

# **PUBLIC VERSION**

**IOWA TELECOMMUNICATIONS SERVICES, INC.  
D/B/A IOWA TELECOM  
REVISIONS TO TARIFF F.C.C. NO. 1  
TRANSMITTAL NO. 43  
JANUARY 16, 2004**

## **DESCRIPTION AND JUSTIFICATION**

### **SERVICE PROVIDER NUMBER PORTABILITY FEE**

#### **INTRODUCTION**

The Telecommunications Act of 1996 mandated that local telephone companies offer “telephone number portability” in accordance with requirements prescribed by the FCC. In FCC 98-82 released May 12, 1998 (CC Docket No. 95-116), the Commission determined the types of costs that could be recovered through separate charges for establishing and providing telephone number portability service.<sup>1</sup> In that ruling, the FCC concluded that local telephone companies are allowed to recover certain costs of implementing and providing telephone number portability through a fixed monthly charge assessed on the end user customer. The charge is to be assessed for a five-year period commencing from when local number portability becomes available in an exchange serving the end user customer.

Iowa Telecom’s current tariff contains the terms and conditions for applying a Service Provider Number Portability (SPNP) Fee, but does not include specific rates. The company has not assessed a SPNP Fee in any of its exchanges (SAC 351167, 351170 and 351178). Iowa Telecom has received bona fide requests for long-term number portability and has implemented this capability in certain exchanges. Accordingly, this filing presents the cost study to establish the rates for the SPNP Fee.

#### **LNP DEMAND, COST AND RATE DEVELOPMENT**

To calculate its own demand, cost and rates, Iowa Telecom used the identical methodology employed by NECA to support the rates in Section 13.14, Local Number Portability Services, of NECA’s Tariff F.C.C. No. 5.

The demand for LNP capable access lines, including PBX trunks and PRI-ISDN lines, and queried calls were projected over 5 years. In calculating SPNP Fees, PRI-ISDN lines were assigned a weight of five, and PBX trunks were assigned a weight of nine, as specified at Paragraph 145 of the *Telephone Number Portability Third Report and Order*.

---

<sup>1</sup> See generally *Telephone Number Portability*, 13 FCC Rcd 11701 (rel. May 12, 1998)(*Telephone Number Portability Third Report and Order*).

Costs include switch upgrade costs required to implement LNP capability, and projected ongoing costs over a 5 year period. SPNP Fees were set to equate the present value of revenues to the present value of cost outlays. Present values of total costs were obtained using a discount factor of 15.21%, which is the after-tax cost of money (11.25%) grossed up for the tax rate (35%). This gross-up is only applied to the equity portion of the cost of money, because the debt portion is already tax-deductible, but the equity portion is taxable.

The circuit switching costs used in the development of the SPNP Fees include only those direct costs required to implement LNP. In identifying which of these LNP costs could be included in the rate, Iowa Telecom used two criteria, based on the FCC guidelines: (1) the costs would not have been incurred by the telephone company if number portability was not implemented, and (2) the costs were incurred "for the provision of" number portability. Using these criteria, Iowa Telecom calculated a required investment amount of [REDACTED] for 291 wire centers. This amount includes switch manufacturer LNP software costs, database engineering/translations for LNP load, LNP/AIN Translations Simplification, 10-digit trigger and AMA capabilities.

Expenses recovered by the SPNP Fee average approximately [REDACTED] per year, and fall into two categories: (1) projected charges to be paid to the query provider for queries that the Telephone Company initiates in its capacity as an N-1 carrier, and (2) training, planning, and programming costs. Query expenses are based only upon queries necessary to complete local and Extended Area Service (EAS) calls originated from the company's end users. End user query expenses were obtained by multiplying query projections by the per query rate, paid by the telephone company to its query provider. Programming expenses are based upon the need for modifications to the following systems: Switch Conversion, Service Order System, E911 Update, LIDB/CNAM Update, CARE System (IXC PIC's), D.A. and Directory Systems, Telephone Number Inventory System, Cycle Billing System etc.

The demand and costs calculations used to develop SPNP Fees for the company are detailed in Confidential Exhibit 1 (attached).

Exhibit 1

Confidential Cost Support

[REDACTED]