

Cincinnati Bell Telephone Company

2014 PRICE CAP REVISIONS

May 2014 Tariff Review Plan Filing

May 19, 2014

Introduction

A. Background

This filing represents Cincinnati Bell Telephone Company's (CBT's) May 2014 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 1, 2014 Annual Access Charge Tariff

Filings DA 14-404, released March 25, 2014.

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 14-404) 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 19, 2014 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 2014 Annual Access Tariff Filings*, DA 14-494, released April 14, 2014, waived the requirements for including the PC-1 and IND-1 forms in the 2014 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 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. The Commission released its Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking in the Matter of *Procedures for Assessment and Collection of Regulatory Fees, Assessment and Collection of Regulatory Fees for Fiscal Year 2013, and Assessment and Collection of Regulatory Fees for Fiscal Year 2008* on May 23, 2013.

This NPRM proposed possible revisions to the Regulatory Fee factor, but at the time the 2013 Annual Access Filing was submitted it was not clear what the new factor would be. Therefore, CBT calculated its 2013 Regulatory Fees exogenous costs using the existing 0.00375 factor.

On August 12, 2013, the Commission released its Report and Order in the Matter of *Assessment and Collection of Regulatory Fees for Fiscal Year 2013*, FCC 13-110. This Order specified a Regulatory Fee factor of 0.00347. This factor was multiplied by CBT's end-user interstate revenue from FCC Form 499A to yield CBT's 2013 revised exogenous cost adjustment. CBT filed a Mid-year Tariff review Plan, Transmittal No. 880, effective October 1, 2013 to implement the revised Regulatory Fees factor. CBT computed the difference between the original and revised 2013 adjustments. CBT then grossed up the revised 2013 adjustment to recover the 12-month exogenous cost impact. Therefore, CBT's 2014 Regulatory Fees exogenous calculation reflects removing the impact of the change of the factor from 0.00375 to 0.00347 as well as the multiplication of the current 0.00347 factor by the current 2014 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 17, 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. CBT's calculated its 2013 TRS exogenous Adjustment by multiplying the 0.0233 factor by the 2012 end-user revenues from FCC Form 499A. On July 1 2013, the Commission released its Order in the Matter of *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities* DA 13-1483. This Order specified a TRS factor of 0.01484. Therefore, CBT filed a Mid-year Tariff review Plan, Transmittal No. 880, effective October 1, 2013 to implement the revised TRS factor. CBT computed the difference between the original and revised 2013 adjustments. CBT then grossed up the revised 2013 adjustment to recover the 12-month exogenous cost impact. On May 9, 2014, the Commission released its Public Notice *Rolka Loubé Associates Submits Payment Formulas And Funding Requirement For The Interstate Telecommunications Relay Services Fund For The 2014-2015 Fund Year*. This Public Notice proposed a TRS Factor of 0.1174. Therefore, CBT's 2014 TRS exogenous calculation reflects removing the impact of the change of the factor from 0.02330 to 0.01484 as well as the multiplication of the current 0.01174 factor by the current 2014 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 13-1215 on May 28, 2013. This Public Notice specified a NANP factor of 0.0000302 for the period from July 2013 through June 2014. This factor was multiplied by CBT's end-user revenue from FCC Form 499A to yield CBT's 2014 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.

Exogenous Cost Changes Detail

	2012 Annual		FCC 12-76	DA 13-1137	DA 13-1215
	Total	Interstate	7/19/2012	5/17/2013	5/28/2013
	End User Revenues	End User Revenues	Reg Fee	TRS	NANPA
	(499A)	(499A)			
	(A)	(B)	(C)=B * 0.00375	(D) = B * 0.02330	(E) = A * 0.0000302
Exogenous Amount	\$ 282,813,969	\$ 48,516,514	\$ 181,937	\$ 1,130,435	\$ 8,541
Excluded Revenue	\$ -	\$ -			
Price Cap Revenue Percentage	100.00%	100.00%			

2012 Mid-Year Rate Changes	FCC 12-76	FCC 13-110		Annualization
	7/19/2012	8/12/2013		Reversal
	Reg Fee	Reg Fee	Difference	
	(C') = B * 0.00375	(D')=B * 0.00347	(E') = (D') - (C')	(F') = (E') * 12 / 9
Exogenous Amount	\$ 181,937	\$ 168,352	\$ (13,585)	\$ (18,113)

2012 Mid-Year Rate Changes	DA 13-1137	DA 13-1483		Annualization
	5/17/2013	7/1/2013		Reversal
	TRS	TRS	Difference	
	(C'') = B * 0.0233	(D'') = B * 0.01484	(E'') = (D'') - (C'')	(F'') = (E'') * 12 / 9
Exogenous Amount	\$ 1,130,435	\$ 719,985	\$ (410,450)	\$ (547,266)

	2013 Annual		FCC 13-110	DA 14-XXXX	DA 13-1215
	Total	Interstate	8/12/2013	5/1/2014	5/28/2013
	End User Revenues	End User Revenues	Reg Fee	TRS	NANPA
	(499A)	(499A)			
	(A''')	(B''')	(C''')=B''' * 0.00347	(D''') = B''' * 0.01174	(E''') = A''' * 0.0000302
Exogenous Amount	\$ 263,640,790	\$ 48,520,484	\$ 168,366	\$ 569,630	\$ 7,962
Excluded Revenue	\$ -	\$ -			
Price Cap Revenue Percentage	100.00%	100.00%			

Exogenous Cost Changes Detail

Telecom Relay Support

	<u>7/13 - 6/14</u>	<u>7/14 - 6/15</u>
DA 13-1137 - 0.0233 Factor 2012 Revenue - D	\$ 1,130,435	
DA 13-1483 - 0.01484 = F"	\$ (547,266)	
DA 14-XXXX - 0.01174 Factor 2013 Revenue - D"		\$ 569,630
	\$ 583,168	\$ 569,630
% Price Cap Allocation	100.00%	100.00%
Price Cap Only	\$ 583,168	\$ 569,630
FCC 2012 Price Cap Interstate End User Revenue	48,516,514	
FCC 2013 Price Cap Interstate End User Revenue	48,520,484	
Revenue Change (R)	0.00818%	
Price Cap Only with R Adj	\$ 583,216	\$ 569,630
		\$ (13,586)

Regulatory Fee Support:

	<u>7/13 - 6/14</u>	<u>7/14 - 6/15</u>
FCC 12-76 - 0.00375 Factor 2012 Revenue - C	\$ 181,937	
FCC 13-110 - 0.00347= F'	(18,113)	
FCC 13-110 - 0.00347 Factor 2013 Revenue - C"		\$ 168,366
	163,824	168,366
% Price Cap Allocation	100.00%	100.00%
Price Cap Only	\$ 163,824	\$ 168,366
FCC 2012 Price Cap Interstate End User Revenue	48,516,514	
FCC 2013 Price Cap Interstate End User Revenue	48,520,484	
Revenue Change (R)	0.00818%	
Price Cap Only with R Adj	\$ 163,838	\$ 168,366
		\$ 4,529

North American Numbering Plan Administration:

	<u>7/13 - 6/14</u>	<u>7/14 - 6/15</u>
DA 13-1215 - 0.0000302 Factor 2012 Revenue - E	8,541	
DA 13-1215 - 0.0000302 Factor 2013 Revenue - E"		7,962
	8,541	7,962
% Price Cap Allocation	100.00%	100.00%
Price Cap Only	\$ 8,541	\$ 7,962
FCC 2012 Price Cap Interstate End User Revenue	282,813,969	
FCC 2013 Price Cap Interstate End User Revenue	263,640,790	
Revenue Change (R)	-6.77943%	
Price Cap Only with R Adj	\$ 7,962	\$ 7,962
		\$ -

Filing Date: 05/19/2014
 Filing Entity: CBTC - Cincinnati Bell Total
 Transmittal Number: Letter
 May 19, 2014 Annual Access Filing (CBTCAS14.XLS)

Exogenous Cost Changes Detail

	<u>Common Line</u>	<u>Special</u>	<u>Excluded Revenues</u>	<u>Price Cap Revenue</u>
499A 2013 Annual Interstate End User Revenues	\$ 34,381,253	\$ 14,139,231	\$ -	\$ 48,520,484
Allocation Basis	70.86%	29.14%	0.00%	
Telecom. Relay Support	\$ (9,627)	\$ (3,959)	\$ -	\$ (13,586)
Regulatory Fee Support:	\$ 3,209	\$ 1,320	\$ -	\$ 4,529
NANPA	\$ -	\$ -	\$ -	\$ -
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	\$ (6,418)	\$ (2,639)	\$ -	\$ (9,057)
Allocation - See Attached Forms				
ITC Amortization	\$ 4,730	\$ 6,520	\$ 4,726	\$ 15,976
Excess Deferred Taxes	\$ 7,905	\$ 10,896	\$ 7,898	\$ 26,700
Sub Total	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 12,635	\$ 17,416	\$ 12,624	\$ 42,676
Grand Total Exogenous	\$ 6,217	\$ 14,777	\$ 12,624	\$ 33,619

Summary of Exogenous Changes

<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	\$4,730	\$6,519	\$4,727	\$15,976
2 Excess Deferred Taxes	EXG-EDT	\$7,906	\$10,895	\$7,899	\$26,700
Total Exogenous	Sum (Line 1.... Line 2)	\$12,636	\$17,414	\$12,626	\$42,676

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	\$156,712	(\$46,300)	
2 Interstate	Note 2	\$46,847	\$36,464	(\$10,383)	
		29.61% Common Line	40.80% Special Access	29.59% Excluded	Total
3 Investment Tax Credit	Note 3	(\$3,075)	(\$4,237)	(\$3,072)	(\$10,383)
4 Federal Income Tax	Line 3/(1-.35)*-1	\$4,730	\$6,519	\$4,727	\$15,976
5 Revenue Impact		\$4,730	\$6,519	\$4,727	\$15,976

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

Corporate Tax	<u>2014</u>	<u>2015</u>	<u>Total</u>	<u>Midpoint</u>
	\$166,839	\$146,585	\$313,424	\$156,712

		<u>Ratio</u>
Interstate Common Line Form Sum 1 line 120	\$ 31,633,380	0.2961
Interstate Special Access Form Sum 1 line 340	\$ 43,590,921	0.4080
Excluded Revenues Internal Worksheet	\$ 31,606,096	0.2959
Total	\$ 106,830,396	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	(\$61,322)	(\$103,767)	\$9,439
2 Interstate	Note 2	\$8,290	(\$9,111)	(\$17,401)	\$411
		29.61% <u>Common Line</u>	40.80% <u>Special Access</u>	29.59% <u>Excluded</u>	<u>Total</u>
3 Excess Deferred Tax	Note 3	(\$5,153)	(\$7,100)	(\$5,148)	(\$17,401)
4 Excess Deferred Tax Reserve	Note 3	\$122	\$168	\$121	\$411
5 Net Rate base	Line 4 *-1.0	(\$122)	(\$168)	(\$121)	(\$411)
6 Return	Line 5 * 0.1125	(\$14)	(\$19)	(\$14)	(\$46)
7 Federal Income Tax Change	(Ln6-Ln3)*0.35/(1.0-.35)-Ln3	\$7,920	\$10,913	\$7,913	\$26,746
8 Revenue Impact	Line 6 + Line 7	\$7,906	\$10,895	\$7,899	\$26,700

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 = 0.1486

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

<u>2014</u>	<u>2015</u>	<u>Total</u>	<u>Midpoint</u>
\$6,029	(\$128,673)	(\$122,644)	(\$61,322)

		<u>Ratio</u>
Interstate Common Line Revenues (t-1 Form Sum 1 line 120	\$ 31,633,380	0.2961
Interstate Special Access Revenues (t- Form Sum 1 line 340	\$ 43,590,921	0.4080
Excluded Revenues Internal Worksheet	\$ 31,606,096	0.2959
Total	\$ 106,830,396	1.00