

April 15, 2002 Ex Parte
Iowa Telecommunications Services, Inc. FCC Tariff No. 1
Transmittal No. 31

1. It is important that the FCC closely review the Iowa Telecom “model” due to the possible precedent setting nature of the proceeding. The FCC should only approve a model that conforms to proper forward looking economic principals, including those it has adopted in previous proceedings (See FCC 97-157 in CC Docket 96-45, Criteria for Forward-Looking Economic Cost Determinations, Para. 250)
2. Given the data provided in the proceeding, the Iowa Telecom cost “model” is more like a cost calculator, than an actual cost model. A cost model, as used and recognized in prior FCC proceedings and the industry, is more broad-based, providing choices in network design, traffic engineering parameters, call blocking probabilities, etc. Which then can be used to “model” a forward looking network that will serve the area in question. Whereas, a calculator simply takes the inputs provided, such as cost per foot, and calculates the costs based upon that simple input. A cost calculator should not be used a substitute for a cost model.
3. The Iowa Telecom study provides no information on how or even whether there is any structure sharing between services or elements. Obviously, any incremental sharing of costs could greatly reduce the costs assigned to Iowa Telecom’s ATS rate. The SynMod, for example, assumes a sharing factor of 75% associated with the feeder UNE element and the interoffice element. If the pole, trench or conduit that supports the interoffice facility also supports fiber for another service (and a FLEC network as well as an competitive existing network would leverage such efficiencies), the costs would be shared. Finally, any sharing with other firms (e.g., utilities, cable company) would result in efficiencies.
4. Switch costs should be a result of the actual level of switch discounts, not just a vendor quote. Also, the non-traffic sensitive and traffic sensitive cost recovery indicates a possible over-recovery of switch costs and certainly does not reflect a FLEC split.
5. Overall, the Iowa Telecom “model” is more indicative of an embedded re-price as opposed to a truly forward looking economic cost model and therefore must be rejected as a basis for the Iowa Telecom’s ATS rate.
6. Depreciation lives are not treated consistent with FCC guidelines.
7. Maps depicting the interoffice networks and sharing arrangements (assumed and existing) should be provided.