

Cincinnati Bell Telephone Company

2014 PRICE CAP REVISIONS

2014 INTERCARRIER COMPENSATION

2014 Annual Tariff Review Plan Filing

June 16, 2014

Description & Justification

Introduction

A. Background

This filing represents Cincinnati Bell Telephone Company's (CBT's) Annual 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, 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 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 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 14-404) established an effective date of July 1, 2014 for the USF/ICC Transformation and Special Access 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, as well as a roll-up of both CBT's Ohio and Kentucky Study areas. These forms show the necessary calculations and reductions to comply with the USF/ICC Transformation Order as well as the FCC's Order, DA-14-434, released March 31, 2014. For the July 2014 –June 2015 period, the USF/ICC Transformation Order calls for the establishment of originating and terminating rate elements for all per minute components within interstate and intrastate End Office Service. The USF/ICC Transformation Order directs the calculation of a 2011 Baseline Composite Terminating End Office Rate and a 2014 Target Composite Terminating End Office. The 2014 Target is defined as \$0.0007 per minute plus two-thirds of any difference between the 2011 Baseline Rate and the \$0.0007 per minute rate.

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

provided a detailed description of its methodology in developing its FY demand in the 2012 Annual Access/ICC Description and Justification included in Transmittal No. 870, filed June 18, 2012. The Commission on July 3, 2012 issued its *2012 Annual Access Suspension Order*, DA 12-1037, which suspended the 2012 Annual Access/ICC filings for all carriers, including CBT. The Commission wished to ensure that carriers had correctly calculated their FY revenues and Eligible Recovery. The Commission issued its *Order on Reconsideration*, released August 1, 2012, which stated that certain carriers, including CBT, correctly calculated their FY revenues and their Eligible Recovery in their initial tariff filings.

2. Rate Reductions

The USF/ICC Transformation Order directs the calculation of a 2011 Baseline Composite Terminating End Office Rate and a 2014 Target Composite Terminating End Office. The 2014 Target is defined as \$0.0007 per minute plus two-thirds of any difference between the 2011 Baseline Rate and the \$0.0007 per minute rate.

In accordance with USF/ICC Transformation Order and the FCC's Order, DA-14-434, the ACCREDTRP form shows the development of CBT's 2011 Composite Terminating End Office Rate and the development of CBT's 2014 Interstate Target Composite Rate. The ACCREDTRP form shows the rate element reductions taken to achieve CBT's 2014 Interstate Target Composite Rate. Per the Commission's Order, DA-434, intrastate terminating end office rates are set at the interstate level except where the intrastate rate for a specific

element is lower than the interstate rate, in which case the lower rate is used.

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 were derived from its CABS billing system. There were 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 is on a Bill & Keep basis as of July 1, 2012. CBT's FY CMRS revenues used to calculate its composite rates were derived from its CABS billing system. There were 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 (72.9%) and the Calls Base Factor (90%) are applied to the summed totals to calculate a subtotal of eligible revenues for ARC/CAF on a total company basis. This subtotal is then adjusted by the appropriate years' true-up revenues to determine total eligible recovery.

ARC-1TRP and ARC-2TRP Forms

The ARC No CAF-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), the previous year's ARC rate 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 No CAF-1 TRP data is combined with eligible revenue recovery data for use in the ARC No CAF-2 TRP form to compute maximum eligible ARC and CAF revenue recovery. CBT assesses an Access Recovery Charge (ARC) to its customers as defined and allowed in the USF/ICC Transformation Order. In its 2012 Annual Access/ICC filing, CBT stated that it 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), prior year ARC 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 2013 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 2013 by central office and by line-type to forecast line counts for the June 2014 through July 2015 period. CBT used December, 2013 annualized line count data by line type, by central office as a beginning point for forecasting lines for the July 2014 through June 2015 period.

First, CBT applied one-half the annual forecasted change to the annualized December 2013 lines to account for the January 2014 – June 2014 period. CBT then applied the total year forecasted change to the line counts forecasted as of June, 2014 to determine forecasted lines for the July 2014 to June 2015 period. CBT applied the following equation to the annualized December 2013 lines by line type and CO:

$$\text{December 2013 Annualized lines} + (\text{annual forecasted change} \times .5) + \text{annual forecasted change} = \text{July 2014 through June 2015 Forecasted lines.}$$

The July 2014 to June 2015 forecasted line counts were then summarized by exchange and line type for input into the ARCRCTRIP – No CAF-1 and ARC No-CAF study area forms.

ICC-SUM-1 Form

The ICC-SUM-1 form provides a comparison between the 2013 ICC filing and the current 2014 ICC filing by study area for the following recoverable revenues: access reductions, net reciprocal compensation revenues, net CMRS revenues, eligible recovery revenues and maximum ARC revenues. The ICC-SUM-1 form also provides a comparison of eligible ARC lines between the 2013 ICC filing

and the current 2014 ICC filing by study area for residence, single line business, and multi-line business. The ICC-SUM-1 form also includes ARC True-up revenues for the year beginning July 1, 2012

ARC-TUP Form

The Commission's Rules in 47 C.F.R 51.915(d)(iii) (F) requires that ILECs compute Access Recovery Charges less Expected Revenues for Access Recovery charges for the year beginning July,1, 2012 (True-up amount). The ARC-TUP form shows the calculation of the difference in Expected ARC Revenues and Actual ARC revenues for the year beginning July 1, 2012. Actual line counts for the period are multiplied by the ARC rate for that period by exchange and by line type (RES/Non-Primary Residential/BRI, Single Line Business, and Multiline Business). These revenues are compared to the Expected ARC Revenues for the period based on the same Exchanges and line types. The difference in this calculation is the True-up amount that is included on the ERTRP (eligible Recovery) Form as part of the current year Eligible Recovery calculation.

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 1.4205 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 14-494, Released April 14, 2014, 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 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. On June 14, 2014, the Commission released its Notice of Proposed Rulemaking and Second Further Notice of Proposed Rulemaking, and Order in the Matter of *Procedures for Assessment and Collection of Regulatory Fees, Assessment and Collection of Regulatory Fees for Fiscal Year 2014, and Assessment and Collection of Regulatory Fees for Fiscal Year 2013*. In this NPRM and Order, the Commission specified a Regulatory Fee of 0.00340. 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 0.00340 factor by the current 2014 filing end-user revenues from FCC Form 499A. See Exhibit EXG-ALLOCATE.

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.

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

The Commission released Public Notice CC Docket 92-237, DA 14-792 on June 14, 2014. This Public Notice specified a NANP factor of 0.0000365 for the period from July 2014 through June 2015. 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.

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 than the \$6.50 ceiling. To compute the EUCL rates, CBT developed line demand and MOU demand quantities based on the year 2012 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 \$5.31 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.

B. IAS Support Calculation.

Line 185 of the RTE-1 Form shows CBT's USAC Receipts. Pursuant to Industry discussions with Commission staff, CBT determined the amount included in Line 185, Columns E, F and G as follows;

In CBT's 2012 Annual Access Filing (Transmittal No. 870) CBT's frozen IAS support amount of \$166,476 was used to compute its revenue per line of \$0.02443748.

For the current Annual Access Filing, CBT multiplied the revenues per line from Transmittal No. 870 of \$0.02443748 by the lines from the current Annual Filing to yield USAC Revenues of

\$139,334. This amount is reflected in the RTE-Form, Line 185 of the current filing. See TRP Form IAS-CALC.

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 14-494 Released April 14, 2014, 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.

SBI 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 2013. 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 2012 and 2013.

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 2014 Contribution Factor*, DA 14-812 on June 12, 2014. The Commission proposed a USF factor of 15.7 % down from the previous factor of 16.6%. CBT recovers its USF contribution, pursuant to the Commission's Contribution Methodology Order¹ 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.

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Price Cap Tariff Review Plan

IND-TM

	EXISTING PCI (E)	EXISTING API (F)	EXISTING SBI (G)	6/30/14 PCI (I)	6/30/14 SBI (J)
Special Access Basket					
720 VG/WATS, Met, Tgh - Special	N/A	N/A	880	N/A	878
721 VG Spec Density Zone 1	N/A	N/A	0	N/A	0
722 VG Spec Density Zone 2	N/A	N/A	0	N/A	0
723 VG Spec Density Zone 3	N/A	N/A	0	N/A	0
724 VG Spec Density Zone 4	N/A	N/A	0	N/A	0
725 VG Spec Density Zone 5	N/A	N/A	0	N/A	0
726 VG Spec Density Zone 6	N/A	N/A	0	N/A	0
727 VG Spec Density Zone 7	N/A	N/A	0	N/A	0
730 Audio & Video	N/A	N/A	831	N/A	831
731 Audio/Video Density Zone 1	N/A	N/A	0	N/A	0
732 Audio/Video Density Zone 2	N/A	N/A	0	N/A	0
733 Audio/Video Density Zone 3	N/A	N/A	0	N/A	0
734 Audio/Video Density Zone 4	N/A	N/A	0	N/A	0
735 Audio/Video Density Zone 5	N/A	N/A	0	N/A	0
736 Audio/Video Density Zone 6	N/A	N/A	0	N/A	0
737 Audio/Video Density Zone 7	N/A	N/A	0	N/A	0
740 High Cap & DDS - Special	N/A	N/A	880	N/A	878
750 DS-1 SubCat - Special	N/A	N/A	880	N/A	878
751 DS1 Spec Density Zone 1	N/A	N/A	0	N/A	0
752 DS1 Spec Density Zone 2	N/A	N/A	0	N/A	0
753 DS1 Spec Density Zone 3	N/A	N/A	0	N/A	0
754 DS1 Spec Density Zone 4	N/A	N/A	0	N/A	0
755 DS1 Spec Density Zone 5	N/A	N/A	0	N/A	0
756 DS1 Spec Density Zone 6	N/A	N/A	0	N/A	0
757 DS1 Spec Density Zone 7	N/A	N/A	0	N/A	0
760 DS-3 SubCat - Special	N/A	N/A	854	N/A	831
761 DS3 Spec Density Zone 1	N/A	N/A	0	N/A	0
762 DS3 Spec Density Zone 2	N/A	N/A	0	N/A	0
763 DS3 Spec Density Zone 3	N/A	N/A	0	N/A	0
764 DS3 Spec Density Zone 4	N/A	N/A	0	N/A	0
765 DS3 Spec Density Zone 5	N/A	N/A	0	N/A	0
766 DS3 Spec Density Zone 6	N/A	N/A	0	N/A	0
767 DS3 Spec Density Zone 7	N/A	N/A	0	N/A	0

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IND-TM

	EXISTING PCI (E)	EXISTING API (F)	EXISTING SBI (G)	6/30/14 PCI (I)	6/30/14 SBI (J)
770 DDS&Other Sp Density Zone 1	N/A	N/A	0	N/A	0
771 DDS&Other Sp Density Zone 2	N/A	N/A	0	N/A	0
772 DDS&Other Sp Density Zone 3	N/A	N/A	0	N/A	0
773 DDS&Other Sp Density Zone 4	N/A	N/A	0	N/A	0
774 DDS&Other Sp Density Zone 5	N/A	N/A	0	N/A	0
775 DDS&Other Sp Density Zone 6	N/A	N/A	0	N/A	0
776 DDS&Other Sp Density Zone 7	N/A	N/A	0	N/A	0
790 Wideband	N/A	N/A	0	N/A	0
791 WB Density Zone 1	N/A	N/A	0	N/A	0
792 WB Density Zone 2	N/A	N/A	0	N/A	0
793 WB Density Zone 3	N/A	N/A	0	N/A	0
794 WB Density Zone 4	N/A	N/A	0	N/A	0
795 WB Density Zone 5	N/A	N/A	0	N/A	0
796 WB Density Zone 6	N/A	N/A	0	N/A	0
797 WB Density Zone 7	N/A	N/A	0	N/A	0
899 Total Special Access	880	870	N/A	878	N/A

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Filing Entity: CBTC - Cincinnati Bell Total
Transmittal Number: 886
June 16, 2014 Annual Access Filing (CBTCAN14.XLS)

EXG-ALLOCATE

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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		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 14-88	DA 14-627	DA 14-792
	Total	Interstate	6/14/2014	5/9/2014	5/28/2013
	End User Revenues		Reg Fee	TRS	NANPA
	(499A)	(499A)			
	(A''')	(B''')	(C''')=B''' * 0.00340	(D''') = B''' * 0.01174	(E''') = A''' * 0.0000365
Exogenous Amount	\$ 263,640,790	\$ 48,520,484	\$ 164,970	\$ 569,630	\$ 9,623
Excluded Revenue	\$ -	\$ -			
Price Cap Revenue Percentage	100.00%	100.00%			

Filing Date: 06/16/2014
Filing Entity: CBTC - Cincinnati Bell Total
Transmittal Number: 886
June 16, 2014 Annual Access Filing (CBTCAN14.XLS)

EXG-ALLOCATE

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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 14-627 - 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 14-88 - 0.00340 Factor 2013 Revenue - C'''		\$ 164,970	
	163,824	164,970	
% Price Cap Allocation	100.00%	100.00%	
Price Cap Only	\$ 163,824	\$ 164,970	
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	\$ 164,970	\$ 1,132

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 14-792 - 0.0000365 Factor 2013 Revenue - E"		9,623	
	8,541	9,623	
% Price Cap Allocation	100.00%	100.00%	
Price Cap Only	\$ 8,541	\$ 9,623	
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	\$ 9,623	\$ 1,661

Filing Date: 06/16/2014
Filing Entity: CBTC - Cincinnati Bell Total
Transmittal Number: 886
June 16, 2014 Annual Access Filing (CBTCAN14.XLS)

EXG-ALLOCATE

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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 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:	\$ 802	\$ 330	\$ -	\$ 1,132
NANPA	\$ 1,177	\$ 484	\$ -	\$ 1,661
	<u>\$ (7,648)</u>	<u>\$ (3,145)</u>	<u>\$ -</u>	<u>\$ (10,793)</u>
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	<u>\$ 12,635</u>	<u>\$ 17,416</u>	<u>\$ 12,624</u>	<u>\$ 42,676</u>
Grand Total Exogenous	\$ 4,987	\$ 14,271	\$ 12,624	\$ 31,883

Summary of Exogenous Changes

EXG-SUM
Page 1 of 1

	<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)	
		<u>29.61%</u> <u>Common Line</u>	<u>40.80%</u> <u>Special Access</u>	<u>29.59%</u> <u>Exlcuded</u>	<u>Total</u>
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% Common Line	40.80% Special Access	29.59% Excluded	Total
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

IAS-CALC

1 CBT's frozen IAS amount of \$166,476 was used to compute the revenue per line in its 2012 Annual Access Filing TM No. 870
Below are lines 180 and 185 from the RTE-1 Form from TM 870.

IAS Amount \$ 166,476
Lines 6,812,323
IAS per line amount 0.02443748

		BASE PERIOD	RATES AT LAST PCI	CURRENT	PROPOSED	BASE PERIOD DEMAND x RATES AT LAST	BASE PERIOD DEMAND x CURRENT	BASE PERIOD DEMAND x PROPOSED
TM 870								
18-Jun-12	180 Other Common Line	N/A	N/A	N/A	N/A	0	0	0
	185 USAC Receipts	6,812,323	0.02296954	0.02296954	0.02443748	156,476	156,476	166,476

2 CBT's TM 870 Annual Filing revenue per line of \$0.02443748 was multiplied by the lines form the current Annual Access Filing (TM 886)
to yield the IAS amount of \$139,334.
Below are lines 180 and 185 from the current RTE-1 Form in TM 878

IAS per line amount 0.02443748
Lines 5,701,669
IAS Amount \$ 139,334

		DEMAND	UPDATE	RATES	RATES	PCI UPDATE	RATES	RATES	
TM 886									
16-Jun-14	180 Other Common Line	N/A	N/A	N/A	N/A	0	0	0	N/A
	185 USAC Receipts	5,701,669	0.02443748	0.02443748	0.02443748	139,334	139,334	139,334	N/A

SERVICES OUTSIDE OF PRICE CAP

<u>Rate Element Detail</u>	<u>Tariff Section</u>
Special Construction	
Special Construction	FCC #35 7.2
Collocation/Interconnection	
Physical Collocation	FCC #35 17.10.2
Virtual Collocation	FCC #35 17.11.1
Packet Services	
Ethernet Service	FCC #35 19.5
End User Services	
End User USF End User Charge	FCC #35 4.10
Government Services	
Special Government Access Services –TSP & GETS	FCC #35 10.8.2
Miscellaneous	
Special Facilities Routing of Access Services	FCC #35 11..2

SERVICES OUTSIDE OF PRICE CAP

<u>Rate Element Detail</u>	<u>Tariff Section</u>	<u>Order Allowing removal</u>
*Special Access		
Voice Grade	FCC #35 23.3	FCC 99-206 Fifth Report and
Program Audio		Order and Further Notice of
Video		Proposed Rulemaking (Pricing
Digital Data		Flexibility Order)
Frame Relay Service		
DS1		
DS3		
OC-Service		
Shared SONET Service		

*** Included channel terminations between the IXC POP and the serving wire center only.**

CBT-NEW

2013 New Services

CBT introduced the following new services in 2013:

<u>New Service</u>	<u>Transmittal</u>	<u>Basket</u>	<u>Category</u>
OC – Dedicated Ring 12-month and 24-month Payment Options	878	Special	High CAP & DDS Category

See reverse side for information regarding public burden estimate.

1. Name and Address of Reporting Company Cincinnati Bell Telephone LLC 221 E. Fourth St., Loc 103-1124 Cincinnati, OH 45202	2. Reporting Calendar Year (A) From: 01/01/2012 To: 12/31/2012 (B) First Report Filed: 03/27/2013 (C) Final Report Filed:
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FCC 492A

**PRICE-CAP REGULATION
RATE-OF-RETURN MONITORING REPORT**
(Read Instructions on the Reverse Before Completing)
Dollar Amounts Shown in Thousands

3. Items	Total Interstate Services Subject to Price-Cap Regulation		
	First Report Column A	Final Report Column B	Difference Column C = (B - A)
1. Total Revenues	156,414		
2. Total Expenses and Taxes	105,402		
3. Operating Income (Net Return) (Ln1-Ln2)	51,012		
4. Rate Base - (Avg. Net. Investment)	19,054		
5. Rate of Return (Ln3/Ln4)	267.72%		
6. Sharing/Low End Adjustment Amount	N/A		
7. FCC Ordered Refund - Amortized for Current Period	N/A		

REMARKS

7. CERTIFICATION: I certify that I am the chief financial officer or the duly assigned accounting officer; that I have examined the foregoing report; that to the best of my knowledge, information, and belief, all statements of fact contained in this report are true and this report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the specified period.

Date 03/27/2013	Typed Name of Person Signing Susan George	Title of Person Signing CBT Division Controller	Signature
	Telephone No. (513) 397-6503		

PERSONS MAKING WILLFUL FALSE STATEMENTS IN THIS REPORT FORM CAN BE PUNISHED BY FINE OR
IMPRISONMENT UNDER THE PROVISIONS OF THE U.S. CODE, TITLE 18, SECTION 1001.

See reverse side for information regarding public burden estimate.

1. Name and Address of Reporting Company

Cincinnati Bell Telephone LLC
221 E. Fourth St., Loc 103-1124
Cincinnati, OH 45202

2. Reporting Calendar Year

(A) From: 01/01/2013 To: 12/31/2013

(B) First Report Filed: 03/28/2014

(C) Final Report Filed:

FCC 492A

PRICE-CAP REGULATION
RATE-OF-RETURN MONITORING REPORT
(Read Instructions on the Reverse Before Completing)
Dollar Amounts Shown in Thousands

3. Items	Total Interstate Services Subject to Price-Cap Regulation		
	First Report Column A	Final Report Column B	Difference Column C = (B - A)
1. Total Revenues	152,561		
2. Total Expenses and Taxes	104,629		
3. Operating Income (Net Return) (Ln1-Ln2)	47,932		
4. Rate Base - (Avg. Net. Investment)	7,170		
5. Rate of Return (Ln3/Ln4)	668.51%		
6. Sharing/Low End Adjustment Amount	N/A		
7. FCC Ordered Refund - Amortized for Current Period	N/A		

REMARKS

7. CERTIFICATION: I certify that I am the chief financial officer or the duly assigned accounting officer; that I have examined the foregoing report; that to the best of my knowledge, information, and belief, all statements of fact contained in this report are true and this report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the specified period.

Date 03/28/2014	Typed Name of Person Signing Susan George	Title of Person Signing CBT Division Controller	Signature
	Telephone No. (513) 397-6503		

PERSONS MAKING WILLFUL FALSE STATEMENTS IN THIS REPORT FORM CAN BE PUNISHED BY FINE OR
IMPRISONMENT UNDER THE PROVISIONS OF THE U.S. CODE, TITLE 18, SECTION 1001.