

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. I-00920020

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

ETCO CX Exh. 1
9/22/93 JJ
MS, P
I-00920020

1. Reference testimony of CJR, Page 10. Provide any and all workpapers related to the claimed 1993 interstate access return of "almost 42%."

RESPONSE:

Calculations are attached.

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INTERROGATORIES, SET I

1. Reference testimony of CJR, Page 10. Provide any and all workpapers related to the claimed 1993 interstate access return of "almost 42%."

RESPONSE:

Calculations are attached.

Development of Commonwealth's Test Year Interstate
Rate of Return

(\$millions)

1.	CTCO Forecast Revenue	\$38,343,000 ¹
2.	LESS: CTCO Part 36 Revenue Requirement	<u>24,363,374²</u>
3.	Additional Return (line 1 - line 2)	\$13,979,626 ³
4.	CTCO Part 36 Return	<u>\$ 5,166,413⁴</u>
5.	Total Forecast Return (line 3 + line 4)	19,146,039 ⁵

	<u>Part 36</u>	<u>Forecast TY</u>
6.	CTCO Rate Base ⁶	\$45,923,679
7.	Return	\$ 5,166,413
8.	Rate of Return	11.25%
	(Line 7 ÷ Line 6)	41.69%

¹ Source: See attached spreadsheet which provides CTCO forecast 1993 test year revenues. Test year interstate access revenue is shown to be \$38,343,000.

² Source: CTCO Part 36 Cost Study, S-1, Page 1, Line 35, Columns b+c+d+e (attached).

³ AT&T calculation of additional interstate return, above the required return specified in CTCO's Part 36 Cost Study.

⁴ Source: CTCO Part 36 Cost Study, S-1, Page 1, Line 8, columns b+c+d+e (attached).

⁵ AT&T calculation of CTCO Total Forecast Test Year Return.

⁶ Source: CTCO Part 36 Cost Study, S-1, Page 1, Line 5, Columns b+c+d+e (attached).

Commonwealth Telephone Company
 Historical Year Reconciled to Books
 Year Ended December 31, 1992

ACCT	ACCT NAME	1992 HISTORICAL YEAR	LESS DEREG	REGULATED ONLY	-- NORMS	REVISED HISTORICAL YEAR	GROWTH	KNOWN CHANGES	TEST YEAR
5001	Subscriber station revenue	15,934,982		15,934,982		15,934,982	475,018		16,410,000
5001	(Non c.o.) Service connect chgs	460,252		460,252		460,252	748		461,000
5050	CPE miscellaneous revenue	76,840		76,840		76,840	160		77,000
5060	(C.O.) Service connect chgs	749,173		749,173		749,173	827		750,000
5010	Total public telephone rev	561,753		561,753		561,753	8,247		570,000
5060	Vertical services	3,705,159		3,705,159		3,705,159	249,841		3,955,000
5060	Surcharge revenue	247,708		247,708	55,040	302,748	1,252		304,000
5040	Local private line	168,113		168,113		168,113	-6,113		162,000
5060	Other local exchange revenue	360,376		360,376		360,376	1,624		362,000
5069	Extended area service revenue	236,816		236,816		236,816	-5,816	-32,000	199,000
	TOTAL LOCAL	22,501,172	0	22,501,172	55,040	22,556,212	725,788	-32,000	23,250,000
5081	End user revenue	8,894,304		8,894,304		8,894,304	278,696		9,173,000
5082	Switched access	25,311,582		25,311,582	-3,170,654	22,140,928	601,955	363,117	23,106,000
5082	NECA settlements	3,895,425		3,895,425	-539,588	3,355,837	144,280	55,883	3,556,000
5082	Itorp revenue	34,436		34,436		34,436	1,564		36,000
5083	Special access	2,215,946		2,215,946		2,215,946	256,054		2,472,000
	TOTAL INTERSTATE ACCESS	40,351,693	0	40,351,693	-3,710,242	36,641,451	1,282,549	419,000	38,343,000
5084	Switched access	13,633,361		13,633,361		13,633,361	136,639		13,770,000
5084	Special access	360,115		360,115		360,115	10,885		371,000
5084	Surcharge revenue	13,557		13,557		13,557	76,443		30,000
5084	Itorp revenue	10,165,174		10,165,174		10,165,174	284,826		10,450,000
	TOTAL INTRASTATE ACCESS	24,172,207	0	24,172,207	0	24,172,207	508,793	0	24,681,000
5100	Customer billed revenue	22,075,378		22,075,378	-136,310	21,939,068	997,932	-175,000	22,762,000
5160	Surcharge revenue	261,356		261,356	51,133	312,489	3,511	-2,000	314,000
5110	WATS revenue	666,448		666,448		666,448	-66,448		600,000
5120	Private network revenue	1,808,628		1,808,628		1,808,628	27,372		1,836,000
	TOTAL LONG DISTANCE	24,811,810	0	24,811,810	-85,177	24,726,633	962,367	-177,000	25,512,000
5230	Directory revenue	698,480		698,480		698,480	1,520		700,000
5240	Rental revenue	714,056		714,056	-51,471	662,585	3,415		666,000
5261	Special billings	110,334		110,334	-85,222	25,112	888		26,000
5264	Late payment chgs - intra	524,291		524,291	-113,931	410,360	640		411,000
5264	Other incidental reg rev - intra	199,989	199,989	0		0	0		0
5264	Other incidental reg rev - inter	180,813	180,813	0		0	0		0
5263	Plant oper revenue - intra	73,245		73,245		73,245	3,755		77,000
5240	Rent revenue - affiliates	101,146		101,146		101,146	854		102,000
5264	Oth reg rev - intra affil	72,613		72,613		72,613	387		73,000
5250	Corp oper rev - intra affil	32,563		32,563		32,563	437		33,000
5262	Cust oper rev - intra affil	155,889		155,889		155,889	111		156,000
5263	Plant oper rev - intra affil	147,578		147,578		147,578	422		148,000
5264	Surcharge revenue	5,263		5,263		5,263	737		5,000
5270	Bill & Collection rev - intra	2,445,311	2,445,311	0		0	0		0
	TOTAL MISCELLANEOUS	5,461,571	2,826,113	2,635,458	-250,624	2,384,834	13,166	0	2,398,000
5300	UNCOLLECTIBLES	608,413		608,413	-122	608,291	1,709		610,000
1101	Equipment sales	732,833	732,833	0		0	0		0
1102	Equipment maint contracts	1,979,997	1,979,997	0		0	0		0
1103	Lease revenue	1,741,710	1,741,710	0		0	0		0
1105	Time & materials	374,114	374,114	0		0	0		0
1106	Service order revenue	597,373	597,373	0		0	0		0
2000	Billing & collection revenue	2,801,360	2,801,360	0		0	0		0
	TOTAL NONREGULATED	8,227,387	8,227,387	0	0	0	0	0	0
	TOTAL OPERATING REVENUE	124,917,427	11,053,500	113,863,927	-3,990,881	109,873,046	3,490,954	210,000	113,674,000

Commonwealth Telephone Company
 Total Company
 1993 Pro-Forma
 April 29, 1993

REVENUE REQUIREMENT SUMMARY
 12 Month Study Period Ended December 31, 1993

5-1

LINE	DESCRIPTION	SOURCE	INTERSTATE TOLL					INTRASTATE TOLL				EAS	LOCAL	
			TOTAL COMPANY (a)	InterLATA		IntraLATA		InterLATA		IntraLATA			User Defined (k)	Other (l)
				MSG (b)	PL (c)	MSG (d)	PL (e)	MSG (f)	PL (g)	MSG (h)	PL (i)			
1	Net Telecom Plant	5-2, Ln19	207732204	43862395	1963574	97710	0	21216572	657846	41183830	2476091	2176729	0	94097457
2	Rate Base Adjustment #1	Records	0	0	0	0	0	0	0	0	0	0	0	
3	Rate Base Adjustment #2	Records	0	0	0	0	0	0	0	0	0	0	0	
4	Rate Base Adjustment #3	Records	0	0	0	0	0	0	0	0	0	0	0	
5	RATE BASE	Ln1-2..4	207732204	43862395	1963574	97710	0	21216572	657846	41183830	2476091	2176729	0	94097457
6														
7	Rate of Return	Records		0.112500	0.112500	0.112500	0.112500	0.104500	0.104500	0.104500	0.104500	0.104500	0.104500	0.104500
8	RETURN ON RATE BASE	Ln5-7	22075405	4934519	220902	10992	0	2217132	68745	4303710	258751	227468	0	9833184
9														
10	Return Adjustment #1	Records	0	0	0	0	0	0	0	0	0	0	0	
11	Return Adjustment #2	Records	0	0	0	0	0	0	0	0	0	0	0	
12	NET RETURN	Ln8-10..11	22075405	4934519	220902	10992	0	2217132	68745	4303710	258751	227468	0	9833184
13														
14	7500 Aiv Fds Used For Constr	5-10, Ln11	0	0	0	0	0	0	0	0	0	0	0	
15	7500 Interest & Related Items	8-10, Ln17	8871000	1838464	82541	3575	0	913107	28353	1748184	106709	94133	0	4052933
16	ITC Amortization	5-10, Ln21	497000	142637	6438	266	0	71079	2219	136899	8376	7836	0	321249
17	Amortization of Excess Def Taxes	5-10, Ln23	420000	85951	3880	160	0	42831	1337	82493	5047	4722	0	193579
18	Capitalized Payroll Taxes	5-10, Ln28	0	0	0	0	0	0	0	0	0	0	0	
19	Depreciation Adjustment	5-10, Ln33	0	0	0	0	0	0	0	0	0	0	0	
20	FIT Allowances/Disallowances	5-14, Ln29	12000	2456	111	5	0	1224	38	2257	144	135	0	5531
21	Income Adjustment #1	Records	0	0	0	0	0	0	0	0	0	0	0	
22	Income Adjustment #2	Records	0	0	0	0	0	0	0	0	0	0	0	
23	Income Adjustment #3	Records	0	0	0	0	0	0	0	0	0	0	0	
24	AFTER TAX INCOME	Note 1	12099405	2869923	128154	6946	0	1191338	36873	2338492	138763	120913	0	5261953
25														
26	State Income Tax	Ln40	2559228	607037	27107	1480	0	251988	7799	494630	29351	25575	0	1114261
27	Net Federal Income Tax	Ln44	5116028	1249857	55701	3178	0	499809	15439	985286	58061	49731	0	2189865
28	Operating Expenses & Taxes	5-3, Ln19	91053773	16420172	708615	123816	0	8602241	240554	24475970	962551	894210	0	38625677
29	Uncollectibles	5-10, Ln38	610000	0	0	0	0	0	0	610000	0	0	0	0
30	Other Adjustments	Records	0	0	0	0	0	0	0	0	0	0	0	
31	NET REVENUE REQUIREMENT	Ln12+26..29-30	121414432	23211585	1012325	139464	0	11571140	332537	30869597	1308713	1196704	0	51772067
32														
33	Gross Receipts Tax	Note 2	5107950	0	0	0	0	609007	17502	1624716	68880	62999	0	2724847
34	Other Adjustments	Records	0	0	0	0	0	0	0	0	0	0	0	
35	REVENUE REQUIREMENT	Ln31+33-34	126522382	23211585	1012325	139464	0	12180147	350039	32494312	1377593	1259983	0	54496934
INCOME TAXES														
36	FIT Taxable Income	Ln24+43	18332431	4348367	194173	10600	0	1805057	55849	3543169	210247	183201	0	7981747
37	SIT Taxable Income	Note 3	20891659	4955404	221280	12079	0	2057045	63668	4637799	239598	208776	0	9096008
38														
39	State Income Tax Rate	Ln40/37	0.122500	0.122500	0.122500	0.122500	0.000000	0.122500	0.122500	0.122500	0.122500	0.122500	0.000000	0.122500
40	State Income Tax Requirement		2559228	607037	27107	1480	0	251988	7799	494630	29351	25575	0	1114261
41														
42	Federal Income Tax Rate	Ln43/36	0.340000	0.340000	0.340000	0.340000	0.000000	0.310000	0.340000	0.340000	0.340000	0.340000	0.000000	0.340000
43	Gross Fed Inc Tax Requirement		6233026	1478445	66019	3604	0	613719	18995	1204677	71484	62288	0	2713794
44	Net Fed Inc Tax Requirement	Ln43-16-17	5116028	1249857	55701	3178	0	499809	15439	985286	58061	49731	0	2189865

Note 1: Ln12-14..18+19..23

Note 2: Based on these Statutory Rates:

0.000000 0.000000 0.000000 0.000000 0.000000 0.050000 0.050000 0.050000 0.050000 0.050000 0.050000 0.050000 0.050000 0.050000 0.050000

Note 3: If SIT is deductible for SIT, then

Ln 36, otherwise, 36+40

27,263,574

SURVEY OF COMMONWEALTH LONG DISTANCE CUSTOMERS

TELEPHONE NUMBER CALLED: _____

DATE AND TIME: _____

INITIALS OF PERSON CONDUCTING SURVEY _____

HELLO. I'D LIKE TO TAKE LESS THAN ONE MINUTE OF YOUR TIME TO ASK A FEW QUESTIONS ABOUT YOUR TELEPHONE SERVICE. I AM **NOT** SELLING ANYTHING. MAY I ASK YOU A FEW QUESTIONS? [IF NO, THANK THEM AND HANG UP]

FIRST, WHAT IS THE NAME OF THE TELEPHONE COMPANY THAT PROVIDES YOUR LOCAL TELEPHONE SERVICE?

- COMMONWEALTH
- OTHER (WRITE IN RESPONSE _____)
- DON'T KNOW

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NEXT, WHAT LONG DISTANCE COMPANY DO YOU USE FOR YOUR "DIAL 1" LONG DISTANCE CALLS TO OTHER STATES?

- COMMONWEALTH
- COMMONWEALTH LONG DISTANCE
- AT&T
- MCI
- SPRINT
- OTHER
- DON'T KNOW

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IF CUSTOMER GIVES ANY ANSWER OTHER THAN "COMMONWEALTH" OR "COMMONWEALTH LONG DISTANCE," THANK THEM AND HANG UP.

IF CUSTOMER ANSWERS "COMMONWEALTH" OR "COMMONWEALTH LONG DISTANCE" CONTINUE.

DOCUMENT FOLDER

EXHIBIT
Commonwealth
9/25/83
JF

I-00920000

IF CUSTOMER SAYS "COMMONWEALTH" ONLY --

IS THAT COMMONWEALTH TELEPHONE COMPANY, OR COMMONWEALTH LONG DISTANCE, OR ARE THOSE THE SAME?

- COMMONWEALTH TELEPHONE COMPANY
- COMMONWEALTH LONG DISTANCE
- THEY ARE THE SAME
- DON'T KNOW

WHY DID YOU CHOOSE COMMONWEALTH LONG DISTANCE FOR YOUR OUT-OF-STATE CALLS?

[AFTER INITIAL CUSTOMER RESPONSE. ASK, "ANY OTHER REASONS?"]

[CHECK ALL ANSWERS THAT APPLY]

- AFFILIATION WITH COMMONWEALTH
- LOW PRICES
- GOOD SERVICE
- CONVENIENCE
- DIDN'T KNOW I HAD A CHOICE
- DON'T KNOW

[IF THE CUSTOMER DID **NOT** REPLY "AFFILIATION WITH COMMONWEALTH"]

HOW DID THE RELATIONSHIP BETWEEN COMMONWEALTH LONG DISTANCE AND COMMONWEALTH TELEPHONE COMPANY INFLUENCE YOUR CHOICE OF COMMONWEALTH LONG DISTANCE, IF AT ALL?

THANK YOU AND GOOD-BYE

RESPONSE OF COMMONWEALTH TELEPHONE COMPANY
TO INTERROGATORIES OF AT&T, SET I
PA PUC V. CTCO
PA PUC DOCKET NO. I-00920020

72. Please provide a copy of all equal access ballot(s) provided by Commonwealth to its customers.

ANSWER: Please see attached ballot. All equal access ballots are voluminous and may be viewed at the company offices after making arrangements with CTCO counsel.

PREPARED BY: SCOTT BURNSIDE

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I-00920020
KBS, P
CTCO CY Ef. #3
9/22/93 JS

EQUAL ACCESS BALLOT

COMMONWEALTH TELEPHONE COMPANY

Main Billed Telephone Number

0161

717-836-9999 (999)

19

TNKHPAXTDSO

Regulations now require you to select a long distance company to provide your 1+ dialed long distance service for calls outside your local telephone company calling region. Please use one of the following equal access ballot options to make your equal access long distance company selection.

WE MUST RECEIVE THIS BALLOT BEFORE:

APRIL 30, 1992

Your selection will be activated on:

JUNE 24, 1992

OPTION ONE:

With a No. 2 pencil fill in circle next to the long distance company you want to provide your 1+ long distance telephone service. From the list at right Mark Only One Company.

JOHN DOE - 000007
ABC COMPANY
180 MT AIRY ROAD
ANYWHERE, US 77777-1111

OPTION TWO:

You may select a different long distance company for each telephone line listed below. To do so, enter the 3 digit IXC code for your selected company. IXC codes are listed before each company name in the Option One column at right.

IF YOU CHOOSE TO MAKE SELECTIONS UNDER OPTION TWO, PLEASE CALL OUR BUSINESS OFFICE TO MAKE THE ARRANGEMENTS.

RESIDENCE & BUSINESS (800) 225-5282
MULTI-LINE BUSINESS (800) 343-8574

OPTION ONE

IXC Code

Company Name

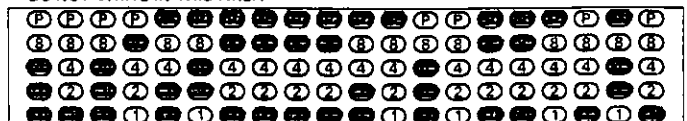
- 288 AT&T LONG DISTANCE SERVICE
RESIDENCE: 1-800-222-0300
BUSINESS: 1-800-222-0400
- 333 US SPRINT DIAL "1" SERVICE
BUSINESS: 1-800-366-1900
RESIDENCE: 1-800-366-4700
- 336 COMMONWEALTH LONG DISTANCE DIAL "1"
LOWEST COST WITH NO MONTHLY FEE
CALL TOLL FREE 1-800-225-5282
- 545 KEYSTONE TELECOM, INCORPORATED
BUSINESS CUSTOMERS 717-344-7748
- 537 LONG DISTANCE SERVICE, INC.
BUSINESS 1-800-296-0220
RESIDENCE 1-800-296-0220
- 444 ALLNET DIAL 1 SERVICE
BUSINESS 1-800-783-2020
RESIDENCE 1-800-783-2020
- 222 MCI TELECOMMUNICATIONS CORPORATION
RESIDENTIAL 1-800-TALK-MCI
BUSINESS 1-800-888-0800
- 211 RCI LONG DISTANCE
BUSINESS 1-800-836-7000
RESIDENCE 1-800-836-7000
- 221 CTI/CAPITAL TELECOMMUNICATIONS INC
BUSINESS 800-673-2400
RESIDENCE 800-673-2400
- 933 NORTH AMERICAN COMMUNICATIONS INC
BUSINESS ONLY: 1-800-326-9400
717-693-4500

CORRECT MARK

We will make every effort to ensure that your telephone service is connected to the long distance company you choose. In the event your service is inadvertently connected to a different company, we will assume liability only to the extent of connecting your chosen company at the earliest opportunity after you notify us.

Signature _____ Date _____

DO NOT WRITE IN THIS AREA



Return To: EQUAL ACCESS BALLOT
PO BOX 39907, MINNEAPOLIS, MN 55439

At 10:00 AM

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. I-00920020

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

- 21. Reference testimony of CJR, Page 33. Fully and completely identify each and every instance where AT&T has not fully marketed its services in CTCO's territory.

RESPONSE:

With respect to basic MTS services, most of AT&T's promotional efforts are national in scope, and CTCO customers are exposed to those ads. See response to interrogatory 22. For larger customers, however, marketing efforts are more focused, and often are directed to individual customers. Because profit potential is higher in territories where access charges are lower, AT&T's sales forces tend to concentrate their efforts in the low-cost areas. Thus, to the extent AT&T's sales personnel exert their energies in, say, Bell or GTE territory, and not in Commonwealth territory, they do so because of the higher profit potential. In short, AT&T is not fully marketing its services in Commonwealth's territory when it focuses its efforts in areas where the profit potential is higher.

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Page 4 of 10

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. I-00920020

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

- 22. Reference testimony of CJR, Page 33. Provide a copy of all advertising published by AT&T within the service territory of CTCO for the period 1988 to the present.

RESPONSE:

Most of AT&T's media advertising is national in scope. Thus, a substantial number of AT&T ads have appeared in magazines, newspapers, television programs, and other media in Commonwealth's territory. Production of all ads published since 1988 that would have been available in Commonwealth's territory would be extremely burdensome, and would produce a very large number of ads. If, however, Commonwealth is interested in reviewing these data, arrangements can be made to review it at AT&T's offices in New Jersey. Please contact AT&T's counsel to make the necessary arrangements.

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CTCO CH EX #6

9/27/93 51

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY
COMMISSION

TESTIMONY OF
CHRISTOPHER J. ROZYCKI

ON BEHALF OF
AT&T COMMUNICATIONS OF PENNSYLVANIA, INC.

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July 16, 1993

I-00920020
KBS, PG
AT&T Statement
#1
9/22/93

TESTIMONY OF CHRISTOPHER J. ROZYCKI

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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.

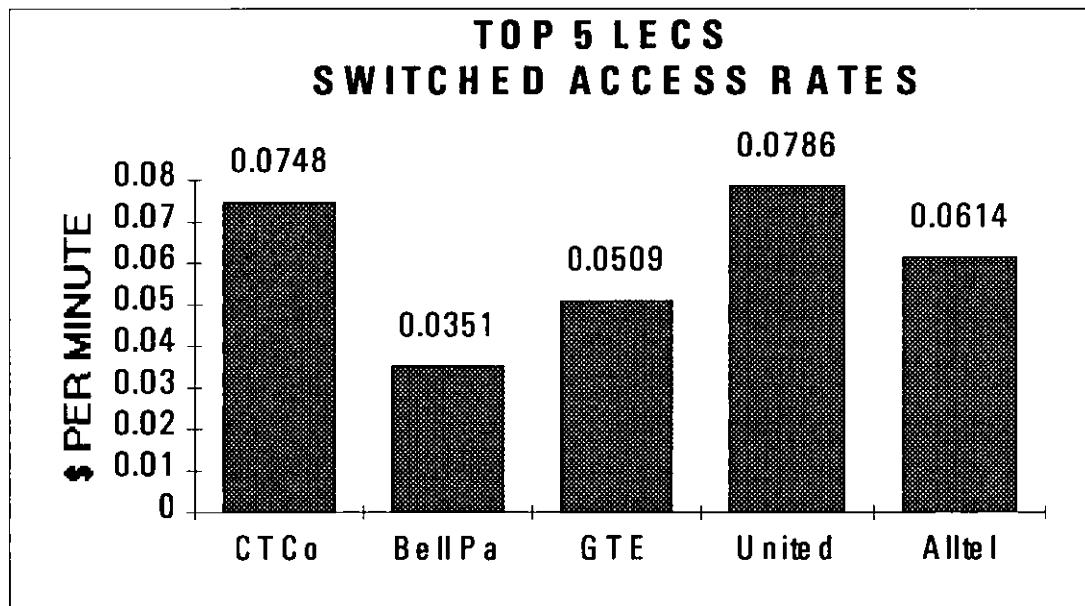
The switching and transport rates are often called "traffic sensitive" rates because they recover costs that vary based on the amount of traffic directed to the interexchange carriers.

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-Murrysville 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
Palmerton 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.

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.

<p>IX. ACCESS REDUCTIONS WILL NOT PRODUCE ANY UNREASONABLE CONSEQUENCES FOR BASIC LOCAL EXCHANGE RATES.</p>
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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 IXC's. 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 IXC's for access. Stated another way, Commonwealth's "retail" price will be less than the price that IXC's must pay for "wholesale" access service.

Commonwealth's intraLATA toll services use the local exchange network in virtually the same way that IXC's 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 Penncor 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.

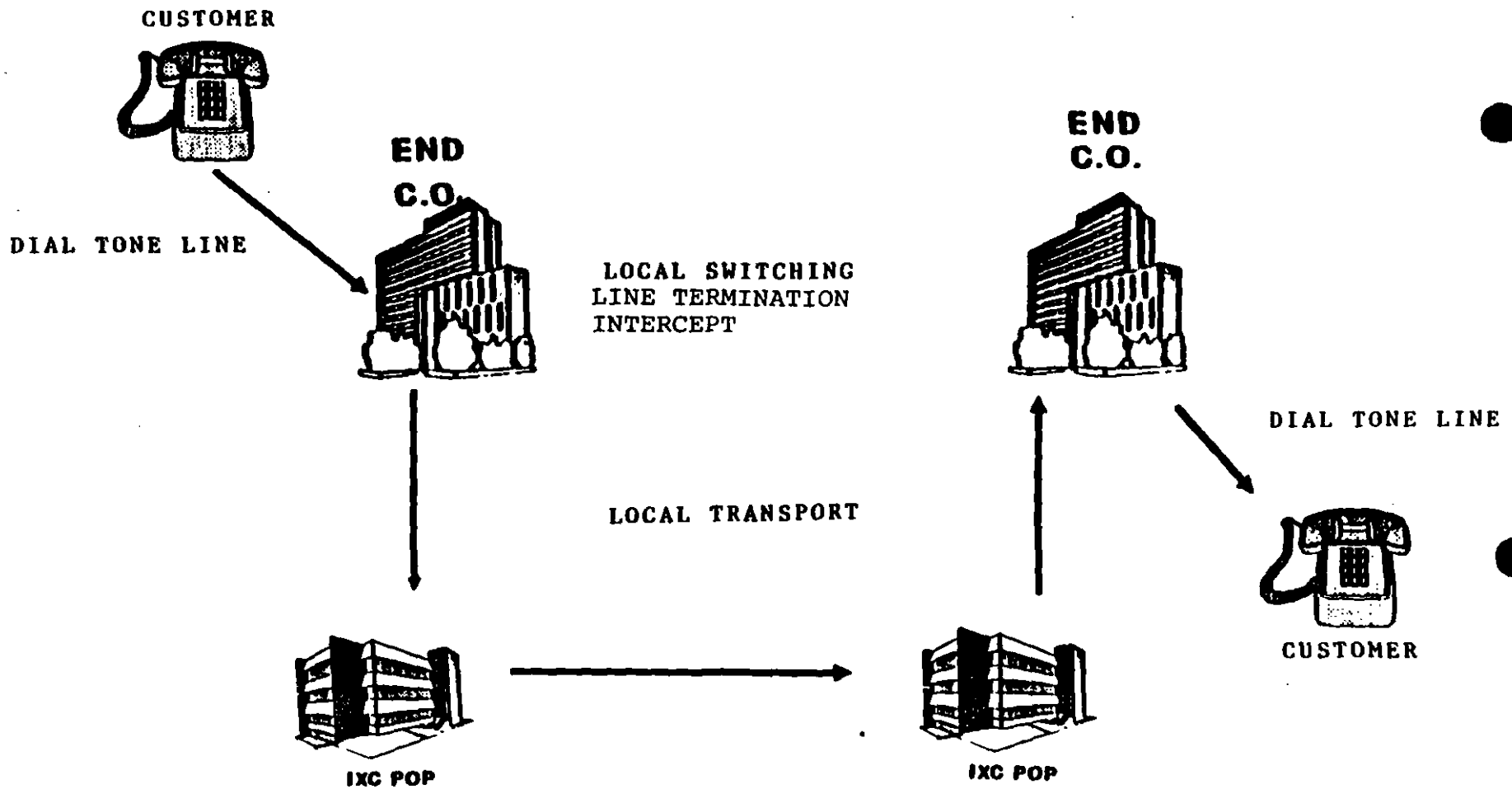
As the Commission has done with other companies, it should reject Commonwealth's request to deregulate billing and collection services. Those services generate substantial profits, which should continue to be available to subsidize basic exchange rates.

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:

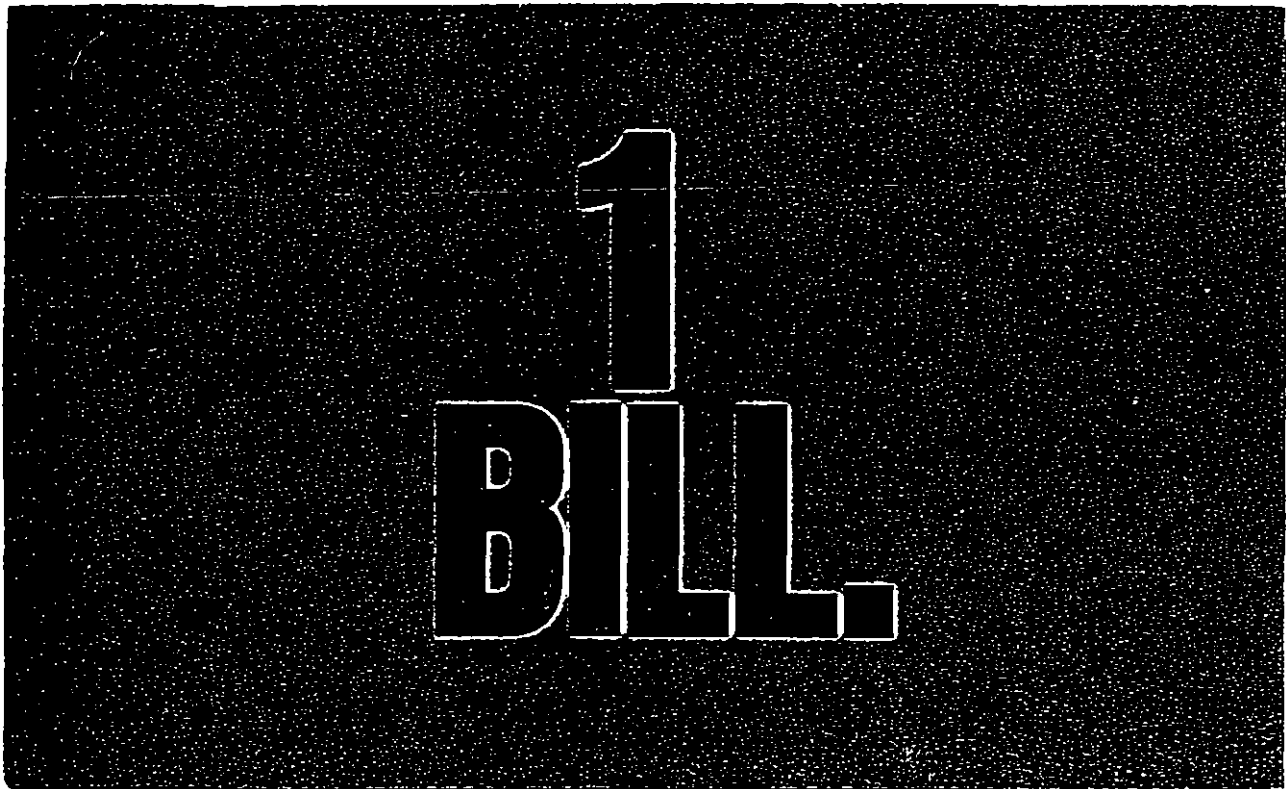
INITIAL MINUTE RATES

<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	.1497 Access*
8	.391	.254	.156	
9	.411	.267	.164	

ADDITIONAL MINUTE RATES

<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.



1STAMP.

022 76 - N.Y. '92

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.

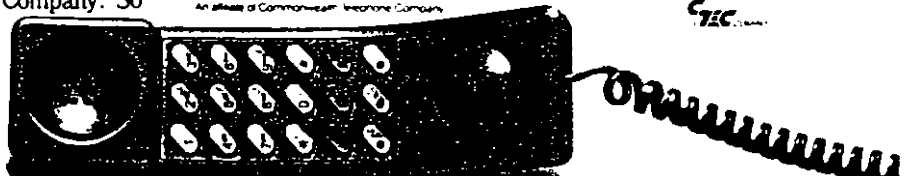
So if you want the savings without the aggravation, choose Commonwealth Long Distance. For more information, call 1-717-675-5353, toll-free.

*Rating based upon 1990 Public Utility Commission Bureau of Consumer Services report.



COMMONWEALTH LONG DISTANCE COMPANY

An affiliate of Commonwealth Telephone Company



If your
long distance bills
are too high,
you've been dialing
the wrong number.

1980 NOV 192

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.* 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.

53
DIAL

Of course, there's more to Commonwealth than savings. There's also simplicity. When you sign up with Common-

wealth 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.

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.

JKL
5

DEF
3



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.

NO FLACK - NO FOOLING

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.

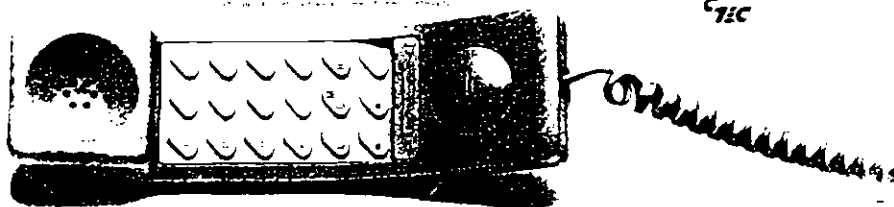
What's more, with Commonwealth, you can call anywhere, any time. You don't have to make your phone calls in the middle of the night. Finally, Commonwealth Long Distance is a local company. We're affiliated with Commonwealth Telephone Company, the number one rated telephone company in Pennsylvania.*

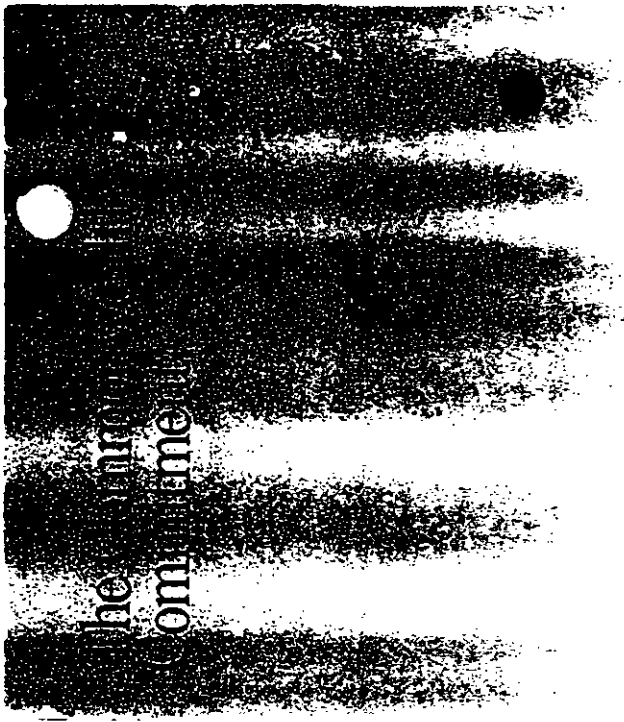
So if you want the savings without the aggravation, choose Commonwealth Long Distance. For more information, call 1-717-675-5353, toll-free.



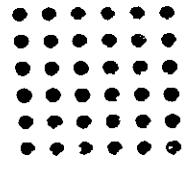
COMMONWEALTH LONG DISTANCE COMPANY

CTC





the
Commitment



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. Our rates are readily understandable and provide quality service at a fair price.

It's easy to see how you save when you receive your 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) 671-4100
Residential Customers: (800) 225-5232 Local calls: (717) 671-4100

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SERVICE.

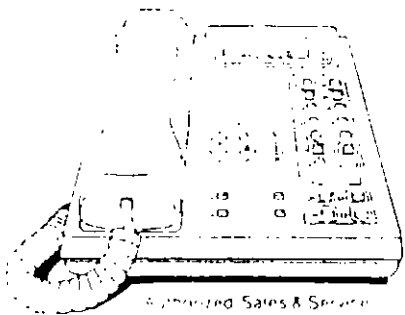
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- Automated Attendant
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- Call Accounting
- Facsimile Machines

• For more information •

CALL 1-800-752-8319



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

1000 ...

570 ...

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 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.

PDF Newspaper (target 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.**

ANYWHERE.

DEC 1980 - NEW 112

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

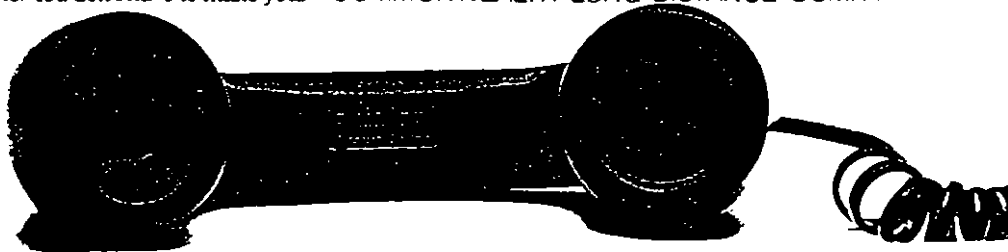
phone calls in the middle of the night. Or pay monthly fees. And there are no sign-up or hook-up charges. What's more, Commonwealth Long Distance is a local company. We're affiliated with Commonwealth Telephone Company, the number one rated telephone company in Pennsylvania.*

So if you want the savings without the aggravation, choose Commonwealth Long Distance.

*Rating based upon latest Public Utility Commission Bureau of Consumer Service report.



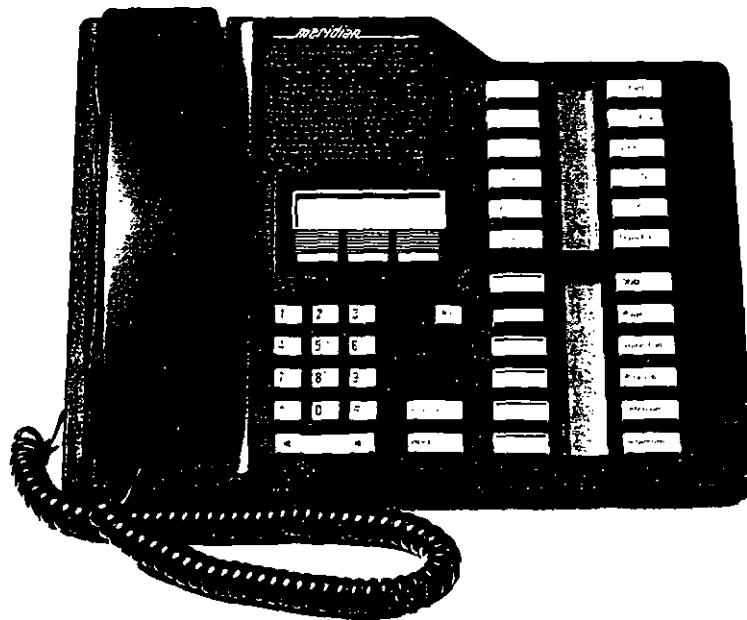
COMMONWEALTH LONG DISTANCE COMPANY



**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.



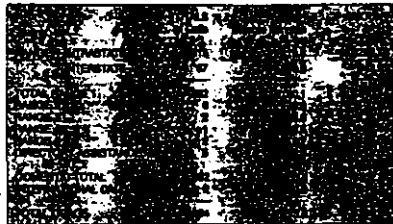
Unlike many long distance companies, Commonwealth offers 6 second billing. In addition, our volume discounts start at \$1. Not at \$100 or \$1,000. And our discounts increase as your call volume increases. What's more, our discounts are applied to rates that are already 10% lower than AT&T equivalent 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.



COMMONWEALTH LONG DISTANCE COMPANY

ACCOUNT NUMBER 010 400000001 INVOICE DATE JAN 24
 ABC CONSTRUCTION CO INVOICE NUMBER 120456789
 1234 GREEN ST SERVICE PERIOD TO DEC 31
 DALLAS TX 75202 REMITTANCE UPON RECEIPT



DEDICATED ACCESS GROSS CALLING EXPENSE	\$494.84
FEDERAL TAX	\$13.84
STATE TAX	\$27.28
TOTAL TAXES	\$40.00

COMMONWEALTH LONG DISTANCE CO. 181 LAKE STREET, P.O. BOX 111, DALLAS, TX 75202
 CALL TOLL FREE FOR BILLING: 717-675-1163 CUSTOMER SERVICE: 717-675-1164 AFTER HOURS: 717-675-1165

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



®

COMMONWEALTH LONG DISTANCE COMPANY

an affiliate of Commonwealth Telephone Company

COMMON

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PO. 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.



*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. 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.*

Reliability
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 800 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 best 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.

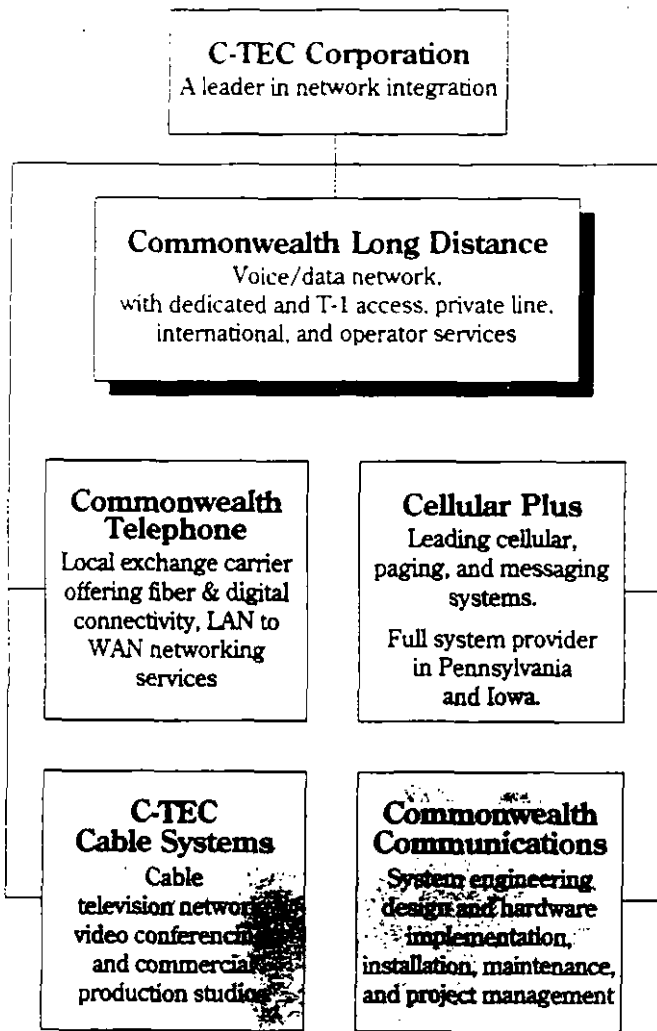


Commonwealth Long Distance

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



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 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%

* AT&T is a registered trademark of American Telephone and Telegraph.

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

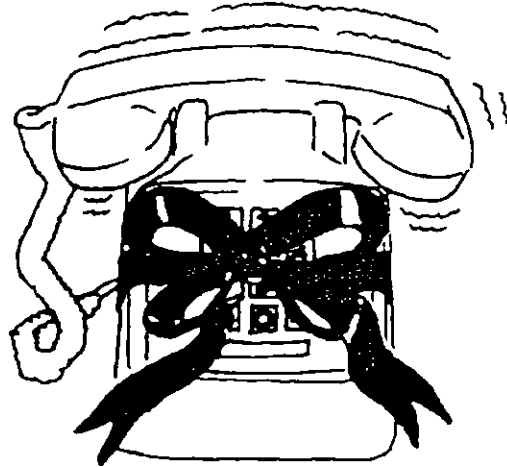
an affiliate of Commonwealth Telephone Company

P.O. Box 111 • Lake Street • Dallas, PA 18612



Due to industry wide and legislative changes, enclosed information may vary without prior notice. CTD will make every effort to inform our customers of any such changes.

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. *Now call 10336.*

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
RUN FROM DEC '90 to NOV '92