

# **IOWA TELECOMMUNICATIONS SERVICES, INC.**

## **2003 PRICE CAP REVISIONS**

**June 16, 2003**

### **Description and Justification**

#### **Introduction**

The accompanying material issued by Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom ("Iowa Telecom") is filed to fulfill the requirements established in Sections 61.38, 61.39 and 61.41 through 61.49 of the Commission's Rules. On April 18, 2003 (DA 03-1176), the FCC released the Tariff Review Plan (TRP) requirements that incumbent local exchange carriers should file to support the annual revisions to the rates in their interstate access service tariffs scheduled to become effective on July 1, 2003.

Iowa Telecom commenced operations July 1, 2000 after the purchase of access lines and related assets from GTE (now part of Verizon) in Iowa. Iowa Telecom is comprised of two separate and distinct service groups: (1) The Iowa Telecom Service Group; and (2) The Iowa Telecom Systems Service Group. The Iowa Telecom Service Group includes the exchanges located in the Iowa Telecom North Study Area 351167 and is identified by the COSA ITNO. The Iowa Telecom Systems Service Group includes the exchanges located in the Iowa Telecom and Iowa Telecom Systems Study Areas, 351178 and 351170 respectively, and is identified by the COSA ITIT.

Information in this filing is provided for both ITNO and ITIT. The demand data includes the period January 1 through December 31, 2002. The demand data for two exchanges sold during 2002 that were previously a part of the Iowa Telecom Service Group (ITNO) have been excluded. The current rates utilized in this filing are the rates which were suspended one day and are subject to investigation pursuant to the Order issued by the Federal Communications Commission's Wireline Competition Bureau, Pricing Policy Division and bearing DA 03-1103, released April 8, 2002.

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

The calculation of the price cap indices (PCIs) was completed as required by the Commission rules for each service basket. The results are reflected in Exhibit 1, Page 1 of 2. In this calculation, a GDP-PI factor of 1.3661 was used. It is based on the percentage change between the quarter ending December 31, 2002 and the quarter ending December 31, 2001. An X-factor of 6.5% was used in

calculating PCIs for the Common Line, Traffic Sensitive, Trunking, and Special Access Baskets and a 3.0% factor was used for the Interexchange Basket.

Exhibit 1, Page 1 of 2, also reflects the development of the growth factor (g) by determining the ratio of the minutes of use per access line during the base period, to the minutes of use per access line during the previous base period.

### **Exogenous Changes**

The TRP guidelines provide for the consideration of the exogenous cost changes between periods for Regulatory Fees, Excess Deferred Tax Amortization, Investment Tax Credit, Telecommunications Relay Service Fees, and North America Numbering Plan Administration. The following outlines the changes considered. The supporting calculations and the allocation to price cap baskets based on revenues are included in Exhibit 1, Page 2 of 2. The exogenous adjustment for ITIT is \$24,228 and for ITNO is \$15,414.

#### **Regulatory Fees**

The calculation of the Regulatory fees to be paid in the 2002 tariff year was based on Iowa Telecom 499A data for the period January 2001 through December 2001. This calculation utilized the current factor of 0.00153. The calculation of the Regulatory fees to be paid in the 2003 tariff year is based on Iowa Telecom 499A data for the period January 1, 2002 through December 31, 2002 utilizing the factor of .00198 as proposed on March 24, 2003 (FCC-03-64).

#### **Telecommunications Relay Service**

The Telecommunications Relay Service Fee for the 2002 tariff year is based on the application of the current annual cost recovery factor of .00073 filed by NECA with the FCC on the Retail Revenues contained in Iowa Telecom's Form 499A filed April 1, 2002. The calculation for the 2003 tariff year is based on Iowa Telecom's 499A filed April 1, 2003 and presently utilizes the factor of .00171 proposed by NECA on May 5, 2003 (DA 03-1527).

#### **North America Numbering Plan Administration**

The contribution factor of .000043 developed by NBANC and accepted by the Commission was applied to the 2001 end user revenues filed in Iowa Telecom's Form 499A on April 2, 2002 to determine the funding for tariff year 2002. The contribution factor of .000036 developed by NBANC and proposed to the FCC on May 6, 2003 (DA 03-1704) was applied to the end user revenues filed in Iowa Telecom's Form 499A filed April 1, 2003 to determine the funding for tariff year 2003.

#### Excess Deferred Tax and Investment Tax Credit

At present, Iowa Telecom does not have any Excess Deferred and Income Tax Credit Amortization amounts to consider.

#### **IND-1 References**

In the Tariff Review Plan Order released April 18, 2003 (DA 03-1176), a workpaper was requested to identify transmittals in which the current index levels became effective. Iowa Telecom's predecessor, GTE, established many of the index levels and in those instances the GTE Transmittal number is indicated. The requested information is located in Exhibit 2. In the May 1, 2003 filing, Exhibit 2 listed Transmittal 31 as the filing that established certain index levels. The rates proposed in Transmittal No. 31 were adjusted under Transmittal No. 32. This filing references the rates from Transmittal No. 32 under the Traffic Sensitive and Trunking Baskets.

#### **Composite Centrex PICC Rates**

Row 157 of TRP Form RTE-1 reflects the composite current Centrex PICC rate. This rate was restated to reflect the 2002 demand mix of Centrex customers with less than 9 Centrex lines and those with 9 or more lines. Exhibit 3 reflects the calculation of this new demand weighted Centrex PICC rate.

#### **CMT Revenue Per Line**

The analysis for the CMT Revenue Per Line is shown in Exhibit 4.

#### **Universal Service Fund Receipts Per Line**

As stipulated in Paragraphs 206 and 207 of the CALLS Order, Exhibit 5 shows the explicit Universal Service Administration (USAC) revenue support. The residential and business access line explicit USF support received from USAC is multiplied by the 2002 historical lines, by zone, and then summed for each COSA. Line 130 displays the explicit USF in total, and line 140 displays the per line amount. These amounts are carried forward to RTE-1 Line 185 in the TRP filing for each entity. These amounts are included in the development of CCL rates. The support level is based on the data provided by USAC in June 2003.

#### **Iowa Telecom Pooling**

Pursuant to Section 61.48(m)(1)(ii) of the Commission's rules, Iowa Telecom elects to pool local switching revenues transferred to the common line basket. Exhibit 6, Page 1, shows the local switching revenues subject to pooling along with the allocation of the shortfall between COSA's. Pages 2 and 3 of the exhibit display the new pooled local switching amount based on access line growth

along with the allocation of the pooled revenues to the multi-line business SLC for each individual COSA.

### **Transport Minutes of Use**

Transport minutes of use include minutes transported solely by the Iowa Telecom tariff entity as well as minutes due to meet point billing arrangements in compliance with Part 61.3(e)(1)(B) and footnote 302 of FCC 00-193.

### **Rate Detail Chart**

Exhibit 7 provides the chart giving the complete rate detail, demand, existing rates, proposed rates, and the change in revenue amounts for the baskets and categories included in this filing.

### **Excluded Services**

The TRP Order released April 18, 2003 (DA 03-1176), also requires a detailed listing of the services excluded from price cap regulation and the Tariff Section associated with that service. This information can be found in Exhibit 8.

### **Universal Service Fund Contribution Charge**

In the Public Notice released on June 6, 2003 in CC Docket 96-45 (DA 03-1909), the FCC announced the new USF Contribution Factor for third quarter, 2003. The factor was changed from .091 to .095. The change in factor is included in this filing. The percent contribution recovery is changed from 9.1% to 9.5%.

### **492A**

Exhibit 9 includes the 2002 and 2003 Form 492A documentation previously filed with the FCC.

### **Part 69 Rule Waivers**

GTE was granted three waivers in the 1989 Waiver Order (Annual 1989 Access Tariff Filing, 4 FCC Rcd. 413 (Com. Car. Bur. 1988), 1989 Waiver Order). GTE relied on these waivers in their prior filings. As its successor, Iowa Telecom also relies on these waivers. The waivers previously received were:

- (A) Continuation of the Special Access Surcharge at \$25 (Common Line Basket);
- (B) The application of the Information Surcharge (Traffic Sensitive Basket); and
- (C) The calculation of Feature Group A message usage credit on a statewide or company-wide basis (Traffic Sensitive Basket).

### Summary of Exhibits

Exhibit 1	Index Development Growth Rate (g) Exogenous Changes
Exhibit 2	IND-1 Transmittal Reference
Exhibit 3	Centrex PICC Composite Rates
Exhibit 4	CMT Revenue Per Line
Exhibit 5	Universal Service Fund Receipts Per Line
Exhibit 6	Pooling Revenue
Exhibit 7	Rate Detail Chart
Exhibit 8	Excluded Services
Exhibit 9	492A