth Telephone Company, its employees, agents or other authorized representatives.

II. INSTRUCTIONS

The following instructions shall be considered applicable to these interrogatories:

- A. In answering the Interrogatories, Respondent is requested to furnish all information known or available to it, regardless of whether such information is directly in its possession or that of its agents, servants, employees, representatives, attorneys, and accountants, as well as their respective agents, employees or representatives over whom it exercises control.
- B. If any of these Interrogatories cannot be answered fully and completely, Respondent shall answer to the extent possible, specifying the reasons for its inability to answer the remainder and stating the substance of its knowledge, information or belief concerning the subject matter of the unanswered portion.
- C. Respondent is reminded that all answers must be made separately and fully, and that an incomplete or evasive answer is deemed to be a failure to answer.
- D. Respondent is under a continuing duty reasonably to supplement its responses.
- E. Answers are to be provided within fifteen (15) days of receipt of these Interrogatories.
- F. Objections are to be provided within five (5) days of service of these Interrogatories, pursuant to 52 Pa. Code Section 5.342(d).

III. INTERROGATORIES

1. Reference OCA St. 3, Exhs. RMA-1 and RMA-2. Please provide all workpapers which support the 3.06% for other operating taxes.
2. It does not appear in the OCA's testimony presented, the issue of rate design is not addressed. Fully and completely explain whether the OCA intends to address restructure at some future date. If so, fully and completely describe the manner in which the OCA will propose to implement its proposed revenue reduction.
3. Reference OCA St. 3, Exh. RMA-1, Schedule 1. Provide all workpapers which support the revenue multiplier of 1.79609.
4. Reference OCA St. 3, Exh. RMA-2, Schedule 5. Provide all workpapers which support the revenue conversion factor of 1.7267.
5. Reference OCA St. 4, Page 2, Lines 24-25. With respect to the 16 depreciation rate negotiations:
 - (a) Identify the specific C&P company involved and the docket number;
 - (b) Provide copies of that portion of the filings made by the companies in each proceeding, sufficient to identify the depreciation rates requested by the company;
 - (c) Provide a copy of the outcome sufficient to identify the depreciation rates by account.
6. Reference OCA St. 4, Page 2, Lines 5-9. Please provide a full and complete copy of all the testimonies filed by the witness in the referenced proceedings.
7. Reference OCA St. 4, Page 18, Lines 5-20. State whether the witness agrees, in his professional judgement, with amortization of the most recent five year net salvage or believes that use of prospective salvage is more appropriate. Fully and completely explain the response provided. Further, compare and contrast the risks/benefits of these two methodologies.
8. Reference OCA St. 4, Page 3, Lines 3-5. Provide a copy of "Capital Recovery Historic Analysis" as identified.
9. Reference OCA St. 4, Page 4, Lines 36-40. Provide a full and complete explanation of statement contained at the

reference. Provide copies of all workpapers related thereto.

10. Reference OCA St. 4, Exh. 5, Page 6. Provide basis of statement on Account 212400, "The investment in DMS-100S switches will be providing service until at least 2015-2020."
11. Reference OCA St. 4. Please confirm that the witness's recommended composite depreciation rate is 4.3. If the response is anything other than an unqualified affirmative, fully and completely explain your answer and provide all supporting workpapers.

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
v. : DOCKET NO. I-00920020
COMMONWEALTH TELEPHONE COMPANY :

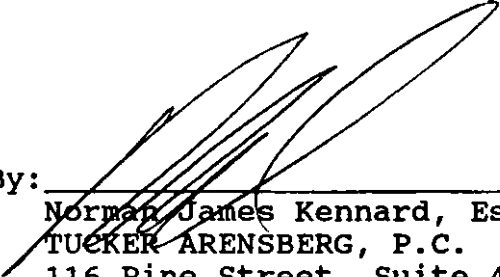
CERTIFICATE OF SERVICE

I hereby certify that, on this 20th day of July, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

Kandace F. Melillo, Esquire*
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Philip F. McClelland, Esquire*
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

By: 
Norman James Kennard, Esquire
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

* - VIA HAND DELIVERY

July 22, 1993

John G. Alford, Secretary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

RLS

RECEIVED
23 JUL 22 PM 2:30
A.P.M.C.
INFO. CONTROL DIV.

**RE: PENNSYLVANIA PUBLIC UTILITY COMMISSION v. COMMONWEALTH
TELEPHONE COMPANY - DOCKET NO. 1-00920020**

Dear Secretary Alford:

Enclosed are an original and two (2) copies of the Interrogatories of Commonwealth Telephone Company to the Office of Consumer Advocate (Set III) for filing in the above-captioned matter. As evidenced by the attached Certificate of Service, all parties of record have been served a copy of this document.

Thank you for your attention to this matter.

Sincerely,

TUCKER ARENSBERG, P.C.

James P. Melia
JAMES P. MELIA

DOCUMENT
FOLDER

JPM:th
ctco\setiii.dia
ENCLOSURES

cc: All Parties of Record
W. Shaner

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION,

v.

COMMONWEALTH TELEPHONE
COMPANY

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Docket No. I-00920020

**INTERROGATORIES OF COMMONWEALTH
TELEPHONE COMPANY TO THE OFFICE OF
CONSUMER ADVOCATE (SET III)**

174.1.0.0.
INFO. CONTROL DIV.

67 JUN 29 PM 2:35

RECORDED

209122

AUG16 1993

DOCUMENT
FOLDER

JAMES P. MELIA, ESQUIRE
TUCKER ARENSBERG, P.C.
116 PINE STREET, SUITE 403
HARRISBURG, PA 17101
(717) 238-2900

DATED: JULY 22, 1993

ATTORNEYS FOR COMMONWEALTH
TELEPHONE COMPANY

I. DEFINITIONS

- A. Wherever appropriate in these Interrogatories, the singular form of a word shall include the plural.
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- D. The words "document", "documents", "writing", and "writings" shall include, but are not limited to, any written, recorded, or graphic matter, however produced or reproduced, including the original and all non-identical copies (whether different from the original because of notes made on or attached to such copies, or otherwise, regardless of origin or location) of all letters, telegrams, memoranda, reports, photographs, photographic slides, forms, studies, calendar or diary entries, pamphlets, notes, charts, graphs, tapes, diagrams, maps, plans, tabulations, proposals, records of conferences and telephone or other communications, checks, check stubs, data processing materials or other written, recorded, electronic or mechanical forms of notations of events or intentions or any other written, recorded, electronically

or mechanically printed, produced or reproduced material whatsoever.

- E. The word "identify" when used with respect to an individual requires a statement as to the full name and present home and business addresses of such person, the present or last known position and business affiliation of such person, and his position and business affiliations at all times during the period covered herein.
- F. The word "identify" with respect to a document requires a statement as to the date and type of document, the identity of the person who prepared the document, the identity of the person over whose signature the document was written, the identity of the person to whom the document was sent, the present location of the document, together with a description of its contents. If any document or category of document requested to be identified was once in existence, but is no longer, specify for each document or category: (a) the date on which it ceased to exist; (b) the circumstances under which it ceased to exist; (c) the identity of all persons having knowledge of its contents; and (d) the information contained therein.
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discussed.

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- I. The term "OCA" and "Consumer Advocate" shall mean the Respondent and Respondent's employees and/or agents.
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- B. If any of these Interrogatories cannot be answered fully and completely, Respondent shall answer to the extent possible, specifying the reasons for its inability to answer the remainder and stating the substance of its knowledge, information or belief concerning the subject matter of the unanswered portion.
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- D. Respondent is under a continuing duty reasonably to supplement its responses.
- E. Answers are to be provided within fifteen (15) days of receipt of these Interrogatories.
- F. Objections are to be provided within five (5) days of service of these Interrogatories, pursuant to 52 Pa. Code Section 5.342(d).

III. INTERROGATORIES

1. Reference OCA St. 4, Page 3, Lines 3-5. Please provide copies of Mr. Currin's "Capital Recovery Historical Analysis".
2. Reference OCA St. 4, Page 9, Lines 25-26. Please provide identification by account where estimated 1994 additions were included by the Company with the depreciation calculations.
3. Reference OCA St. 4, Page 10, Lines 11-13. Fully and completely identify, by subject utility and docket number, "other Commission's approval of the ELG depreciation method" as restricted to new additions on a going-forward basis.
4. Reference OCA St. 4, Page 11, Lines 23-25. Please provide the basis of the statement that the (Company) "has never once informed the Commission".
5. Reference OCA St. 4, Page 11, Lines 25-26. Fully and completely define what is meant by the statement "inflated depreciation expense that was given this Commission as part of the regulatory review process".
6. Reference OCA St. 4, Page 12, Lines 2-3. Fully and completely explain on what basis the witness believes the Company changed its depreciation rates without informing the Commission.
7. Reference OCA St. 4, Page 12, Lines 6-9. Fully and completely explain the basis for the witness's statement that no adjustments to reserve should be allowed since the depreciation expense included in the reserve was also used by the Company to support its Rate of Return in the Surveillance Reports provided to the Commission. Further, identify, by specific report and report date, which Surveillance Reports the witness is referring to.
8. Reference OCA St. 4, Page 12, Lines 16-17. Please provide the basis of the statement that the Company has not attempted to demonstrate that the depreciation rates they booked were not recovered through service rates.
9. Reference OCA St. 4, Page 17, Lines 18-21. Please provide the reference to FCC Part 32 regulations governing affiliate transactions which mandate that the difference in sale price and net book value must be added to the depreciation reserve. Please provide a copy of this reference.

10. Reference OCA St. 4, Page 18, Lines 5-20. Does the witness agree with the Pennsylvania Commission's policy for amortizing the most recent five-year net salvage? If not, explain why not.
11. Reference OCA St. 4, Page 18, Lines 11-13. Please provide an explanation of how salvage is accounted for in depreciation rates for typical jurisdictions, excluding Pennsylvania. For example, how is salvage incorporated in C&P Bell Atlantic (Maryland, District of Columbia, Virginia, and West Virginia)? How is salvage incorporated in depreciation rates for Bell of Pennsylvania?
12. Reference OCA Exhibit 5, Page 2. Fully and completely provide a reference by caption and docket number of the FCC ruling mandating that prospective investment was not to be included when calculating remaining life for the investment at a given point in time. Please provide a copy of this FCC ruling.
13. Reference OCA Exhibit 5, Page 2, Account 211200-MOTOR VEHICLES. With reference to OCA's proposal for this account, is OCA's proposal driven more by inclusion of older motor vehicles alleged to have been excluded by the Company or by the longer lives of vehicles costing \$90-\$100,000. Please define the relative impacts of each factor, if such exists, on OCA's recommendation for this account.
14. Reference OCA Exhibit 5, Page 4, Account 212199-BUILDINGS. Please provide the regulatory basis for OCA's proposed exclusion of the Lake Street Building retirement in its depreciation calculation for this account. Does OCA witness Currin recommend similar exclusions of all buildings when premature retirement occurs because of such reasons as a sale and lease-back?
15. Reference OCA Exhibit 5, Page 14, Account 242151-AERIAL CABLE-METALLIC. Please provide a copy of the FCC Fiber Deployment Report which indicates that current fiber cable installation and associated electronics cost about \$75,000 per mile on average.
16. Reference OCA Exhibit 5, Page 15, Account 242151-AERIAL CABLE-METALLIC. Please provide a copy of the report of the Technology Forecasting Subcommittee evaluating the forecast model utilized by Technology Future. The report which is sought should be that which supports or underlies the witness's statements on Exhibit 5, Page 15, relative to his criticism of the Technology Future study.

17. Please provide work papers or reports in support of all revised average remaining life depreciation calculations.
18. Please provide life analysis work papers in support of revised depreciation service lives.

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION, :
 :
v. : Docket No. I-00920020
 :
COMMONWEALTH TELEPHONE :
COMPANY :


CERTIFICATE OF SERVICE

I hereby certify that, on this 22nd day of July, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Phillip F. McClelland, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

By: 
JAMES P. MELIA, ESQUIRE
NORMAN JAMES KENNARD, ESQUIRE
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

July 22, 1993

John G. Alford, Secretary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

RECEIVED
93 JUL 22 PM 3:52
PA. P. U. C.
INFO. CONTROL DIV.

**RE: PENNSYLVANIA PUBLIC UTILITY COMMISSION v. COMMONWEALTH
TELEPHONE COMPANY - DOCKET NO. I-00920020**

Dear Secretary Alford:

Enclosed are an original and two (2) copies of the Interrogatories of Commonwealth Telephone Company to the Office of Trial Staff (Set I) for filing in the above-captioned matter. As evidenced by the attached Certificate of Service, all parties of record have been served a copy of this document.

Thank you for your attention to this matter.

Sincerely,

TUCKER ARENSBERG, P.C.

James P. Melia
JAMES P. MELIA

ELS

JPM:tlh
ctco\seti.ots
ENCLOSURES

cc: All Parties of Record
W. Shaner

DOCUMENT
FOLDER

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION,

v.

COMMONWEALTH TELEPHONE
COMPANY

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Docket No. I-00920020

RECEIVED
JUL 22 1993 11:35:52
JAMES P. MELIA, ESQUIRE
TUCKER ARENSBERG, P.C.
REG. CONTROL DIV.

**INTERROGATORIES OF COMMONWEALTH
TELEPHONE COMPANY TO THE OFFICE OF
TRIAL STAFF (SET I)**

DOCKETED
AUG 16 1993

DOC. UNIT
FOLDER

JAMES P. MELIA, ESQUIRE
TUCKER ARENSBERG, P.C.
116 PINE STREET, SUITE 403
HARRISBURG, PA 17101
(717) 238-2900

DATED: JULY 22, 1993

ATTORNEYS FOR COMMONWEALTH
TELEPHONE COMPANY

I. DEFINITIONS

- A. Wherever appropriate in these Interrogatories, the singular form of a word shall include the plural.
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III. INTERROGATORIES

DEPRECIATION

1. Reference OTS. St. 5, Page 1, Lines 22-28 and Page 2, Lines 1-2. Please supply any and all authority for the witness's position that inclusion of an adjustment to accrued depreciation for inclusion of an unrecovered net negative salvage balance from the Company's five-year amortization of net salvage is wrong. Provide a listing of any Commission precedent on this issue by utility and docket number.
2. Please provide a copy of all work papers utilized by witness Gruber in preparation of his testimony and exhibits.

RATE OF RETURN

3. Reference OTS St. 1, Page 5, Lines 9-13. Please provide written documentation that it is "The Commission's policy to utilize (sic) a subsidiary utility's capital structure when it raises its own fixed capital, as long as that capital structure is not too heavily weighted in expensive common equity capital." If Commission orders constitute the documentation, please provide copies of same.
4. Please define financial risk and fully discuss, with appropriate academic and empirical support, the inter-relationship of financial risk and the cost of common equity and the cost of long-term debt.
5. Reference OTS St. 1, Page 6, Lines 1-4. In the witness's opinion, what level of common equity for a telephone utility would need to exist to constitute "heavily weighted in expensive common equity", thus necessitating use of a hypothetical capital structure?
6. Reference OTS St. 1, Page 6, Lines 6-7. Please quantify the savings which accrues to ratepayers due to CTCO's capital structure, providing all empirical support and showing all calculations.
7. Reference OTS St. 1, Page 6, Lines 7-8. Please provide all empirical and academic support that the hypothetical capital structure proposed by Mr. Hanley is heavily weighted by common equity vis-a-vis other operating telephone companies.

8. Reference OTS St. 1, Page 6, Lines 14-15. Please provide empirical and quantitative support for the statement: "Commonwealth's low debt cost rate helped to minimize its financial risk." Include in your response all academic support that demonstrates that financial risk is affected by debt cost rates.
9. Reference OTS St. 1, Page 6, Lines 18-21. Please provide all empirical and academic support that Mr. O'Donnell's recommended common equity cost rate of 11.0%, the high end of his common equity return rate range, provides sufficient compensation to shareholders for CTCO's highly leveraged capital structure.
10. Reference OTS St. 1, Page 8, Lines 1-8. Please provide the source data used to compile the telephone revenue percentages. Please show how the telephone revenue percentages were derived for each company.
11. Reference OTS St. 1, Page 8, Line 22, through Page 9, Line 5. Please provide all empirical and academic support that (a) investors would not expect the dividend yields and growth shown in the table on Page 8, Lines 22-30 for a regulated utility and (b) that the expected earnings from the unregulated operations of the five telephone companies shown in the table on Page 8 "Have a significant influence on the dividend yields and growth rates for most of the companies in this group." (OTS St. 1, Page 9, Lines 2-4.)
12. Reference OTS St. 1, Page 9, Lines 14-23. Please provide the source data used to compile the telephone revenue percentages. Please show how the telephone revenue percentages were derived for each company.
13. Reference OTS St. 1, Page 10, Lines 18-21. Please provide all academic and empirical support for the statement that: "The current dividend yields and forecasted dividend growth rates for the RHCs listed above clearly are more representative of what would be expected for a regulated utility."
14. Reference OTS St. 1, Page 11, Lines 1-3. Please provide all empirical and academic support that investors hold utility stocks "Chiefly..for the receipt of dividends."
15. Reference OTS St. 1, Page 11, Lines 3-6. Please provide all academic and empirical support for the statement that: "It is reasonable to expect a rate of return on

common equity for public utilities to track the trend of yields on long-term bonds since bonds are alternative income paying instruments."

16. Reference OTS St. 1, Page 13, Lines 14-17. Please provide all empirical and academic support for the assertion that the numerator of the dividend yield is the result of dividend policies that set dividend rates to reflect management's best judgment regarding expectations of long-run earnings growth potential.
17. Please provide any and all work papers relied upon by the witness in preparation of his testimony and exhibits.
18. Reference OTS St. 1, Page 14, Lines 3-13. Please provide references to and copies of any and all empirical studies performed by the witness which support his conclusion that any common equity return rate estimation method other than the DCF methodology is flawed.
19. Reference OTS St. 1, Page 14, Lines 3-13. Please provide references to and copies of any and all scholarly articles or treatises of which the witness is aware which support the witness's assertion that utilization of any method other than DCF for common equity return estimates is flawed.

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION,

v.

COMMONWEALTH TELEPHONE
COMPANY

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Docket No. I-00920020


CERTIFICATE OF SERVICE

I hereby certify that, on this 22nd day of July, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Phillip F. McClelland, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

By: 
JAMES P. MELIA, ESQUIRE
NORMAN JAMES KENNARD, ESQUIRE
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

7/23/93
JPM

July 23, 1993

John G. Alford, Secretary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

RECEIVED
03 JUL 23 PM 3:59
PA. P.U.C.
INFO. CONTR'L DIV.

**RE: PENNSYLVANIA PUBLIC UTILITY COMMISSION v. COMMONWEALTH
TELEPHONE COMPANY - DOCKET NO. I-00920020**

Dear Secretary Alford:

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Thank you for your attention to this matter.

Sincerely,

TUCKER ARENSBERG, P.C.

James P. Melia
JAMES P. MELIA

JPM:tlh
cto\seli.ots
ENCLOSURES

cc: All Parties of Record
W. Shaner

DOCUMENT
FOLDER

ORIGINAL

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION,

v.

COMMONWEALTH TELEPHONE
COMPANY

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Docket No. I-00920020

RECEIVED
JUL 23 1993
INFO. OFF. P.U.C. DIV.

***INTERROGATORIES OF COMMONWEALTH
TELEPHONE COMPANY TO THE OFFICE OF
CONSUMER ADVOCATE (SET IV)***

RECEIVED
AUG 17 1993

DOCUMENT
FOLDER

JAMES P. MELIA, ESQUIRE
TUCKER ARENSBERG, P.C.
116 PINE STREET, SUITE 403
HARRISBURG, PA 17101
(717)238-2900

DATED: JULY 23, 1993

ATTORNEYS FOR COMMONWEALTH
TELEPHONE COMPANY

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III. INTERROGATORIES

1. Reference OCA St. 1, Page 7, Line 14 through Page 8, Line 1. Please provide all empirical evidence and academic support for the conclusion that the business risk currently facing public utilities is less than that which they faced in the early 1980s.
2. Reference OCA St. 1, Page 9, Line 3. Please define the expected return on common stock.
3. Reference OCA St. 1, Page 9, Line 3. Please define the required rate of return on common stock.
4. Reference OCA St. 1, Page 9, Line 13 through Page 10, Line 18. Please provide all empirical and academic support for the inference that a firm's market/book ratio is a function solely of the firm's return on equity.
5. Reference OCA St. 1, Page 11, Lines 8-16 and Schedule JRW-7. Please provide the definition of the business risk and financial risk indices discussed on Page 11 and shown on Schedule JRW-7. Also, please provide the calculations and all work papers used to derive these indices, including the names of the firms which make up each of the 53 industries.
6. Reference OCA St. 1, Exhibit Schedule JRW-7. Please provide all academic and empirical support for the validity of the risk indices shown on Schedule JRW-7.
7. Reference OCA St. 1, Page 13, Lines 5-6. Please provide all academic and empirical support that the "Riskiness of the expected cash flows" are reflected in the discount rate derived in a DCF methodology.
8. Reference OCA St. 1, Page 14, Lines 12-14. Please provide a copy of the entire chapter containing the referenced pp. 481-82 from William F. Sharpe's and Gordon J. Alexander's Investments - Prentice-Hall, 1990.
9. Reference OCA St. 1, Page 14, Lines 17 through Page 15, Line 1. Please provide all academic and empirical support that public utilities, specifically the barometer group of seven independent telephone companies and the barometer group of seven regional telephone holding companies, that these two groups are in the steady state stage of a three-stage dividend discount model.

10. Reference OCA St. 1, Page 16, Line 1. Please provide a copy of the direct testimony of Myron J. Gordon and Lawrence I. Gold before the FCC at FCC Docket No. 79-05, in the matter of AT&T Petition for Modification of Prescribed Rate of Return, April 1980.
11. Reference OCA St. 1, Page 18, Line 19 through Page 19, Line 16. Do investors use moving averages in calculating the growth component to be used in a DCF calculation? If yes, please fully explain in which manner and provide documentation and empirical evidence of same.
12. Reference OCA St. 1, Schedule JRW-4, Pages 1-9. Please provide copies of the source of data used to compile this Schedule as well as the workpapers, including formulas which detail the growth rate calculations.
13. Reference OCA St. 1, Page 26, Lines 14-18. Please provide all empirical and academic support for the referenced economic theory that: "When a firm's accounting profits (which include capital costs) are sufficient to meet investors' requirements, the market value and the book value of the firm will be equal."
14. Reference OCA St. 1, Page 30, Lines 1-4. Please provide all empirical and academic support for the methodology of regressing the risk premium on market/book ratios. Also, provide all workpapers, including all source documentation, formulas, calculations, and regression analysis, including all regression statistics, i.e. F-tests, T-tests, R^2 , etc.
15. Reference OCA St. 1, Pages 26-29. Please provide all theoretical, empirical, and academic support for Dr. Woolridge's application of the risk premium model as testified to in OCA St. 1 Please include all underlying assumptions.
16. Reference OCA St. 1, Schedule JRW-5, Pages 1-4. Please provide the workpapers, including all source documentation, formulas, calculations, and regression analysis, including all regression statistics, i.e. F-tests, R^2 , etc. used to support this Schedule.
17. Reference OCA St. 1, Page 30, Line 16. Please provide the source document which details the 6.75% risk-free rate.
18. Please define financial risk.

19. Please fully discuss, including empirical and academic support, the relationship between financial risk and common equity cost rate.
20. Reference OCA St. 1, Page 36, Lines 15-18. Please provide academic support for the use of a comparison of the standard error of the estimate of the trend line of before-tax interest coverage to determine the relative investment risk between a subject company and two proxy groups.
21. Reference OCA St. 1, Page 39, Line 5. Please fully explain and discuss the impact, or lack thereof, of size in terms of both revenues and capitalization on the business risk of any given firm.
22. Reference OCA St. 1, Page 39, Lines 9-10. Please provide empirical and academic support which demonstrates that "I/B/E/S projected earnings growth rates are upwardly biased estimates of future earnings growth."
23. Reference OCA St. 1, Page 39, Lines 10-12. Please provide a copy of the entire study that was published in the referenced Wall Street Journal, the results of which are summarized on Page 4 of Schedule JRW-10.
24. Reference OCA St. 1, Page 40, Line 17 through Page 41, Line 1. Have Ibbotson Associates recognized "the problem of using the yields on long-term bonds in an equity risk premium study" in years subsequent to 1987? If yes, please provide the references and copies of the pages where they discuss this "problem."
25. Reference OCA St. 1, Page 42, Lines 7-17. Please provide all academic and empirical support in Dr. Woolridge's possession which supports his opinion that the geometric mean return is the appropriate return to use in calculating the cost of capital or discount rate.
26. Reference OCA St. 1, Page 43, Lines 1-3. Please provide all academic and empirical support for the statement: "Returns developed using Ibbotson's methodology (1) cannot be reflective of expectations because these returns are unattainable to investors, and (2) produce biased results."
27. Reference OCA St. 1, Page 43, Lines 3-4. Please provide all academic and empirical support that Ibbotson's methodology of developing returns assumes monthly, portfolio rebalancing, and reinvestment of interest and dividends.

28. Reference OCA St. 1, Page 46, Lines 10-11. Please provide all empirical and academic support that equity investors do not face interest rate risk.
29. Reference OCA St. 1, Page 46, Lines 11-12. What is the investor's expected return on long-term public utility bonds? How is this expected return determined?
30. Reference OCA St. 1, Page 48, Lines 3-5. Please fully discuss and demonstrate the "robustness" of the DCF model with respect to "obvious" real world conditions which may deviate from its restricted assumptions, providing full empirical and academic support for your position.
31. Reference OCA St. 1, Page 48, Lines 5-6. What percentage of investment decisions made in the investment community, that "almost universally" uses the DCF model, have an asset or earnings base that is limited to the original cost of the asset(s)?
32. Reference OCA St. 1, Page 50, Lines 6-7. Please provide empirical support for the statement that: "The fact that equity cost rates have fallen to new lows is readily evidenced by the record number of new equity capital issues which are being sold today."
33. Reference OCA St. 1, Page 50, Lines 14-15. Please provide all empirical and academic support that demonstrates that investors do not rely on, at least in part, long-term historical experience when formulating an opinion of required equity risk premiums.
34. Reference OCA St. 1, Schedules JRW-1-JRW10. To the extent not previously provided, please provide all source documents, workpapers, computer spread sheets, etc. used in the formulation of the direct testimony and supporting Schedules.

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION,

v.

COMMONWEALTH TELEPHONE
COMPANY

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Docket No. I-00920020


CERTIFICATE OF SERVICE

I hereby certify that, on this 23rd day of July, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Phillip F. McClelland, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

By: 
JAMES P. MELIA, ESQUIRE
NORMAN JAMES KENNARD, ESQUIRE
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

ORIGINAL

COMMONWEALTH OF PENNSYLVANIA



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PA P.U.C.
INFO. CONTROL DIV.

OFFICE OF CONSUMER ADVOCATE
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

July 26, 1993

IRWIN A. POPOWSKY
Consumer Advocate

(717) 783-5048

John G. Alford, Secretary
PA Public Utility Commission
Room G-18, North Office Bldg.
Harrisburg, PA 17120

RLS

Re: PA PUC v. COMMONWEALTH
TELEPHONE COMPANY
I-00920020

Dear Secretary Aflord:

Please note that the Office of Consumer Advocate Objects to Nos. 2, 7, 8, 14, 18, 21 & 25, Set I Interrogatories of Commonwealth Telephone Company Dated July 19, 1993, in the above-captioned proceeding.

Copies of the Office of Consumer Advocate's Objections have been served upon all parties of record as shown on the attached Certificate of Service.

Sincerely,

Mark Shostak

Mark J. Shostak
Assistant Consumer Advocate

Attachment

cc: All parties of record

DOCUMENT
FOLDER

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission
v.
Commonwealth Telephone Company
Docket No. I-00920020

I hereby certify that I have this day served a true copy of the Office of Consumer Advocate's Objections to Commonwealth Interrogatories upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 26th day of July, 1993.

SERVICE IN PERSON

Kandace F. Melillo
Office of Trial Staff
PA Public Utility Commission
Room 210, North Office Bldg.
Harrisburg, PA 17120

Hon. George M. Kashi
Administrative Law Judge
PA Public Utility Commission
Room G-08A, North Office Bldg.
Harrisburg, PA 17120

Norman J. Kennard, Esq.
Tucker Arensberg, P.C.
116 Pine Street
Harrisburg, PA 17101

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Mark A. Keffer, Esq.
American Telegraph
& Telephone
Room 3A2
3201 Jermantown Road
Fairfax, VA 22030

Scott Burnside, V.P.
Revenue & Public Affairs
Commonwealth Telephone Co.
100 Lake Street
Dallas, PA 18612

Mark Shostak
Mark J. Shostak
Assistant Consumer Advocate

DOCKETED
AUG 18 1993

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JUL 26 1993

SECRETARY'S OFFICE
Public Utility Commission

July 30, 1993

VIA HAND DELIVERY

John G. Alford, Secretary
PA Public Utility Commission
Room B-19, North Office Building
Harrisburg, PA 17120

Re: PA PUC v. Commonwealth Telephone Company
Docket No. I-00920020

Dear Secretary Alford:

Enclosed please find the original and two (2) copies of Commonwealth Telephone Company's Motion to Compel Responses to Interrogatories in the above-captioned proceeding. As evidenced by the attached Certificate of Service, all parties of record have been served a copy of same.

If you should have any questions regarding the above, please do not hesitate to contact the undersigned.

Sincerely,

TUCKER ARENSBERG, P.C.


JAMES P. MELIA

JPM/dmb
ctco/inv2/mot2comp.1

Enclosure

cc: All Parties of Record
W. Shaner

DOCUMENT
FOLDER

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PA. P. U. C.
INFO. CONTROL DIV.

ORIGINAL

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

COMMONWEALTH TELEPHONE
COMPANY

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Docket No. I-00920020

MOTION OF COMMONWEALTH TELEPHONE
TO COMPEL RESPONSES TO INTERROGATORIES

RECORDED
52 JUL 26 1993
REG. COMM. DIV.

AND NOW, comes Commonwealth Telephone Company ("CTCO" or "Company"), by and through its counsel, Tucker Arensberg, P.C., pursuant to Section 5.343(e) of the Pennsylvania Public Utility Commission's ("Commission") Rules of Practice and Procedure, 52 Pa. Code §5.343(e), and hereby moves that the Office of Consumer Advocate ("OCA") be compelled to answer CTCO's Interrogatories to the OCA, Set I, Nos. 2, 7, 8, 14, 18, 21, and 25 and, in support thereof, avers as follows:

1. CTCO's Interrogatories to the OCA, Set I, were served upon the OCA on July 19, 1993.
2. By Objection dated July 26, 1993, the OCA objected to Nos. 2, 7, 8, 14, 18, 21, and 25 of this Interrogatory Set.
3. CTCO INTERROGATORY SET I-2. The OCA objects to the provision of direct testimony submitted by its Witness T. Catlin in

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proceedings involving local exchange carriers on the grounds that such materials would be "voluminous". However, the OCA fails to identify how many pieces of testimony are at issue or some other measure of its size (e.g., weight, depth, etc.). A simple assertion that material is "voluminous", without more, is entirely a conclusory statement and insufficient grounds for objection.

Should Your Honor rule that provision of the "last five direct testimony's [sic]" is sufficient and the remainder should be made available for review, CTCO requests that such documentation be made available at the offices of the OCA and not require CTCO to drive to Washington, D.C., the location of Exeter Associates, in order to review this information.

4. CTCO INTERROGATORY SET I-7. CTCO submits that proposals to consult submitted by its experts in this proceeding are relevant and material. The OCA seems to agree and only objects to those proposals of consultants which were not accepted, a matter which CTCO addresses in the following paragraph. It is proper, as recognized by the OCA, that discussion in these documents of "the value or merit of a claim or defense or respecting strategy and tactics" is appropriate under the Commission's regulations (52 Pa. Code § 5.323), but all other material should remain uncensored. The OCA should not be put in the position of being permitted to censor that material which CTCO reveals. It may lead to the discovery of relevant or material matters and, thus, is discoverable. The OCA was not the proper party to determine

relevance or materiality, and, since it does not claim propriety or confidentiality, the information is clearly discoverable.

5. **CTCO INTERROGATORY SET I-8.** The OCA objects to this interrogatory on the grounds that the information is not relevant or material. To the contrary, this Commission has previously ruled that this exact same interrogatory is proper. Pa. P.U.C. v. Breezewood Telephone, R-901666, Opinion and Order entered January 4, 1991 at 170-174 (a cited exert of Opinion attached as Appendix "A"). As stated by the Commission:

Our discovery rules make it clear that the facts and opinions held by an expert are discoverable to the extent that this discovery does not include [disclosure of matters prohibited by 52 Pa. Code § 5.323(a)].

. . .

In such cases, the OCA should provide the proposal but delete the information as specifically excluded under our rules as it did in this proceeding.

Id. at 173.

CTCO and the parties to this proceeding are entitled to know the basis upon which outside consultants were retained or rejected by the OCA in this proceeding.

6. **CTCO INTERROGATORY SET I-14.** The OCA objects on the grounds that the question calls for "speculation" to a degree that would render the response "meaningless". CTCO disagrees.

The residual ratemaking adjustment proposed by the OCA is unprecedented in the Commonwealth of Pennsylvania. It has never been previously litigated nor has any party in Pennsylvania ever

written Briefs, Comments, or any other position paper on this proposed adjustment.

Mr. Catlin expends virtually the entirety of his testimony discussing why this adjustment is proper and has set forth his reasons in support. CTCO hopes that this witness has undertaken considerable thought and research prior to reaching this conclusion.

The interrogatory asks that he provide those reasons and facts "known to the witness" that mitigate or tend to militate against this adjustment. Such a request of the witness is relevant, material, not burdensome, or otherwise objectionable. Not only does the interrogatory not call for "speculation" on the part of the witness, since the interrogatory is clearly directed at his testimony in this proceeding and limited to those reasons and facts known to him.

As set forth in this Commission's regulations:

An interrogatory otherwise proper is not objectionable solely because an answer will involve an opinion or a contention that is related to a fact or the application of law to fact.

52 Pa. Code § 5.342.

Finally, there is no permissible basis for an objection grounded on the concept of "speculation". 52 Pa. Code § 5.361 sets forth foregrounds for objections. 52 Pa. Code § 5.321(b) provides that "a participant may obtain discovery regarding any matter, not privileged, which is relevant to the subject matter" and "it is not

ground for objection if the information sought would be inadmissible at hearing... (Emphasis supplied)".

7. CTCO INTERROGATORY SET I-18. The reference in the interrogatory is to OCA Statement 2 at Page 7 (Lines 17-21), which state as follows:

Evidence of this [allegations of overearnings] can be seen from Commonwealth's Quarterly Earning Reports to the Commission in recent years. These reports have consistently shown that the Company is earning interstate and total company rates of return which are well in excess of the rates of return allowed by the FCC or this Commission...

This interrogatory simply seeks to discover whether this witness can support this sweeping claim. To the extent that the OCA claims that providing these calculations would be "burdensome", it is obvious that Mr. Catlin has not undertaken the analysis necessary to prove his conclusory assertion. While the OCA objection references "some examples" contained in his testimony, there are only two Quarterly Reports referenced, while, as demonstrated in the above-referenced quote from his testimony, the assertion spans a period of "recent years" and is "consistent" in its demonstration.

Mr. Catlin cannot rely upon episodic evidence to support the statement made in his testimony.

To the extent that the OCA and Mr. Catlin refuse to do so, then his testimony in this regard must and should be stricken.

8. CTCO INTERROGATORY SET I-21. The reference in this interrogatory is to Mr. Catlin's testimony at Page 9 where he references ("extensively") from a decision of the Tennessee Public

Service Commission. The interrogatory requests any other decisions known to the witness which endorse the use of "residual ratemaking".

The OCA, in its objection, attempts to claim that it is seeking to discover the OCA's legal research. This is not a fair interpretation of the interrogatory, since it is addressed to the OCA's witness. The information sought by this interrogatory is that known to the witness.

9. CTCO INTERROGATORY SET I-25. The reference is to the OCA's witness' testimony and the underlying Exhibit RMA-3, Schedule 1, wherein the witness imputes revenues from the interstate jurisdiction, which have been clearly deregulated by the FCC.

The OCA interprets this interrogatory to call for "mental impressions" of its attorneys. First, it should be noted that the interrogatory is addressed to both the witness and the OCA (an agency composed of attorneys). The OCA has not objected to that portion of the interrogatory which is addressed to its witness and therefore the sponsoring witness should be compelled to respond.

With respect to attorneys, the prohibition against "mental impressions" is not absolute. As set forth in this Commission's regulations:


An interrogatory otherwise proper is not objectionable solely because an answer will involve an opinion or a contention that is related to a fact or the application of law to fact.

52 Pa. Code § 5.342.

In its Interrogatory Set I-25, CTCO requests no more than is permissible under this interrogatory. It requests that the OCA and its witness support their "contention" that deregulated federal revenues may be utilized to establish intrastate rates and seeks to identify those bases which are "related to a fact or the application of law to fact." Id. The OCA should be compelled to respond.

WHEREFORE, for the above-stated reasons, Commonwealth Telephone Company respectfully requests that Your Honor expeditiously enter an Order compelling the Office of Consumer Advocate respond to its Interrogatories Set I, Nos. 2, 7, 8, 14, 18, 21, and 25.

Respectfully submitted,


Norman James Kennard, Esquire
James P. Melia, Esquire
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101

Dated: July 30, 1993

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

Public Meeting held January 4, 1991

Commissioners Present:

William H. Smith, Chairman
Joseph Rhodes, Jr., Vice Chairman
Frank Fischl, dissenting (Opinion Attached)
Wendell F. Holland

Pennsylvania Public Utility Commission
Office of Consumer Advocate
AT&T Communications of Pennsylvania, Inc.
Office of Small Business Advocate,
Intervenor

R-901666
R-901666C001
R-901555C002

v.

Breezewood Telephone Company

OPINION AND ORDER

Appearances:

Active Parties

Norman J. Kennard, Esq.
Tucker Arensberg, P.C.
116 Pine Street
Harrisburg, PA 17101

Robert F. Frazier, Esq.
PA P.U.C. - Office of Trial Staff
P.O. Box 3265
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Daniel Clearfield, Esq.
Lois A. Burns, Esq.
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1425 Strawberry Square
Harrisburg, PA 17120

Wilma R. McCarey, Esq.
Mark A. Keffer, Esq.
AT&T Communications of Pa., Inc.
3201 Jermantown Road
Fairfax, Virginia 22030

Bernard A. Ryan, Jr., Esq.
Brian E. McDonough, Esq.
Office of Small Business Advocate
City Towers Bldg., Suite 500B
301 Chestnut Street
Harrisburg, PA 17101

Inactive Parties

Howard J. Elmore, Pres.,
et al. Breezewood
S.R. 1, Box 101
Crystal Spring, PA 15536

The ALJ points out that the OTS did not establish that its public survey is, itself admissible evidence, or that data upon which its survey is based is admissible. Additionally, the ALJ concluded that the OTS failed to establish that its survey is the type of information reasonably relied upon by experts in the field.

The ALJ denied the OTS' request for reconsideration of its evidentiary rulings of August 24 and September 6, 1990. The OTS requested that we review the evidentiary questions via its Motion for Reconsideration.

Our review of the record including the OTS' Brief in support of its Motion for Reconsideration leads us to conclude that OTS' exhibits are hearsay and unreliable. Thus, the ALJ properly denied the OTS' request, and we deny the OTS' Exceptions.

C. Discovery

The OCA takes exception to the ALJ's ruling on August 14, 1990, at Interim Order #3 to the extent such Order granted BTC's Motion to Dismiss OCA Objections to certain BTC Interrogatories set forth in its Interrogatories Set I.

BTC filed its Interrogatories Set I on August 8, 1990 and the OCA filed objections on August 14, 1990. BTC filed its Motion to Dismiss Objections on August 14, 1990. ALJ Meehan also issued his Order dismissing OCA's Objections on August 14, 1990 as well. The OCA filed its Answer to the BTC Motion to Dismiss on August 17, 1990 and its Answer to all Set I Interrogatories on August 20, 1990.

The OCA has sought our review of four of the Company's interrogatories. The OCA asserts that these four interrogatories

violate our regulations, inquire into areas not usually subject to discovery in Commission rate proceedings and would greatly expand the scope of permissible rate case interrogatories if we do not reverse Interim Order #3 in our final Opinion and Order.

We shall set out the four interrogatories at issue.

9. Provide a copy of all proposals to consult and/or testify in this proceeding submitted to the OCA by "Smith Bright Associates", "Ben Johnson Associates, Inc." and J. Randall Woolridge".
10. Please provide copies of all other proposals to consult and/or testify in this proceeding submitted to the OCA which were not accepted.
12. Identify any and all claims made in the original filing or in testimony by Breezewood with which the OCA agrees.
20. Reference Breezewood Exhibit No. 1, Schedules 9 and 9F. State whether the OCA agrees that under the present capital budget rate relief would equal approximately \$703,000 during the 1991-1993 period. If the answer is in the negative, specify each and every reason why the OCA disagrees with that conclusion.

With respect to BTC's Questions 9 and 10, the OCA argues that these questions violate 52 Pa. Code §5.323(a). Additionally, the OCA asserts that "... expert communications are also likely to reflect communications between the OCA attorneys and the experts thereby disclosing attorney work product." OCA Exc., p. 30. With respect to Question 12, the OCA submits that this question seeks discovery which is not relevant to the issues joined in the proceeding. The OCA argues that it is not appropriate to undertake discovery by the initiating party as to its claims which the party being discovered has not and will not oppose. The OCA asserts, with respect to Question 20, that the discovery of the legal opinions of a party violate the attorney

work product privilege and is not discoverable pursuant to 52 Pa. Code §5.323(a).

Our review of the aforementioned BTC's questions and the OCA's arguments and assertions is governed by our rules on discovery at 52 Pa. Code §5.321 et seq. We have determined that a party to a proceeding before this Commission may obtain discovery regarding any matter, that is not privileged, which is relevant to the subject matter involved in the pending action. 52 Pa. Code §5.323(a) in pertinent parts states the following:

... a participant may obtain discovery of any matter discoverable under §5.321(b) (relating to scope) even though prepared in anticipation of litigation or hearing by or for another participant or by or for that other participant's representative, including his attorney, consultant or agent. The discovery may not include disclosure of the mental impressions of a participant's attorney or his conclusions, opinions, memoranda, notes, summaries, legal research or legal theories. With respect to the representative of a participant other than the participant's attorney, discovery may not include disclosure of his mental impressions, conclusions or opinions respecting the value or merit of a claim or defense or respecting strategy, tactics or preliminary or draft versions of written testimony or exhibits, whether or not final versions of the testimony or exhibits are offered into evidence.

Our rules further provide, with respect to discovery of expert testimony, the following:

- (a) Discovery of facts known and opinions held by an expert, otherwise discoverable under §5.321 (relating to scope), may be obtained as follows:
 - (1) A participant may through interrogatories require both of the following:

- (i) The other participants to identify each person whom the participant expects to call as an expert witness at hearing and to state the subject matter on which the expert is expected to testify.
- (ii) The other participant to have each expert identified by him state the substance of the facts and opinions to which the expert is expected to testify and a summary of the grounds for each opinion. The participant answering the interrogatories may file as his answer a report of the expert, have the interrogatories answered by his expert or provide written direct testimony of his expert. The answer, separate report or testimony shall be signed by the expert.

52 Pa. Code §5.324(1).

Our discovery rules make it clear that the facts and opinions held by an expert are discoverable to the extent that the discovery does not include the disclosure of mental impressions, conclusions or opinions respecting the value or merit of a claim or defense or respecting strategy, tactics or preliminary or draft versions of written testimony or exhibits. Accordingly, we find the Company's request at Questions 9 and 10 to be permissible to the extent it did not include the disclosure of matters prohibited by 52 Pa. Code §5.323(a). In such cases, the OCA should provide the proposal but delete the information that is specifically excluded under our rules, as it did in this proceeding. Accordingly, we deny the OCA and OSBA Exceptions.

We disagree with OCA's argument that Question 12 is not relevant. The Company's claims which OCA agrees with are a part of this proceeding; therefore, Question 12 is relevant. We find the OCA's objection to be without merit, and we deny the OCA and OSBA Exceptions.

We find that the Company's Question 20 is inappropriate in that the Company seeks the OCA to provide "each and every reason why the OCA disagrees with that conclusion." We find that such a question would require the OCA to disclose conclusions or opinions which are not discoverable. Accordingly, we shall grant the OCA and OSBA Exceptions.

D. Motion to Strike

The OTS Reply to Exceptions contained a Motion to Strike Appendix B of the Company's Exception. The OTS points out that the Company's Exceptions exceeded the 40 page limit for Exceptions established by 52 Pa. Code §5.533(c).

On December 3, 1990, the OTS filed a Motion to Strike a portion of the Company's Reply to Exceptions, specifically Appendix A, because the Company exceeded our page limits.

We grant the OTS' Motion to Strike. In doing so, the exclusion of these pages does not effect our findings and conclusions in this proceeding.

E. Transcript Corrections

BTC and the OTS have each filed transcript corrections in this proceedings, attached hereto as Appendices "B" and "C", respectively.

BTC filed objections to the transcript corrections submitted by the OTS. Generally, BTC objects to the transcript corrections of the OTS because they were submitted more than 30 days after the transcript was filed with the Commission and in the absence of a stipulation of the parties. 52 Pa. Code §5.252. Specifically, BTC objects to OTS' proposed correction to

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
v. : DOCKET NO. I-00920020
COMMONWEALTH TELEPHONE COMPANY :

CERTIFICATE OF SERVICE

I hereby certify that, on this 30th day of July, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

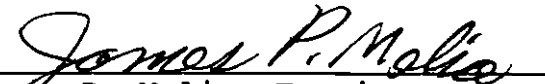
The Honorable George M. Kashi*
Administrative Law Judge
Room G08
PA Public Utility Commission
Harrisburg, PA 17105-3265

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Philip F. McClelland, Esquire*
Office of Consumer Advocate
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By:


James P. Melia, Esquire
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
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(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

* - Via Hand Delivery

COMMONWEALTH OF PENNSYLVANIA



GIM

OFFICE OF CONSUMER ADVOCATE
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

IRWIN A. POPOWSKY
Consumer Advocate

August 3, 1993

(717) 783-5048

John G. Alford, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17105-3265

RE: Pennsylvania Public Utility
Commission v. Commonwealth
Telephone Company
Docket No. I-00920020

RECEIVED
AUG 10 1993
OFFICE OF THE
ATTORNEY GENERAL
DIVISION OF
LEGAL COUNSEL

Dear Secretary Alford:

Enclosed please find an original and two (2) copies of a Certificate of Service indicating service of the Office of Consumer Advocate's Responses to Commonwealth Telephone Company's Interrogatories, Sets I and II, for filing in the above-captioned matter.

If you have any questions regarding this matter, please contact me at your convenience.

Sincerely,

Philip F. McClelland
Assistant Consumer Advocate

Enclosures

cc: all parties of record

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CERTIFICATE OF SERVICE

ORIGINAL

Re: Pennsylvania Public Utility Commission
v.
Commonwealth Telephone Company
Docket No. I-00920020

I hereby certify that I have this day served a true copy of the Office of Consumer Advocate's Interrogatory Responses to Sets I and II upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 3rd day of August, 1993.

RECEIVED

AUG 3 1993

SERVICE IN PERSON

SECRET
PUBLIC OFFICE

Kandace F. Melillo
Office of Trial Staff
PA Public Utility Commission
Room 210, North Office Bldg.
Harrisburg, PA 17120

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Norman J. Kennard, Esq.
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Harrisburg, PA 17101

Scott Burnside, V.P.
Revenue & Public Affairs
Commonwealth Telephone Co.
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Dallas, PA 18612

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& Telephone
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Fairfax, VA 22030

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FOLDER


Philip F. McClelland
Assistant Consumer Advocate

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AUG 23 1993

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August 4, 1993

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AUG 6 1993

SECRETARY'S OFFICE
Public Utility Commission

John G. Alford, Secretary
PA Public Utility Commission
Room B-19, North Office Building
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v.
Commonwealth Telephone Company
Docket No. I-00920020

Dear Secretary Alford:

We enclose for filing with the Commission the original and two (2) copies of Commonwealth Telephone Company's Request for Corrections to Transcripts of July 1 and July 2, 1993, in the above-captioned proceeding. As reflected on the attached Certificate of Service, we are serving copies upon the presiding Administrative Law Judge as well as upon all parties of record.

If you should have any questions regarding this filing, please do not hesitate to contact the undersigned.

Sincerely,

TUCKER ARENSBERG, P.C.


JAMES P. MELIA

DOCUMENT
FOLDER

JPM/dmb
ctco/inv2/correct.tm

Enclosure

cc: Hon. George M. Kashi
Administrative Law Judge
All Parties of Record
William A. Shaner

07/31/93

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION :
:
:
v. : DOCKET NO. I-00920020
:
COMMONWEALTH TELEPHONE COMPANY :

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AUG 6 1993

**REQUEST FOR CORRECTIONS TO TRANSCRIPTS
OF JULY 1 AND JULY 2, 1993**

SECRETARY'S OFFICE
Public Utility Commission

AND NOW COMES Commonwealth Telephone Company ("CTCO"), by and through its attorneys, Tucker Arensberg, P.C., and requests, pursuant to 52 Pa. Code § 5.252(b), that the following corrections be made to the transcripts of the hearings held in this proceeding on July 1, 1993 and July 2, 1993.

TRANSCRIPT OF HEARING HELD JULY 1, 1993

| <u>Page</u> | <u>Line(s)</u> | <u>Change</u> | <u>To Read</u> |
|-------------|----------------|----------------|----------------|
| 9 | 6 | "admission" | "omission" |
| 28 | 4 | "determinants" | "returns" |
| 33 | 4 | "a whole" | "all the" |
| 34 | 14 | "to" | "too" |
| 62 | 5 | "taking it" | "taken" |
| 177 | 7 | "inflated" | "affiliated" |

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AUG 24 1993


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TRANSCRIPT OF HEARING HELD JULY 1, 1993

| <u>Page</u> | <u>Line(s)</u> | <u>Change</u> | <u>To Read</u> |
|-------------|----------------|---------------|----------------|
| 234 | 22 | "track and" | "traffic" |
| 305 | 8 | "\$44,300" | "\$444,300" |

Respectfully submitted,


James P. Melia, Esquire
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
v. : DOCKET NO. I-00920020
COMMONWEALTH TELEPHONE COMPANY :

CERTIFICATE OF SERVICE


I hereby certify that, on this 5th day of August, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

The Honorable George M. Kashi
Administrative Law Judge
Room G08
PA Public Utility Commission
Harrisburg, PA 17105-3265

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Philip F. McClelland, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

By: 
James P. Melia, Esquire
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

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AUG 11 1993

U.S. G.
LIFE CONTROL DIV.

IRWIN A. POPOWSKY
Consumer Advocate

(717) 783-5048

August 4, 1993

John G. Alford, Secretary
PA Public Utility Commission
Room G-23, North Office Bldg.
Harrisburg, PA 17120

Re: Pennsylvania Public Utility
Commission

v.

Commonwealth Telephone Company
Docket No. I-00920020

Dear Secretary Alford:

Enclosed please find for filing an original and three copies of the Office of Consumer Advocate's Response to Commonwealth's Motion To Compel Responses to Interrogatories Set I, Nos. 2, 7, 8, 14, 18, 21 and 25 in the above-captioned proceeding.

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Sincerely,



Philip F. McClelland
Assistant Consumer Advocate

Enclosures

cc: All parties of record

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PA. P.U.C.
INFO. CONTROL DIV.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :

v. :

DOCKET NO. I-00920020

COMMONWEALTH TELEPHONE :
COMPANY :

DOCKETTEL

AUG 23 1993

OFFICE OF CONSUMER ADVOCATE'S
RESPONSE TO COMMONWEALTH
MOTION TO COMPEL RESPONSES TO INTERROGATORIES
SET I, NOS. 2, 7, 8, 14, 18, 21, AND 25

Pursuant to 52 Pa. Code Section 5.343(e)(1), the Office of Consumer Advocate ("OCA"), responds to Commonwealth Telephone Company's ("CTCo" or the "Company") Motion Set I, Nos. 2, 7, 8, 14, 18, 21, and 25. In support of the OCA's objections, the OCA respectfully sets forth as follows:

1. CTCo served upon the OCA, via facsimile, Set I of its interrogatories in the above-captioned proceeding on July 19, 1993.
2. The OCA filed objections to CTCO's Interrogatory Set I, Nos. 2, 7, 8, 14, 18, 21, and 25.
3. CTCO filed its Motion to CTCO's Interrogatory Set I, Nos. 2, 7, 8, 14, 18, 21, and 25 on July 30, 1993.

Objection to Interrogatory I-2

4. The OCA has objected to providing all copies of the testimony filed by Mr. Catlin concerning local exchange carriers. As indicated in the OCA Objection, such material is voluminous.

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In response, however, OCA has filed the last five copies of testimony which would concern local exchange carrier rates. OCA has objected to providing further testimony to CTCo but has made all such testimony available to CTCo at Mr. Catlin's office.

5. CTCo has moved to compel even before it received the testimony that OCA has filed in response to this interrogatory, as well as a listing of all other testimony filed by Mr. Catlin in all such proceedings. This listing indicates that Mr. Catlin has filed approximately 15 copies of testimony in cases concerning local exchange carriers specifically which go back more than 10 years. CTCo has not made any further argument as to why the duplication and transmission of this additional testimony would be relevant and material or why CTCo cannot go to Mr. Catlin's office in Silver Spring, Maryland to review it. As the size of the 5 testimonies filed indicates, further duplication of the additional testimonies would be burdensome, particularly in view of the option to review this testimony on sight. Moreover, the availability of on sight review at Mr. Catlin's office is reasonable and appropriate particularly as CTCo has also refused to provide copies of many other documents but invited OCA to review those documents at CTCo headquarters in Dallas, Pennsylvania. The OCA has performed such on sight review and it is not unreasonable to request CTCo to do the same.

Objection to Interrogatory I-7

6. CTCo has sought the review of proposals from firms the OCA has used in this case as consultants. The OCA has agreed to

provide copies of consultant proposals which were actually used in this case. The OCA has removed those portions of the proposals which relate to the witnesses "mental impressions, conclusions or opinions respecting the value or merit of a claim or defense or respecting strategy and tactics" as well as the "mental impressions" of the OCA attorneys which are clearly non-discoverable pursuant to 52 Pa. Code § 5.323. The OCA has removed those portions of those proposals to the extent that the firm solicited was not used to provide testimony in the case. Such proposals are not relevant or material for the reasons stated below and more fully argued concerning Interrogatory I-8.

7. CTCo also complains about "censorship" without explaining how the exclusion of material specifically determined to be non-discoverable under 52 Pa. Code § 5.323 is inappropriate. The OCA notes that in the excerpt which CTCo has attached from the Breezewood case this same approach was supported in that case. CTCo Mot. to Compel, Appendix A at 173.

Objection to Interrogatory I-8

8. The OCA has objected to providing the proposals of other witnesses which the OCA did not use in this case. CTCo cites a Breezewood opinion concerning this point. This opinion indicates that the facts and opinion of an expert are discoverable. The OCA emphasizes that the regulation itself refers to "the representative of a participant other than the participant's attorney" as being discoverable with certain exceptions discussed above. 52 Pa. Code § 5.323(a). The OCA has

submitted the proposals of all consultant's used in this case with the exclusion of information specifically determined to be non-discoverable under § 5.323(a). The views of an expert that does not represent the OCA are irrelevant to the position of the OCA in this case. Moreover, the views of an expert, to the extent discoverable pursuant to §5.323, have little material value whenever the expert was not used in the case and did not have the benefit of the information concerning CTCo which was received after the consultant was selected.

9. Further, throughout this litigation CTCo has been reluctant to provide any information concerning C-TEC operations that CTCo did not believe directly related to CTCo operations particularly in view of the argument that this information was commercially sensitive. While the OCA contends that such information has been directly relevant in those cases, it has taken into consideration the commercial sensitivity of that information. The OCA suggests that this same consideration should play a role here and, in view of the diminished materiality of this information, the OCA should not be compelled to provide this information.

Objection to Interrogatory I-14

10. In CTCo Interrogatory No. I-14 it is requested that Mr. Catlin should "Fully and completely identify each and every reason or fact known to the witness which would mitigate or tend to mitigate against utilization of 'residual ratemaking' in this proceeding." The OCA has objected as the answer calls for

speculation and is really an open ended "fishing expedition" as to any reason the witness might be aware of against his position in the case. Similarly, in the Breezewood opinion attached to the CTCo Motion to Compel, the PUC rejected requiring the OCA to disclose "whether the OCA agrees that under the present capital budget rate relief would equal approximately \$703,000 during the 1991-1993 period. If the answer is in the negative, specify each and every reason why the OCA disagrees with that conclusion." CTCo Motion to Compel, App. A, at 171. The PUC rejected this interrogatory as requiring "the OCA to disclose conclusions or opinions which are not discoverable." Id. at 174. Similar restrictions apply under the regulations to "conclusions or opinions respecting the value or merit of a claim or defense" of a participant representative such as Mr. Catlin under the terms of the regulations. 52 Pa. Code § 5.323(a). Mr. Catlin has responded to many factual questions posed to him by CTCo, but should not be required to respond to this open ended inquiry as to all of his conclusions and opinions which he might hold running contrary to his recommendation in this case.

Objection to Interrogatory I-18

11. CTCo in Interrogatory I-18 has asked Mr. Catlin to "identify the interstate and total company rates of return in each period which the witness claims are in excess." The OCA has disclosed in draft testimony previously filed with CTCo 2 such examples and an additional 6 examples in discovery recently provided extending from 1986 to 1991. OCA objects to providing

further calculations. As indicated, OCA has already provided calculations indicating how Mr. Catlin has determined that these excessive rates of return have occurred consistently over a long period of time. To a great extent Mr. Catlin has not retained additional CTCo earnings reports from which other calculations could be made. Thus, any additional calculations would be burdensome in view of the information which has already been provided.

Objection to Interrogatory I-21

13. OCA has objected to Interrogatory I-21 as it requested legal decisions after referencing OCA testimony. CTCo's Motion to Compel now indicates that this interrogatory only goes to decisions "known to the witness." With that clarification the OCA is currently making efforts to determine how Mr. Catlin may respond to that interrogatory.

Objection to Interrogatory I-25

15. CTCo Interrogatory I-25 is as follows:

Reference OCA St. 3, Exhibit RMA-3, Schedule 1. Given that the FCC has deregulated interstate Billing and Collection services, fully and completely state each and every basis, including legal, upon which the witness and the OCA propose to include the revenues and expenses associated with this service into state ratemaking.

The OCA has objected to this question, which calls for legal opinion, as calling for the discovery of the "mental impressions of a participant's attorney or his conclusions, opinions, memoranda, notes, summaries, legal research or legal theories." 52 Pa. Code § 5.323. This open ended request would violate this

prohibition and would anticipate the briefing of the case. However, the OCA has also filed an interrogatory response on this issue concerning Mr. Allen's views on this question with a reference to his testimony.

16. The restriction on providing discovery which discloses legal research is clear in the rules and has been cited above as it is set forth in 52 Pa. Code § 5.323. This does not allow discovery of a party on the legal research which supports its position in a case. CTCO also cites 52 Pa. Code § 5.342 indicating that "[a]n interrogatory otherwise proper is not objectionable solely because an answer will involve an opinion or a contention that is related to a fact or the application of law to fact." The regulations clearly indicate that this type of interrogatory is not "otherwise proper" under the explicit terms of § 5.323. Thus, the direction at § 5.342 does not apply. Section 5.342 allows for the discovery of a contention "that is related to . . . the application of law to fact." It does not allow the discovery of that legal research itself. To the extent that CTCO has asked for cases which support Mr. Catlin's views on the average schedule issue, the OCA has provided those cases. The OCA has also provided answers to interrogatories concerning the facts supporting Mr. Allen's views that billing and collection revenues should remain above the line. However, OCA objects to the OCA being compelled to provide discovery revealing its legal basis for arguing that billing and collection revenues should be placed above the line.

WHEREFORE, for the above-stated reasons, the OCA responds to CTCO's Motion to Compel its First Set of Interrogatories Nos. 2, 7, 8, 14, 18, and 25 and requests that the OCA should not be compelled to respond to those interrogatories for the reasons set forth above.

Respectfully submitted,


Philip F. McClelland
Assistant Consumer Advocate

Counsel For:
Irwin A. Popowsky
Consumer Advocate

Office of Attorney General
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120
(717) 783-5048

DATED: August 4, 1993
9622

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission
v.
Commonwealth Telephone Company
Docket No. I-00920020

I hereby certify that I have this day served a true copy of the Office of Consumer Advocate's Response to Commonwealth's Motion to Compel Responses to Interrogatories Set I, Nos. 2, 7, 8, 14, 18, 21 and 25 upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 4th day of August, 1993.

SERVICE IN PERSON

Kandace F. Melillo
Office of Trial Staff
PA Public Utility Commission
Room 210, North Office Bldg.
Harrisburg, PA 17120

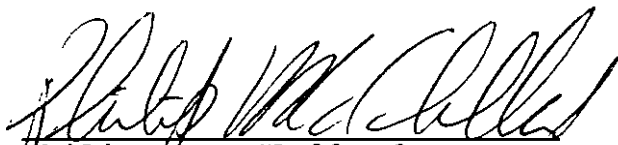
Honorable George M. Kashi
Administrative Law Judge
PA Public Utility Commission
Room G-08A, North Office Bldg.
Harrisburg PA 17120

Norman J. Kennard, Esq.
Tucker Arensberg, P.C.
116 Pine Street
Harrisburg, PA 17101

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Mark A. Keffer, Esq.
American Telegraph
& Telephone
Room 3A2
3201 Jermantown Road
Fairfax, VA 22030

Scott Burnside, V.P.
Revenue & Public Affairs
Commonwealth Telephone Co.
100 Lake Street
Dallas, PA 18612


Philip F. McClelland
Assistant Consumer Advocate



OFFICE OF CONSUMER ADVOCATE
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

IRWIN A. POPOWSKY
Consumer Advocate

August 5, 1993

(717) 783-5048

John G. Alford, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17105-3265

RE: Pennsylvania Public Utility
Commission v. Commonwealth
Telephone Company
Docket No. I-00920020

RECORDED
SERIALIZED
INDEXED
AUG 10 1993

Dear Secretary Alford:

Enclosed please find an original and two (2) copies of a Certificate of Service indicating service of the Office of Consumer Advocate's Responses to Commonwealth Telephone Company's Interrogatories, Set III, for filing in the above-captioned matter.

If you have any questions regarding this matter, please contact me at your convenience.

Sincerely,

Philip F. McClelland
Philip F. McClelland
Assistant Consumer Advocate

Enclosures

cc: all parties of record

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LDA

CERTIFICATE OF SERVICE

ORIGINAL

Re: Pennsylvania Public Utility Commission
v.
Commonwealth Telephone Company
Docket No. I-00920020

I hereby certify that I have this day served a true copy of the Office of Consumer Advocate's Responses to Commonwealth's Interrogatories, Set III, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 5th day of August, 1993.

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AUG 5 1993

SECRETARY'S OFFICE
Public Utility Commission

SERVICE IN PERSON

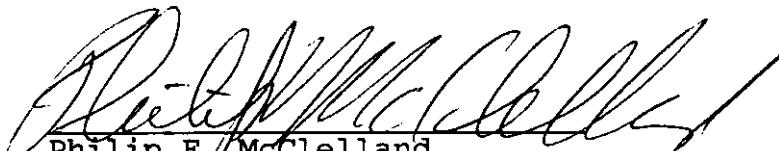
Kandace F. Melillo
Office of Trial Staff
PA Public Utility Commission
Room 210, North Office Bldg.
Harrisburg, PA 17120

Norman J. Kennard, Esq.
Tucker Arensberg, P.C.
116 Pine Street
Harrisburg, PA 17101

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Mark A. Keffer, Esq.
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& Telephone
Room 3A2
3201 Jermantown Road
Fairfax, VA 22030

Scott Burnside, V.P.
Revenue & Public Affairs
Commonwealth Telephone Co.
100 Lake Street
Dallas, PA 18612


Philip F. McClelland
Assistant Consumer Advocate

DOCKETED
AUG 23 1993

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August 6, 1993

John G. Alford, Secretary
PA Public Utility Commission
Room B-19, North Office Building
Harrisburg, PA 17120

Re: PA PUC v. Commonwealth Telephone Company
Docket No. I-00920020

Dear Secretary Alford:

Enclosed please find the original and two (2) copies of Commonwealth Telephone Company's First Motion to Compel Responses to Interrogatories directed to AT&T in the above-captioned proceeding. As evidenced by the attached Certificate of Service, all parties of record have been served a copy of same.

If you should have any questions regarding the above, please do not hesitate to contact the undersigned.

Sincerely,

TUCKER ARENSBERG, P.C.

NORMAN JAMES KENNARD

NJK/dmb
ctco/inv2/mol2comp.2

Enclosure

cc: All Parties of Record
W. Shaner

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AUG 10 1993

SECRETARY'S OFFICE
Public Utility Commission

DOCUMENT
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AUG 10 1993

SECRETARY'S OFFICE
Public Utility Commission

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION :
:
:
v. :
:
COMMONWEALTH TELEPHONE :
COMPANY :

Docket No. I-00920020

FIRST MOTION OF COMMONWEALTH TELEPHONE
TO COMPEL RESPONSES BY AT&T TO INTERROGATORIES

AND NOW, comes Commonwealth Telephone Company ("CTCO" or "Company"), by and through its counsel, Tucker Arensberg, P.C., pursuant to Section 5.343(e) of the Pennsylvania Public Utility Commission's ("Commission") Rules of Practice and Procedure, 52 Pa. Code § 5.343(e), and hereby moves that AT&T Communications of Pennsylvania, Inc. ("AT&T") be compelled to answer CTCO's Interrogatories to AT&T, Set I, Nos. 7, 8, 10, 12, and 14, and, in support thereof, avers as follows:

1. CTCO's Interrogatories to AT&T, Set I, were served upon AT&T on July 20, 1993. Objections, if any, were due July 26, 1993.
2. No objections were filed by AT&T to the Interrogatories and AT&T's putative responses were provided to the Company under cover letter dated August 4, 1993.

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INDEXED
AUG 10 1993

3. However, several of the responses declined to provide the information requested and/or did not provide the information as clearly required. These non-responsive answers are copied and provided herewith at Appendix "A".

4. If a party does not desire to answer an interrogatory, the process established by the Commission is one of objection. Otherwise, the Commission's rule is clear:

Interrogatories shall be answered fully and completely unless an objection is made.

52 Pa. Code § 5.342.

5. **CTCO INTERROGATORY SET I-7.** At the referenced portion of AT&T's witness's testimony, he only begrudgingly concedes that billing services are "somewhat competitive" and opposes CTCO's proposal to deregulate this service. Given AT&T's denial that the market is competitive¹ to the degree identified by CTCO and AT&T's opposition to deregulation of this service, inquiry is proper.

The interrogatory requests that AT&T fully and completely describe all steps it has taken to identify a vendor and provide copies of any and all documents related thereto.

The response is a study in avoidance and certainly not a "full and complete" answer as required under 52 Pa. Code § 5.342(a). CTCO is unable to locate whatever "information" AT&T alleges it provided during the referenced negotiations. However,

¹ AT&T, as the major customer for such services, also has elsewhere previously claimed to CTCO that it will seek services elsewhere and, in fact, has taken a substantial amount of business in-house.

more, AT&T has been requested here to fully and completely describe the investigative steps it took and provide copies of all relevant documents. The fact that AT&T may have given some information to CTCO is not responsive. CTCO seeks to identify "all steps taken" and copies of "any and all documents related thereto."

AT&T simply claims that the information is "not readily available", whatever that means. Perhaps, the information may not be sitting on a shelf, but the response clearly indicates that it is available. Given the fact that CTCO provided extensive information to AT&T, including cost studies and analysis, for a total aggregate amount of information comprising approximately five inches' worth of material, much of it time consuming, such a weak attempt to provide CTCO with the information it feels necessary in discovery is unworthy of a company of AT&T's size and sophistication.

6. CTCO INTERROGATORY SET I-8. This interrogatory requests that AT&T provide any documents which relate to the provisioning of billing and collection from any entity other than CTCO. AT&T simply responds by referring to its response to CTCO Set I-7. CTCO's arguments at Paragraph 5 are incorporated herein by reference.

7. CTCO INTERROGATORY SET I-10. This interrogatory refers to the same billing and collection testimony for which discovery was sought at Interrogatory I-7.

The request is made that AT&T identify those minutes or messages for those billings performed in-house and compare them to

those which are done by CTCO. If it is not clear from the interrogatory, CTCO is requesting information only as it relates to its own service territory and those telephone users located within it.²

The response provided by AT&T, again, is that the information is not "readily available." This is not a full and complete response as required under 52 Pa. Code § 5.342 and should be compelled from AT&T. CTCO's arguments at Paragraph 5 hereof are incorporated herein.

8. CTCO INTERROGATORY SET I-12. This interrogatory refers to that same portion of AT&T's testimony referenced at Paragraph 5 of this Motion (CTCO Interrogatory Set I-7).

AT&T has taken back a significant portion of its own billing and collection, an event which CTCO asserts, tends to support its position that billing and collection services are highly competitive and should be deregulated. The purpose of the interrogatory is to identify the costs and, hence, competitiveness of AT&T's own in-house provision of this service and to identify the portion of billing and collection services AT&T now provides to itself.

As with its responses to CTCO Set I, Nos. 7, 8, and 10, AT&T scoffs at the interrogatory by claiming the information is "not readily available" and, therefore, CTCO's arguments at Paragraphs 7, 8, and 10 are incorporated herein by reference. AT&T

² Thus, AT&T's reference to "many major metropolitan areas" is irrelevant to response.

also claims that the information would be "proprietary." Of course, any matter of propriety can be dealt with under the Commission's rules and the parties have in place already a document which deals with proprietary information.

9. CTCO INTERROGATORY SET I-14. At Page 26 of the witness's testimony, the quotation relative to "dissuading customers" appears. CTCO is unsure to what AT&T refers and has requested an identification of "each and every instance" where this "dissuasion" has occurred. AT&T's testimony consists of 36 pages of narrative and 36 pages of exhibits.

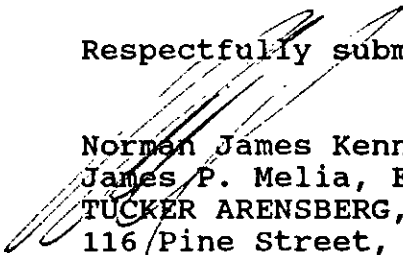
A general reference to "the testimony" is insufficient. CTCO has requested that AT&T identify each and every instance of that alleged phenomena to which it refers in testimony.

10. CTCO would again assert that, in the absence of a forthright objection by a party, that AT&T's answer to this Motion should not include any objection to a response. The only issue at this point, given that the period of time for objection passed long ago, is whether the response is "full and complete." Therefore, objections or other attempts to evade responsibility for responding to the interrogatories should not be considered by Your Honor ruling upon this Motion.

WHEREFORE, for the above-stated reasons, Commonwealth Telephone Company respectfully requests that Your Honor

expeditiously enter an Order compelling AT&T Communications of Pennsylvania, Inc., to respond to its Interrogatories Set I, Nos. 7, 10, 12, 14, and 23.

Respectfully submitted,


Norman James Kennard, Esquire
James P. Melia, Esquire
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101

Dated: August 6, 1993

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. I-00920020

AT&T'S RESPONSE TO COMMONWEALTH TELEPHONE CO.'S
INTERROGATORIES, SET I

7. Reference testimony of CJR, Page 25. Fully and completely describe all steps taken by AT&T to identify a vendor of billing and collection services other than CTCO. Provide copies of any and all documents related thereto.

RESPONSE:

Information about AT&T's billing options was provided to Commonwealth in recent negotiations between the companies regarding a billing and collection agreement.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. I-00920020

AT&T'S RESPONSE TO COMMONWEALTH TELEPHONE CO.'S
INTERROGATORIES, SET I

8. Reference testimony of CJR, Page 25. Provide a full and complete copy of any and all documents which relate to the purchase of AT&T of billing and collection services from a vendor other than CTCO, including AT&T itself.

RESPONSE:

See response to interrogatory 7.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. I-00920020

AT&T'S RESPONSE TO COMMONWEALTH TELEPHONE CO.'S
INTERROGATORIES, SET I

10. Reference testimony of CJR, Page 25. Identify that portion of billing and collection which AT&T has taken in-house, measured either by minutes or messages, and as compared to that which AT&T contracts with CTCO.

RESPONSE:

AT&T has taken in-house bill rendering for larger volume business accounts in most major metropolitan areas. AT&T performs its own recording and rating functions in many major metropolitan areas for residence accounts as well, although it continues to purchase bill rendering services from the LECs for residence accounts. AT&T continues to obtain billing and collection services from CTCO for all business and residence accounts. No readily available reports are maintained on message or minute volumes for billing taken in-house.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. I-00920020

AT&T'S RESPONSE TO COMMONWEALTH TELEPHONE CO.'S
INTERROGATORIES, SET I

12. Reference testimony of CJR, Page 25. Please identify the costs to AT&T of providing its own billing and collection business and identify the minutes and/or messages handled under this arrangement.

RESPONSE:

Although the information requested would be highly proprietary to AT&T if it were available, reports which aggregate costs specific to AT&T's own billing and collection operations from other operational costs are not readily available. Neither is there available a report segregating associated message or minute volumes.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. I-00920020

AT&T'S RESPONSE TO COMMONWEALTH TELEPHONE CO.'S
INTERROGATORIES, SET I

14. Reference testimony of CJR, Page 26. Identify each and every instance where CTCO service representatives are "instructed to dissuade customers" from signing up with any other IXC.

RESPONSE:

The information available to AT&T appears in the testimony. There may be other instances of which AT&T is not aware.

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 :
 :
 v. : DOCKET NO. I-00920020
 :
 :
 COMMONWEALTH TELEPHONE COMPANY :

CERTIFICATE OF SERVICE

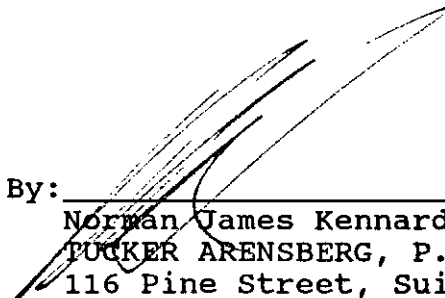
I hereby certify that, on this 6th day of August, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

The Honorable George M. Kashi
Administrative Law Judge
Room G08
PA Public Utility Commission
Harrisburg, PA 17105-3265

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
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North Office Building, Room 210
Harrisburg, PA 17120

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By: 
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Attorneys for COMMONWEALTH
TELEPHONE COMPANY

* - Via Facsimile and U.S. First Class Mail

238

August 6, 1993

John G. Alford, Secretary
PA Public Utility Commission
Room B-19, North Office Building
Harrisburg, PA 17120

Re: PA PUC v. Commonwealth Telephone Company
Docket No. I-00920020

Dear Secretary Alford:

Enclosed please find the original and two (2) copies of Commonwealth Telephone Company's Second Motion to Compel Responses to Interrogatories directed to the OCA in the above-captioned proceeding. As evidenced by the attached Certificate of Service, all parties of record have been served a copy of same.

If you should have any questions regarding the above, please do not hesitate to contact the undersigned.

Sincerely,

TUCKER ARENSBERG, P.C.


NORMAN JAMES KENNARD

NJK/dmb
ctco/inv2/mo2comp.3

Enclosure

cc: All Parties of Record
W. Shaner

RECEIVED
AUG 10 1993
SECRETARY'S OFFICE
Public Utility Commission

DOCUMENT
FOLDER

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

COMMONWEALTH TELEPHONE
COMPANY

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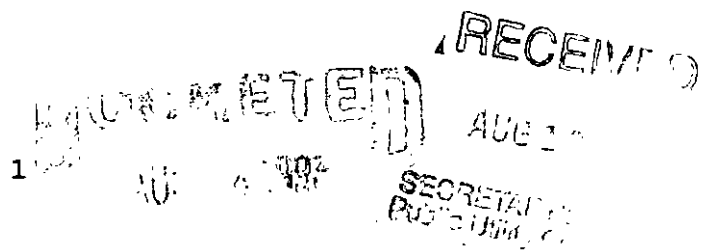
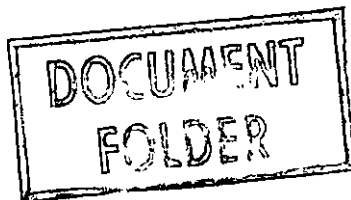
Docket No. I-00920020

SECOND MOTION OF COMMONWEALTH TELEPHONE
TO COMPEL RESPONSES TO INTERROGATORIES

AND NOW, comes Commonwealth Telephone Company ("CTCO" or "Company"), by and through its counsel, Tucker Arensberg, P.C., pursuant to Section 5.343(e) of the Pennsylvania Public Utility Commission's ("Commission") Rules of Practice and Procedure, 52 Pa. Code §5.343(e), and hereby moves that the Office of Consumer Advocate ("OCA") be compelled to answer CTCO's Interrogatories to the OCA, Set I, Nos. 13, 19, 27, and 48, and Set II, No. 2, and, in support thereof, avers as follows:

1. CTCO's Interrogatories to the OCA, Sets I and II, were served upon the OCA on July 19, 1993 and July 20, 1993, respectively. Objections, if any, were due on July 26, 1993.

2. No objections were filed by the OCA to the Interrogatories which are the subject to this Motion and OCA's



putative responses were provided to the Company under cover letter dated August 3, 1993.

3. However, several of the responses declined to provide the information requested and/or did not provide the information as clearly required. These non-responsive answers are copied and provided herewith at Appendix "A".

4. If a party does not desire to answer an interrogatory, the process established by the Commission is one of objection. Otherwise, the Commission's rule is clear:

Interrogatories shall be answered fully and completely unless an objection is made.

52 Pa. Code § 5.342.

5. CTCO INTERROGATORY SET I-13. CTCO has requested to know "each and every basis for continuing to use 'residual ratemaking'" in the event that CTCO becomes a cost company at the FCC level. The witness is not aware of any factual basis, but apparently, is aware of some legal/regulatory reasons, but does not provide them in response.

The Commission's regulations regarding discovery are directly on point:

An interrogatory otherwise proper is not objectionable solely because an answer will involve an opinion or contention that is related to a fact or the application of law to fact.

52 Pa. Code § 5.342(c).

Therefore, if the witness has a further opinion that is based upon "the application of law to [the] fact [of CTCO becoming a cost company]", the witness must respond.

There is no attorney/client privilege which prevails in this instance, since the OCA's attorney's client is neither the witness nor Exeter Associates. Mr. Catlin, the witness sponsoring OCA St. 2, is simply an accountant hired by the OCA to support its position and advocacy on behalf of the OCA's client -- the consumer. Rules of Professional Conduct, Rule 1.6; 71 66 Pa. C.S. § 309-4.

Further, since the OCA did not object to this interrogatory, the time for such objection, even if one existed, is passed. The only issue is whether or not the OCA has "fully and completely" responded. 52 Pa. Code § 5.342(a). It has not done so.

6. CTCO INTERROGATORY SET I-19. Again, the response is not an answer. The question requests that the witness base his answer upon Part 36 jurisdictional separation procedures. Mr. Catlin responds by stating that Part 36 separations procedures "do not apply" and, thereby excuses himself from the obligation to respond. CTCO has provided a Part 36 separations study, which other OCA witnesses have used in their analysis. See, for example, OCA St. 3, Exh. RMA-2.

If the witness chooses to view this questions as a hypothetical, he still must respond based upon the facts assumed. Here, he is asked to assume that Part 36 separation procedures do apply, even if he disagrees with the claim.

7. CTCO INTERROGATORY SET I-27. At the referenced portion of the witness's testimony, he opposes deregulation of billing and

collection services and takes the position that "were [it] not for Intrastate customers", Commonwealth would not have the resources to provide the services at a competitive price.

Therefore, CTCO inquired as to any other entity known to the witness "which is not a local exchange carrier" but could provide these services.

The response is circular. Mr. Allen asserts that he is not aware of any company which is not a local exchange carrier that can provide these services as a result of charges to captive ratepayers. In other words, he is not aware of any company which is not a local exchange carrier that does not have captive customers. This is non-responsive.

Again, CTCO requests to know any entity known which is not a local exchange carrier, but can provide billing and collection services. An answer which equivocates in this fashion is clearly not responsive, since the qualification of the answer defeats its very purpose.

8. CTCO INTERROGATORY SET I-48. The witness, in his testimony, proposes that construction work in progress ("CWIP") be excluded from rate base on the grounds that:

CWIP does not satisfy the used and useful principal of utility regulation.

The interrogatory request that the witness define his understanding of the term -- a standard inquiry. However, the response, basically, is that, if facilities are "used and useful", then they are includible in rate base. This is not an explanation of the term, but only of its effect.

The OCA should be compelled to provide the requested information.

9. CTCO INTERROGATORY SET II-2. The OCA's witnesses have proposed a substantial reduction in the Company's intrastate revenues, but have totally failed to address the manner in which a revenue reduction should be structured among the Company services.

CTCO asserts that any party recommending a decrease is obligated to identify the manner in which such a revenue reduction should be accomplished. The OCA is proposing a revenue reduction and it is obligated to show calculations for various services, which would result in the recommended rate reduction. Otherwise, CTCO is completely at a loss to determine whether, in fact, the OCA's proposal does result in such a rate reduction.

Moreover, the OCA admits in its response that it is reviewing other parties' positions on this issue, before it discloses its own and, then, will respond to those parties. This is unreasonable. The OCA should be more forthright in its positions in this proceeding and not await the rebuttal phase of the case in order to address a key and critical element which is an absolutely essential corollary to its proposed rate reduction.

While CTCO has not sought to compel testimony on this issue, it is entitled to understand, at least, the parameters within which the OCA anticipates accomplishing the rate reduction it recommends. In the alternative, the OCA should be denied an opportunity at the later date it seeks to address the issue of rate design, given its waiver of the opportunity to do so.

WHEREFORE, for the above-stated reasons, Commonwealth Telephone Company respectfully requests that Your Honor expeditiously enter an Order compelling the Office of Consumer Advocate respond to its Interrogatories Set I, Nos. 13, 19, 27, and 48, and Set II, No. 2.

Respectfully submitted,

Norman James Kennard, Esquire
James P. Melia, Esquire
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101

Dated: August 6, 1993

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

COMMONWEALTH TELEPHONE COMPANY
Docket No. I-00920020

**Response of the Office of
Consumer Advocate to the
Interrogatories of Commonwealth
Telephone Company
Set I**

13. Reference OCA St. 2. Assume for purposes in responding to this Interrogatory that CTCO were to become a "cost company." State whether the witness believed whether there would remain any basis for the witness's proposal to utilize "residual ratemaking." If the response is anything other than an unqualified negative, fully and completely identify each and every basis for continuing to use "residual ratemaking" procedures when a company has converted to separated cost procedures at the FCC.

Response

If CTCO was currently a cost company, it would appear that residual ratemaking would not be applicable in this case. Upon advise of counsel, however, there may be other legal issues presented which would support the use of residual ratemaking even if CTCO becomes a cost company.

Witness Responsible: Thomas S. Catlin

COMMONWEALTH TELEPHONE COMPANY
Docket No. I-00920020

Response of the Office of
Consumer Advocate to the
Interrogatories of Commonwealth
Telephone Company
Set I

19. Reference OCA St. 2, Page 7, Lines 21-23. State whether the witness agrees with the Company that its intrastate rates do not recover costs allocated to the intrastate jurisdiction based upon cost Part 36 jurisdictional separations procedures. If the response is anything other than an unqualified negative, fully and completely identify each and every basis for the witness's disagreements.

Response

Mr. Catlin does not agree. Part 36 separation procedures do not apply to the Company because CTCO is an average schedule company.

Witness Responsible: Thomas S. Catlin

COMMONWEALTH TELEPHONE COMPANY
Docket No. I-00920020

Response of the Office of
Consumer Advocate to the
Interrogatories of Commonwealth
Telephone Company
Set I

27. Reference OCA St. 3, Page 7, Lines 12-13. Identify each and every company or other entity known to the witness which is not a local exchange carrier, but possesses the "resources to provide these services."

Response

Mr. Allen is not aware of any company which is not a local exchange carrier that possesses the resources to provide these services as a result of charges to captive ratepayers.

Witness Responsible: Randy M. Allen

COMMONWEALTH TELEPHONE COMPANY
Docket No. I-00920020

**Response of the Office of
Consumer Advocate to the
Interrogatories of Commonwealth
Telephone Company
Set I**

48. Reference OCA St. 3, Page 28, Lines 24-25. Fully and completely explain "the used and useful principal of public utility regulation" as understood by the witness.

Response

To be included in rate base, plant must be used and useful in providing service.

Witness Responsible: Randy M. Allen

COMMONWEALTH TELEPHONE COMPANY
Docket No. I-00920020

Response of the Office of
Consumer Advocate to the
Interrogatories of Commonwealth
Telephone Company
Set II

2. It does not appear in the OCA's testimony presented, the issue of rate design is not addressed. Fully and completely explain whether the OCA intends to address restructure at some future date. If so, fully and completely describe the manner in which the OCA will propose to implement its proposed revenue reduction.

Response

The OCA has not addressed the issue of rate structure and rate design in its filed testimony. The OCA is presently reviewing the testimony concerning rate structure filed by other parties. The OCA reserves the right to respond on the issue of rate structure in the rebuttal phase of the case.

Philip F. McClelland

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
v. : DOCKET NO. I-00920020
COMMONWEALTH TELEPHONE COMPANY :

CERTIFICATE OF SERVICE

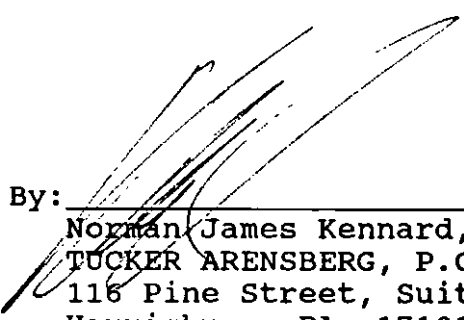
I hereby certify that, on this 6th day of August, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

The Honorable George M. Kashi
Administrative Law Judge
Room G08
PA Public Utility Commission
Harrisburg, PA 17105-3265

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Philip F. McClelland, Esquire*
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Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
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Fairfax, VA 22030-2885

By: 
Norman James Kennard, Esquire
TUCKER ARENSBERG, P.C.
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Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

* - VIA FACSIMILE AND U.S. FIRST CLASS MAIL

ORIGINAL

COMMONWEALTH OF PENNSYLVANIA

RJR



OFFICE OF CONSUMER ADVOCATE
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

IRWIN A. POPOWSKY
Consumer Advocate

August 6, 1993

(717) 783-5048

John G. Alford, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17105-3265

RE: Pennsylvania Public Utility
Commission v. Commonwealth
Telephone Company
Docket No. I-00920020

Dear Secretary Alford:

Enclosed please find an original and two (2) copies of a Certificate of Service indicating service of the Office of Consumer Advocate's Response to Commonwealth Telephone Company's Interrogatories, Set I, number 21, for filing in the above-captioned matter.

If you have any questions regarding this matter, please contact me at your convenience.

Sincerely,

Philip F. McClelland
Assistant Consumer Advocate

Enclosures

cc: all parties of record

DOCUMENT
FOLDER

RECEIVED
COMMUNICATIONS DIV.
AUG 10 1993

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission
v.
Commonwealth Telephone Company
Docket No. I-00920020

I hereby certify that I have this day served a true copy of the Office of Consumer Advocate's Response to Commonwealth's Interrogatories, Set I, number 21, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 6th day of August, 1993.

SERVICE IN PERSON

Kandace F. Melillo
Office of Trial Staff
PA Public Utility Commission
Room 210, North Office Bldg.
Harrisburg, PA 17120

DOCKETED
AUG 24 1993

SERVICE BY FACSIMILE AND FIRST CLASS MAIL


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Tucker Arensberg, P.C.
116 Pine Street
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Mark A. Keffer, Esq.
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Room 3A2
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Scott Burnside, V.P.
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Commonwealth Telephone Co.
100 Lake Street
Dallas, PA 18612

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COMM-FAC P1 6:00
REG. CONTROL DIV.


Philip F. McClelland
Assistant Consumer Advocate

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OFFICE OF CONSUMER ADVOCATE
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

RL

IRWIN A. POPOWSKY
Consumer Advocate

August 9, 1993

(717) 783-5048

John G. Alford, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17105-3265

RE: Pennsylvania Public Utility
Commission v. Commonwealth
Telephone Company
Docket No. I-00920020

Dear Secretary Alford:

Enclosed please find an original and two (2) copies of a Certificate of Service indicating service of the Office of Consumer Advocate's Response to Commonwealth Telephone Company's Interrogatories, Set IV, for filing in the above-captioned matter.

If you have any questions regarding this matter, please contact me at your convenience.

Sincerely,

Philip F. McClelland
Assistant Consumer Advocate

Enclosures

cc: all parties of record

DOCUMENT
FOLDER

RECORDED
INDEXED
AUG 11 1993
PHILADELPHIA DIV.

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission
v.
Commonwealth Telephone Company
Docket No. I-00920020

I hereby certify that I have this day served a true copy of the Office of Consumer Advocate's Response to Commonwealth's Interrogatories, Set IV, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 9th day of August, 1993.

SERVICE IN PERSON

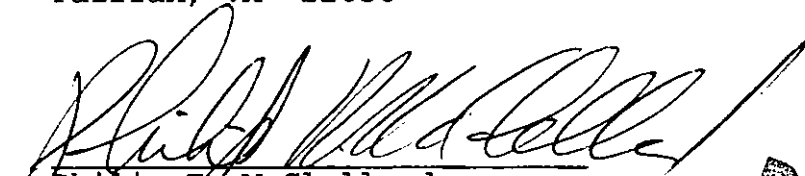
Kandace F. Melillo
Office of Trial Staff
PA Public Utility Commission
Room 210, North Office Bldg.
Harrisburg, PA 17120

Norman J. Kennard, Esq.
Tucker Arensberg, P.C.
116 Pine Street
Harrisburg, PA 17101

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Mark A. Keffer, Esq.
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& Telephone
Room 3A2
3201 Jermantown Road
Fairfax, VA 22030

Scott Burnside, V.P.
Revenue & Public Affairs
Commonwealth Telephone Co.
100 Lake Street
Dallas, PA 18612


Philip F. McClelland
Assistant Consumer Advocate

DOCKETED
AUG 24 1993

PA.P.U.C.
INFO CONTROL DIV.

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ORIGINAL



RJP

Mark A. Keffer
Attorney

Room 3A2
3201 Jermantown Road
Fairfax, VA 22030-2885
703 359-4086

August 9, 1993

Mr. John G. Alford, Secretary
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265

Re: Docket No. I-00920020

RECEIVED
AUG 10 1993
FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE
INFO. CONTROL DIV.

Dear Mr. Alford:

Enclosed for filing in the above-cited docket are an original and nine copies of the Testimony of Christopher J. Rozycki on behalf of AT&T Communications of Pennsylvania, Inc.

Very truly yours,

Mark A. Keffer

Enclosures

cc: Hon. George M. Kashi
Parties of Record

DOCUMENT
FOLDER

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

**TESTIMONY OF
CHRISTOPHER J. ROZYCKI**

**ON BEHALF OF
AT&T COMMUNICATIONS OF PENNSYLVANIA, INC.**

**DOCUMENT
FOLDER**

DOCKET NO. I-00920020

July 16, 1993

DOCKETED
AUG 24 1993

TESTIMONY OF CHRISTOPHER J. ROZYCKI

TABLE OF CONTENTS

| | |
|---|-----------|
| COMMONWEALTH'S ACCESS CHARGES ARE TOO HIGH AND NEED TO BE REDUCED..... | 2 |
| I. Explanation of access charges | 2 |
| II. Commonwealth's access rates are substantially higher than other Pennsylvania LECs, and have never been based on any measure of cost..... | 4 |
| III. Commonwealth's access rates should be cost-based, determined using the FCC's widely accepted cost study requirements | 5 |
| IV. Commonwealth's interstate access charges recover \$14.1 million more than Commonwealth's interstate access revenue requirement | 8 |
| V. Commonwealth's intrastate access revenue requirements need to be adjusted | 10 |
| VI. Intrastate non-traffic sensitive costs should be allocated based on SLU, rather than SPF. This reduces NTS cost recovery from interLATA access to \$3.0 million instead of \$8.2 million. | 12 |
| VII. Commonwealth should establish a "capped" Carrier Common Line Charge, as have the vast majority of Pennsylvania LECs. | 16 |
| VIII. Commonwealth's traffic-sensitive access charges should be reduced by \$2.1 million | 18 |
| IX. Access reductions will not produce any unreasonable consequences for basic local exchange rates | 20 |
| X. Access reductions will enable AT&T to introduce new services, such as Reach Out Pennsylvania | 22 |

| | |
|---|-----------|
| XI. Summary of access recommendations | 22 |
| COMMONWEALTH'S INTRALATA TOLL RATES SHOULD COVER THE SAME ACCESS CHARGES THAT COMPETING FIRMS MUST PAY TO PROVIDE THEIR SERVICES | 23 |
| COMMONWEALTH'S BILLING AND COLLECTION SERVICES SHOULD REMAIN SUBJECT TO THE COMMISSION'S REGULATION..... | 24 |
| COMMONWEALTH IS GIVING AN UNFAIR COMPETITIVE ADVANTAGE TO COMMONWEALTH LONG DISTANCE | 26 |
| SUMMARY OF TESTIMONY | 35 |

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Christopher J. Rozycki. My business address is 3201 Jermantown Road, Fairfax, Virginia, 22030-2885.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A I am employed by AT&T as a Manager in the Network Services Division. In that capacity, I perform analyses of Local Exchange Company ("LEC") access charges and pursue AT&T's interests on access policy issues in Pennsylvania, New Jersey, and Delaware.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY.

A. I received a Bachelor of Arts in Economics in 1972 from Georgetown University in Washington, D.C., and a Master of Arts in Economics in 1978 from George Mason University in Fairfax, Virginia. I have over 20 years' experience in analyzing economic and policy issues related to regulated industries, of which approximately 17 years involve public utilities, and more than nine years directly involve the telecommunications industry.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony will address several topics related to Commonwealth's overearnings and its relationship with Commonwealth Long Distance. First, I will show that Commonwealth's access charges are too high and need to be reduced; Commonwealth's excessive access charges are the primary reason the company is overearning and being investigated by the Commission. Second, I will explain why Commonwealth's intraLATA toll prices should be required to cover the same access charges that Commonwealth imposes on other carriers that offer competing services. Third, I will explain why

Commonwealth's intrastate billing and collection services should not be deregulated; the high profits generated from billing services should remain available to support basic exchange services. Finally, I will show how the operations of Commonwealth Telephone Company are giving an unfair competitive advantage to its affiliate, Commonwealth Long Distance. I will recommend specific measures to rectify these problems.

COMMONWEALTH'S ACCESS CHARGES ARE TOO HIGH AND NEED TO BE REDUCED.

I. EXPLANATION OF ACCESS CHARGES

Q. WHAT ARE SWITCHED ACCESS CHARGES?

A. Access charges are the fees that an interexchange carrier ("IXC") pays to establish a connection between a customer's premises and the IXC's switch.

Switched access is used on a typical long distance call. When a Commonwealth customer dials an AT&T long distance call, Commonwealth's central office switch recognizes the call as an AT&T call and directs the call over Commonwealth's network to AT&T's nearest switch. AT&T then carries the call over its network to its switch closest to the called party. At that point, AT&T hands off the call to the called party's local telephone company, which then completes the call. Once the call is completed, the access connections are terminated. A diagram of these connections is shown at Attachment 1.

The IXCs pay per-minute access charges for these connections at each end of the call, based on access rates elements in the LECs' tariffs. The "local switching" access rate element is the primary rate element for the

switching functions performed by Commonwealth's central office. In addition, there are two other minor switching-related rate elements (1) the "line termination" rate element, which covers Commonwealth's costs for connecting certain facilities to the central office switch, and (2) the "intercept" rate element, which covers Commonwealth's costs for sending long distance calls to recordings when they cannot be completed (e.g., "We're sorry. Your call cannot be completed as dialed.") In the interstate arena, the line termination and intercept rate elements have been consolidated into the local switching rate. AT&T recommends the same simplification for Commonwealth's access tariff.

The "local transport" rate element cover Commonwealth's costs for carrying the call from the central office switch over Commonwealth's network to the IXC's switch. This may also include the costs of any additional intervening switching between the Commonwealth central office and the IXC's switch.

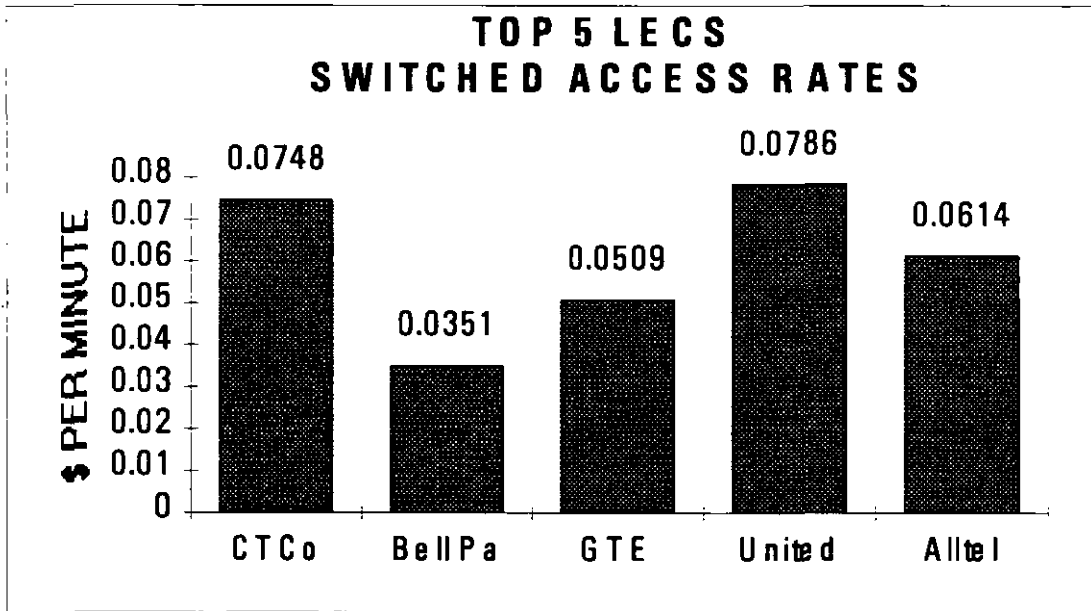
The switching and transport rates are often called "traffic sensitive" rates because they recover costs that vary based on the amount of traffic directed to the interexchange carriers.

There also is another access rate element called the Carrier Common Line Charge ("CCLC"). Unlike the other switched access rate elements, however, this charge does not reflect any costs which Commonwealth incurs to provide access services. Rather, the purpose of the CCLC is to generate a subsidy to offset some of Commonwealth's costs of extending dial-tone lines to its customers. Because the costs of the dial-tone line do not vary based on the customer's usage of the line, those costs are often termed "non-traffic sensitive." Commonwealth's CCLC will be discussed extensively below.

II. COMMONWEALTH'S ACCESS RATES ARE SUBSTANTIALLY HIGHER THAN OTHER PENNSYLVANIA LECS, AND HAVE NEVER BEEN BASED ON ANY MEASURE OF COST.

Q. HOW DO COMMONWEALTH'S SWITCHED ACCESS CHARGES COMPARE TO THOSE OF OTHER PENNSYLVANIA LOCAL EXCHANGE CARRIERS?

A. Commonwealth's switched access charges are among the highest in Pennsylvania. Of the five largest LECs, Commonwealth's access charges are second only to United. (AT&T also has a complaint pending against United's high access charges in Docket I-920016.) On a per-minute basis, Commonwealth's access charges are over twice as high as Bell's, are nearly 50% higher than those of GTE, and more than 20% higher than those of ALLTEL.



NOTE: The access rates shown on this chart are per-minute for one end of a call. For a typical call an IXC pays access on each end; "originating access" to the LEC serving the calling customer, and "terminating access" to the LEC serving the called customer. Thus, for a call that originates in Commonwealth territory and terminates in United territory, AT&T pays total access of $\$0.0748 + \0.0786 , or $\$0.1534$ per minute, for each minute of the call.

Q. IS THERE ANY COST JUSTIFICATION FOR COMMONWEALTH'S HIGH SWITCHED ACCESS CHARGES?

A. No. As shown below, Commonwealth's access charges are substantially above any reasonable measure of costs.

Q. HAVE COMMONWEALTH'S INTRASTATE ACCESS CHARGES EVER BEEN BASED ON COMMONWEALTH'S COSTS OF PROVIDING ACCESS SERVICES?

A. No. Since 1984, Commonwealth has subscribed to the access rates found in the access tariff of the Pennsylvania Telephone Association. That tariff was never based on any measure of costs, but was itself a mirror of the interstate access tariff of the National Exchange Carrier Association ("NECA"). In Docket No. P830452, the LECs were granted authority to mirror the NECA interstate rates in place on June 1, 1985. With the exception of minor rate changes related to the Tax Reform Act of 1986 ("TRA 86") and the State Tax Adjustment Surcharge ("STAS"), Commonwealth's access rates have remained largely unchanged.

| |
|---|
| III. COMMONWEALTH'S ACCESS CHARGES SHOULD BE COST-BASED, DETERMINED USING THE FCC'S WIDELY ACCEPTED COST STUDY REQUIREMENTS. |
|---|

Q. WHAT IS THE MOST APPROPRIATE METHODOLOGY FOR DETERMINING THE PRICE OF ACCESS (OR ANY OTHER TELECOMMUNICATIONS SERVICE)?

A. If one accepts the postulate that regulation serves as a substitute for competition, then regulated prices should approximate those which would exist in a fully-competitive market. In competitive markets, prices tend to reflect costs, and economists instruct that prices must at least cover the total service long run incremental cost ("TS-LRIC") of a service. Thus, prices

should be based on TS-LRIC plus an appropriate contribution to common and overhead costs.

Access prices established this way would approximate economically efficient market-determined prices. They would increase the use of Commonwealth's network for interexchange calling, which in turn would optimize Commonwealth's access revenues and deter risks that customers and/or carriers will bypass Commonwealth's facilities with lower-cost access facilities of their own.

Q. HAS COMMONWEALTH CONDUCTED TS-LRIC STUDIES FOR ITS ACCESS SERVICES?

A. No, but that is not unusual. In the telecommunications industry, companies often do not perform TS-LRIC studies, but instead perform fully distributed cost studies that they use in pricing their services.

Q. IN GENERAL, HOW DOES A FULLY-DISTRIBUTED COST STUDY VARY FROM A TS-LRIC STUDY?

A. In general terms, a TS-LRIC study measures the direct costs of a service. It does not include common or overhead costs that are not directly tied to that service. In contrast, a fully distributed cost study allocates all of a company's costs to its various services. Thus, a fully distributed cost study will assign costs to a service that have no direct relationship to the service.

Q. WHAT RULES DO TELEPHONE COMPANIES TYPICALLY FOLLOW TO CONDUCT FULLY-DISTRIBUTED COST STUDIES?

A. The common industry practice is to conduct fully distributed cost studies using rules established by the FCC. The rules appear at 47 Code of Federal Regulations Part 36, and are typically referred to in the industry as the "Part 36" rules.

The Part 36 rules assign all of a telephone company's regulated costs to service categories in a manner designed to produce a large subsidy for local service. This means that for some services, including access, the rules assign more common and overhead costs than would be supportable in a competitive marketplace.

Thus, for access services, the Part 36 rules are a useful method of identifying an upper limit to the amount of contribution above incremental cost which should be recovered from the service.

Q. HAS COMMONWEALTH PRODUCED A PART 36 STUDY IN THIS CASE?

A. Yes. Commonwealth witness Laffey prepared a Part 36 study which examines Commonwealth's costs for a 1993 projected test year. See Laffey Direct at Exh. JJJ-2.

Q. INTO WHAT CATEGORIES DOES COMMONWEALTH'S PART 36 STUDY ASSIGN COSTS?

A. The study divides Commonwealth's regulated total company costs into four areas -- interstate, intrastate interLATA, intrastate intraLATA, and "other." In general, the interstate costs are those underlying Commonwealth's interstate access charges, the intrastate interLATA costs are for intrastate access, the intrastate intraLATA costs are for Commonwealth's intraLATA toll and related services, and the "other" costs are mostly for basic local exchange service.

Q. WITH REGARD TO THE ACCESS CATEGORIES, ARE THERE ALSO FCC RULES FOR ASSIGNING COSTS TO INDIVIDUAL ACCESS RATE ELEMENTS?

A. Yes. Those rules appear at 47 Code of Federal Regulations Part 69, and are generally termed the "Part 69" rules.

IV. COMMONWEALTH'S INTERSTATE ACCESS CHARGES RECOVER \$14.1 MILLION MORE THAN COMMONWEALTH'S INTERSTATE ACCESS REVENUE REQUIREMENT.

Q. BEFORE WE DISCUSS COMMONWEALTH'S INTRASTATE ACCESS CHARGES, LET'S DISCUSS HOW IT ESTABLISHES INTERSTATE ACCESS RATES. DOES COMMONWEALTH USE THE FCC'S PART 36 AND PART 69 RULES TO ESTABLISH ITS INTERSTATE ACCESS CHARGES?

A. No. As Mr. Laffey testified at the July 2 hearing, the FCC rules allow some companies to choose whether they want to establish interstate access charges based on the costs shown in a Part 36/69 study, or whether they want to adopt the "averaged" access charges of the National Exchange Carrier Association. Companies that establish cost-based access charges are typically referred to as "cost" companies. The ones that adopt the NECA tariff are called "average schedule" companies. Commonwealth has chosen to be an average schedule company.

Q. IS COMMONWEALTH A TYPICAL AVERAGE SCHEDULE COMPANY?

A. No. Typically, one thinks of the average schedule companies as being very small. In many if not most instances, these companies choose to be average schedule because they do not have the resources or the wherewithal to conduct cost studies.

Commonwealth, however, does not fit that mold. Commonwealth is a large company with substantial resources. It claims to be the 20th largest telephone company in the nation (out of about 1200), and probably is the largest "average schedule" company in the country.

Q. IS THERE ANY REASON WHY COMMONWEALTH COULD NOT BECOME A COST COMPANY?

A. No. Obviously, Commonwealth has the ability to do a Part 36 cost study, because it has filed one in this case. It also can perform Part 69 studies, because it has provided a test year Part 69 study to AT&T as a discovery response.

Q. WHY, THEN, HAS COMMONWEALTH CHOSEN TO ADOPT THE "AVERAGE SCHEDULE" FOR ITS INTERSTATE ACCESS RATES?

A. The simple reason is that the NECA interstate access rates produce revenues that are substantially higher than Commonwealth's Part 36 interstate access revenue requirement. For Commonwealth, average schedule means higher profits, a point Mr. Laffey acknowledged on cross examination.

Q. DOES COMMONWEALTH'S PART 36 STUDY SUPPORT THAT CONCLUSION?

A. Yes. Commonwealth is collecting \$14.1 million more in interstate access charges than it would if it became a cost company under the FCC's rules. Commonwealth projects 1993 interstate access revenues of \$38.3 million; its Part 36 study shows a 1993 interstate access revenue requirement of only \$24.2 million. Thus, AT&T and the other IXCs are paying Commonwealth \$14.1 million more for interstate

access than they would if Commonwealth had cost-based interstate access charges.

The FCC currently allows an 11.25% overall rate of return. With this \$14.1 million in overearnings, Commonwealth's projected 1993 interstate access return is almost 42%.

V. COMMONWEALTH'S INTRASTATE ACCESS REVENUE REQUIREMENT NEEDS TO BE ADJUSTED.

Q. NEXT, TURN TO COMMONWEALTH'S INTRASTATE, INTERLATA ACCESS REVENUE REQUIREMENT. HOW DOES COMMONWEALTH'S PROJECTED ACCESS REVENUE REQUIREMENT COMPARE WITH ITS PROJECTED ACCESS REVENUES?

A. Mr. Laffey's Part 36 study projects a 1993 intrastate interLATA switched access revenue requirement of \$11.2 million. Commonwealth projects 1993 interLATA access revenues of \$13.8 million. Thus, even before adjustments, Commonwealth's own cost study shows that in 1993 its access customers will pay \$2.6 million more than Commonwealth's access revenue requirement.

Q. YOU SAY "BEFORE ADJUSTMENTS." ARE THERE ADJUSTMENTS THAT SHOULD BE MADE TO COMMONWEALTH'S INTRASTATE INTERLATA ACCESS COSTS?

A. Yes. First, the Commonwealth studies need to be adjusted to re-allocate non-traffic sensitive costs based on relative usage, rather than on an arbitrary factor that over-assigns costs to access services. More on that below.

Second, Commonwealth's intrastate access costs should be restated to exclude a portion of Commonwealth's \$14.1 million interstate overearnings. This reduces Commonwealth's intrastate interLATA switched access revenue requirement by \$1.7 million.

Third, although Commonwealth witness Burnside claims that Commonwealth's studies remove all billing and collection costs and take them "below the line" to be deregulated, AT&T's review of Commonwealth's Part 36 study identifies about \$870,000 in billing costs still assigned to intrastate interLATA. While AT&T does not agree that billing and collection should be deregulated (a point discussed more fully below), regardless of whether it is or not, all billing costs need to be removed from the intrastate interLATA category to identify the costs of interLATA access.

Finally, OCA and OTS likely will identify other adjustments to Commonwealth's expenses and overall rate of return that will need to be made to Commonwealth's total company costs, which in turn will have an impact on Commonwealth's access costs. While my testimony treats Commonwealth's Part 36 study as accurate (except for the three adjustments I described), the Commission should understand that any OCA and OTS adjustments accepted by the Commission will result in a lower Commonwealth access revenue requirement than shown in my testimony. In that instance, my calculations would need to be adjusted for the lower total company revenue requirement.

VI. INTRASTATE NON-TRAFFIC SENSITIVE COSTS SHOULD BE ALLOCATED BASED ON SLU, RATHER THAN SPF. THIS REDUCES NTS COST RECOVERY FROM INTERLATA ACCESS TO \$3.0 MILLION INSTEAD OF \$8.2 MILLION.

Q. WHAT ADJUSTMENT SHOULD BE MADE TO COMMONWEALTH'S ALLOCATION OF INTRASTATE NON-TRAFFIC SENSITIVE COSTS IN ITS PART 36 AND PART 69 STUDIES?

A. Commonwealth's studies over-allocate intrastate non-traffic sensitive costs to access services by using the outdated "Subscriber Plant Factor" methodology. If non-traffic sensitive costs are to be allocated to the intrastate interLATA category, then in AT&T's view a more appropriate allocator would be Subscriber Line Usage.

Q. WHAT ARE "NON-TRAFFIC SENSITIVE" COSTS?

A. In general terms, these are a telephone company's costs of providing telephone lines (often termed "local loops" or "dial tone lines") from the company's central offices out to customers' premises. Local loop costs do not vary with usage; i.e., the costs are the same whether a customer uses the line for local calling only, both local and toll calls, or no calls at all. That is why these costs are often described as "non-traffic sensitive" or "NTS."

Q. WHAT IS THE "SUBSCRIBER PLANT FACTOR?"

A. In effect, SPF is nothing more than a mathematical exercise to over-assign significant NTS costs to interstate toll services. SPF was developed at a time when all telephone service was a monopoly and when both the industry and regulators were focused on getting as many people connected to the network as possible. To achieve that goal, the regulators chose to make toll prices high and local service prices low, relative to their respective costs. They

developed the SPF as a way to over-assign costs to toll services and, as interexchange competition began to develop, to access services.

Q. DO THE FCC'S PART 36 RULES STILL USE SPF?

A. No. Things have changed dramatically in the telephone industry. Today, "Universal Service" has been achieved, with well over 90% of households having telephone service (over 96% in Pennsylvania). With the breakup of the Bell System and the development of competition, regulators recognized that it would be inappropriate to try to generate the same level of subsidy from toll to local service that SPF once provided. Regulators understand that subsidies cannot be maintained in competitive markets, because market forces drive firms to develop ways around them. Moreover, rapid advances in technology have drastically reduced unit costs in the telephone industry, meaning that local service no longer needs the same level of subsidy that it did in the past.

Thus, over the past few years, the FCC has phased down SPF, and, beginning in 1993, has eliminated it completely. In place of SPF, the FCC rules now require that, for "cost" companies, a fixed 25% of a LEC's non-traffic sensitive costs be assigned to interstate access services.

Q. HAS THE PENNSYLVANIA PUC EVER REQUIRED THAT SPF BE USED FOR ALLOCATING INTRASTATE COSTS?

A. No. The PUC has never required SPF-based allocation.

Q. WHAT IS "SUBSCRIBER LINE USAGE," OR "SLU?"

A. This is a measurement of the relative usage of dial tone lines. To illustrate, if the usage on a customer's dial tone line were 14% interstate, 7% intrastate interLATA, 15% intrastate intraLATA and 64% local, those would be the SLU

factors for that customer. When the usage characteristics of all customers are aggregated, it gives the SLU factors for the total company.

Q. WHAT IS THE RELATIONSHIP BETWEEN SPF AND SLU?

A. As noted above, the SPF formula makes SPF a multiple of SLU. In the interstate jurisdiction, the interstate SPF factor is calculated using the SLU for interstate services.

Q. HOW HAVE YOU MODIFIED COMMONWEALTH'S PART 36 STUDY TO ALLOCATE INTRASTATE NTS COSTS USING SLU RATHER THAN SPF?

A. The FCC rules for "cost" companies dictate that 25% of the NTS costs are assigned to the interstate jurisdiction; thus 75% of the NTS costs are intrastate. In this testimony I have not modified the assignment of costs to the interstate jurisdiction.

For the NTS costs assigned to intrastate, I re-allocated those costs using the intrastate SLU factors to replace the SPF-based allocation that appears in Commonwealth's study. This change produces a more rational allocation of intrastate costs and reduces the level of costs assigned to intrastate interLATA access services by \$3.1 million:

| CHANGES IN INTRASTATE REVENUE REQUIREMENTS WHEN NTS COSTS ARE ALLOCATED USING SLU INSTEAD OF SPF. (\$ MILLION) | | | |
|---|-----------------------------|-----------------------------------|--------------------------|
| | INTERLATA ACCESS | INTRALATA TOLL-RELATED | OTHER (LOCAL) |
| SPF-BASED ALLOCATION | 11.2 | 32.5 | 54.5 |
| SLU-BASED ALLOCATION | 8.1 | 27.9 | 62.3 |

With this change, the total costs assigned to intrastate interLATA are \$8.1 million, of which NTS costs are \$3.0 million. Based on this calculation, Commonwealth's intrastate interLATA access charges should recover \$3.0 million annually in NTS costs, rather than the \$6.1 million SPF-based interLATA NTS revenue requirement identified in Commonwealth's cost studies or the \$8.2 million in interLATA NTS revenues Commonwealth expects to collect in 1993.

Q. ARE YOU SAYING THAT SLU IS THE BEST WAY TO ALLOCATE NTS COSTS?

A. No, I am saying that SLU produces a more equitable allocation result than the outdated and inflated SPF allocator Commonwealth used in its studies.

If non-traffic sensitive costs were assigned based on cost causation, then all NTS costs would be assigned to local service, as has been done in Illinois and Nevada, and which is under serious consideration in Delaware. It is the customer's decision to subscribe to telephone service that causes Commonwealth to incur those costs. Remember, those costs are the same regardless of how the customer uses the dial tone line. They would be the same even if the customer never makes or receives a single long distance or local call.

AT&T recognizes, however, that this Commission may not wish to undertake such a dramatic cost shift at one time. Therefore, if access is to continue providing a subsidy to local service, then the level of that subsidy should be determined in a reasonable, rational manner. One way the Commission can accomplish that goal is by adopting a SLU-based allocation for Commonwealth's intrastate NTS costs.

VII. COMMONWEALTH SHOULD ESTABLISH A "CAPPED" CARRIER COMMON LINE CHARGE, AS HAVE THE VAST MAJORITY OF PENNSYLVANIA LECS.

Q. WHICH ACCESS RATE ELEMENT RECOVERS THE NTS COSTS ASSIGNED TO ACCESS SERVICES?

A. The Carrier Common Line Charge ("CCLC").

Q IS COMMONWEALTH'S INTRASTATE CCLC STRUCTURED THE SAME WAY AS THAT OF MOST OTHER PENNSYLVANIA LECS?

A. No. Unlike most Pennsylvania LECs, Commonwealth continues to assess the Carrier Common Line Charge per minute of use. Most LECs have "capped" CCLCs, meaning that the charges are recovered in one of two ways: either (1) the company's annual CCL revenue requirement is fixed and collected through a revenue cap mechanism; or (2) the CCL revenue requirement is recovered through a "per line per month" rate. In either case, the revenue requirement is allocated among IXCs (or access users) based on their relative market shares.

Q. HAS THE PUC REQUIRED CCL "CAPPING" EVERY TIME THE ISSUE HAS BEEN BEFORE IT OVER THE PAST SEVERAL YEARS?

A. Yes. To date, capping has been required for the following 25 companies:

Bell of Pennsylvania, Docket R-842779, October 24, 1985
GTE, Docket R-850229, April 10, 1986
Venus Telephone, Docket R-870657, October 2, 1987
Sugar Valley Telephone, Docket R-870685, October 2, 1987
Citizens Utilities, Docket R-870640, January 16, 1988
Pymatuning Independent Telephone, Docket R-880915, June 1, 1988
Oswayo River Telephone, Docket R-880984, July 26, 1988
Canton Telephone, Docket R-881117, January 12, 1989
Enterprise Telephone, Docket R-891207, September 8, 1989
Conestoga Telephone, Docket P-890381, March 20, 1990
Lakewood Telephone Company, Docket R-891443, May 2, 1990
Breezewood Telephone Co., Docket R-901666, January 4, 1991

[CONTINUED ON NEXT PAGE]

ALLTEL Pennsylvania, Inc., Docket No. P-900490, March 15, 1991
Denver and Ephrata Tel. Co., Docket R-912035, August 29, 1991
North Pittsburgh Tel. Co., Docket R-912138, December 20, 1991
Bentleyville Telephone Company, Docket R-922207, April 30, 1992
ALLTEL-Murraysville Tel. Co., Docket R-922429, October 1, 1992
North Eastern Pennsylvania Tel. Co., Docket I-870076, October 5, 1992
Citizens Tel. Co. of Kecksburg, Docket I-870076, October 5, 1992
Ironton Tel. Co., Docket I-870076, October 5, 1992
Yukon Waltz Tel. Co., Docket I-870076, October 5, 1992
North Penn Tel. Co., Docket I-870076, October 5, 1992
Mahanoy & Mahantango Tel. Co., Docket I-870076, October 5, 1992
Armstrong Tel. Co. North, Docket I-870076, October 5, 1992
Palmerston Tel. Co., Docket R-922483, November 24, 1992

Additionally, Armstrong Telephone Co. has agreed to cap its CCLC by January 1, 1994, and ALLTEL-Brookville has committed to cap at the conclusion of the merger of ALLTEL's Pennsylvania companies.

Q. WHY IS "CAPPING" APPROPRIATE?

A. The rationale has been discussed in a number of the orders cited above. Simply stated, it is more appropriate to recover non-traffic sensitive costs on a non-traffic sensitive basis. Remember, Commonwealth's dial tone line costs do not vary with usage, but Commonwealth's existing "per minute" CCLC recovers dial-tone related costs on a usage-sensitive basis. By converting to a revenue "capped" CCL structure, Commonwealth will be recovering non-traffic sensitive costs on a non-traffic sensitive basis.

Q. YOU DESCRIBED TWO WAYS OF "CAPPING" THE CCLC. WHICH DOES AT&T RECOMMEND?

A. AT&T recommends capping Commonwealth's intrastate interLATA annual CCL revenue requirement. AT&T further recommends that the revenue cap be set at \$3.0 million annually, identified above. This is the approach that the Commission has approved for other larger LECs, Bell and GTE.

By firmly establishing the subsidy level that the CCLC must provide to Commonwealth's basic exchange service, this methodology has potential advantages for both Commonwealth and the IXCs, irrespective of whether toll volumes grow or decline. If access usage grows, then the effective CCL rate per minute will decline, which will result in lower IXC prices, which in turn will stimulate IXC toll volumes; as toll volumes grow, so will Commonwealth's traffic-sensitive access revenue.

Conversely, if toll demand declines for some reason, such as a severe downturn in the economy, Commonwealth will benefit from a "revenue cap" CCLC because it will generate the same level of CCL revenues nonetheless. The subsidy to basic service will be guaranteed.

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| VIII. COMMONWEALTH'S TRAFFIC-SENSITIVE ACCESS CHARGES SHOULD BE REDUCED BY \$2.1 MILLION. |
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Q. TURNING TO COMMONWEALTH'S TRAFFIC-SENSITIVE SWITCHED ACCESS CHARGES, WHAT CHANGES SHOULD BE MADE TO COMMONWEALTH'S TRAFFIC-SENSITIVE COSTS SHOWN IN ITS PART 36/69 COST STUDIES?

A. As noted above, Commonwealth's interstate access charges over-recover its interstate revenue requirement by \$14.1 million. The best way to correct this would be for Commonwealth to reduce its interstate access charges by that amount, but such a request is beyond the jurisdiction of this Commission.

As a "second best" alternative, we have recalculated Commonwealth's traffic-sensitive switched access revenue requirement. We first reduced Commonwealth's total intrastate revenue requirement by \$14.1 million, effectively shifting \$14.1 million in revenue requirement from state to interstate. Next, we re-allocated the intrastate revenue

requirement to the "other", intrastate intraLATA and intrastate interLATA categories based on relationships from Commonwealth's Part 36 study. This re-allocation reduces Commonwealth's intrastate interLATA revenue requirement by about \$1.7 million over what is shown in Commonwealth's study:

Commonwealth's study shows a traffic-sensitive switched access revenue requirement of \$5.14 million. Subtracting the \$1.7 million reduces the total traffic sensitive revenue requirement to about \$3.5 million.

Q. WHY IS THIS ADJUSTMENT APPROPRIATE?

A. It is consistent with the FCC's November 14, 1990, memorandum Opinion and Order in Mid-Plains Telephone Company, Inc., where the FCC, after stating that "it would be inequitable for a company to recover more than its total costs," went on to conclude "that [the FCC] has not prescribed any jurisdictional separations method for average schedule companies, and [a state Commission's] use of residual ratemaking for determining Mid-Plains' intrastate revenue requirement does not contravene the Communications Act or any rule of [the FCC]. Order at 5.

Q. BASED ON YOUR RECALCULATION, WHAT CHANGES SHOULD BE MADE IN COMMONWEALTH'S TRAFFIC-SENSITIVE SWITCHED ACCESS CHARGES?

A. I recommend that all of Commonwealth's existing traffic-sensitive access rates be reduced across-the-board by 37.5%. Commonwealth projects 1993 traffic-sensitive access revenues of \$5.6 million. My re-calculated intrastate

interLATA revenue requirement shows that Commonwealth should collect \$3.5 million, or 37.5% less.

Once that calculation is made, I further recommend that Commonwealth fold its line termination and intercept into the local switching rate element. This will simplify the tariff, simplify the access bills, and result in an intrastate rate structure that corresponds to the interstate rate structure.

IX. ACCESS REDUCTIONS WILL NOT PRODUCE ANY UNREASONABLE CONSEQUENCES FOR BASIC LOCAL EXCHANGE RATES.

Q. YOU ARE RECOMMENDING THAT THE CCLC BE REDUCED BY \$5.2 MILLION AND CAPPED, AND THAT TRAFFIC-SENSITIVE ACCESS BE REDUCED BY \$2.1 MILLION. WON'T THESE DECREASES SUBSTANTIALLY REDUCE THE PROFITS COMMONWEALTH RECEIVES FROM IXCS?

A. Even with an intrastate access reduction, AT&T and the other IXCs will continue to pay Commonwealth well in excess of its revenue requirement on other services. As noted above, interstate access is \$14.1 million above fully distributed cost. As discussed below, intrastate billing and collection is producing \$1.3 million above cost. In short, we will still be overpaying, just not quite so much.

Q. WILL AN INTRASTATE ACCESS REDUCTION CAUSE AN INCREASE IN LOCAL RATES?

A. Not necessarily. Given that the Commission established this case because of Commonwealth's overearnings, it is not clear that any rates would have to increase as a result of access reductions. It may be that even with reduced access charges, Commonwealth would still achieve adequate earnings.

If rate increases become necessary, however, it would be appropriate to look first to Commonwealth's toll rates. As discussed below,

Commonwealth's toll rates should be increased in this case to assure that they cover relevant access rate elements.

If toll increases did not generate sufficient revenues, it would not be inappropriate for the Commission to consider modest increases in Commonwealth's local rates. Commonwealth's existing local rates are too low. Commonwealth's average residential local rate of only \$5.80 is the lowest of the five largest LECs (Burnside Direct at Exh. SB-18). In contrast, Bell's average local rate is \$10.30.

Commonwealth's local rates have not changed since 1978. If Commonwealth's \$5.80 average residential rate had simply kept up with changes in the Consumer Price Index over those years, today that rate would be approximately \$13.40.

With local rates among the lowest in Pennsylvania and access charges among the highest, it is clear that Commonwealth has been able to keep its local rates low by keeping access charges so high. Even if the entire \$7.3 million access reduction AT&T advocates was shifted to residential local service, the average monthly rate would increase by approximately \$3.73 per month, to an average of \$9.53. Even under this "worst case" scenario, Commonwealth's local rate would be well below the average residential rates of Bell and GTE, and virtually the same as that of United.

A local service rate increase would enable local service customers to assume a greater share of the costs of local service. Commonwealth's own study, unadjusted, shows that basic service costs are \$54.5 million, while projected revenues are only \$23.3 million. With AT&T's more appropriate modified SLU allocation, the costs of local service are even higher

(\$62.3 million), and the percentage met by local service revenues even lower.

X. ACCESS REDUCTIONS WILL ENABLE AT&T TO INTRODUCE NEW SERVICES, SUCH AS REACH OUT PENNSYLVANIA.

Q. HAVE COMMONWEALTH'S HIGH ACCESS CHARGES AFFECTED AT&T'S ABILITY TO OFFER NEW SERVICES TO COMMONWEALTH'S CUSTOMERS?

A. Yes. Because of Commonwealth's high access charges, AT&T has been unable to offer new discounted toll services, such as Reach Out Pennsylvania, in Commonwealth's territory.

Q. IF THE COMMISSION APPROVES COST-BASED ACCESS CHARGES, WILL AT&T OFFER REACH OUT PENNSYLVANIA IN COMMONWEALTH'S TERRITORY?

A. Yes.

XI. SUMMARY OF ACCESS RECOMMENDATIONS.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS FOR COMMONWEALTH'S ACCESS RATES.

A. My recommendations are summarized on Attachment 2. Commonwealth's CCLC should be capped at an annual level of \$3.0 million. Commonwealth's traffic sensitive access rates should be reduced by \$2.1 million, which can be accomplished by reducing existing rates across-the-board by 37.5%. Once these reductions are calculated, Commonwealth should fold its Line Termination and Intercept rate elements into its Local Switching rate element, as has been done in the interstate arena.

These reductions will move Commonwealth closer to a cost-based access rate structure and provide a reasonable contribution to local loop

costs and to Commonwealth's joint and common costs. They will not have any unreasonable impact on Commonwealth's local service rates.

COMMONWEALTH'S INTRALATA TOLL RATES SHOULD COVER THE SAME ACCESS CHARGES THAT COMPETING FIRMS MUST PAY TO PROVIDE THEIR SERVICES.

Q. ARE SOME COMMONWEALTH TELEPHONE COMPANY INTRALATA TOLL RATES LOWER THAN THE ACCESS CHARGES COMMONWEALTH IMPOSES ON INTEREXCHANGE CARRIERS?

A. Yes. Attachment 3 shows that 66% of Commonwealth's intraLATA toll minutes are priced lower than the access rates interexchange carriers must pay Commonwealth for access.

Q. WHY SHOULD COMMONWEALTH BE REQUIRED TO CHARGE INTRALATA TOLL RATES WHICH COVER ITS OWN COSTS OF INTERLATA ACCESS?

A. Commonwealth's intraLATA message toll rates should be set high enough to provide at least as much contribution to local service as the access charges paid by IXCs. Through this imputation requirement, the Commission will establish a "level playing field" for intraLATA toll services. Without an imputation requirement, Commonwealth will be able to discriminate in favor of its own intraLATA toll traffic by charging less for its own end-to-end message toll services than it charges IXCs for access. Stated another way, Commonwealth's "retail" price will be less than the price that IXCs must pay for "wholesale" access service.

Commonwealth's intraLATA toll services use the local exchange network in virtually the same way that IXCs use those facilities when they

purchase access facilities. For example, there is no difference in Commonwealth's use of a dial-tone line and central office switching equipment for an intraLATA toll call compared to a similar call carried by an IXC. Similarly, there is no reason to believe that Commonwealth's costs per circuit mile for transporting its own toll traffic are any different than its costs for transporting an IXC's traffic between a central office and the IXC's switch.

Q. WHAT CHANGES SHOULD BE MADE IN COMMONWEALTH'S INTRALATA TOLL RATES?

- A. Commonwealth should increase its intraLATA toll rates to cover the same access charges that IXCs must pay to offer similar service. Of course, the extent to which Commonwealth's access charges are reduced in this case will determine how much Commonwealth will need to increase its toll rates.

COMMONWEALTH'S BILLING AND COLLECTION SERVICES SHOULD REMAIN SUBJECT TO THE COMMISSION'S REGULATION

Q. COMMONWEALTH WITNESS BURNSIDE PROPOSES THAT BILLING AND COLLECTION SERVICES BE DEREGULATED. DOES AT&T AGREE?

- A. No. Commonwealth's billing and collection services are very profitable, and it is Commonwealth's position as a provider of local telephone service that enables it to earn these substantial billing profits. Commonwealth's cost studies show that billing services produce \$1.4 million (or 160%) above its revenue requirement. As long as those services remain subject to the Commission's regulation, the earnings can be used to offset the costs of basic exchange services. In contrast, if billing and collection is deregulated,

the earnings go "below the line" and cannot be used to offset the costs of any other services.

Q. HAVE OTHER COMPANIES REQUESTED DEREGULATION OF BILLING AND COLLECTION SERVICES?

A. Yes. In Docket No. R-922504, the Denver & Ephrata Telephone Company sought deregulation of billing and collection services.

Q. WAS DEREGULATION APPROVED?

A. No. Once the proposal was reviewed by the Commission, staff, OCA and others, it became clear that it would not be granted. As part of its settlement in that case, D&E agreed to keep billing and collection above the line. See Opinion and Order entered March 11, 1993.

Q. ARE YOU SUGGESTING THAT THE COMMISSION ESTABLISH COMMONWEALTH'S RATES FOR BILLING AND COLLECTION?

A. No. I agree with Mr. Burnside that billing services are somewhat competitive, in that IXCs have other options if they do not want to purchase billing from a LEC. For that reason, I recommend that billing and collection remain detariffed so that LECs and IXCs can negotiate billing contracts that meet their needs. As explained above, however, I do not recommend that the service be deregulated and taken below the line.

**COMMONWEALTH IS GIVING AN UNFAIR COMPETITIVE
ADVANTAGE TO COMMONWEALTH LONG DISTANCE.**

Q. IS THERE EVIDENCE THAT COMMONWEALTH AND ITS AFFILIATE, COMMONWEALTH LONG DISTANCE, ARE TAKING UNFAIR ADVANTAGE OF THEIR AFFILIATE RELATIONSHIP?

A. Yes. As shown below, there is clear evidence that Commonwealth and CLD are using unfair practices to take business away from AT&T and other long distance companies. Commonwealth Long Distance's advertising touts CLD's affiliate relationship with Commonwealth Telephone. The two companies have participated in joint discount programs, and use the same telephone numbers for customer service. Commonwealth Telephone service representatives are instructed to dissuade customers from signing up with any IXC other than Commonwealth Long Distance. The similarity in the names of Commonwealth and Commonwealth Long Distance is confusing to customers, and leads to many customers choosing CLD because of the affiliate relationship. Taken together, these facts show that Commonwealth and CLD are working together to give CLD an unfair competitive advantage over AT&T and others.

Q. COMMONWEALTH AND COMMONWEALTH LONG DISTANCE HAVE VERY SIMILAR NAMES. CAN CUSTOMERS ALWAYS DIFFERENTIATE BETWEEN THE TWO?

A. No. Many customers do not realize that "Commonwealth" and "Commonwealth Long Distance" are different companies. In a small (and admittedly unscientific) survey of CLD customers, many could not identify their long distance carrier, most likely because they do not

distinguish between Commonwealth and CLD. They seem to believe that all service comes from a single company -- "Commonwealth." Of the customers that could identify CLD as their long distance carrier, a majority said they chose CLD because of its relationship with Commonwealth Telephone Company.

Q. HAS THE COMMISSION ACKNOWLEDGED THAT IT MAY BE UNFAIR TO ALLOW LECS AND THEIR LONG DISTANCE SUBSIDIARIES TO SHARE THE SAME (OR VERY SIMILAR) NAMES?

A. Yes, and the Commission is beginning to act on the "name" problem. In Docket No. A310147, the Commission placed certain restrictions on a new long distance company, Palmerton Long Distance Company ("PLDC"), which is affiliated with Palmerton Telephone Company:

1. PLDC will not use the logo of Palmerton Telephone Company or Pennacor in any marketing activity;
2. PLDC will not engage in any activity which reasonably could confuse or mislead customers into believing PLDC and Palmerton Telephone Company are the same entity; and
3. PLDC may use the word "Palmerton," in reference to Palmerton Long Distance Company, in marketing activities; however, in each such instance where the word "Palmerton" is used, PLDC must affirmatively inform customers or prospective customers that PLDC and Palmerton Telephone Company are not the same company.

Docket A310147, Order entered April 29, 1993, at p. 3.

PLDC proposed these conditions in response to an April 15, 1993

Motion of Chairman Rolka, stating:

The long distance subsidiary [PLDC] should be precluded from using the word "Palmerton" in its name. The use of the name "Palmerton" in marketing long distance service to the public within the service territory served by Palmerton Telephone Company, a local exchange company, may provide an unfair competitive advantage. The Applicant could market long distance service by advertising, implicitly or explicitly, the relationship with its LEC affiliate and the advantage of having only one phone company serving all of a given customer's needs.

In making that motion, it was very clear that the Chairman was aware of the same problems with Commonwealth and Commonwealth Long Distance. He directed that

Law Bureau staff should make appropriate recommendations regarding the Commonwealth situation.

The same conditions approved for PLDC were also proposed, and approved for, Visions Long Distance, a subsidiary of Rochester Telephone, which owns the Breezewood, Canton Enterprise, Lakewood, and Oswayo River telephone companies. See Docket No. A-310153, Order entered June 4, 1993.

- Q. DO COMMONWEALTH AND COMMONWEALTH LONG DISTANCE HIGHLIGHT THEIR AFFILIATE RELATIONSHIP IN THEIR ADVERTISING?**
- A. Yes. Attachment 4 shows a number of ads where Commonwealth and Commonwealth Long Distance try to make themselves seem like one

company. Here are some quotes where the ads play up the affiliate relationship:

- Commonwealth Long Distance is a local company. We're affiliated with Commonwealth Telephone Company, the number one rated telephone company in Pennsylvania.
- Our affiliation with Commonwealth Telephone Company, whose history dates back to 1897, provides a broad base of knowledge and a strong presence in the telecommunications industry.
- Commonwealth Long Distance is an affiliate of the number one rated telephone company in Pennsylvania, Commonwealth Telephone Company. So you receive only one bill. You write just one check, and use one stamp to **pay one company.** (emphasis added)
- **1 BILL -- 1 STAMP -- 1 COMPANY**
- One of the newest names in long distance services has been around for almost a century. With almost 100 years of telecommunications leadership under our belt, we know how to keep people in touch. ... We know your turf. After all, we're neighbors, headquartered right here in Eastern Pennsylvania. We have the local knowledge and expertise that can give you the edge.
- Commonwealth Long Distance is an affiliate of Commonwealth Telephone Company...This relationship enables us to offer you outstanding resources.
- In the Commonwealth directories, Commonwealth Long Distance is listed as a "Commonwealth Long Distance -- An Affiliate of Commonwealth Telephone Company."

In addition, several of the ads use only the word "Commonwealth" to describe Commonwealth Long Distance. Again, the intention seems to be for customers to perceive the LEC and the long distance company as a single entity:

- **To save 10% on your long distance bills, sign up with Commonwealth...** [large bold type]
- "The Commonwealth Commitment"
- To get the lowest cost long distance service, sign up with Commonwealth, & dial 53 instead of 1. [large bold type]
- With Commonwealth, you're sure to save on your long distance bill. That's because Commonwealth will provide your business with the lowest rates.
- **USE COMMONWEALTH, IT PAYS!** [large, bold type]

Q. DOES COMMONWEALTH LONG DISTANCE GET PREFERENTIAL TREATMENT IN COMMONWEALTH TELEPHONE COMPANY DIRECTORIES?

- a. Yes. On the page entitled "Telephone Company Information" near the front of the directory, under the heading "Contacting long distance telephone companies," Commonwealth Long Distance is always listed first, even though other companies come before Commonwealth alphabetically.

Q. HAVE COMMONWEALTH AND COMMONWEALTH LONG DISTANCE ENGAGED IN "JOINT" DISCOUNT PROGRAMS?

A. Yes. The two companies have engaged in programs where customers of Commonwealth Long Distance have been given discounts on Commonwealth Telephone Company intraLATA toll calls. See Attachment 4, page 33 of 33.

Q. DO COMMONWEALTH AND COMMONWEALTH LONG DISTANCE USE THE SAME TELEPHONE NUMBERS FOR CUSTOMER SERVICE?

A. Yes. Both companies have used the same telephone number for customer contacts. If a customer wants to sign up for basic telephone service with Commonwealth, the customer calls 1-800-225-5282. If a customer wants to add "call waiting" or "call forwarding," the customer dials 1-800-225-5282. If a customer wants to reach Commonwealth Long Distance, the customer can dial **the same number**, 1-800-225-5282.

And while in the July 2 hearing Commonwealth witness Burnside tried to dismiss this competitive advantage by claiming that Commonwealth Long Distance no longer uses this number, his testimony is unconvincing for three key reasons: (1) in the current 1993 Commonwealth Telephone Company directories being used today by Commonwealth's customers, 1-800-225-5282 is listed as the number residential customers should call for information about CLD as well as Commonwealth; thus, I have serious reservations about whether the number was "changed" as Mr. Burnside claims; (2) even if use of the number was somehow changed, the change did not occur until after the Commonwealth Telephone Company equal access carrier selection

process was virtually over (when exchanges are converted to equal access, customers are asked to select a "dial 1" long distance company). Thus, during the critical time when customers were choosing their carrier, they were being told to call either Commonwealth Telephone or Commonwealth Long Distance over the same number.

(3) Still today, if a customer dials 1-800-225-5282 and asks about Commonwealth Long Distance, the customer will be transferred to CLD on the same call, a fact witness Burnside confirmed on July 2. No other long distance carrier gets this extremely favorable treatment.

Q. DOES COMMONWEALTH TELEPHONE COMPANY TRY TO DISSUADE CUSTOMERS FROM SELECTING ANY LONG DISTANCE COMPANY OTHER THAN COMMONWEALTH LONG DISTANCE?

A. Yes. Every new customer that calls Commonwealth Telephone Company to subscribe to telephone service is asked to select a "dial 1" long distance carrier. If a customer tries to select, say, AT&T, the customer service representative is instructed to say:

Commonwealth Telephone Company is affiliated with Commonwealth Long Distance. They may be able to provide additional savings on your long distance calling. May I transfer you to CLD?

See AT&T Cross Exh. 1. No other long distance company gets this special treatment.

Q. HAVE COMMONWEALTH'S HIGH ACCESS CHARGES GIVEN CLD A COMPETITIVE ADVANTAGE?

A. Perhaps so. Clearly, Commonwealth Telephone Company has kept its access charges high to maximize its earnings. But there also is another

incentive pushing Commonwealth Telephone to keep access rates high. All else being equal, IXCs prefer to do business in LEC territories where access rates are low. Commonwealth, by keeping its access charges extremely high, has created a dis-incentive for other long distance companies to market their services aggressively in Commonwealth's territory. For example, high access rates have precluded AT&T from offering its Reach Out Pennsylvania volume discount plan. Other IXCs may have been similarly affected.

Q. TAKEN TOGETHER, HAVE THESE EXAMPLES GIVEN COMMONWEALTH LONG DISTANCE AN UNFAIR COMPETITIVE ADVANTAGE OVER AT&T AND OTHER IXCS?

A. Yes. The proof is in the number of customers that have chosen Commonwealth Long Distance as their long distance company. In a single year, from January to December of 1992, the number of customers selecting CLD jumped from 26% to 50% (Commonwealth's response to AT&T interrogatory 75).

That is phenomenal growth which, in my opinion, can only be attributed to the unfair advantages CLD gets from its relationships with Commonwealth. Contrast CLD's growth with changes in the interstate market. In that arena, firms are spending millions of dollars to win customers. Almost weekly, firms come out with new discount programs, new offers, and better promotions. It is an all-out long distance "war." With all of the effort that MCI, Sprint and others have made to gain customers, since 1984 they collectively have gained less than 40% of the interstate market (based on minutes of use).

CLD has been able to outstrip all of these long distance companies combined, and the evidence strongly suggests that the reason is CLD's relationship with Commonwealth Telephone Company.

Q. AREN'T YOUR COMPLAINTS ABOUT COMMONWEALTH AND CLD JUST "SOUR GRAPES" FROM AT&T BECAUSE CLD HAS TAKEN BUSINESS AWAY FROM YOU?

A. Not at all. AT&T favors competition. AT&T has gone on record in countless forums -- and will repeat here -- that competition is good for consumers and good for the industry. It forces firms to be more responsive to the needs of consumers, and it drives firms to be more efficient. It serves the public interest.

For competition to work, however, it must be fair competition. The issue in this case is whether all long distance companies are competing on a "level playing field," or whether Commonwealth Long Distance is being given an unfair competitive advantage through its affiliate relationship with Commonwealth Telephone Company.

The evidence I have presented here shows that Commonwealth and CLD are not competing fairly. CLD is getting unfair competitive advantage.

Q WHAT SHOULD THE COMMISSION DO TO "LEVEL THE PLAYING FIELD" SO THAT ALL LONG DISTANCE COMPANIES HAVE A FULL AND FAIR OPPORTUNITY TO SERVE COMMONWEALTH TELEPHONE COMPANY CUSTOMERS?

A. The Commission should:

- ◆ Require Commonwealth Long Distance to change its name to exclude the word "Commonwealth."
- ◆ Preclude its advertising from touting its affiliation with Commonwealth Telephone Company
- ◆ Require Commonwealth Telephone Company to "re-ballot" all customers to give them another opportunity to select a "dial 1" long distance company.
- ◆ Preclude Commonwealth Telephone Company from engaging in any joint marketing with the long distance affiliate, including prohibitions on sharing the same customer service numbers and engaging in customer referrals.
- ◆ Require that Commonwealth Telephone and its long distance subsidiary maintain structurally separate sales, marketing and customer service organizations.

These recommendations will accomplish two goals. First, it will stop CLD from gaining further unfair competitive advantages, now and in the future. Second, it will undo some of the prior abuses by giving customers a fair opportunity to select a long distance carrier without having their judgment clouded by the blurred relationship between Commonwealth and CLD.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. Prices for Commonwealth's monopoly access services are unreasonably high and need to be reduced to more reasonable, cost-based levels. With regard to the Carrier Common Line Charge, the rate should be

determined by "capping" the annual CCL revenue requirement and allocating 1/12 each month among the various IXCs based on their relative market share. Recognizing that the CCLC is nothing more than a subsidy to dial tone line costs, the annual CCL revenue requirement should be no higher than Commonwealth's intrastate, interLATA NTS costs, allocated based on SLU. The SLU-based revenue requirement is \$3.0 million.

For traffic-sensitive charges, rates should be reduced so that they do not exceed fully distributed costs. This can be accomplished by reducing the existing traffic sensitive rates by 37.5% across the board. Once the rates have been reduced, the Line Termination and Intercept rates should be folded into the Local Switching rate.

Commonwealth's intraLATA toll rates should be changed to the extent necessary to cover the access charges that Commonwealth imposes on IXCs that carry similar calls.

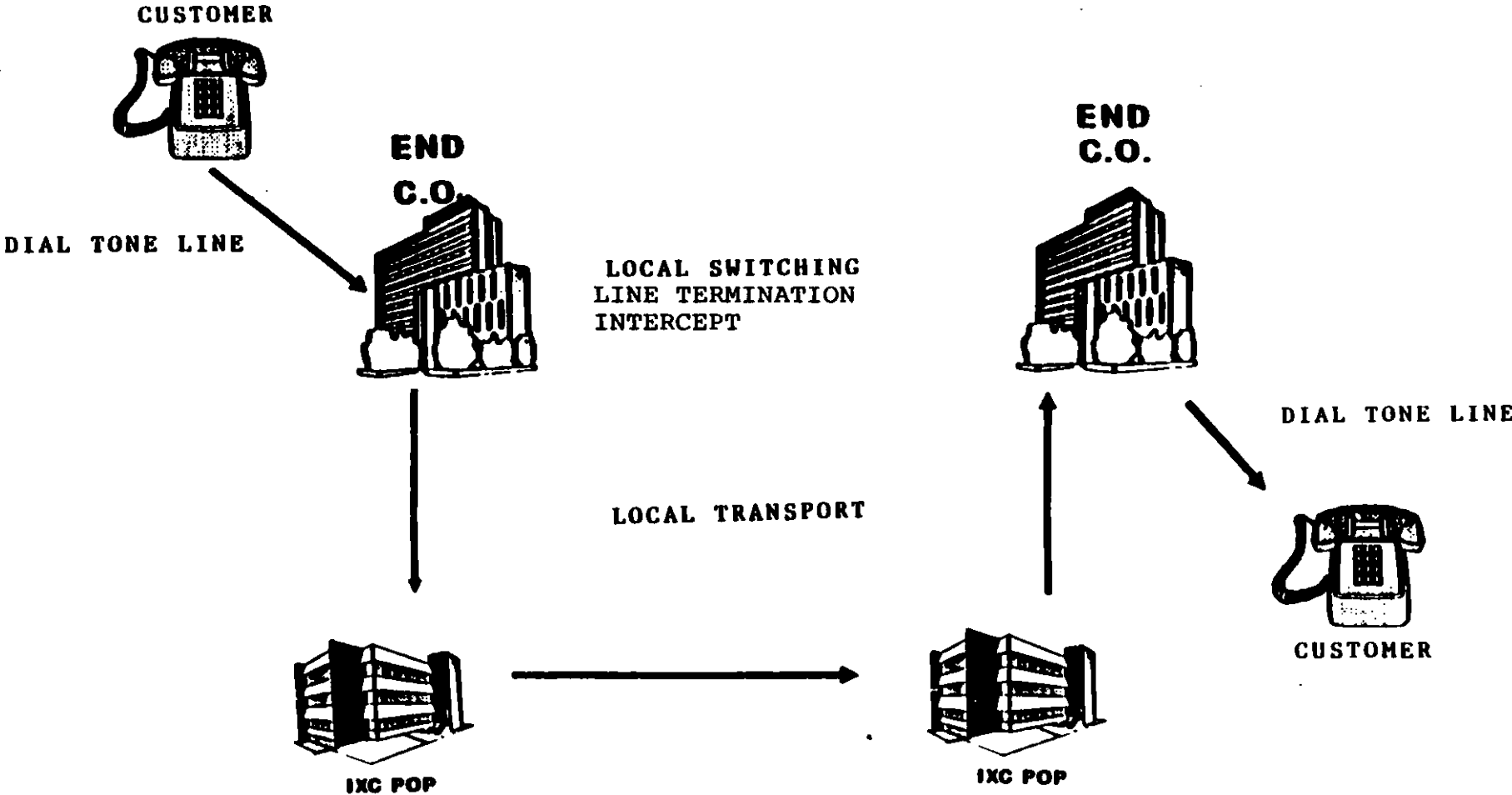
As the Commission has done with other companies, it should reject Commonwealth's request to deregulate billing and collection services. Those services generate substantial profits, which should continue to be available to subsidize basic exchange rates.

The Commission should take steps to eliminate the unfair competitive advantages given Commonwealth Long Distance through its affiliate relationship with Commonwealth Telephone Company. AT&T strongly favors competition, but believes that such competition should be fair.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

SWITCHED ACCESS SERVICE



AT&T Intrastate InterLATA
Access Reduction Recommendations
Summary

| | CTCO Projected 1993 Revenue (a) | CTCO 1993 Revenue Requirements (b) | AT&T Adjusted Revenue Requirement (c) | AT&T Recommended Reductions (d)=(a) - (c) |
|-------|--|---|--|--|
| CCL | \$ 8.2 | \$ 6.1 | \$ 3.0 | \$ 5.2 |
| TS | <u>\$ 5.6</u> | <u>\$ 5.1</u> | <u>\$ 3.5</u> | <u>\$ 2.1</u> |
| Total | \$13.8 | \$11.2 | \$ 6.5 | \$ 7.3 |

**COMMONWEALTH'S INTRALATA TOLL RATES
COMPARED TO
COMMONWEALTH'S ACCESS RATES**

21.6% of Commonwealth's initial minutes are priced below access, and 80% of Commonwealth's additional minutes are below access. Overall, 66% of Commonwealth's toll minutes are priced below Commonwealth's per-minute access charges:

| <u>INITIAL MINUTE RATES</u> | | | |
|-----------------------------|------------|----------------|---------------------------|
| <u>BAND</u> | <u>DAY</u> | <u>EVENING</u> | <u>NIGHT/ WEEKEND</u> |
| 1 | .161 | .105 | .064 |
| 2 | .201 | .131 | .080 |
| 3 | .231 | .150 | .092 |
| 4 | .271 | .176 | .180 |
| 5 | .311 | .202 | .124 |
| 6 | .341 | .222 | .136 |
| 7 | .371 | .241 | .148 |
| 8 | .391 | .254 | .156 |
| 9 | .411 | .267 | .164 |
| | | | .1497 Access* |

| <u>ADDITIONAL MINUTE RATES</u> | | | |
|--------------------------------|------------|----------------|---------------------------|
| <u>BAND</u> | <u>DAY</u> | <u>EVENING</u> | <u>NIGHT/ WEEKEND</u> |
| 1 | .081 | .053 | .032 |
| 2 | .101 | .066 | .040 |
| 3 | .121 | .079 | .048 |
| 4 | .161 | .105 | .064 |
| 5 | .181 | .118 | .072 |
| 6 | .211 | .137 | .084 |
| 7 | .221 | .144 | .088 |
| 8 | .241 | .157 | .096 |
| 9 | .271 | .176 | .108 |
| | | | .1497 Access* |

* Commonwealth's access charges are shown at page 4 of the testimony, and are doubled to reflect both originating and terminating access.

**1
BILL.**

1STAMP.

1COMPANY.

GETTING THE LOWEST COST LONG DISTANCE SERVICE IS SIMPLE. CHOOSE COMMONWEALTH LONG DISTANCE ON YOUR EQUAL ACCESS BALLOT.

It used to be that you couldn't choose your long distance company. Now you can.

When you receive your Equal Access ballot, you will be able to choose from one of several long distance companies. Some of them will offer you discounted rates to certain places at certain times on certain days. But Commonwealth Long Distance offers you a discount 24 hours a day, seven days a week.

What's more, Commonwealth Long Distance is an affiliate of the number one rated telephone company in Pennsylvania, Commonwealth Telephone Company.* So

you receive only one bill. You write just one check, and use one stamp to pay one company. It's never been easier to save on long distance service. With Commonwealth, you can call anywhere, any time. You don't have to make your phone calls in the middle of the night. Or pay any monthly fees. And there are no sign-up or hook-up charges.

So if you want the savings without the aggravation, choose Commonwealth Long Distance. For more information, call 1-717-675-5353, toll-free.

*Rating based upon 1990 Public Utility Commission Bureau of Consumer Services report.



COMMONWEALTH LONG DISTANCE COMPANY

An affiliate of Commonwealth Telephone Company.

CTEC



If your
long distance bills
are too high,
you've been dialing
the wrong number.


Doc 1055 7 85 25

To save 10% on your long distance bills, sign up with Commonwealth, and dial 53 instead of 1.

There is a big difference between dialing 1 and 53. A 10% difference. You can continue dialing 1 when you call long distance. Or you can dial 53, and save 10% off the

53
DIAL

Of course, there's more to Commonwealth than savings. There's also simplicity. When you sign up with Commonwealth Long Distance Company, you'll continue to get just one phone bill. Which means you'll only have to write one check. And use only one stamp.

 direct dial rates you're paying now. The choice is yours. And the savings are yours when you choose Commonwealth Long Distance Company.* What's more, the savings are yours 24 hours a day, 7 days a week. With Commonwealth, you can make your phone calls according to your schedule. Not the long distance company's schedule. And you don't have to pay any sign-up or hook-up fees.

So start dialing the right number. Call (717) 675-5353 (toll free within Commonwealth exchanges) to sign up with Commonwealth Long Distance Company. Then to save 10% off AT&T's® direct dial rates, just dial 53 and  the area code plus the telephone number when you're making a call.



COMMONWEALTH LONG DISTANCE COMPANY

An affiliate of Commonwealth Telephone Company

* Commonwealth Long Distance may not be available immediately in some areas. Service is available on both rotary and touch tone telephones, but not on party lines.

**NO
FEES.**

NO FLACK.

NEC 116 - NOV 11

NO FOOLING.

GETTING THE LOWEST COST LONG DISTANCE SERVICE IS SIMPLE. CHOOSE COMMONWEALTH LONG DISTANCE ON YOUR EQUAL ACCESS BALLOT.

It used to be that you couldn't choose your long distance company. Now you can.

When you receive your Equal Access ballot, you will be able to choose from one of several long distance companies. To get real savings from some companies, you must pay a monthly fee. Other companies require you to make a minimum number of calls each month. Happily, you won't find any of these at Commonwealth Long Distance Company. What you will find is a discount 24 hours a day, seven days a week. No fees. No fuss. No flack. No fooling.

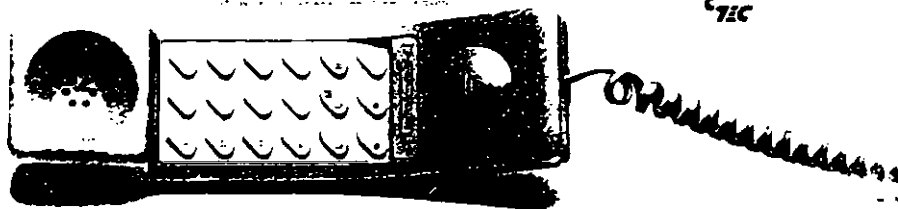
What's more, with Commonwealth, you can call anywhere, any time. You don't have to make your phone calls in the middle of the night. Finally, Commonwealth Long Distance is a local company. We're affiliated with Commonwealth Telephone Company, the number one rated telephone company in Pennsylvania.*

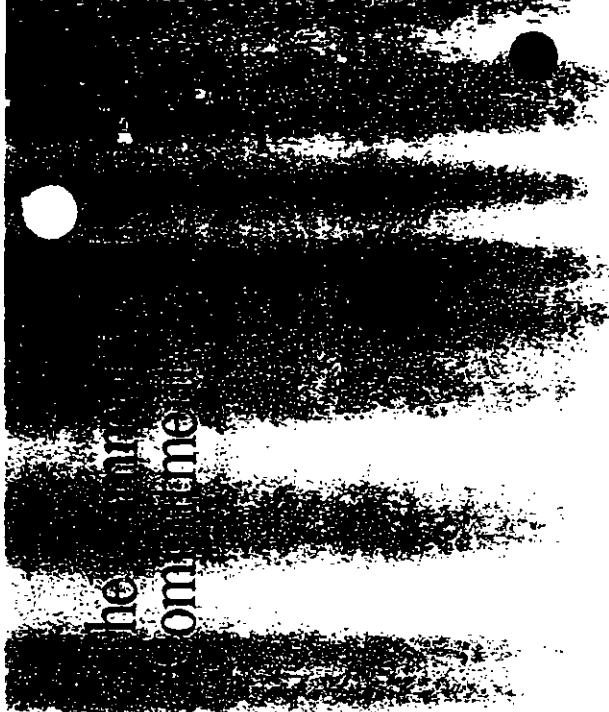


So if you want the savings without the aggravation, choose Commonwealth Long Distance. For more information, call 1-717-675-3353, toll-free.

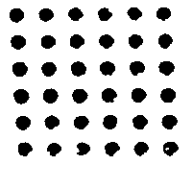
COMMONWEALTH LONG DISTANCE COMPANY

CLD





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om



Our company:

Commonwealth Long Distance was founded with a vision: to provide the highest quality long distance service with the greatest convenience and the lowest possible rates. Accordingly, we have gone to great lengths to make Commonwealth a forerunner in the long distance industry. Our success is amply demonstrated by the fact that thousands have chosen Commonwealth as their long distance carrier.

Commonwealth Long Distance, headquartered in Dallas, Pennsylvania, serves a 20 county area which extends from the rural Amish countryside of Lancaster County to the celebrated Pocono Mountains and the Endless Mountains

of Pennsylvania's Northern Tier. Of course, our long distance service covers a much larger geographic region, connecting businesses throughout the state, the nation and the world.

As a subsidiary of C-TEC Corporation, we are part of a large, dynamic telecommunications and high technology company. Our affiliation with Commonwealth Telephone Company, whose history dates back to 1897, provides a broad base of knowledge and a strong presence in the telecommunications industry.

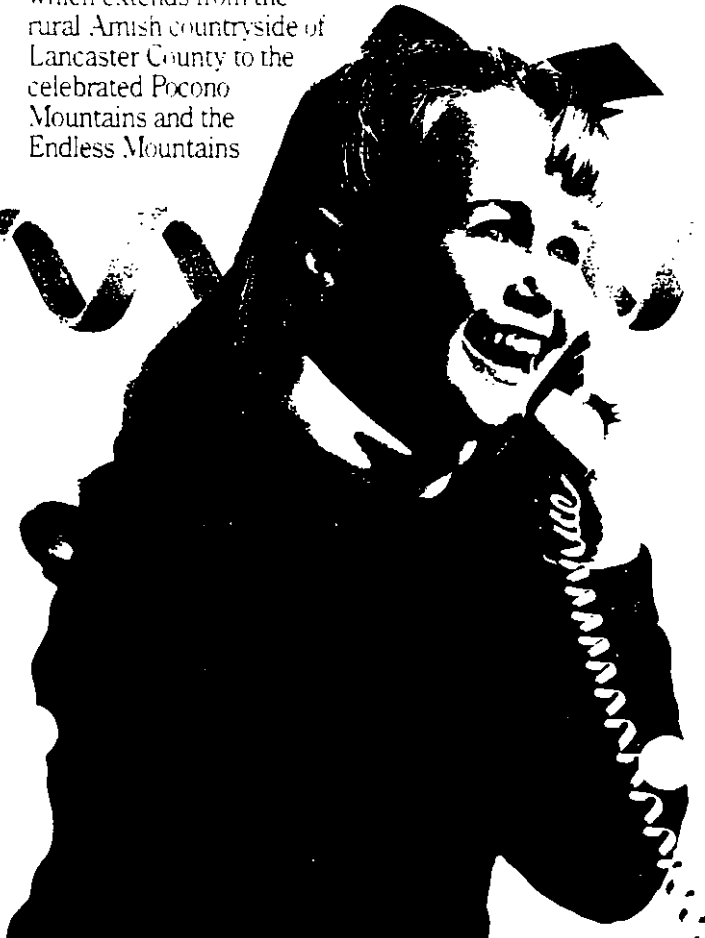
Our rates:

In today's highly competitive long distance industry, Commonwealth Long Distance is widely regarded as having one of the lowest rate structures on a 24-hour-a-day basis.

Commonwealth customers enjoy large discounts-off basic, direct dial long distance service any time of day, any day of the week. With Commonwealth, there are no minimum charges, and no limitations about when you can enjoy significant savings. What's more, there are no sign-up, hook-up or special charges for our long distance service.

We believe simple is best, and rates are readily understandable and provide quality service at a fair price.

It's easy to see how you save when you receive that itemized, descriptive statement which is included in your regular Commonwealth Telephone Company bill. And it's easy to pay, since one bill means one check, one stamp, one envelope — and one less bill to pay each month.



Our commitment.

At Commonwealth, we know that it takes more than technology to be the premier long distance company. It takes an uncompromising commitment to personal service.

As your local long distance provider, we are poised to respond promptly and efficiently to your daily needs. Our business office, service center and information center are conveniently located in Northeastern Pennsylvania, not across the state or across the country.

With Commonwealth Long Distance, the customer always comes first. From marketing and operations to management and service, each employee is dedicated to serving you, the Commonwealth customer. We call it the Commonwealth commitment.



Our service.

Talk about service! Commonwealth customers do. Because our long distance service is easy to use and easy to like.

Our data and voice facilities, which make use of state-of-the-art digital technology, are — and will remain — unparalleled in our market. So your telephone conversations, facsimile transmissions and data communication are clear, concise and fast.



COMMONWEALTH LONG DISTANCE COMPANY

An affiliate of Commonwealth Telephone Company

P.O. Box 111 • 100 Lake Street • Dallas, PA 18612

Call toll-free:

Business Customers: (800) 443-4253 Local calls: (717) 477-8111
Residential Customers: (800) 225-5232 Local calls: (717) 477-8111

System III, INC

TELECOMMUNICATIONS

Where The Emphasis Is On
SERVICE.

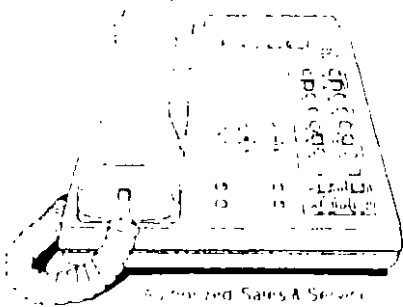
Business Telephone Systems
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Harris Execulone
Siemens & Others

- Automated Attendant
- Voice Mail
- Paging Systems
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• For more information •

CALL 1-800-752-8319



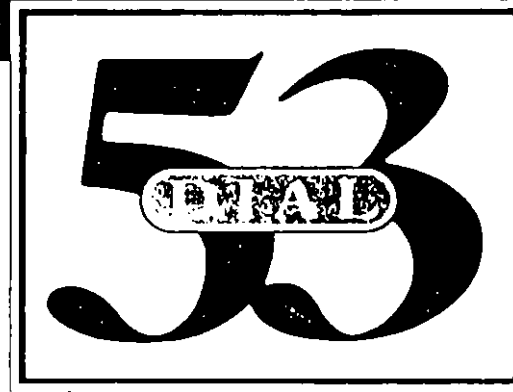
Automated Sales & Service

FUJITSU • TOSHIBA

If your long distance bills are too high, you've been dialing the wrong number.

There is a big difference between dialing 1 and 53. The Commonwealth difference. You can continue dialing 1 when you call long distance. Or you can dial 53 and save a considerable amount off the direct dial rates you're paying now.

The choice is yours. And the savings are yours when you choose Commonwealth Long Distance Company. What's more, with Commonwealth there are no monthly fees and no hook-up charges. Commonwealth will



To get the lowest cost long distance service, sign up with Commonwealth, & dial 53 instead of 1.



COMMONWEALTH LONG DISTANCE COMPANY



work with your business on an Individual Case Basis (ICB) to develop a customized, cost-efficient program designed for your specific needs.

So start dialing the right number. Call (717) 675-5163 (toll-free within Commonwealth exchanges) to sign up with Commonwealth Long Distance Company, or to receive more information on our low cost service.

Commonwealth Long Distance Company is a service mark of Commonwealth Long Distance Company. May not be available in all areas. Service available only on local, rotary and touch-tone telephones. Not for party lines.

Mr. Newport (hotel business)

If your
long distance bills
are too high,
you've been dialing
the wrong number.



To save 10% on your
long distance bills,
sign up with
Commonwealth,
and dial 53 instead of 1.



There is a big difference between dialing 1 and 53. A 10% difference. You can continue dialing 1 when you call long distance. Or you can dial 53, and save 10% off the direct dial rates you're paying now.

The choice is yours. And the savings are yours when you choose Commonwealth Long Distance Company.*

So start dialing the right number. Call (717) 675-5353 (toll free within Commonwealth exchanges) to sign up with Commonwealth Long Distance Company. Then to save 10% off AT&T's* direct dial rates, just dial 53 and the area code plus the telephone number when you're making a call.



COMMONWEALTH LONG DISTANCE COMPANY

An affiliate of Commonwealth Telephone Company

* Commonwealth Long Distance is available only to Commonwealth Telephone Company customers. May not be available immediately in some areas. Service is available on both rotary and touch tone telephones, but not on party lines. AT&T* is a registered trademark of American Telephone & Telegraph



**CALL
ANYONE.**

17 07 33
DEC 14 1970

ANYWHERE.

ANY DAY.

GETTING THE LOWEST COST LONG DISTANCE SERVICE IS SIMPLE. CHOOSE COMMONWEALTH LONG DISTANCE ON YOUR EQUAL ACCESS BALLOT.

It used to be that you couldn't choose your long distance company. Now you can.

When you receive your Equal Access ballot, you will be able to choose from one of several long distance companies. Some of them will offer you discounted rates to certain places at certain times on certain days. But Commonwealth Long Distance offers you a discount 24 hours a day, seven days a week.

With Commonwealth, you can call anywhere, any time. You don't have to make your

phone calls in the middle of the night. Or pay monthly fees. And there are no sign-up or hook-up charges. What's more, Commonwealth Long Distance is a local company. We're affiliated with Commonwealth Telephone Company, the number one rated telephone company in Pennsylvania.*

So if you want the savings without the aggravation, choose Commonwealth Long Distance.

*Rating based upon latest Public Utility Commission Bureau of Consumer Services report



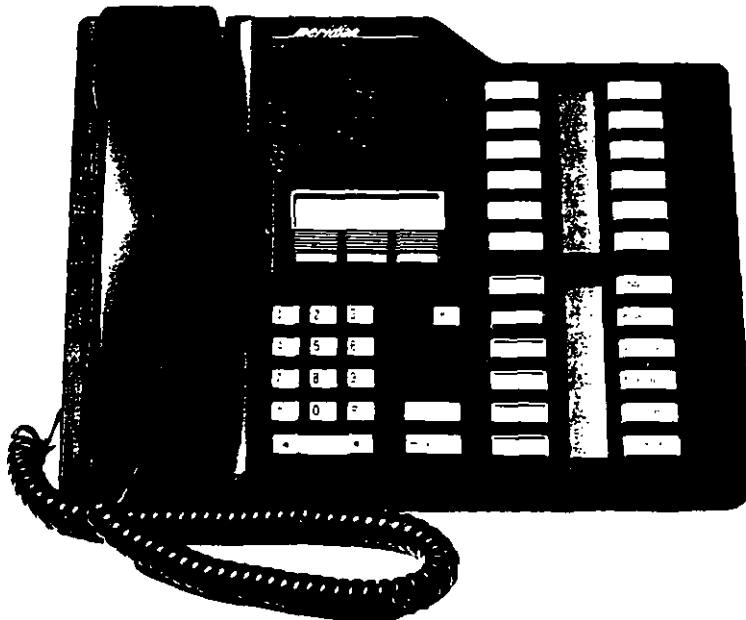
COMMONWEALTH LONG DISTANCE COMPANY



**AFRAID TO
AT YOUR
DISTANCE**



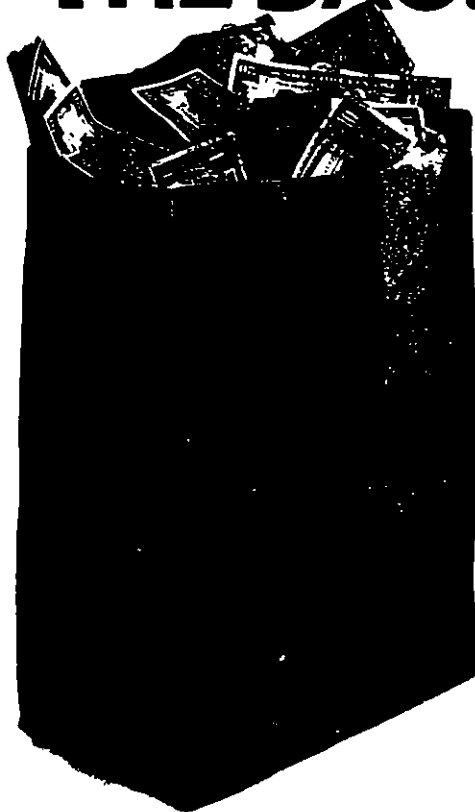




BIG SAVINGS ARE IN THE BAG.

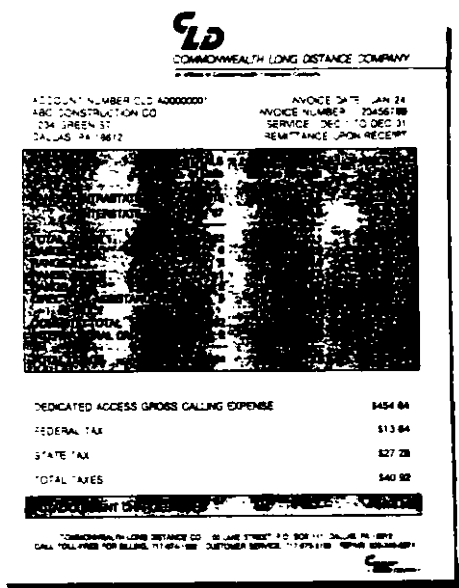
Most long distance companies promise huge savings. But they usually leave you holding the bag. And a huge bill. Not so with Commonwealth Long Distance Company. With Commonwealth, you're sure to save on your long distance bill. That's because Commonwealth will provide your business with the lowest rates. Period.

Since we offer a broad array of services, we're able to provide a cost-efficient solution to your business's specific needs.



Unlike many long distance companies, Commonwealth offers 6 second billing. In addition, our volume discounts start at \$1. Not at \$100 or \$1,000. And our discounts increase as your call volume increases. What's more, our discounts are applied to rates that are already 10% lower than AT&T equivalent service. It all adds up to the kind of savings that any business can appreciate.

Of course, there's more to Commonwealth Long Distance Company than affordable rates. There's also quality. Our fiber optic, digitally switched technology is unsurpassed. And our service is second to none. Commonwealth Long Distance Company is headquartered right here in Eastern Pennsylvania. Not across the state or across the country. Which is why we're able to provide prompt, personal service 24 hours a day, 7 days a week.



So if affordable rates and quality service are your bag, Commonwealth Long Distance Company is for you. To find out how much money we can save your company, call 1-800-443-4253.



COMMONWEALTH LONG DISTANCE COMPANY

Business Customers: (800) 443-4253 Local Calls: (717) 675-5163
Residential Customers: (800) 225-5282 Local Calls: (717) 675-6111



®

COMMONWEALTH LONG DISTANCE COMPANY

COMPANY

an affiliate of Commonwealth Telephone Company

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 2
DALLAS, PA

P.O. BOX 111 • LAKE STREET • DALLAS, PA 18612

Commonwealth
Long Distance
Company

M

*aximum savings.
Guaranteed.*



*breakthrough
in long distance
services:*

Guaranteed savings.

You've seen the commercials. You've read the ads.

In the highly competitive long distance services industry, every carrier claims to offer the biggest savings. In fact, they'll promise you anything to get you as a customer.

But, unfortunately, the savings you expect and the savings you actually receive are, all too often, as different as night and day. Rates go up, special promotions expire, or, quite simply, your needs change.

At Commonwealth Long Distance, you get something other carriers simply can't offer: A guarantee of savings.

When you sign up with Commonwealth Long Distance, you not only get the most competitive rates available, we let you lock them in for up to 12 months. It means you'll pay the lowest rates available today — guaranteed in writing — and never have to worry about rate increases or changes in your billing plan for up to a year.

And while many long distance companies charge you in whole minutes, Commonwealth Long Distance saves you even more money with its six second incremental billing policy: Why pay for time you don't use?

Maximum savings. Guaranteed in writing. Only from Commonwealth Long Distance.

O *ne of the newest
names in long
distance services
has been around for
almost a century.*

With almost 100 years of telecommunications leadership under our belt, we know how to keep people in touch. It's a heritage of excellence that has helped us become one of the fastest growing long distance carriers in America.

We know your turf. After all, we're neighbors, headquartered right here in Eastern Pennsylvania. We have the local knowledge and expertise that can give you the edge.

Commonwealth Long Distance is a member of the C-TEC family of communication companies. C-TEC subsidiaries include Commonwealth Telephone, Cellular Plus, Paging Plus, Commonwealth Communications and C-TEC Cable Systems.





*e're always there
when you need us.*

*eliability
is on the line.*

There's more to Commonwealth Long Distance than savings.

Every time you pick up the phone, you'll enjoy the highest quality and most reliable service available.

Our advanced fiber optic, digitally-switched network stretches across the nation. It delivers long distance connections that are crisp and clear, on a par with the world's largest carriers.

Whether your long distance needs are business-to-business or residential, you can count on Commonwealth Long Distance for unparalleled call quality, 24-hours a day.

After almost a century of experience, it only stands to reason we understand the importance of anticipating — not merely reacting to — our clients' needs.

For starters, we have representatives located throughout the region...not just at the end of an area number somewhere. This local advantage means we're able to offer you the personal attention you seldom find with larger, out-of-state carriers.

We're sensitive to the fact that every account has individual needs. That's why we take the time to understand your company's unique requirements and design a plan specifically for you.

Have a question? We're always here to help with trouble reporting services twenty-four hours a day, 365 days a year. Our customer service representatives are able to bring up your account in seconds and provide you with the answers you need.



This "hometown" advantage means we're able to offer you personal attention you seldom find with larger, out-of-state carriers. We're also sensitive to the fact that every account has individual needs. That's why we take the time to understand your company's unique requirements and design a plan specifically for you.

Is your Commonwealth Long Distance program the best for your needs? We periodically monitor your company's usage and costs, to make sure you're getting the most savings and best value possible from Commonwealth Long Distance.

Precision billing, designed for your business.

Easy-to-understand, error-free billing is as important to us as it is to you.

For starters, we designed our call accounting system to give you the flexibility to customize your bills to your specifications, without special equipment or software.

Here are just a few of the many billing options we offer:

- Expenses allocated to specific cost centers.
- Separate client billing for all calls made on their behalf.
- Non-business call coding to help you identify and control calls that can eat away at your bottom line.
- Call Reporting broken out by employee, department or division.
- Code Security locks out access to unauthorized users.
- Management Reporting gives you detailed cost summaries by originating number, most frequently called numbers, call type, and destination.

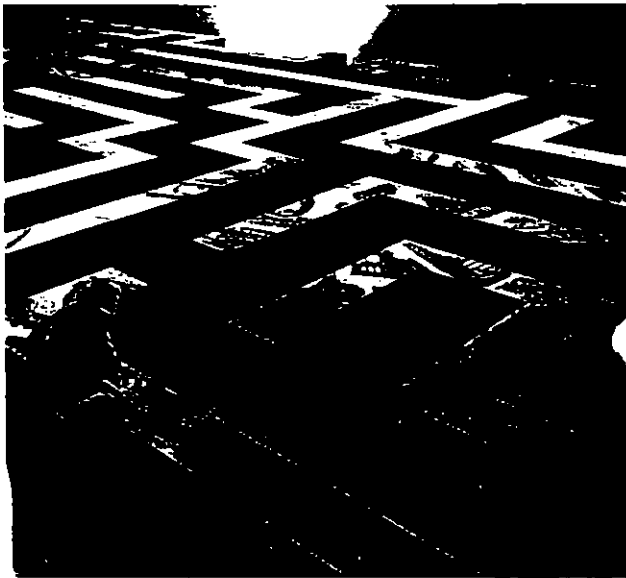




*Start slashing your
long distance
costs today.*

Find out how Commonwealth Long
Distance can help you get your costs under
control...guaranteed. In writing.

Call our office today and speak to one of
our professional long distance service
consultants and start getting the maximum
savings your company deserves.



Commonwealth Long Distance

Commonwealth Long Distance is an affiliate of Commonwealth Telephone Company and a member of the C-TEC family of communication companies.

This relationship enables us to offer you outstanding resources. From our fiber optic, digitally-switched technology to our unsurpassed customer service, Commonwealth Long Distance is uniquely positioned to meet your needs.

The C-TEC Communication Companies

C-TEC Corporation

A leader in network integration

Commonwealth Long Distance

Voice/data network,
with dedicated and T-1 access, private line,
international, and operator services

Commonwealth Telephone

Local exchange carrier offering fiber & digital connectivity, LAN to WAN networking services

Cellular Plus

Leading cellular, paging, and messaging systems.

Full system provider in Pennsylvania and Iowa.

C-TEC Cable Systems

Cable television network, video conferencing, and commercial production studios

Commonwealth Communications

System engineering, design and hardware implementation, installation, maintenance, and project management

The Home Plan

Commonwealth Long Distance offers special cost savings for residential customers.

Our Home Plan awards volume discounts based on your total monthly usage. The discount increases as your usage increases, up to as much as 15 percent off AT&T's domestic dial rates.

Benefits include applied discounts for long distance calls made anytime — day, evening, night, and weekends, with no calling restrictions or monthly minimums and no monthly fee.

As with all Commonwealth Long Distance Plans, you also enjoy the advantages of guaranteed savings. We'll lock in your rates for up to 12 months - in writing.

- The more you call, the more you save.
- Discounts applied against your total monthly long distance usage — starting with your first call!
- Never any monthly fee - no usage minimum.
- Rates guaranteed up to 12 months - in writing.
- Call anywhere, anytime - discounts applied 24 hours a day, 365 days a year.

Home Plan Discount Schedule

Commonwealth Long Distance Versus AT&T's Rate Plan

| Monthly Long Distance Volume | Day Discount off AT&T's rates | Evening Discount off AT&T's rates | Night WE Discount off AT&T's rates |
|------------------------------|-------------------------------|-----------------------------------|------------------------------------|
| \$51-75 | 12.5% | 10.0% | 10.0% |
| \$76-100 | 15.0% | 12.5% | 10.0% |
| \$101-150 | 15.0% | 12.5% | 10.0% |
| \$150 + | 15.0% | 15.0% | 10.0% |

In-Line 800 Service

Our In-Line 800 Plan is ideal for businesses that need the proven advantages of an 800 number without the high costs and administrative hassles associated with other 800 services.

An 800 number can increase your sales by providing potential customers throughout the country with a direct, toll-free conduit to your business.

It's easy. Our In-Line 800 Plan requires no special wiring — we use your existing lines. Best of all, the Plan is priced significantly lower than the closest AT&T[®] product and as with all of our long distance plans, your rates are guaranteed — in writing — for up to 12 months.

CLD telephone sales representatives and account executives are a knowledgeable resource and can help an organization or residential customer decide which services best fit their calling patterns.

The CLD In-Line 800 program offers residents a cost effective way to encourage family members (especially children who have moved away), to call home frequently. This service can also be effectively used by customers who conduct business in the home.

Our 800 service can be installed and ready to go in just 3 business days.

The Vertex Plan

Commonwealth Long Distance designed Vertex for smaller companies with bills between \$50 and \$500 a month.

Vertex awards volume-based discounts on many types of domestic interstate and intrastate/interlata calls. Your discount is based on your actual monthly usage. Discounts range from 10 percent to as much as 20 percent off comparable AT&T[®] domestic direct dial rates.

Best of all, there is never a monthly fee or minimum calling requirement. In fact — you start saving money with your first call! And, as with all Commonwealth Long Distance Plans, discount levels are guaranteed up to 12 months.

- No monthly fee.
- No monthly long distance usage level required to receive discounts.
- The more you call, the more you save. Your discount increases with your total monthly usage.
- Maximum savings guaranteed in writing — up to 12 months.
- 6-second billing increments

Discount Schedule

| Monthly Long Distance Volume in \$\$ | Anytime Discount Off Comparable AT&T [®] Rates |
|--|---|
| \$0 - 50 | 10% |
| \$51 - 100 | 12% |
| \$101 - 200 | 15% |
| \$201 + | 20% |

Find out how
Commonwealth Long Distance
can help you improve your
bottom line with reduced
telecommunication expenses
through VTNS.

Virtual "On-Net to On-Net" Service

Virtual network connectivity utilizing digital access,
to permit On-Net calling via the AT&T* network.

**Dedicated to Switched or
Switched to Dedicated Outbound Services**

Similar to Dedicated to Dedicated Service with
fewer specific location requirements (such as a group
of numbers within a single area code).

Switched to Switched Outbound Services

Ideal for businesses with a high calling volume to
many non-specific locations.

Dedicated Inbound Services

Designed to accommodate heavy inbound
800 number traffic.

Switched Inbound Services

Similar to dedicated inbound with reduced volume
requirements.

High Volume Virtual Telecommunications Network Service

Commonwealth Long Distance's High Volume Virtual Telecommunications Network Service™ (VTNS™) is a general offering of custom-designed voice and data telecommunications capabilities to meet your specific domestic and international calling needs.

High Volume VTNS™ uses AT&T's shared public switched network to provide cost-effective communications and network management functions that are equivalent to those of a private facilities-based network. VTNS™ is designed around customer-specific information and objectives. Software intelligence allows this set of shared facilities to be logically segregated into multiple individual networks. In addition, our High Volume VTNS™ minimizes the trouble and delay often experienced in managing complex private systems. We offer stable rates and work with you to design your specific calling options. The service supports customer-specific seven and ten digit dialing plans.

Our High Volume VTNS™ offers exceptional billing provisioning and combines the best features and service offerings of all the AT&T® products without the "normal" volume commitment.

These features include:

Outbound

- Shared NXX
- Identification Codes
- Off-Net Overflow on Terminating Busy
- Flexible Routing
- Network Control Center

Inbound

- Area Code Routing
- Time of Day Manager
- Exchange Routing
- Call Allocation
- Command Routing

Benefits

- No Monetary or Volume Commitment
- Rate Stabilization
- Network Conductivity
- Reduced Monthly Network Expenditures
- Future Proofing of Network



COMMONWEALTH LONG DISTANCE COMPANY

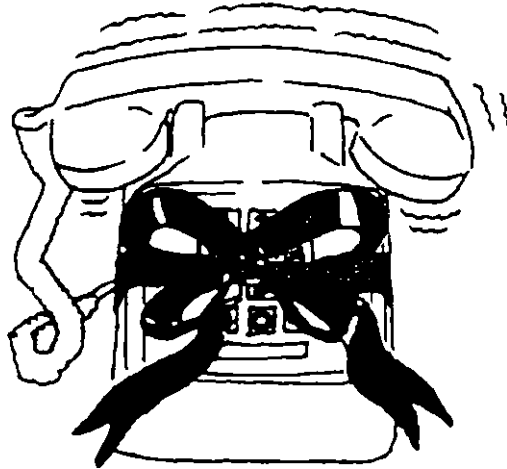
an affiliate of Commonwealth Telephone Company

P.O. Box 111 • Lake Street • Dallas, PA 18612



DEC 1972

Jingle For 4 Days!



Special rates for special dates. Use Commonwealth, it pays!

Put a little jingle in your holiday by using Commonwealth Long Distance Company's discounted calling rates to spread some yuletide cheer. Commonwealth wishes all its customers the merriest of holidays by offering special, low phone rates on:

*** CHRISTMAS EVE * CHRISTMAS DAY * NEW YEAR'S EVE * NEW YEAR'S DAY.**

In the spirit of the season, Commonwealth Long Distance is extending this offer to everyone within the Commonwealth Telephone Company service area, including those who are not regular customers.

Commonwealth Long Dis-

tance Company's Christmas gift to you will remain in effect throughout the day, all four days, on every interstate direct dial call. Holiday calls on these four days will be billed at Commonwealth's low evening rates.

So if your holiday jingle bills are making you blue, take advantage of Commonwealth's special red and green rates. It's easy. To say Happy Holidays, just dial 10336 + 1 + area code + phone number. *NO. 312. 1972.*

Start the new year off right. Make plenty of Christmas calls. And keep the jingle in your pocket.



COMMONWEALTH LONG DISTANCE COMPANY

**** New Subscriber Special ****

Select Commonwealth Long Distance and receive a 10% discount on your Commonwealth Telephone Company tolls for 3 months!

Just sign up with Commonwealth Long Distance and these additional savings will be yours in the 4th, 5th and 6th months of your service.*

*Discount months begin after Equal Access conversion (August 26, 1992), if you spend \$10.00 or more for long distance service with CLD in those months. Offer limited to residential and single line business subscribers only. Discount not to exceed \$10.00 per month per customer.

C11-002

NOTE INTRALATA PROGRAM AND
PROGRAM NOTIFICATIONS
RAN FROM DEC '90 to NOV '92

CERTIFICATE OF SERVICE

I hereby certify that on this 9th day of August 1993 copies of the foregoing Testimony of Christopher J. Rozycki on behalf of AT&T Communications of Pennsylvania, Inc. have been sent first class mail, postage prepaid, and/or hand delivered to:


Hon. George M. Kashi
Administrative Law Judge
Pennsylvania Public Utility
Commission
North Office Building
Harrisburg, PA 17120

Philip F. McClelland
Assistant Consumer Advocate
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120
(Cover letter only)

Michael Swindler, Esq.
Office of Small Business
Advocate
Commerce Building
Suite 1102
300 North Second Street
Harrisburg, PA 17101

Norman J. Kennard, Esq.
Tucker Arensburg, P.C.
116 Pine Street
Harrisburg, PA 17101
(Cover letter only)

Kandace F. Melillo, Esq.
Prosecutor, Office of Trial
Staff
Public Utility Commission
210 North Office Bldg.
P.O. Box 3265
Harrisburg, PA 17105-3265
(Cover letter only)



Mark A. Keffer

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265
August 13, 1993

In Re: I-00920020

(See letter of 5/28/93)

BLS

Pennsylvania Public Utility Commission
v.
Commonwealth Telephone Company

Assessment of the impact of significant increase in certain operating expenses on the common equity return rate.

NOTICE

This is to inform you that the hearing schedule on the above-captioned case has been changed as follows:

The further hearings now scheduled for August 19,20+23, 1993 and October 7+8, 1993 have been cancelled.

Further hearings on the above captioned case will be held Monday through Thursday, September 20-23, 1993 at 10:00 a.m. in an available hearing room, Ground Floor, North Office Building, North Street and Commonwealth Avenue, Harrisburg, Pennsylvania.

The presiding officer in this proceeding is Administrative Law Judge George M. Kashi. Judge Kashi can be contacted at P.O. Box 3265, Harrisburg, Pennsylvania 17105-3265; telephone (717) 783-5452.

cc: Judge Kashi
John Frazier - PIO
Consumer Advocate
Law Bureau
Norma Lewis
Susan Licon
Beth Plantz
Docket Room

Certified Mail
Receipt Requested &
Reg. Mail to Complainant

**DOCUMENT
FOLDER**

DOCKETED
AUG 17 1993

REC'D
AUG 17 1993
INFO. CONTROL DIV.



Mark A. Keffer
Attorney

Room 3A2
3201 Jermantown Road
Fairfax, VA 22030-2885
703 359-4086

RLS

August 16, 1993

Mr. John G. Alford, Secretary
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265

Re: Docket No. I-00920020

Dear Mr. Alford:

Enclosed for filing in the above-cited docket are an original and nine copies of the Response of AT&T Communications of Pennsylvania, Inc. to Motion to Compel of Commonwealth Telephone Company.

Very truly yours,

Mark A. Keffer

Enclosures

cc: Parties of Record

**DOCUMENT
FOLDER**

RECEIVED
PUB. UTIL. COM.
HARRISBURG, PA
AUG 16 1993

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

V.

Docket No. I-00920020

COMMONWEALTH TELEPHONE COMPANY

DOCKETED
AUG 25 1993

RESPONSE OF AT&T COMMUNICATIONS
OF PENNSYLVANIA, INC. TO MOTION TO COMPEL
OF COMMONWEALTH TELEPHONE COMPANY

AND NOW, comes AT&T Communications of Pennsylvania, Inc. ("AT&T"), by and through its attorney, and responds to a motion to compel filed by Commonwealth Telephone Company ("Commonwealth" or "CTCO") that was received by mail at AT&T on August 10, 1993. AT&T assumes that Commonwealth intended to bring its motion pursuant to Section 5.342(e), not Section 5.343(e) as stated at page one of its motion. Commonwealth requests that the Pennsylvania Public Utility Commission ("Commission") compel further responses by AT&T to CTCO's interrogatories Nos. 7, 8, 10, 12, and 14, although AT&T responded to these interrogatories on August 4, 1993.

AT&T will address each of the interrogatories discussed in Commonwealth's motion, and provide AT&T's original response and an explanation of why AT&T's response is appropriate.

DOCUMENT
FOLDER

CTCO INTERROGATORY 7:

Reference testimony of CJR, Page 25. Fully and completely describe all steps taken by AT&T to identify a vendor of billing and collection services other than CTCO. Provide copies of any and all documents related thereto.

AT&T RESPONSE:

Information about AT&T's billing options was provided to Commonwealth in recent negotiations between the companies regarding a billing and collection agreement.

AT&T RESPONSE TO MOTION:

The testimony of AT&T's witness, Christopher Rozycki, does not refer to AT&T's vendor selection process. As AT&T described at length in at least three meetings with Commonwealth, AT&T prefers to deal with a Local Exchange Company ("LEC") for billing and collection services, so that the customer receives only one bill for local and interexchange calls. Although AT&T made reference during its negotiations with Commonwealth to two service bureaus, Electronic and Unit Record Data Center ("EUR") and Mid-America Computer Corporation, that could provide billing and collection services, AT&T's stated objective was to use a LEC for its billing and collection. AT&T advised Commonwealth that it placed a considerable value on LEC-provided services because, among other reasons, AT&T customers preferred to receive one bill for telecommunication services. Evidently, Commonwealth is attempting to obtain information from AT&T to bolster its unsupported statement in its testimony that billing and collection services are "highly competitive." See Testimony

of Scott Burnside dated May 3, 1993, at 11. In fact, Commonwealth's only reference to other providers of billing and collection services was to AT&T and MCI, as self-providers of these services. Id. at 12. There was no reference to third party billing and collection service providers. Id. AT&T has not performed any studies or documented research concerning billing and collection services in Pennsylvania. AT&T is thus unable to provide Commonwealth with information on vendors other than what was provided in negotiations concerning Commonwealth's billing and collection contract with AT&T on August 16, 1991, October 9, 1991, April 30, 1992, July 7, 1992 and October 12, 1992. Despite this fact, Commonwealth has the burden of proving that billing and collection services are "highly competitive," as they claim. Commonwealth should not be permitted to engage in a "fishing expedition" through the files of other parties in an attempt to substantiate this claim, or to perform market research under the guise of discovery.

CTCO INTERROGATORY 8:

Reference testimony of CJR, Page 25. Provide a full and complete copy of any and all documents which relate to the purchase of AT&T of billing and collection services from a vendor other than CTCO, including AT&T itself.

AT&T RESPONSE:

See response to Interrogatory 7.

AT&T RESPONSE TO MOTION:

AT&T does not have a state-specific or company-specific report or study concerning billing and collection services in Pennsylvania. Therefore, the response to this interrogatory is the same as to Interrogatory 7.

CTCO INTERROGATORY 10:

Reference testimony of CJR, Page 25. Identify that portion of billing and collection which AT&T has taken in-house, measured either by minutes or messages, and as compared to that which AT&T contracts with CTCO.

AT&T RESPONSE:

AT&T has taken in-house bill rendering for large-volume business accounts in most major metropolitan areas. AT&T performs its own recording and rating functions in many major metropolitan areas for residence accounts as well, although it continues to purchase bill rendering services from the LECs for residence accounts. AT&T continues to obtain billing and collection services from CTCO for all business and residence accounts. No readily available reports are maintained on message or minute volumes for billing taken in-house.

AT&T RESPONSE TO MOTION:

In Pennsylvania, AT&T has taken back portions of the billing and collection services of Marianna and Scenery Hill Telephone Company, at their request. These services currently are being provided by an other LEC. Similarly, Hickory Telephone Company has requested that AT&T take back most of their billing and collection services; however, it is probable that these services will be provided through an outside contractor. A company-specific comparison of the type requested by CTCO has not been performed by AT&T. Therefore, AT&T's response to the interrogatory is as

complete as possible without performing a special study, which would be costly, complicated, and time-consuming to prepare. AT&T should not be saddled with the burden of expending time and resources to assist Commonwealth in proving its claims.

CTCO INTERROGATORY 12:

Reference testimony of CJR, Page 25. Please identify the costs to AT&T of providing its own billing and collection business and identify the minutes and/or messages handled under this arrangement.

AT&T RESPONSE:

Although the information requested would be highly proprietary to AT&T if it were available, reports which aggregate costs specific to AT&T's own billing and collection operations from other operational costs are not readily available. Neither is there available a report segregating associated message or minute volumes.

AT&T RESPONSE TO MOTION:

AT&T has not performed studies that would determine the costs of "self-provisioning" billing and collection in Pennsylvania or in Commonwealth's service territory. As stated previously, AT&T's goal is to have billing and collection services performed by LECs, because of customer satisfaction concerns. AT&T performs billing and collection services only when a LEC has specifically requested that AT&T perform some or all of these services (e.g., Hickory Telephone Company and Marianna and Scenery Hill Telephone Company), or for specific business services for which the LECs have been unable to provide suitable or timely billing. Hence, billing and collection services are provided by AT&T as a business necessity. Any more specific response to this

interrogatory would require AT&T to perform a special study that would be both costly and complicated. AT&T has responded to this interrogatory as fully as possible without performing such a special study, which AT&T should not be required to perform. Commonwealth, not AT&T, has the burden of proving that billing and collection services are "highly competitive."

CTCO INTERROGATORY NO. 14:

Reference testimony of CJR, Page 26. Identify each and every instance where CTCO service representatives are "instructed to dissuade customers" from signing up with any other IXC.

AT&T RESPONSE:

The information available to AT&T appears in the testimony. There may be other instances of which AT&T is not aware.

AT&T RESPONSE TO MOTION:

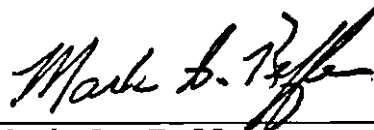
The information which CTCO has requested may be found in Mr. Rozycki's testimony at page 32. To the best of AT&T's knowledge, the text provided at page 32 is used by Commonwealth Telephone Company customer service representatives each and every time a customer calls CTCO to subscribe to the interexchange services of AT&T or any interexchange carrier other than Commonwealth Long Distance ("CLD"). The text illustrates that Commonwealth Telephone

representatives have the opportunity--and standing
instructions--to steer customers to Commonwealth's
affiliate, CLD.

Respectfully submitted,

AT&T COMMUNICATIONS
OF PENNSYLVANIA, INC.

By its attorney



Mark A. Keffer

August 16, 1993

CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of August 1993 copies of the foregoing Response of AT&T Communications of Pennsylvania, Inc. to Motion to Compel of Commonwealth Telephone Company have been sent first class mail, postage prepaid, and/or hand delivered to:

Honorable George M. Kashi
Administrative Law Judge
PA PUBLIC UTILITY COMMISSION
Room G-8 North Office Building
P.O. Box 3265
Harrisburg, PA 17120

Phillip F. McClelland
Assistant Consumer Advocate
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Michael Swindler, Esq.
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Norman James Kennard, Esquire
Tucker Arensberg, P.C.
116 Pine Street
Harrisburg, PA 17101

Kandace F. Melillo, Esq.
Prosecutor, Office of Trial Staff
Public Utility Commission
210 North Office Bldg.
P.O. Box 3265
Harrisburg, PA 17105-3265


Mark A. Keffer

ORIGINAL

72

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

IRWIN A. POPOWSKY
Consumer Advocate

(717) 783-5048

August 18, 1993

John G. Alford, Secretary
PA Public Utility Commission
Room G-23, North Office Bldg.
Harrisburg, PA 17120

RECEIVED
AUG 22 1993
PHILIP F. MCCLELLAND
ASSISTANT CONSUMER ADVOCATE

RLS

Re: Pennsylvania Public Utility
Commission
v.
Commonwealth Telephone Company
Docket No. I-00920020

Dear Secretary Alford:

Enclosed please find for filing an original and three copies of the Office of Consumer Advocate's Response to Commonwealth's Motion To Compel Responses to Interrogatories in the above-captioned proceeding.

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Sincerely,

Philip F. McClelland
Assistant Consumer Advocate

Enclosures

cc: All parties of record

DOCUMENT
FOLDER

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :

v. :

COMMONWEALTH TELEPHONE :
COMPANY :

DOCKET NO. I-00920020

PRO. REG. DIV.
JUL 19 1993
17
00920020

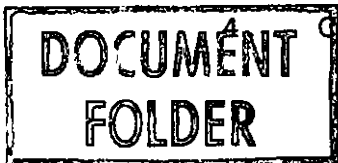
RESPONSE OF OFFICE OF CONSUMER ADVOCATE
TO COMMONWEALTH'S MOTION TO COMPEL
RESPONSES TO COMMONWEALTH'S INTERROGATORIES
SET I, NOS. 13, 19, 27, AND 48, AND SET II, NO. 2

Pursuant to 52 Pa. Code Section 5.342, the Office of Consumer Advocate ("OCA"), hereby responds to the Motion to Compel filed by Commonwealth Telephone Company ("CTCo" or the "Company") on August 9, 1993 concerning interrogatories Set I, Nos. 13, 19, 27, and 48, and Set II, No. 2 and, in support thereof, the OCA respectfully sets forth as follows:

1. CTCo served upon the OCA, via facsimile, Set I and Set II of its interrogatories in the above-captioned proceeding on July 19 and July 20, 1993, respectively.
2. On August 3, 1993 and August 6, 1993, the OCA answered CTCo's interrogatories Sets I and II, in a timely and complete fashion.
3. CTCo filed a Motion to Compel on August 9, 1993. The OCA contacted CTCo who agreed to extend the OCA's response date to August 18.

CTCo Interrogatory Set I-13

CTCo alleges that OCA witness Catlin's response to Set



I-13 is in part non-responsive. Specifically, CTCO alleges that OCA witness Catlin is aware of legal/regulatory reasons why CTCO would continue to utilize residual ratemaking if it were to become a "cost company".

5. Mr. Catlin is not advocating that there are reasons why CTCO would continue to utilize residual ratemaking if it were to become a "cost company". As stated by Mr. Catlin in his response:

If CTCO was currently a cost Company, it would appear that residual ratemaking would not be applicable in this case. Upon advise of counsel, however, there may be other legal issues presented which would support the use of residual ratemaking even if CTCO becomes a cost Company.

In order to provide additional information on this issue, Mr. Catlin indicated that counsel has advised that there may be additional reasons why residual ratemaking is still appropriate. This is a legal position that OCA's counsel may pursue in Brief and as such is not a discoverable matter by CTCO. 52 Pa. Code § 5.323(a).

CTCO Interrogatory Set I-19

6. CTCO alleges that OCA witness Catlin's response to Set I-19 is non-responsive. The OCA submits that OCA witness Catlin answered CTCO's original question. The Company asked OCA witness Catlin whether he agreed with the Company that its intrastate rates do not recover costs allocated to the intrastate jurisdiction based upon cost Part 36 jurisdictional separations procedures. Mr. Catlin's response was that he did not agree

because part 36 separations procedures do not apply to the Company as CTCo is an average schedule company.

7. Now, CTCo is asking Catlin to view this question as a hypothetical and assume that Part 36 separations procedures did apply to CTCo. Considering this question as a hypothetical in the context of the reference to OCA St. 2, Page 7, Lines 21-23, OCA witness Catlin advises that based upon book quarterly earnings data CTCo has not recovered its intrastate costs assuming that Part 36 applies. Mr. Catlin also emphasizes that he has not applied any pro forma adjustments to this data other than to calculate the excess interstate revenues. Such adjustments have, however, been applied to the CTCo cost of service in this case. The last quarterly earnings report filed by CTCo with the Commission was September, 1992.

CTCo Interrogatory Set I-27

8. CTCo alleges that OCA witness Allen's response to Set I-27 is non-responsive. Specifically, CTCo argues that Mr. Allen's answer is circular. The OCA disagrees. OCA witness Allen's has indicated that he is unaware of any company which is not a local exchange carrier that possesses the resources to provide these services as a result of charges to captive ratepayers. Mr. Allen's answer is based on information such as addresses and names including unlisted customers that only local exchange carriers possess. Thus, there are no other businesses that possess the same comparable billing and collection resources.

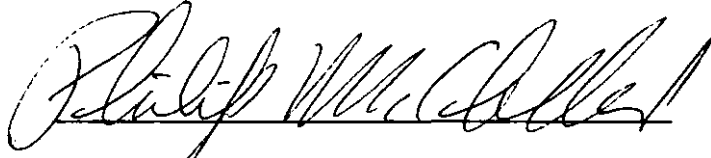
CTCo Interrogatory Set I-48

9. CTCo alleges that OCA witness Allen's response to Set I-48 is incomplete. CTCo has asked Allen to fully and completely explain his understanding of the "the used and useful principle of public utility regulation". Mr. Allen in response stated that to be included in rate base, plant must be used and useful in providing service. "Used and useful" is a term of art in regulatory proceedings. In this context, where a piece of equipment is held for future use and is not presently providing any network service it cannot be considered "used and useful."

CTCo Interrogatory Set II-2

10. CTCo alleges that OCA must at this time indicate its position concerning rate structure and rate design. The OCA has focused its resources in this case on the primary matter of the level of excess revenues received by CTCo and the affiliated interest transactions in which CTCo has been involved. The OCA believes that this is the primary focus of this proceeding. The OCA also recognizes that other parties have addressed issues of rate structure, and as previously indicated, reserves the right to address this issue on rebuttal.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Philip F. McClelland", written over a horizontal line.

Philip F. McClelland
Mark J. Shostak
Assistant Consumer Advocates

FOR:
Irwin A. Popowsky
Consumer Advocate

Office of Attorney General
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120
(717) 783-5048

DATED: August 18, 1993

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission
v.
Commonwealth Telephone Company
Docket No. I-00920020

I hereby certify that I have this day served a true copy of the Office of Consumer Advocate's Response to Commonwealth's Motion To Compel Responses to Interrogatories upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 18th day of August, 1993.

SERVICE IN PERSON

Kandace F. Melillo
PA Public Utility Commission
Room 210, North Office Bldg.
Harrisburg, PA 17120

Hon. George M. Kashi
Administrative Law Judge
PA Public Utility Commission
Room G-08A, North Office Bldg.
Harrisburg, PA 17120

SERVICE BY FACSIMILE

Norman J. Kennard, Esq.
Tucker Arensberg, P.C.
116 Pine Street
Harrisburg, PA 17101

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

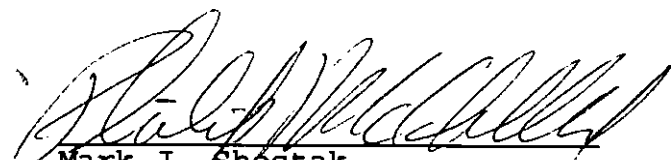
Scott Burnside, V.P.
Revenue & Public Affairs
Commonwealth Telephone Co.
100 Lake Street
Dallas, PA 18612

Mark A. Keffer, Esq.
American Telegraph
& Telephone
Room 3A2
3201 Jermantown Road
Fairfax, VA 22030

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AUG 18 1993

SECRETARY'S OFFICE
Public Utility Commission



Mark J. Shostak
Assistant Consumer Advocate

August 19, 1993

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AUG 20 1993

SECRETARY'S OFFICE
Public Utility Commission

VIA HAND DELIVERY

Philip E. McClelland
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

RLS

Re: Commonwealth Telephone Company's Answer to OCA's Interrogatories, Set XVI, Docket No. I-00920020

Dear Mr. McClelland:

Enclosed herewith please find two copies of Commonwealth Telephone Company's answer to OCA Interrogatories, Set XVI, in the above-captioned matter. As evidenced by the attached Certificate of Service, all parties of record have been served a copy of same.

Should you have any questions regarding same, please feel free to contact me.

Sincerely,

TUCKER ARENSBERG, P.C.

NORMAN JAMES KENNARD

NJK/dmb
cto/inv2/mcclell.xvi

Enclosure

cc: All Parties of Record
Secretary Alford (w/o enclosure)
W. Shaner (w/o enclosure)

DOCUMENT
FOLDER

IN THE COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
v. : DOCKET NO. I-00920020
COMMONWEALTH TELEPHONE COMPANY :

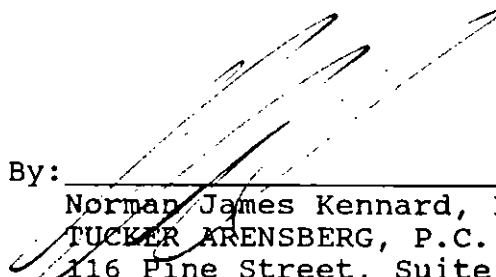
CERTIFICATE OF SERVICE

I hereby certify that, on this 19th day of August, 1993, I have served a true and correct copy of the foregoing document upon the persons set forth below by First Class Mail, postage prepaid or by hand-delivery (unless service is otherwise indicated), in accordance with 52 Pa. Code § 1.54:

Kandace F. Melillo, Esquire
Carol F. Pennington, Esquire
Office of Trial Staff
North Office Building, Room 210
Harrisburg, PA 17120

Mark Keffer, Esquire
AT&T Communications of PA, Inc.
Third Floor
3201 Jermantown Road
Fairfax, VA 22030-2885

DOCKETED
AUG 26 1993

By: 
Norman James Kennard, Esquire
TUCKER ARENSBERG, P.C.
116 Pine Street, Suite 403
Harrisburg, PA 17101
(717) 238-2900

Attorneys for COMMONWEALTH
TELEPHONE COMPANY

**DOCUMENT
FOLDER**

August 30, 1993

Mark J. Shostak, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

BLS

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SEP 1 1993

SECRETARY'S OFFICE
Public Utility Commission

Re: Pa. PUC v. Commonwealth Telephone
Docket No. I-920020

Dear Mark:

Enclosed please find responses to Items 1, 3, and 4 as set forth in your correspondence of July 29, 1993.

According to my records, the only outstanding discovery owed by Commonwealth Telephone to the OCA are those associated with Item 2 of your letter of July 29, 1993, and OCA Interrogatory No. XVI-4. These two outstanding responses will be forwarded to you shortly.

Should you have any questions or comments, please do not hesitate to contact me at your convenience.

Sincerely,

TUCKER ARENSBERG, P.C.

NORMAN JAMES KENNARD

NJK/dmb
ctco/inv2/shostak2.it

Enclosure

cc: All Parties of Record
Secretary John G. Alford (w/o enclosure)
William A. Shaner
James P. Melia

DOCUMENT
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DOCKETED
SEP 03 1993

September 1, 1993

RECEIVED
SEP 02 1993
OFFICE OF A.L.J.
HARRISBURG

RLS

The Honorable George M. Kashi
Administrative Law Judge
PA Public Utility Commission
Room G08, North Office Building
Harrisburg, PA 17105-3265

**RE: PENNSYLVANIA PUBLIC UTILITY COMMISSION v. COMMONWEALTH
TELEPHONE COMPANY, I-00920020**

Dear Judge Kashi:

On July 30, 1993 and August 6, 1993 we moved, on behalf of Commonwealth Telephone Company, that OCA be compelled to provide responses to certain interrogatories. Additionally, on August 6, 1993 we moved that AT&T be compelled to answer interrogatories. The information sought is necessary to prepare for the hearings scheduled to commence on September 20, 1993, and we respectfully request a ruling upon these Motions at your earliest convenience.

Thank you for your cooperation in this matter.

Sincerely,

TUCKER ARENSBERG, P.C.

Norman J. Kennard

DOCKETED
SEP 03 1993

NJK/taw

cc: P. McClelland
M. Keffer

DOCUMENT
FOLDER

RECEIVED
SEP 02 11 09 AM '93
P.A.P.U.C.
INFO. CONTROL DIV.

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265
September 17, 1993

In Re: I-00920020

(See letter of 8/13/93)

Pennsylvania Public Utility Commission
v.
Commonwealth Telephone Company

Assessment of the impact of significant increase in certain operating expenses on the common equity return rate.

NOTICE

This is to inform you that the further hearings now scheduled to be held on Monday and Tuesday, September 20+21, 1993 in the subject proceeding have been cancelled.

The presiding officer in this proceeding is Administrative Law Judge George M. Kashi. Judge Kashi can be contacted at P.O. Box 3265, Harrisburg, Pennsylvania 17105-3265; telephone (717) 783-5452.

cc: Judge Kashi
John Frazier - PIO
Consumer Advocate
Law Bureau
Norma Lewis
Susan Licon
Beth Plantz
Docket Room

Certified Mail
Receipt Requested &
Reg. Mail to Complainant

RLS

SEP 21 1993

DOCUMENTS
FOLDER

APPEARANCE SHEET

ALJ **ARRIVING** REPORT RAY

DOCKET NO. I-00920020
 CASE NAME PUC v. Commonwealth Telephone Co.
 HEARING LOCATION Harrisburg
 HEARING DATE September ²² ~~20-21~~, 1993
 ALJ Kashi

CHECK THOSE BLOCKS WHICH APPLY:

Hearing held YES ✓ NO
 Testimony taken YES ✓ NO
 Hearing concluded YES ✓ NO
 Further hearing needed YES ✓ NO

Estimated add'l days

RECORD CLOSED YES NO ✓

Date

Briefs to be filed YES NO

Date

BENCH DECISION YES NO

REMARKS: Case denied rehearing

would be set aside

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 SEP 23 1993
 Office of A. L. J.
 Public Utility Commission

ALS

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SEP 23 1993

DOCKETED
 SEP 27 1993

ADDRESSES AND TELEPHONE NUMBERS OF PARTIES OR COUNSEL OF RECORD
 PLEASE PRINT CLEARLY
 INCOMPLETE INFORMATION MAY RESULT IN DELAY OF PROCESS

DOCUMENT
 FOLDER

| NAME and TELEPHONE NUMBER | ADDRESS | APPEARING FOR |
|---|--|-----------------------------------|
| CAROL F. PENNINGTON KANDACE F. MELILLO Telephone No. (717) 787-1926 | P.O. Box 3265 City: HARRISBURG PA Zip: 17105-3265 | O.T.S. Pn.PUC |
| Philip F. McClelland Mark J. Shostak Telephone No. (717) 783-5048 | 1425 Strawberry St City: Harrisburg PA Zip: 17120 | Office of Consumer Advocate |
| Mark A. Keffe Telephone No. (703) 691-6046 | 3033 Chain Bridge Road Oakton VA City: VA Zip: 22185 | ATCT. |

CHECK THIS BOX IF ADDITIONAL PARTIES OR COUNSEL OF RECORD APPEAR ON BACK.

[Signature]
 Reporter

HOLBERT ASSOCIATES

| NAME and TELEPHONE NUMBER | ADDRESS | | | APPEARING FOR |
|---|---|--|--|--------------------------------------|
| Norman James Kennard TUCKER ARENSBERG PC Telephone No. (717) 238-2900 | 116 Pine Street City: HBG State: PA Zip: 17101 | | | Commonwealth Telephone Company |
| Telephone No. () | City State Zip | | | |
| Telephone No. () | City State Zip | | | |
| Telephone No. () | City State Zip | | | |
| Telephone No. () | City State Zip | | | |
| Telephone No. () | City State Zip | | | |
| Telephone No. () | City State Zip | | | |
| Telephone No. () | City State Zip | | | |
| Telephone No. () | City State Zip | | | |

DATE: September 27, 1993

SUBJECT: UPDATE ON HEARING CALENDAR FOR WEEK OF SEPTEMBER 20, 1993

TO: Aggie Brewster, Supervisor
Docket Section

FROM: Norma Lewis, Supervisor *Norma*
OALJ Scheduling Unit

DOCKETED
SEP 29 1993

| <u>Docket #</u> | <u>Complainant/Respondent</u> | <u>Hrg. Date</u> | <u>ALJ/SA</u> | <u>Change</u> |
|-----------------|---|------------------|---------------|------------------------|
| I-00920020 | Commonwealth Telephone | 09/20/93 | Kashi | cancelled |
| " | " | 09/21/93 | " | cancelled |
| " | " | 09/23/93 | " | cancelled |
| R-932667 | PG&W - Springbrook Div. | 09/22/93 | Cohen | cancelled |
| " | " | 09/23/93 | " | cancelled |
| " | " | 09/24/93 | " | cancelled |
| A-212815F2000 | SLV Water Co. | 09/23/93 | Christianson | time chg. to 10:30 |
| A-00108208C9301 | Kenneth G. Schuck | 09/24/93 | Paist | cancelled |
| F-00209416 | Armando Robles v. PECO | 09/21/93 | Chestnut | cancelled |
| A-00110359 | Cornellius Enterprises | 09/22/93 | Smolen | cancelled |
| A-00103624F2AmA | Mast t/d/b/a Bucks Run Transport Company | 09/22/93 | Nguyen | cancelled |
| A-00103941F1AmC | SMP | 09/24/93 | Smolen | cancelled |
| F-00209522 | Haynes v. Bell | 09/20/93 | Porterfield | cancelled |
| A-00110755 | Mobius, Inc./R & R Taxi | 09/21/93 | Nemec | cancelled |
| " | " | 09/22/93 | " | cancelled |
| A-00110826 | Radcliff/Radcliff Busing | 09/23/93 | Nemec | cancelled |
| A-00101008F1AmI | Ollinger Bros., Inc. | 09/23/93 | Corbett | cancelled |
| " | " | 09/24/93 | " | cancelled |
| R-00932776 | Boro of Schuylkill Haven | 09/24/93 | Cohen | time chg. 9:00 a.m. |

cc: E. Rohrbaugh

**DOCUMENT
FOLDER**



Mark A. Keffer
Senior Attorney

Room 3-D
3033 Chain Bridge Road
Oakton, VA 22185
703 691-6046
FAX 703 691-6093

September 30, 1993

Mr. John G. Alford, Secretary
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265

RECEIVED

SEP 30 1993

SECRETARY'S OFFICE
Public Utility Commission

Re: Address Change

Dear Mr. Alford:

Our offices have recently relocated to the address reflected in this letterhead. My new service address should be noted in the following dockets:

- C-913665 George & Mildred Hadden v. AT&T Communications.
- C-935053 Valley Broadcasting v. AT&T Communications.
- F-9344616 Rev. F. Kpakiwa v. AT&T Communications.
- I-920015 Conestoga Telephone Show Cause Proceeding.
- I-920020 Commonwealth Telephone Show Cause Proceeding.
- I-920024 Investigation into Charges for Coin-Paid Calls.
- L-920069 Proposed Rulemaking /EAS Issues
- L-930073 Proposed Rulemaking Regarding Amendment to Regulation Governing Interexchange Resellers.
- M-920376 Expanded Interconnection for Intrastate Spoecial Access
- R-932789-C001 Complaint of AT&T - Breezewood InterLATA MTS filing.
- M-930441 Chapter 30 Rulemaking. Presently, my name does not appear on the service list for this docket. Please add my name and delete that of Wilma R. McCarey of AT&T.

RLS

Thank you for your assistance.

DOCUMENT
FOLDER

Very truly yours,

Mark A. Keffer

9/30/93-copy of above ltr sent to: ALJ; Trial Staff; OSA; OSA-Tariffs; Law

DOCKETED
SEP 30 1993