

Cincinnati Bell Telephone Company

2002 PRICE CAP REVISIONS

May 2002 Tariff Review Plan Filing

May 1, 2002

Description & Justification

Introduction

A. Background

This filing represents Cincinnati Bell Telephone Company's (CBT's) May 2002 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 Commissions 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;

* Order on Reconsideration, *In the Matter of Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-128, FCC 96-439, released November 8, 1996;

* 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"

* Order *In the Matter of July 2, 2002 Annual Access Charge Tariff Filings* DA 02-970, released April 26, 2002.

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 granted CBT a waiver allowing it to offer a new Switched Access rate subelement for a proposed Electronic White Pages services, called "ELI". See in the Matter of Cincinnati Bell Telephone Company Petition for Waiver of Part 69 of the Commission's Rules for Electronic Directory Assistance Service, Order, DA 91-170, released February 19, 1991;

* 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 02-970) 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 a filing date of May 1, 2002 for the short form TRP.

PCI Development

CBT calculated its Price Cap Indices ("PCI") for the Common Line, Traffic Sensitive, Trunking, 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 1.8742 percent in this short TRP filing.

2. Productivity Factor

The Commission's CALLS Order changes the Productivity Factor, or X-factor to a transitional mechanism to target certain rates for switched access and to lower rates for a specified period for special access. The CALLS Order applies the 6.5% X-factor first to residual per-minute TIC until that charge is eliminated, then to the information surcharge until that charge is eliminated, finally to local switching and switched transport charges until the carrier's average traffic sensitive interstate access charges reach a specified target. The Average Traffic Sensitive (ATS) targeted rate for CBT is \$0.0065. This is the rate for "other" price cap LECs specified in

paragraph 162 of the CALLS Order. CBT achieved this traffic sensitive average targeted rate in its July 2000 annual access filing. Per the CALLS Order, after a Price Cap LEC reaches the targeted rate, the ATS rate will be recalculated each subsequent Annual Filing. Due to changes in demand, CBT's ATS for the July, 2002, annual access filing is \$0.00702532. CBT is applying an X-factor of 6.5% to the Special Access basket. See Forms TGT1 and TGT2.

Exogenous Costs

1. Universal Service Fund Contribution

CBT is recovering its USF contribution through an end-user charge as allowed in the CALLS Order. CBT filed Transmittal No. 772 on March 18, 2002 to adjust its Second Quarter, 2001 USF rate in accordance with the Commission's Public Notice, Proposed Second Quarter 2002 Universal Service Contribution Factor, DA 02-562, released March 8, 2002. CBT reserves the right to modify its filing when the third quarter, 2002 contribution factor is released.

2. 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-EDT.

3. Development of Regulatory Fees

The Commission released the Assessment and Collection of Regulatory Fees for Fiscal Year 2001 on March 29, 2001. This Order specified a Regulatory Fee factor of 0.00132. This factor was multiplied by CBT's end-user revenue from FCC Form 499 to yield CBT's 2002 Regulatory Fee adjustment. CBT's 2001 Regulatory Fee adjustment of \$92,569 was subtracted from CBT's 2002 Regulatory Fee adjustment of \$99,489 to yield an increase in CBT's Regulatory Fee of \$6,920. CBT adjusted its Common Line Basket and Special Access Basket to reflect the Regulatory Fee adjustment. See Exhibit EXG-REGFEE.

4. Development of Telecom Relay Support (TRS)

The National Exchange Carrier Association (NECA) filed its Annual Submission of TRS Payment and Revenue Requirements on May 1, 2001. NECA proposed a TRS factor of 0.00073 to be applied to the tariff year July 2001 to June 2002 (NECA Exhibit 4, Line 8). CBT multiplied this factor by its end-user revenue from FCC Form 499A to yield CBT's 2002 TRS adjustment. CBT's 2001 TRS adjustment of \$51,193 was subtracted from CBT's 2002 TRS adjustment of \$55,020 to yield an increase in CBT's TRS of \$3,827. CBT adjusted its Common Line Basket and Special Access Basket to reflect the TRS adjustment. See Exhibit EXG-TRS. CBT reserves the right to modify its filing if the Commission releases a new TRS factor prior to the annual access filing.

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

The Commission released Public Notice CC Docket 92-237, DA 00-1168 on May 26, 2000. This Order specified a NANP factor of 0.000043 for the period from March 2000 through June 2001. This factor was multiplied by CBT's end-user revenue from FCC Form 499A to yield CBT's 2001 NANP exogenous adjustment. CBT's 2001 NANP adjustment of \$3,016 was subtracted from CBT's 2002 NANP adjustment of \$3,241 to yield a increase in CBT's NANP support of \$225. CBT adjusted its Common Line Basket and Special Access Basket to reflect the NANP exogenous increase. See Exhibit EXG-NANP. CBT reserves the right to modify its filing if the Commission releases a new NANP factor prior to the annual access filing.

6. 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-ITC.

492A Forms

Pursuant to the Commission's *Tariff Review Plans* Order, CBT has included its Form 492A for the calendar years 2000 and 2001.

New Services

CBT has included a listing of new services introduced in 2001. See Exhibit CBT-NEW.