Cincinnati Bell Telephone Company

2012 PRICE CAP REVISIONS
2012 INTERCARRIER COMPENSATION

2012 Annual Tariff Review Plan Filing

June 18, 2012

Description & Justification

Introduction

A. Background

This filing represents Cincinnati Bell Telephone Company's (CBT's) Annual 2012 Tariff Review Plan (TRP) Filing.

This filing is being made in compliance with the following:

* Second Report and Order, *In the Matter of Policy and Rules Concerning Rates for Dominant Carriers,* CC Docket No. 87-313, released October 4, 1990 (LEC Price Cap Order);

* Order on Reconsideration, *In the Matter of Policy and Rules Concerning Rates for Dominant Carriers*, CC Docket No. 87-313, released April 17, 1991 (Recon. Order);

* Report and Order, *In the Matter Of Amendment of Part 36 of The Commission's Rules and The Establishment of a Joint Board,* FCC 97-30, released February 3, 1997;

* First Report and Order, *In the Matter of Price Cap Performance Review for Local Exchange Carriers,* CC Docket No. 94-1, Released April 7, 1995;

* Report and Order, *In the Matter of Price Cap Regulation of Local Exchange Carriers, Rate-of-Return Sharing and Lower Formula Adjustment,* CC Docket No. 93-179, released April 14, 1995;

* Third Report and Order, *In the Matter of Price Cap Performance Review for Local Exchange Carriers,* CC Docket No. 94-1, FCC 96-488, released December 24, 1996;

* Report and Order, *In the Matter of Implementation of Section 402(b)(1) (A) of the Telecommunications Act of 1996,* CC Docket No. 96-187, FCC 97-23, released January 31, 1997;

* First Report and Order, *In the Matter of Access Charge Reform,* CC Docket No. 96-262, FCC 97-158, released May 16, 1997;

* Fourth Report and Order, *In the Matter of Price Cap Performance Review for Local Exchange Carriers,* CC Docket No. 94-1, FCC 97-159, released May 21, 1997;

* Memorandum Order and Opinion, *In the Matter of Access Charge Reform,* CC Docket No. 97-250, FCC 98-106, released June 1, 1998;

* 47 C.F.R. § 61.38 and § 61.41 through § 61.49; and 47 C.F.R., Part 61, generally.

Herein referred to collectively as the "Price Cap Rules".

* Sixth Report And Order in CC Docket 96-262 And 94-1, Report and Order in CC Docket 99-249, Eleventh Report And Order in CC Docket 96-45.

Herein referred to as the "CALLS Order"

* Report And Order And Further Notice Of Proposed Rulemaking FCC 11-161, WC Docket 10-90, GN Docket 09-51, WC Docket 07-135, WC Docket 05-337, CC Docket 01-92 CC Docket 96-45 WC Docket 03-109, WT Docket 10-208, released November 18, 2011.

Herein referred to as the "USF/ICC Transformation Order".

* Order *In the Matter of July 3, 2012 Annual Access Charge Tariff Filings* DA 12-482, released March 28, 2012.

B. Waivers

CBT lists below all currently applicable Part 69 waivers that permit rate elements different than those specified in Part 69 of the Commission's Rules.

* The Commission extended indefinitely the waiver allowing carriers to bill $25.00 for a special access surcharge. This element is included in CBT's Common Line Basket. See, *In the*

Matter of Annual 1989 Access Tariff Filings, Memorandum Opinion and Order, DA 88-1872, released December 2, 1988;

* The Commission waived the requirement that LECs offer both direct-trunked and tandem-switched transport between a specific serving wire center and an access tandem. See, *In the Matter of Local Exchange Carrier Switched Local Transport Restructure Tariffs*, Order, DA 94-693, released June 23, 1994;

* The Commission, in its Order, waived Part 69 Rules in order to establish a separate nonrecurring rate element to recover the costs of providing 900 access service. See, *In the Matter of the Bell South Telephone Companies Tariff FCC No. 1; Cincinnati Bell Telephone Company Tariff FCC No. 35; Centel Corporation Tariff FCC No. 1; Rochester Telephone Corporation Tariff FCC No. 1; Petitions for Waiver of Section 69.4 (b) and subparts B and C of Part 69 of the Commission's Rules* released November 18, 1988;

In this filing, CBT files its USF/ICC Transformation Order Filing as well as its Special Access and Common Line Annual Access Filing. The USF/ICC Transformation Order Description & Justification is found in Appendix A. The Special Access and Common Line Description & Justification is found in Appendix B.

The Commission, in its Order (DA 12-482) established an effective date of July 3, 2012 for the Annual Access Filings.

APPENDIX A

USF/ICC Transformation Order

CBT will assess an Access Recovery Charge (ARC) to its customers as defined and allowed in the USF/ICC Transformation Order. Below is a description of CBT's ARC development. CBT will not be participating in the Connect America Fund (CAF) distributions.

ACCREDTRP Form

The ACCREDTRP Forms contain rate element demand and rates for CBT's Ohio and Kentucky Study Areas. These forms show the necessary reductions to comply with the USF/ICC Transformation Order. For the July 2012 –June 2013 period, the USF/ICC Transformation Order calls for terminating intrastate rates to be reduced by one-half of the difference between the rate element intrastate rate and its interstate rate. CBT's Ohio intrastate rates mirror the interstate rates in its FCC Tariff No. 35. Some of CBT's Kentucky intrastate rates do not mirror its interstate tariffed rates. Those rates have been reduced according to the USF/ICC Transformation Order

1. Demand Development

The Commission prescribed the time period of October, 2010 to September, 2011 as its Fiscal Year (FY) for switched access demand development. CBT utilized its Carrier Access Billing System (CABS) to develop its billed switched access demand for the FY period. The demand was developed by direction and by jurisdiction, for each usage-based switched access rate element and by jurisdiction for each fixed-charge switched access rate element.

The Commission's order called for collected revenues and their underlying usage to be used in calculations that determine a company's ARC. Below is the description of CBT's methodology used to determine its collected usage inputs:

a. CABS accounts with an outstanding balance over 90 days old as of 3/31/2011 were identified. Utilizing Billed Account Numbers (BANs), CBT identified the actual billing period in which the 90-day-old unpaid balance was incurred. From this information, unpaid balances from the Commission's prescribed FY were identified.

b. CBT's switched access customer disputes were examined to determine if additional dollar amounts should be included to reduce the usage demand used in ARC development. CBT determined that the dollar amounts from its few switched access customer disputes were already reflected in the unpaid balances.

c. Each customer invoice for the unpaid balances during the FY period identified in (a) above was examined to determine the usage billing amounts and the monthly fixed access charge billing amounts for each customer invoice. CBT computed the ratio of usage billed amounts to the total of usage and monthly access charge amounts. This ratio was applied to the unpaid balance for that invoice to determine the usage portion of the unpaid balance.

The usage-based unpaid balance totals for each customer invoice during the FY were summed together and converted into MOU as follows:

a. CBT multiplied its CABS billed usage demand by jurisdiction by the tariffed rate to compute a revenue amount for each usage rate element. The computed revenues were summed. CBT then calculated a factor for each usage rate element by dividing the computed revenue per element by the summed computed revenue.

b. CBT used the computed factors to first allocate the total FY usage based unpaid balance dollars to originating and terminating amounts.

c. The terminating unpaid balance amounts from (b) above were multiplied by the terminating usage factors developed in (a) above to derive a terminating unpaid balance per each terminating usage rate element. The unpaid balance per each usage rate element was divided by the appropriate rate for the element to yield a MOU amount for each terminating usage element.

d. The MOU resulting from the computations in (c) above was subtracted from the CABS billed usage per rate element to yield the collected usage for each terminating switched rate element. These totals were input into the ACCREDTRP forms for both the Ohio and Kentucky study areas.

2. Rate Reductions

CBT's Ohio intrastate terminating switched access rates mirror those in its FCC Tariff No. 35. Some of CBT's Kentucky intrastate terminating switched rates do not mirror the interstate rates in CBT's FCC Tariff No. 35. For those rates, the July 2012 through June 2013 proposed rate is 50% of the difference between the interstate rate and the intrastate rate for that element. The exception is the Kentucky terminating Carrier Common Line (CCL) rate. The proposed July 2012 through June 2013 rate for CCL is was reduced slightly less than 50% to account for the revenue shortfall in cases where the intrastate terminating rate is lower than the interstate rate for a specific rate element.

RCCMRSTRP Forms

The RCCMRSTP forms show the calculations between revenue and expenses for non-CMRS and CMRS reciprocal compensation per study area and calculate eligible ARC recovery.

RCCMRSTRP-1 Form

The RCCMRSTRP -1 form examines non-CMRS reciprocal compensation revenues and expenses. CBT receives reciprocal compensation revenues for end-office traffic only. Reciprocal compensation end-office FY units are divided by end-office reciprocal compensation FY revenues to develop a composite rate. CBT's end-office units and revenues used to calculate its composite rates are derived from its CABS billing system. There are no outstanding disputes, or uncollected revenues from the FY period.

CBT developed its interstate end-office composite rate using end office units and revenues from the ACCREDTRP form for its Ohio and Kentucky study areas. The RCCMRSTRP-1 form compares the non-

CMRS composite end-office rate to the interstate end-office composite rate to determine ARC/CAF revenue recovery eligibility. CBT's Ohio and Kentucky study area reciprocal compensation end-office composite rates are below the interstate end-office composite rates. Therefore, CBT is not eligible for ARC/CAF revenue recovery in this filing.

RCCMRSTRP-2 Form

The RCCMRSTRP-2 form calculates the net CMRS reciprocal compensation revenues that are eligible for recovery through ARC/CAF revenue recovery. In Accordance with the USF/ICC Transformation Order, CMRS reciprocal compensation will be on a Bill & Keep basis, beginning July 1, 2012. CBT's FY CMRS revenues used to calculate its composite rates are derived from its CABS billing system. There are no outstanding disputes, or uncollected revenues from the FY period. CBT's CMRS expenses were determined by examining billing records for the FY period. The RCCMRSTRP-2 form calculates the net of the changes in CBT's FY CMRS revenues and expenses. The results of this calculation represent CBT's eligible revenues for ARC/CAF revenue recovery.

ERTRP Form

The ERTRP form sums the eligible ARC/CAF revenue recovery from the ACCREDTRP forms, the RCCMRSTRP-1 form and the RCCMRSTRP-2 form. The Traffic Demand factor (10% reduction) and the Calls Base Factor (10% reduction) are applied to the summed totals to calculate the total eligible revenues for ARC/CAF on a total company basis.

ARC-1TRP and ARC-2TRP Forms

The ARC-1 TRP Form displays line count data by exchange within the Ohio and Kentucky study areas. Development of the line count data is discussed below. For 1FR, non-primary lines, ISDN-BRI and single line business, the data sheet lists the applicable basic rates, federal Subscriber Line Charge (SLC) and state charges including state SLC, zone charges, Telecommunication Relay Service (TRS), E-911, Extended Area Service (EAS), and state Universal Service Fund (USF) charges for each exchange. The ARC-1 TRP data is combined with eligible revenue recovery data for use in the ARC-2 TRP form to compute maximum eligible ARC and CAF revenue recovery. CBT will assess an Access Recovery Charge (ARC) to its customers as defined and allowed in the USF/ICC Transformation Order. CBT will not be participating in the Connect America Fund (CAF) distributions.

ARCRCTRP Forms

The ARCRTRP forms show the development of the ARC caps by line type and the tariffed ARC rates by line type. The ARCTRP-No CAF-2 Form distributes CBTs actual ARC recovery between non-MLB lines and MLB lines based on the line weighting methodology prescribed in the USF/ICC Transformation Order.

ARCRCTRP-No CAF-1 Form

The ARCRCTRP-No CAF 1 Form contains line count data by exchange within the Ohio and Kentucky study areas. For 1FR, non-primary lines, ISDN-BRI and single line business, the data sheet lists the applicable basic rates, federal Subscriber Line Charge (SLC) and state charges including state SLC, zone charges, Telecommunication Relay Service (TRS), E-911, Extended Area Service (EAS), and state Universal Service Fund (USF) charges for each exchange. The rates are summed for use in the ARCRCTRP form for comparison of maximum and tariffed ARC.

ARCRCTRP-No CAF-2 Form

The ARCTRP-2 uses the line count data and rate data from the ARCTRP-No CAF-1 forms to compute the CBT’s maximum ARC revenue recovery opportunity based on the ARC rate ceilings prescribed in the USF/ICC Transformation Order. The form also displays CBTs actual ARC revenues eligible for recovery from the ERTRP Form. The data is displayed by study area and also summarized at a total company level. The maximum ARC recovery assumes that the maximum ARC rates are charged for all SLB lines, all MLB lines, and Residential lines for exchanges in which the total 1FR rates are less than the $30 per month cap prescribed in the USF/ICC Transformation Order. The form compares ARC actual recovery, based on the tariffed ARC, to the total eligible ARC recovery to ensure that recovered ARC revenues do not exceed eligible ARC revenues.

Line Count Development

CBT analyzed the line count change from total year 2010 to total year 2011 by line type and by Central Office (CO). CBT used a straight-line forecast based on the changes from total year 2010 to total year 2011 by central office and by line-type to forecast line counts for the June 2012 through July 2013 period. CBT used December, 2011 annualized line count data by line type, by central office as a beginning point for forecasting lines for the July 2012 through June 2013 period.

First, CBT applied one-half the annual forecasted change to the annualized December 2011 lines to account for the January 2012 – June 2012 period. CBT then applied the total year forecasted change to the line counts forecasted as of June, 2012 to determine forecasted lines for the July 2012 to June 2013 period. CBT applied the following equation to the annualized December 2011 lines by line type and CO:

> December 2011 Annualized lines + (annual forecasted change x .5) + annual forecasted change = July 2012 through June 2013 Forecasted lines.

The July 2012 to June 2013 forecasted line counts were then summarized by exchange and line type for input into the ARCTRP – No CAF-1 study area forms.

APPENDIX B

Special Access and Common Line

PCI Development

CBT calculated its Price Cap Indices ("PCI") for the Common Line and Special Access baskets in accordance with the CALLS Price Cap Rules. See TRP Form PCI-1.

1. GDP-PI

In accordance with paragraph 183 of the CALLS Order, the Bureau of Economic Analysis' (BEA's) chain-weighted GDP-PI is being used in this filing. CBT uses a GDP-PI of 2.1486 percent in this TRP filing.

2. Productivity Factor

The Commission's CALLS Order changes the Productivity Factor, or X-factor to a transitional mechanism to lower rates for a specified period for special access. Per the CALLS Order, and as noted in the Commission's Order, DA 12-575, Released April 19, 2012, the X-factor is set to the inflation rate for the Special Access basket.

3. Index Changes

As directed by the Commission, a workpaper identifying the transmittal or letter filing date where the last index changes were implemented for the price cap categories has been included. See Exhibit IND-TM.

Payphone Line Counts

The Commission exempted payphone lines from Presubscribed Interexchange Carrier Charges (PICC) in its Order On Reconsideration, FCC 03-139, released June 25, 2003. Accordingly, CBT has removed its payphone lines from the PICC Multi-line Business line counts. CBT no longer has a PICC charge therefore there is no revenue impact of the payphone line removal.

Exogenous Costs

In accordance with the Commission's Rules, CBT developed certain exogenous cost changes for inclusion in the price cap formula. These changes include: (1) Excess Deferred Taxes; (2) Regulatory Fees; (3) Telecommunications Relay Support; (4) North American Number Plan Administration; (5) Investment Tax Credit.

Exogenous cost changes were individually developed for each of the items outlined above, and in aggregate for all changes. CBT has adjusted the exogenous amounts to reflect any shift in revenue growth. The result is that no exogenous adjustment is made if the support rate has not changed. A brief description follows and a summary of the exogenous changes is shown in exhibit EXG-ALLOCATE.

1. Excess Deferred Taxes

CBT calculated the revenue impact of Excess Deferred Taxes as shown on exhibit EXG-EDT. CBT spread the Excess Deferred Tax revenue impact over the Common Line Basket, the Special Access Basket and Excluded Revenues. See Exhibit EXG-ALLOCATE.

2. Development of Regulatory Fees

The Commission released its the Commission released its Notice of Proposed Rulemaking (NPRM) in the Matter of *Assessment and Collection of Regulatory Fees for Fiscal Year 2011* on May 3, 2011. This NPRM specified a Regulatory Fee factor of 0.00361. This factor was used by CBT in its July 1, 2011 Annual Access Filing.

Subsequent to CBT's July 1, 2011 Annual Access filing, the Commission released its Report and Order in the Matter of *Assessment and Collection of Regulatory Fees for Fiscal Year 2011* on July 22, 2011. This Report and Order specified a Regulatory Fee factor of 0.00375. CBT did not choose to make a mid-year TRP filing to change the factor from the 0.00361 factor used in its 2011 Annual Access Filing. Therefore, CBT's 2012 Regulatory Fees exogenous calculation reflects the impact of the change in the factor from 0.00361 to 0.00375 for the 2011 filing year revenues as well as the current 2012 filing year revenues from FCC Form 499A. See Exhibit EXG-ALLOCATE.

3. Development of Telecom Relay Support (TRS)

On May 4, 2011 the Commission released Public Notice *National Exchange Carrier Organization Submits Payment Formulas And Funding Requirement For The Interstate Telecommunications Relay Services Fund For The July 2011 Through June 2012 Fund Year.* This Order proposed a TRS Factor of 0.01056.

On June 30, 2011, the Commission released its Order *in the Matter of Telecommunications Relay service and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*. This Order specified a TRS factor of 0.01058. CBT did not choose to make a mid-year TRP filing to change the factor from the 0.01056 factor used in its 2011 Annual Access Filing.

On May 2, 2012, the Commission released its Public Notice *Rolka Loube Associates Submits Payment Formulas And Funding Requirement For The Interstate Telecommunications Relay Services Fund For The July 2012 Through June 2013 Fund Year.* This factor was multiplied by CBT's end-user interstate revenue from FCC Form 499A to yield CBT's 2012 adjustment. Therefore, CBT's 2012 TRS exogenous calculation reflects the impact of the change in the factor from 0.01056 to 0.01058 for the 2011 filing year revenues as well as the current 2012 filing year revenues from FCC Form 499A. See Exhibit EXG-ALLOCATE.

4. Development of North American Numbering Plan (NANP) Contribution

The Commission released Public Notice CC Docket 92-237, DA 12-799 on May 21, 2012. This Public Notice specified a NANP factor of 0.0000254 for the period from July 2012 through June 2013. This factor was multiplied by CBT's end-user revenue from FCC Form 499A to yield CBT's 2012 NANP exogenous adjustment. See Exhibit EXG-ALLOCATE

5. Development of Investment Tax Credit

CBT calculated the revenue impact of its Investment Tax Credit as shown on exhibit EXG-ITC. CBT spread the Investment Tax Credit revenue impact over the Common Line Basket, the Special Access Basket, and Excluded Revenues. See Exhibit EXG-ALLOCATE.

Pricing Bands

CBT calculated its applicable upper pricing bands in accordance with the Price Cap Rules. See TRP Form IND-1.

API and SBI Development

CBT calculated the applicable APIs and SBIs in accordance with the Price Cap Rules. CBT's APIs do not exceed the applicable PCIs and its SBIs are within the applicable upper pricing bands. See TRP Form IND-1.

Common Line

1. CALLS Impact on Common Line Charges

The CALLS Order combines the Carrier Common Line (CCL), End-user Common Line (EUCL - also known as the SLC), and PICC charges into a single charge for residence and single-line business customers.

A. End-User Common Line Development

The CALLS Order set the EUCL ceiling for residence and single-line business lines to $6.50 beginning in July, 2003. However, Price Cap companies are limited to a residence and single-line business EUCL equal to the Common Line, Marketing, and Transport revenue per line, if that revenue per line is less that the $6.50 ceiling. To compute the EUCL rates, CBT developed line demand and MOU demand quantities based on the year 2011 demand levels. Following the CALLS Order, CBT then calculated its proposed Common Line, Marketing and Transport

(CMT) revenue per line. The CMT revenue per line of $5.30 is less than the $6.50 residence and single-line business EUCL ceiling.

Therefore, in accordance with Part 69.152(e)(1) and Part 69.152(k)(1) of the Commission's Rules, as well as the change in CBT's USF support, CBT's calculated EUCL rates are $5.28 for Residence and Single-line business, $5.28 for Non-primary Residence and ISDN-BRI, and $5.28 for Multi-line Business, ISDN-PRI and Centrex. See TRP Form CAP-1.

Special Access Basket

The CALLS Order created a Special Access Basket containing Voice Grade, WATS, Metallic, Telegraph, Audio, Video, High Cap, DDS and Wideband services. Per the CALLS Order, and as noted in the Commission's Order, DA 12-575 Released April 19, 2012, the X-factor is set to the inflation rate for the Special Access basket.

1. Base Period Demand

CBT's Special Access recurring demand is obtained from CBT's Carrier Access Billing System (CABS). Recurring demand is obtained as a count of in-service quantities.

2. SBI Limits

As illustrated on TRP Form IND-1, CBT is in compliance with all SBI requirements.

3. API and SBI Calculations

The Special Access API is calculated as proposed revenue (base period demand times proposed rates), divided by current revenue (base period demand times current rates), times the existing API per Part 61.46 of the Commission's Rules. See TRP Form IND-1.

SBIs for each Special Access service category are calculated as proposed revenue of each category, divided by current revenue of each category, multiplied by the existing SBI of each service category. Base Period Demand, current rates and proposed rates are displayed on Exhibit RDET.

Excluded Services

Consistent with the requirements of the Paragraph 24 of the TRP Notice, CBT has provided a list of services that CBT has removed from price cap regulation, along with those services which have not been included under price cap regulation. See Exhibits OUTPC-1 and OUTPC-2.

New Services

CBT has included a listing of new services introduced in 2011. See Exhibit CBT-NEW.

492A Forms

Pursuant to the Commission's *Tariff Review Plans* Order, CBT has included its Form 492A for the calendar years 2010 and 2011.

Universal Service Fund

Cincinnati Bell Telephone (CBT) proposes to revise the Universal Service Fund (USF) factor per Commission Order. The Commission released its *Proposed Third Quarter 2012 Contribution Factor*, DA 12-917 on June 11, 2012. The Commission proposed a USF factor of 15.7 % down from the previous factor of 17.4%. CBT recovers its USF contribution, pursuant to the Commission's Contribution Methodology Order[1] by applying the relevant USF Contribution factor to the following charges:

- EUCL
- Presubscribed Interexchange Carrier (PIC) change charge
- End-User Special Access
- Interstate IntraLATA Toll usage

The USF surcharge for these services is reflected as a separate line item, clearly identified on the customer's bill.

[1] Report and Order and Second Further Notice of Proposed Rulemaking in CC Docket No. 96-45, CC Docket No. 98-171, CC Docket No. 90-571, CC Docket No. 92-237, CC Docket No. 99-200, CC Docket No. 95-116, and CC Docket No. 98-179, FCC 02-329, Released December 13, 2002.