

Cincinnati Bell Telephone Company

2013 PRICE CAP REVISIONS

May 2013 Tariff Review Plan Filing

May 17, 2013

Description & Justification

Introduction

A. Background

This filing represents Cincinnati Bell Telephone Company's (CBT's) May 2013 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,
- * 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;
- * 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 2, 2013 Annual Access Charge Tariff Filings DA 13-553, released March 26, 2013.

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 short form TRP. The Commission, in its Order (DA 13-553) waived portions of Section 61.49(k) requiring a short form TRP filing 90 days prior to the July 1 annual access filing date. The Commission established May 17, 2013 as the filing date for the short form TRP.

The Commission, in its Order, *In the Matter of Material to be Filed in Support of 2013 Annual Access Tariff Filings*, DA 13-789, released April 19, 2013, waived the requirements for including the PC-1 and IND-1 forms in the 2013 short form filing.

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 and the Special Access Basket. See Exhibit EXG-ALLOCATE.

2. **Development of Regulatory Fees**

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 reflected the impact of the 0.00361 factor for the 2011 filing year revenues as well as the 2012 filing year revenues from FCC Form 499A.

The Commission released its Report and Order in the Matter of *Assessment and Collection of Regulatory Fees for Fiscal Year 2012* on July 19, 2012. This Report and Order specified that the Regulatory Fee factor remain at 0.00375. Therefore, CBT's 2013 Regulatory Fees exogenous calculation reflects removing the impact of the change of the factor from 0.00361 to 0.00375 as well as the multiplication of the current 0.00375 factor by the current 2013 filing end-user revenues from FCC

Form 499A. See Exhibit EXG-ALLOCATE. CBT reserves the right to modify its filing if the Commission releases a new Regulatory Fee factor prior to the Annual Access Filing.

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 Public Notice 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 Loubé Associates Submits Payment Formulas And Funding Requirement For The Interstate Telecommunications Relay Services Fund For The July 2012 Through June 2013 Fund Year*. The Public Notice proposed a factor of 0.0153.

On May 1, 2013, the Commission released its Public Notice *Rolka Loubé*

Associates Submits Payment Formulas And Funding Requirement For The Interstate Telecommunications Relay Services Fund For The July 2013 Through June 2014 Fund Year. This Public Notice proposed a TRS Factor of 0.0233. Therefore, CBT's 2013 Regulatory Fees exogenous calculation reflects removing the impact of the change of the factor from 0.01056 to 0.01058 as well as the multiplication of the proposed 0.0233 factor by the current 2013 filing end-user revenues from FCC Form 499A. See Exhibit EXG-ALLOCATE. CBT reserves the right to modify its filing if the Commission releases a new TRS factor prior to the annual access filing.

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 2013 NANP exogenous adjustment. See Exhibit EXG-ALLOCATE. CBT reserves the right to modify its filing if the Commission releases a new NANP factor prior to the annual access filing.

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 and the Special Access Basket. See Exhibit EXG-ALLOCATE.

Filing Date: 05/17/2013
 Filing Entity: CBTC - Cincinnati Bell Total
 Transmittal Number: Letter
 May 17, 2013 Short Form Annual Access Filing (CBTCAN13.XLS)

Exogenous Cost Changes Detail

	2011 Annual				
	Total	Interstate	FCC 11-114	DA 12-696	DA 12-799
	End User Revenues		7/22/2011	5/2/2012	5/21/2012
	<u>(499A)</u>	<u>(499A)</u>	<u>Reg Fee</u>	<u>TRS</u>	<u>NANPA</u>
	(A)	(B)	(C)=B * 0.00375	(D) = B * 0.01053	(E) = A * 0.0000254
Exogenous Amount	\$ 302,815,847	\$ 49,836,574	\$ 186,887	\$ 524,779	\$ 7,692
Excluded Revenue	\$ -	\$ -			
Price Cap Revenue Percentage	100.00%	100.00%			

2011 Mid-Year Rate Changes	2011 Annual					
	Total	Interstate	FCC 11-68	DA 11-826	FCC 11-114	FCC 11-104
	End User Revenues		5/3/2011	5/4/2011	7/22/2011	6/30/2011
	<u>(499A)</u>	<u>(499A)</u>	<u>Reg Fee</u>	<u>TRS</u>	<u>Reg Fee</u>	<u>TRS</u>
	(A)	(B)	(C)=B * 0.00361	(D) = B * 0.01056	(E)=B * 0.00375	F') = B * 0.01058
Exogenous Amount	\$ 302,815,847	\$ 49,836,574	\$ 179,910	\$ 526,274	\$ 186,887	\$ 527,271
Excluded Revenue	\$ -	\$ -				
Price Cap Revenue Percentage	100.00%	100.00%				

	2012 Annual				
	Total	Interstate	FCC 12-96	RLSA Submission	DA 12-799
	End User Revenues		7/19/2012	5/1/2013	5/21/2012
	<u>(499A)</u>	<u>(499A)</u>	<u>Reg Fee</u>	<u>TRS</u>	<u>NANPA</u>
	(A'')	(B'')	(C'')=B'' * 0.00375	(D'') = B'' * 0.02330	E'') = A'' * 0.0000254
Exogenous Amount	\$ 282,813,969	\$ 48,516,514	\$ 181,937	\$ 1,130,435	\$ 7,183
Excluded Revenue	\$ -	\$ -			
Price Cap Revenue Percentage	100.00%	100.00%			

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Exogenous Cost Changes Detail

<u>Telecom Relay Support</u>	<u>7/12 - 6/13</u>	<u>7/13 - 6/14</u>	
DA 12-696 - (D) = B * 0.01053	524,779		
DA 11-826 - FCC 11-104 = D'-F'		\$ (997)	
RLSA Submission - (D'') = B'' * 0.02330		1,130,435	
	<hr/>	<hr/>	
	\$ 524,779	\$ 1,129,438	
% Price Cap Allocation	100.00%	100.00%	
Price Cap Only	\$ 524,779	\$ 1,129,438	
FCC 2011 Price Cap Interstate End User Revenue	49,836,574		
FCC 2012 Price Cap Interstate End User Revenue	48,516,514		
Revenue Change (R)	-2.64878%		
Price Cap Only with R Adj	\$ 510,879	\$ 1,129,438	\$ 618,559
<u>Regulatory Fee Support:</u>	<u>7/12 - 6/13</u>	<u>7/13 - 6/14</u>	
FCC 11-114 - (C)=B * 0.00375	186,887		
FCC 11-68 - FCC 11-114 = C'-E'		\$ (6,977)	
FCC 12-96 - (C'')=B'' * 0.00375		181,937	
	<hr/>	<hr/>	
	186,887	174,960	
% Price Cap Allocation	100.00%	100.00%	
Price Cap Only	\$ 186,887	\$ 174,960	
FCC 2011 Price Cap Interstate End User Revenue	49,836,574		
FCC 2012 Price Cap Interstate End User Revenue	48,516,514		
Revenue Change (R)	-2.64878%		
Price Cap Only with R Adj	\$ 181,937	\$ 174,960	\$ (6,977)
<u>North American Numbering Plan Administration</u>	<u>7/12 - 6/13</u>	<u>7/13 - 6/14</u>	
DA 12-799 - (E) = A * 0.0000254	7,692		
DA 12-799 - (E'') = A'' * 0.0000254		7,183	
	<hr/>	<hr/>	
	7,692	7,183	
% Price Cap Allocation	100.00%	100.00%	
Price Cap Only	\$ 7,692	\$ 7,183	
FCC 2011 Price Cap Interstate End User Revenue	302,815,847		
FCC 2012 Price Cap Interstate End User Revenue	282,813,969		
Revenue Change (R)	-6.60529%		
Price Cap Only with R Adj	\$ 7,183	\$ 7,183	\$ -

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Exogenous Cost Changes Detail

	<u>Common Line</u>	<u>Special</u>	<u>Excluded Revenues</u>	<u>Price Cap Revenue</u>
499A 2012 Annual Interstate End User Revenues	\$ 37,812,826	\$ 10,703,688	\$ -	\$ 48,516,514
Allocation Basis	77.94%	22.06%	\$ -	
Telecom. Relay Support	\$ 482,093	\$ 136,466	\$ -	\$ 618,559
Regulatory Fee Support:	\$ (5,438)	\$ (1,539)	\$ -	\$ (6,977)
NANPA	\$ -	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 476,655	\$ 134,927	\$ -	\$ 611,582
Allocation - See Attached Forms				
ITC Amortization	\$ 2,500	\$ 3,319	\$ 2,406	\$ 8,225
Excess Deferred Taxes	\$ 1,273	\$ 1,690	\$ 1,225	\$ 4,188
Sub Total	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 3,773	\$ 5,008	\$ 3,632	\$ 12,413
Grand Total Exogenous	\$ 480,428	\$ 139,935	\$ 3,632	\$ 623,995

Summary of Exogenous Changes

EXG-SUM
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	<u>Description</u>	<u>Source</u>	<u>Common Line</u>	<u>Special Access</u>	<u>Excluded</u>	<u>Total</u>
1	ITC Amortization	EXG-ITC	\$2,500	\$3,319	\$2,406	\$8,225
2	Excess Deferred Taxes	EXG-EDT	\$1,273	\$1,690	\$1,225	\$4,188
	Total Exogenous	Sum (Line 1.... Line 2)	\$3,773	\$5,008	\$3,632	\$12,413

Development of Investment Tax Credit (ITC)

<u>Description</u>	<u>Source</u>	<u>A</u> <u>7/12-6/13</u>	<u>B</u> <u>7/13-6/14</u>	<u>C=B-A</u> <u>Delta</u>	
1 Total Company	Note 1	\$203,012	\$178,366	(\$24,647)	
2 Interstate	Note 2	\$46,847	\$41,502	(\$5,345)	
		30.40% <u>Common Line</u>	40.35% <u>Special Access</u>	29.25% <u>Exlcuded</u>	<u>Total</u>
3 Investment Tax Credit	Note 3	(\$1,625)	(\$2,156)	(\$1,564)	(\$5,345)
4 Federal Income Tax	Line 3/(1-.35)*-1	\$2,500	\$3,319	\$2,406	\$8,225
5 Revenue Impact		\$2,500	\$3,319	\$2,406	\$8,225

Note 1: Column A from Transmittal No. 870 Form EXG-ITC. Column B from corporate tax.
 Note 2: EXD-ITC. CBT internal worksheet used to calculate interstate amounts = 0.23268
 Note 3: SUM1 Col A and internal worksheet used Basket for allocations

<u>Corporate Tax</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>	<u>Midpoint</u>
	\$189,892	\$166,839	\$356,731	\$178,366

		<u>Ratio</u>
Interstate Common Line	Form Sum 1 line 120	\$ 33,569,680 0.3040
Interstate Special Access	Form Sum 1 line 340	\$ 44,549,809 0.4035
Excluded Revenues	Internal Worksheet	\$ 32,301,778 0.2925
Total		\$ 110,421,266 1.00

Development of Excess Deferred Taxes

<u>Description</u>	<u>Source</u>	<u>A</u> <u>7/12-6/13</u>	<u>B</u> <u>7/13-6/14</u>	<u>C=B-A</u> <u>Delta</u>	<u>D=(A+B)*-.5</u> <u>Reserve Change</u>
1 Total Company	Note 1	\$42,445	\$32,698	(\$9,747)	(\$37,572)
2 Interstate	Note 2	\$8,290	\$6,394	(\$1,896)	(\$7,342)
		30.40% Common Line	40.35% Special Access	29.25% Excluded	Total
3 Excess Deferred Tax	Note 3	(\$576)	(\$765)	(\$555)	(\$1,896)
4 Excess Deferred Tax Reserve	Note 3	(\$2,232)	(\$2,962)	(\$2,148)	(\$7,342)
5 Net Rate base	Line 4 *-1.0	\$2,232	\$2,962	\$2,148	\$7,342
6 Return	Line 5 * 0.1125	\$251	\$333	\$242	\$826
7 Federal Income Tax Change	(Ln6-Ln3)*0.35/(1.0-.35)-Ln3	\$1,022	\$1,356	\$984	\$3,362
8 Revenue Impact	Line 6 + Line 7	\$1,273	\$1,690	\$1,225	\$4,188

Note 1: Column A from Transmittal No. 870 Form EXG-EDT. Column B from corporate tax.

Note 2: ARMIS 43-01 row 1840 interstate ratios = 0.1955

Note 3: SUM1 Col A and internal worksheet used Basket for allocations
 Corporate Tax

<u>2013</u>	<u>2014</u>	<u>Total</u>	<u>Midpoint</u>
\$59,367	\$6,029	\$65,396	\$32,698

	<u>Ratio</u>
Interstate Common Line Revenues (t-1 Form Sum 1 line 120)	\$ 33,569,680 0.3040
Interstate Special Access Revenues (t- Form Sum 1 line 340)	\$ 44,549,809 0.4035
Excluded Revenues Internal Worksheet	\$ 32,301,778 0.2925
Total	\$ 110,421,266 1.00