

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

In the Matter of	)	
	)	
	)	
July 1, 2003	)	WCB/Pricing 03-15
Annual Access Charge Tariff Filings	)	
	)	

**REPLY OF IOWA TELECOMMUNICATIONS SERVICES, INC.  
D/B/A IOWA TELECOM**

In accordance with section 1.773(b) of the Commission's Rules and the April 17, 2003 Order in the above-referenced proceeding,<sup>1</sup> Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom ("Iowa Telecom") hereby submits this Reply to the petition filed by AT&T Corp. ("AT&T") in this proceeding, which, *inter alia*, seeks to suspend and investigate the 2003 annual access charge tariff of Iowa Telecom.<sup>2</sup> Because AT&T's petition to suspend and investigate Iowa Telecom's tariff is based upon a mistaken interpretation of the Commission's Part 61 rules, and because Iowa Telecom's tariff is consistent with Part 61 rules, the Commission should deny this aspect of AT&T's petition and decline to suspend and investigate Iowa Telecom's tariff.

**I. BACKGROUND**

Iowa Telecom filed its 2003 annual access filing with the Commission on June 16, 2003 in Transmittal No. 35. Iowa Telecom's tariff filing included Telecommunications Relay Services ("TRS") exogenous cost adjustments for each of its two tariff entities, Iowa Telecom

---

<sup>1</sup> July 1, 2003 Annual Access Charge Tariff Filing, WCB/Pricing 03-15, Order, DA 03-1175 (rel. Apr. 18, 2003).

<sup>2</sup> Petition of AT&T Corp., July 1, 2003 Annual Access Charge Tariff Filing, WCB/Pricing 03-15, June 23, 2003 ("AT&T Petition").

Systems Service Group (COSA “ITIT”) and Iowa Telecom Service Group (COSA “ITNO”). For each tariff entity, Iowa Telecom allocated TRS exogenous cost among the Common Line and Special Access baskets according to the total revenues attributable to these baskets. These exogenous costs were then incorporated into Iowa Telecom’s price cap index (“PCI”) adjustments for each of these baskets, pursuant to the PCI adjustment formula set out in Section 61.45 of the Commission’s rules. Iowa Telecom’s 2003 annual access tariff revisions are due to take effect on July 1, 2003.

On June 23, 2003, AT&T filed a petition seeking to suspend for one day and investigate the 2003 annual access tariffs of various local exchange carriers (“LECs”), including Iowa Telecom.<sup>3</sup> The AT&T petition challenges only one aspect of Iowa Telecom tariff filing: the allocation of TRS exogenous cost between the Common Line and Special Access baskets.

AT&T’s petition states:

Most of the price cap LECs have improperly allocated their Telecommunications Relay Services (“TRS”) exogenous cost among the price cap baskets. These LECs have incorrectly allocated TRS costs basis on *total* basket revenues, instead of *end-user* basket revenues. As a result, all price cap LECs other than Qwest have overallocated the TRS exogenous cost to the Special Access basket and underallocated such costs to the Common Line basket.<sup>4</sup>

## **II. IOWA TELECOM’S ALLOCATION OF TRS EXOGENOUS COST IS CONSISTENT WITH THE COMMISSION’S RULES**

As noted above, AT&T’s petition raises only issue with respect to Iowa Telecom’s 2003 annual access tariff filings – the allocation of TRS exogenous cost among the Special Access and Common Line baskets. AT&T asserts that LECs “must allocate their TRS costs to the price cap

---

<sup>3</sup> See AT&T Petition, Appendix A.

<sup>4</sup> *Id.* at 10.

baskets on the basis of end user revenues, consistent with the [TRS] contribution methodology.”<sup>5</sup>

AT&T cites Section 64.604 of the Commission’s rules, which requires telecommunications carriers to contribute to the TRS Fund on the basis of end-user revenues.<sup>6</sup> AT&T’s claim, therefore, is based on the assumption that Section 64.604 also controls the allocation of TRS exogenous cost by price cap carriers.

AT&T’s assumption is incorrect. Instead, the Commission rule governing allocation of exogenous costs is contained in Section 61.45, which specifies how adjustments to the PCI should be made. Section 61.45(d)(3) states:

Exogenous cost changes shall be apportioned on a cost-causative basis between price cap services as a group, and excluded services as a group. Total exogenous cost changes thus attributed to price cap services shall be recovered from services other than those used to calculate the ATS charge.<sup>7</sup>

The only requirement that price cap LECs must meet, therefore, when allocating TRS exogenous cost among price cap baskets is that they recover this cost from “services other than those used to calculate the ATS charge.” Otherwise, the rule grants LECs flexibility to allocate costs among price cap baskets in a reasonable manner, as they deem appropriate.

Notably, the Commission amended Section 61.45 in the *CALLS Order* to eliminate the cost-causative allocation methodology that AT&T now asserts exists. Prior to *CALLS*, Section 61.45(d) stated: “Exogenous cost changes thus attributed to price cap services shall be further apportioned on a cost-causative basis among the price cap baskets.”<sup>8</sup> Arguably, this language

---

<sup>5</sup> *Id.* at 11.

<sup>6</sup> *See id.* at 10 (citing 47 C.F.R. § 64.604(c)(5)(iii)(A)).

<sup>7</sup> 47 C.F.R. § 61.45(d)(3) (2002).

<sup>8</sup> 47 C.F.R. § 61.45(d)(4) (1999). The Commission adopted this allocation rule in the *LEC Price Cap Order*. *See* Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order, CC Docket No. 87-313, 5 FCC Rcd 6786, 6872 (1990).

required LECs to allocate TRS exogenous cost among price cap baskets in the same manner that TRS contributions were assessed. The *CALLS Order*, however, deleted this sentence in its entirety and replaced it with the language requiring LECs to recover costs “from services other than those used to calculate the ATS charge.”<sup>9</sup> As a signatory to CALLS, AT&T should be fully aware of this change in the exogenous cost allocation rule.<sup>10</sup>

### III. CONCLUSION

AT&T’s claim that Iowa Telecom has improperly allocated the TRS exogenous cost among the Common Line and Special Access baskets is based on an incorrect assumption and is contrary to Section 61.45(d)(3). Instead, the Commission’s rules allow price cap LECs considerable flexibility in allocating exogenous costs among price cap baskets. Iowa Telecom’s 2003 annual access filing is therefore fully in accordance with the Commission’s Part 61 rules. Accordingly, the Commission should deny this aspect of AT&T’s Petition and decline AT&T’s request to suspend for one day and investigate Iowa Telecom’s 2003 annual access tariff filing.

---

<sup>9</sup> Access Charge Reform, CC Docket No. 96-262, Sixth Report and Order, 15 FCC Rcd 12962 at B-31 (2000) (“*CALLS Order*”), *aff’d in part, rev’d in part*, *Texas Office of Public Utility Counsel v. FCC*, 265 F.3d 313 (5th Cir. 2001).

<sup>10</sup> Furthermore, Iowa Telecom notes that AT&T had the opportunity to raise any concerns regarding Iowa Telecom’s allocation of exogenous cost after Iowa Telecom filed its short form Tariff Review Plan (“TRP”) on May 1, 2003. In that filing, Iowa Telecom identified all exogenous costs by price cap basket in its EXG-1 form. Yet, AT&T failed to raise any objections at that time. Moreover, Iowa Telecom allocated TRS exogenous cost in the same manner in both its 2001 and 2002 annual access tariff filings and AT&T did not object to either cost allocation.

Respectfully submitted,

IOWA TELECOMMUNICATIONS SERVICES, INC. D/B/A  
IOWA TELECOM

By: /s/ Gregory J. Vogt

D. M. Anderson  
Vice President of External Affairs  
Iowa Telecommunication Services, Inc.  
11 Eleventh Avenue  
P.O. Box 330  
Grinnell, IA 50112  
641.269.7807

Gregory J. Vogt  
Derek A. Yeo  
Wiley Rein & Fielding LLP  
1776 K Street NW  
Washington, DC 20006  
202.719.7000

Its Attorneys

June 27, 2003

## SERVICE LIST

I hereby certify that on this 27th day of June 2003, I caused a copy of the foregoing

Reply to be delivered to each of the following:

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

Original + four copies by courier

Tamara Preiss  
Chief, Pricing Policy Division  
Wireline Competition Bureau  
Federal Communications Commission  
445 12th Street, N.W.  
Room 5-A225  
Washington, D.C. 20554

By courier

Safir Rammah  
AT&T Corp.  
3033 Chain Bridge Road  
Oakton, VA 22185  
Fax: (703) 691-6057

By facsimile

Judith Nitsche  
Asst. Division Chief, Pricing Policy Division  
Wireline Competition Bureau  
Federal Communications Commission  
445 12th Street, N.W.  
Washington, D.C. 20554  
jnitsche@fcc.gov

By email

Qualex International  
445 12th Street, N.W.  
Room CY-B402  
Washington, D.C. 20554  
qualexint@aol.com

By email

/s/ Derek A. Yeo