



**Attorney General
Betty D. Montgomery**

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Via Overnight Mail

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Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D. C. 20554

Re: *In the Matter of the Amendment of
Part 32 of the Commission's Rules to
Eliminate Detailed Property Records
for Certain Support Assets RM 8640.*

To Whom It May Concern:

Enclosed please find the original and ten copies of the **Reply Comments Submitted by the Public Utilities Commission of Ohio** in the above-referenced matter. Please return a time-stamped copy to me in the enclosed stamped, self-addressed envelope

Thank you for your assistance in this matter.

Respectfully submitted,

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Enclosure

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

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)
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Certain Support Assets)

RM 8640

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**COMMENTS SUBMITTED BY
PUBLIC UTILITIES COMMISSION OF OHIO**

The Public Utilities Commission of Ohio (PUCO) opposes the United States Telephone Association (USTA) petition for rulemaking requesting that the FCC amend Part 32 to eliminate detailed property record requirements for support assets in certain accounts and to permit vintage amortization level (VAL) property records for these assets. While the PUCO applauds the USTA's aim to effect cost reductions, we believe it is premature to reduce the required level of property record detail.

Under rate of return regulation, the PUCO must determine that a telephone utility's property is used and useful in rendering utility service before it allows the utility the opportunity to earn a return on it. This is accomplished during a rate case by a PUCO staff investigation. The staff examines the utility's continuing property records (CPR), selects samples from each account, traces them back to the work orders to verify the accounting, and inspects the property to verify its used and useful nature.

Under price cap regulation, one form of which has been implemented in Ohio, as discussed below, a similar procedure is necessary to verify depreciation expense and equipment costs for LRSIC studies, establishing a "baseline" for price caps, and in the determination of interconnect costs for new competitors.

As we understand the USTA's proposal, VAL would sever the link between the company's books and the physical property. There would be property on the company's books that is no longer in service and there would be property in service that is no longer on the company's books. For any account where only VAL records are available there would be no way to verify that the balance represented used and useful property.

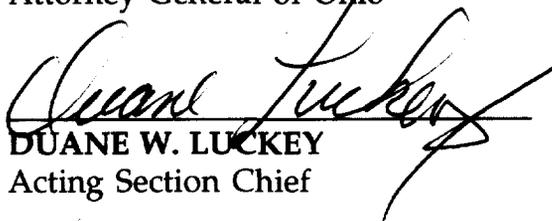
The PUCO is keenly aware of the emerging competitive nature of the telephone industry. Ohio has legislation which permits alternative regulation for telephone companies and permits waiving of the statutes necessitating verification of used and usefulness. The PUCO has promulgated rules for alternative regulation and several Ohio telephone companies are now subject to alternative regulation. However, most Ohio telephone companies are still under traditional rate of return regulation and those now under alternative regulation in Ohio have the option to return to traditional regulation.

It is possible that at some point in the future, the telecommunications industry will be sufficiently competitive that no form of price regulation, rate of return, price cap, or otherwise, would be required. At that point there would be no need to have telephone companies maintain these detailed records. However, that time has not yet come.

The PUCO has adopted Part 32 accounting requirements for Ohio jurisdictional local exchange companies. Thus, until all Ohio telephone companies are permanently under alternative regulation, the PUCO must oppose any change in Part 32 that would inhibit our ability to trace a utility's CPR to specific property. Additionally, if the USTA's proposal is adopted, it is likely that the PUCO would find it necessary to amend its rules to require Ohio companies to continue to keep detailed records.

Respectfully submitted,

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