

# **IOWA TELECOMMUNICATIONS SERVICES, INC.**

## **Mid-Year Exogenous Cost Adjustment**

**September 16, 2010**

**Transmittal 79**

### **Description and Justification**

#### **Introduction**

Iowa Telecommunications Services, Inc. (Iowa Telecom) hereby submits this filing in order to implement required exogenous cost adjustment due to changes in the Telecommunications Relay Service (TRS) carrier contribution factor and Interstate Telecommunications Service Providers (ITSP) regulatory fee rate. This information is being filed on 15 days notice pursuant to the Federal Communications Commission's ("Commission") streamlined filing procedures and includes adjustments consistent with the requirements of Sections 61.41 through 61.49 of the Commission's Rules.

In addition, this filing revises the federal universal service fund contribution factor for 4th quarter 2010.

#### **Price Cap Index Components**

The calculation of the PCIs was completed as required by the Commission rules for each service basket. The results are reflected in Exhibit 1, Page 1 of 2.

#### **Determination of Exogenous Cost Changes**

In accordance with the Commission's Rules, Iowa Telecom developed certain exogenous changes for inclusion in the price cap formula. Two of these changes include the regulatory fee carrier contribution factor and the telecommunications relay service. Due to the fact that these two factors were not released by the Federal Communications Commission in time to allow the changes to be implemented in the July 1, 2010 Annual Access filing, this mid-year filing is required.

#### **Regulatory Fees**

In the annual filing made in June 2010, the calculation of the regulatory fees exogenous cost was based on the change from the fees to be paid in the 2009 tariff year and the 2010 tariff year. The 2009 tariff was based on Iowa Telecom 499-A data for the period January 1 through December 31, 2008, utilizing the

factor of 0.00342 as referenced in *Assessment and Collection of Regulatory Fees for Fiscal Year 2009*, MD Docket No. 09-65. The calculation of the regulatory fees to be paid in 2010 tariff year was based on the factor of 0.00351 as referenced in *Assessment and Collection of Regulatory Fees for Fiscal Year 2010*, MD Docket No. 10-87, *Notice of Proposed Rulemaking*, FCC 10-51 (rel. April 13, 2010). Subsequent to the June filing, the factor of 0.00349 was published, *In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2010*, Report and Order, MD Docket No. 10-87, FCC 10-123, (rel. July 9, 2010).

With this filing, Iowa Telecom proposes an exogenous cost adjustment to implement this new factor. The exogenous adjustment has been grossed up by 12/9 to credit the annual amount over the remaining 9 months of the fiscal year. This change is shown in Exhibit 1, Page 2 of 2.

#### Telecommunications Relay Service

The calculation for the 2009 tariff year was based on the factor of 0.01137 as referenced in *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket No. 03-123, FCC 09-39, *Public Notice and Notice of Proposed Rulemaking*, (rel. May 14, 2009). The June filing included a calculation of the projected Telecommunications Relay Service fees to be paid in the 2010 tariff year using the same factor of 0.01137 as no new factor had been released at the time of filing.

*In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2010*, Report and Order, MD Docket No. 10-87, FCC 10-123, (rel. July 9, 2010), a factor of .00585 is prescribed for the 2010 tariff year. With this filing, Iowa Telecom proposes an exogenous cost adjustment to implement this new factor. The exogenous adjustment has been grossed up by 12/9 to credit the annual amount over the remaining 9 months of the fiscal year. This change is displayed on Exhibit 1, Page 2 of 2. The amount of the prospective TRS recovery at the .00585 contribution factor is applied to the 2009 Interstate end user revenues from the FCC 499a adjusted for Price Cap only revenues. Work papers reflecting this exogenous change are shown in Exhibit 1, Page 2 of 2

#### Rate Detail Chart

Exhibit 2 is included to show the current and proposed rate changes to adjust for the exogenous cost revisions.

#### Universal Service Fund Contribution Charge

In the Commission's September 10, 2010 Public Notice. *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Public Notice, DA 10-1716, (rel. September 10, 2010), the Universal Service Fund Surcharge was

changed from .136 to .129. This filing adjusts the percentage reflected in the tariff to consider a new recovery surcharge of 12.9%

**Conclusion**

Iowa Telecom is submitting the accompanying information consistent with the requirements of the Commission's price cap regulations for local exchange carriers and in compliance with regulatory fee decisions. The rate adjustments proposed herein are demonstrated to be just and reasonable, and are supported by detailed exhibits reflecting the Regulatory Fee and TRS Orders and the fourth quarter 2010 contribution factor of 0.129 stipulated in the Commission's September 10, 2010 Public Notice. *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Public Notice, DA 10-1716, (rel. September 10, 2010).

## Summary of Exhibits

Exhibit 1     Index Development  
                  Exogenous Changes

Exhibit 2     Rate Changes

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**Exhibits**

Filing Date: 09/16/2010  
Filing Entity: ITTC - IOWA TELECOMMUNICATIONS SERVICES, INC.  
Transmittal Number: 79  
September 16, 2010 Annual Access Tariff Filing (ITTC9160.WK4)

Exhibit 1  
Page 1 of 2

09/16/10 PCI Development

	<u>Common</u> <u>Line</u> (A)	<u>Traffic</u> <u>Sensitive</u> (B)	<u>Trunking</u> (C)	<u>Interexchange</u> (D)	<u>Special</u> (E)
1. Revenues (R)	19,430,043	3,017,112	4,830,125	0	13,290,040
2. Exogenous Changes (Z)	(100,220)	0	0	0	(4,458)
a. EDFIT / ITC / Access Cost Changes	0	0	0	0	0
b. Telecom. Relay Service Changes	(99,858)	0	0	0	(4,442)
c. Regulatory Fee Support Changes	(362)	0	0	0	(16)
d. North Americal Numbering Plan Admin.	0	0	0	0	0
3. Z/R = ( Ln 2 / Ln 1 )	-0.005158	0.000000	0.000000	0.000000	-0.000335
4. W = (( Ln 1 + Ln 2 ) / R )	0.994842	1.000000	1.000000	0.000000	0.999665
5. GDP-PI Chain Weighted ( 4 Qtr 2009 )	109.9000	109.9000	109.9000	109.9000	109.9000
6. GDP-PI Chain Weighted ( 4 Qtr 2008 )	109.2000	109.2000	109.2000	109.2000	109.2000
7. Percent Change in GDP-PI (I) (( Ln 5 - Ln 6 ) / Ln 6 ) * 100	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
8. Productivity (X)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
9. GDP-PI - X ( Ln 8 - Ln 7 )	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
10. Growth Rate of CCL MOU/Line (g)	-10.6510%	N/A	N/A	N/A	N/A
11. Existing PCI	0.0000	23.9014	120.8344	0.0000	46.3302
12. Targeted Revenue Differential TRP Form TGT- 1 r1100	N/A	0	0	N/A	N/A
13. Prop. PCI (NonExog Only: Annual Filing col.b&c: Ln 11; col.e: Ln 11 * ( 1+ Ln 9 ) SBI Upper Limit calculations only)	N/A	23.9014	120.8344	0.0000	46.3302
14. Proposed PCI col.b&c: Ln 11 * ( 1+ Ln 3 + Ln 12 / Ln 1 ) col.d&e: Ln 11 * ( 1+ Ln 3 + Ln 4 * Ln 9 )	N/A	23.9014	120.8344	0.0000	46.3147

Filing Date: 09/16/2010  
 Filing Entity: ITTC - Iowa Telecommunications Services, Inc.  
 Transmittal Number: 79  
 September 16, 2010 TRS & Reg Fee Access Tariff Filing (ITTC9160.WK4)

Exhibit 1  
 Page 2 of 2

**Exogenous Cost Changes Detail**

	2009 Annual Total End User Revenues <u>(499A)</u> (A)		Interstate <u>(499A)</u> (B)	FCC 09-39 Telecom Relay Service (C) = B * 0.01137	FCC 10-115 Telecom Relay Service (D) = B * 0.00585	One Time Gross Up (E) = D - C * ( 12/9 )
Exogenous Amount	\$	95,062,989	\$ 20,584,732	\$ 234,048	\$ 120,421	\$ (151,504)
Excluded Revenue	\$	6,413,538	\$ 6,413,538			
Price Cap Revenue Percentage		93.25%	68.84%			\$ (104,300)

				FCC 10-51 Regulatory Fee (F) = B * 0.00351	FCC 10-123 Regulatory Fee (G) = B * 0.00349	One Time Gross Up (H) = G - F * ( 12/9 )
Price Cap Revenue Percentage		93.25%	68.84%	\$ 72,252	\$ 71,841	\$ (549)
						\$ (378)

	<u>Common Line</u>	<u>Special</u>	<u>Price Cap Revenue</u>
499A 2009 Interstate End User Revenues	\$ 13,570,497	\$ 603,697	\$ 14,174,194
Allocation Basis	95.74%	4.26%	
Telecom Relay Support	\$ (99,858)	\$ (4,442)	\$ (104,300)
Regulatory Fee	\$ (362)	\$ (16)	\$ (378)
	\$ (100,220)	\$ (4,458)	\$ (104,678)

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Exhibit 2

<u>Rate Element</u>	<u>Base Period Demand</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Demand Times Current Rate</u>	<u>Demand Times Proposed Rate</u>
<b>Basket 1 - Common Line</b>					
<b>** END USER SERVICE CATEGORY **</b>					
Multiline Bus, PRI ISDN, Centrex EUCL	530,558	\$7.71	\$7.66	\$4,088,367	\$4,065,159
Primary Res, Single Line Bus, Lifeline EUCL	1,706,294	\$5.69	\$5.64	\$9,706,148	\$9,631,510
NonPrimary Residence & BRI ISDN EUCL	54,274	\$5.69	\$5.64	\$308,734	\$306,360
TOTAL END USER				\$14,103,249	\$14,003,030
<b>Basket 4 - Special Access</b>					
<b>** HIGH CAP &amp; DDS SERVICE CATEGORY - SPECIAL **</b>					
<b>DS1, Special Access Non-Density Zone:</b>					
DS-1 Individual System	6,920	\$250.00	\$247.90	\$1,730,000	\$1,715,468
DS-1 3 Year Optional Payment Plan	1,296	\$225.00	\$235.50	\$291,600	\$305,208
DS-1 5 Year Optional Payment Plan	28	\$205.00	\$229.31	\$5,740	\$6,421
HI CAP DS-1 Ckt Term 1.544 Mbps	9,055	\$250.00	\$247.90	\$2,263,750	\$2,244,735
DS-1 3 Year Optional Payment Plan	1,204	\$225.00	\$235.50	\$270,900	\$283,542
DS-1 5 Year Optional Payment Plan	90	\$205.00	\$229.31	\$18,450	\$20,638
				\$4,580,440	\$4,576,011