

PUBLIC VERSION

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of:)	
)	
Iowa Telecommunications Services)	Transmittal No. 31
Tariff FCC No. 1)	
)	

WORLDCOM PETITION TO SUSPEND AND INVESTIGATE

WorldCom, Inc. (WorldCom), pursuant to Section 1.773 of the Commission's Rules, hereby petitions the Commission to suspend, for the full five-month period permitted by the Communications Act, and investigate the above-captioned transmittal filed by Iowa Telecommunications Services, Inc. (Iowa Telecom) on March 25, 2002.¹ Suspension and investigation is required by the Forbearance Order, in which the Commission announced its commitment to "undertake a tariff investigation to determine Iowa Telecom's forward-looking ATS target rate for the remainder of the CALLS plan's five-year term."²

In the Forbearance Order, the Commission granted Iowa Telecom's request for relief on the narrow ground that an ATS rate set at forward-looking economic cost, rather

¹ Suspension and investigation of a proposed tariff or tariff modification is warranted when significant questions of lawfulness arise in connection with the tariff. See AT&T Transmittal No. 148, Memorandum Opinion and Order, FCC 84-421 (released Sept. 19, 1984); ITT, 73 FCC 2d 709, 719 (1979); AT&T, 46 FCC 2d 81, 86 (1974); see also Arrow Transportation Company v. Southern Railway Company, 372 U.S. 658 (1963).

² Petition for Forbearance of Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom, Pursuant to 27 U.S.C. § 160(c) from the Deadline for Price Cap Carriers to Elect Interstate Access Rates Based on the CALLS Order or a Forward Looking Cost Study, Order, released November 26, 2002 (Forbearance Order) at ¶ 23.

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than at the target rate of 0.95 cents per minute, would be sufficient to ensure that rates were just and reasonable, would be sufficient to protect consumers, and would be in the public interest.³ Significantly, the Forbearance Order does not assume, much less find, that Iowa Telecom's forward-looking ATS rate is higher than the default target rate of 0.95 cents per minute.⁴ Indeed, the Forbearance Order explicitly contemplates the possibility that a tariff investigation may find that Iowa Telecom's FLEC is less than the target rate, emphasizing that "Iowa Telecom's decision to set its ATS rate based on forward-looking costs is binding regardless of the outcome of this tariff investigation."⁵

Iowa Telecom's cost study does not demonstrate that Iowa Telecom's forward-looking ATS rate is above the default rate of 0.95 cents per minute, much less support Iowa Telecom's proposed rate of 1.4876 cents per minute. First, Iowa Telecom has failed to justify the network design assumed in the cost study. In contrast to the Commission's synthesis model, which determines network design using publicly available algorithms, the network assumed by Iowa Telecom was produced internally by Iowa Telecom's own engineers.⁶ Iowa Telecom has not documented the basis for that network design, much less demonstrated that the number of fiber rings and the capacity of those rings is appropriate to the level of traffic assumed by the cost study.

Similarly, in contrast to the verifiable input values used in the Commission's synthesis model, the only source given for many of the inputs used in the cost study is "the Iowa Telecom team."⁷ Almost without exception, Iowa Telecom has failed to provide any support for those input values. In particular, Iowa Telecom has failed to

³ Forbearance Order at ¶¶ 18-19.

⁴ The Commission did not, for example, endorse Iowa Telecom's claim that the default rate was "too low" to foster the deployment of advanced services in rural Iowa.

⁵ Forbearance Order at ¶ 23.

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document the vendor quotes that it cites as the source of the switch costs or demonstrate that those quotes reflect actual transaction prices, i.e., including all discounts. Similarly, there is no precedent to support Iowa Telecom's claim that switch costs should be increased arbitrarily by 10 percent because Iowa Telecom "would purchase switches individually, rather than in large groups."⁸

Furthermore, the Commission should investigate Iowa Telecom's claim that [REDACTED] percent of switching costs are associated with line ports (and thus excluded from the ATS calculation under the Commission's rules.)⁹ [REDACTED]^{10 11}

¹²

Among other things, the Commission should require Iowa Telecom to substantiate its claim that vendor quotes provide sufficient information for Iowa Telecom to determine the percentage of local switching costs associated with line ports.¹³

The Commission should also investigate Iowa Telecom's claim that "GAAP" lives are an appropriate measure of the economic life of Iowa Telecom's plant and

⁶ Attachment 2 at 4.

⁷ Attachment 2 at 1.

⁸ Attachment 2 at 6.

⁹ Attachment 2 at 7.

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equipment. The Commission has consistently rejected the use of financial lives in forward-looking cost studies, finding, for example, that “the projected life values currently used by LECs for financial reporting purposes are inappropriate for use in the [synthesis] model.”¹⁴ As is shown by the table below, the projection lives assumed by Iowa Telecom are much shorter than those used in the synthesis model:

Asset Category	Synthesis Model Life	Iowa Telecom Study
Remote switch	16.43 years	[REDACTED]
Remote switch	16.43	[REDACTED]
Buildings	47.71	[REDACTED]
Terminals	16.43	[REDACTED]
Fiber	22.24/24.24/23.08	[REDACTED]

By using financial lives that are not representative of economic lives, Iowa Telecom has significantly inflated its claimed forward-looking ATS cost. As the Commission explained in the context of the synthesis model, the lives “that fall outside the [Commission’s] prescribed ranges represent accounts that reflect the overwhelming majority of plant investment, thus potentially triggering a dramatic distortion of the estimated cost of providing supported services.”¹⁵

Other issues that should be investigated include:

- ? Whether Iowa Telecom has properly accounted for sharing of interoffice outside plant structure with loop feeder or other utilities’ facilities.
- ? Whether Iowa Telecom has properly attributed a portion of its costs to services other than switched and special access services, including packet switched services and DSL services.

¹³ Attachment 2 at 7.

¹⁴ Federal-State Joint Board on Universal Service; Forward Looking Mechanism for High Cost Support of Non-Rural LECs, Tenth Report and Order, 14 FCC Rcd 20156, para. 429 (1999).

¹⁵ Id., at para. 428.

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- ? Whether Iowa Telecom's nonstandard calculation of annual charge factors, including the assumption that the relevant equipment costs are decreasing at 4 percent per year, is reasonable.¹⁶

For the reasons stated herein, the Commission should suspend and investigate Iowa Telecom Transmittal No. 31.

Respectfully submitted
WORLDCOM, INC.

/s/ Alan Buzacott

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April 1, 2003

¹⁶ Attachment 2 at 12-14.

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Statement of Verification

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on April 1, 2003.

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CERTIFICATE OF SERVICE

I, Alan Buzacott, do hereby certify that copies of the foregoing Petition to Reject or, in the alternative, Suspend and Investigate were sent via first class mail, postage paid, and by facsimile*, to the following on this 1st Day of April, 2003.

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