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SIDLEY

SIDLEY AUSTIN LLP
1501 K STREET, N.W.
WASHINGTON, D.C. 20005
+1 202 736 8000
+1 202 736 8711 FAX

AMERICA • ASIA PACIFIC • EUROPE

MHUNSEDER@SIDLEY.COM
+1 202 736 8236

May 10, 2018

By ECFS

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: ***In the Matter of Iowa Network Access Division Tariff F.C.C. No. 1, WC Docket No. 18-60, Transmittal No. 36***

Dear Ms. Dortch:

AT&T Services, Inc. ("AT&T") submits for filing the **Public Version** of its Opposition in the above-referenced proceeding to the Direct Case of Iowa Network Services, Inc. d/b/a Aureon Network Services ("Aureon"). Consistent with the Commission's rules and the March 26, 2018 Protective Order entered by the Commission Staff, AT&T has redacted all "Confidential Information" from the **Public Version**, which it is filing by ECFS.

AT&T is also filing by hand with the Secretary's office one hard copy of the **Confidential Version** of this submission. In addition, copies of all versions of the submission are being served electronically on Aureon's counsel. Two copies are also being provided to Joseph Price at the Wireline Competition Bureau.

Please contact me if you have any questions regarding this matter.

Sincerely,

Michael J. Hunseder

Enclosures

cc: James L. Troup, Counsel for Aureon
Tony Lee, Counsel for Aureon
Joseph Price, FCC
Pam Arluk, FCC
Joel Rabinovitz, FCC

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

**Iowa Network Access Division
Tariff F.C.C. No. 1**

WC Docket No. 18-60

Transmittal No. 36

**AT&T SERVICES, INC.'S OPPOSITION TO DIRECT CASE
OF IOWA NETWORK ACCESS DIVISION d/b/a AUREON NETWORK SERVICES**

Christi Shewman
Gary L. Phillips
David L. Lawson
AT&T SERVICES, INC.
1120 20th St., NW
Suite 1100
Washington, DC 20036
(202) 457-3090
(202) 463-8066 (fax)

Letty Friesen
AT&T SERVICES, INC.
161 Inverness Drive West
Englewood, CO 80112
(303) 299-5708
(281) 664-9858 (fax)

James F. Bendernagel, Jr.
Michael J. Hunseder
Spencer Driscoll
Morgan Lindsay
SIDLEY AUSTIN LLP
1501 K Street NW
Washington, DC 20005
jbendernagel@sidley.com
mhunseder@sidley.com
(202) 736-8000
(202) 736-8711 (fax)

Brian A. McAleenan
SIDLEY AUSTIN LLP
One South Dearborn
Chicago, IL 60603
(312) 853-7000
(312) 853-7036 (fax)

Dated: May 10, 2018

Counsel for AT&T Services, Inc.

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

Iowa Network Access Division
Tariff F.C.C. No. 1

WC Docket No. 18-60

Transmittal No. 36

AT&T SERVICES, INC.’S OPPOSITION TO DIRECT CASE
OF IOWA NETWORK ACCESS DIVISION
d/b/a AUREON NETWORK SERVICES

Pursuant to the Commission’s April 19, 2018 *Designation Order*,¹ AT&T Services, Inc. (“AT&T”) respectfully submits this Opposition to the Direct Case submitted by Iowa Network Services, Inc. d/b/a Aureon Network Services (“Aureon”) in support of its February 22, 2018 Tariff Filing.

As demonstrated below, Aureon’s Direct Case is seriously deficient, and confirms that Aureon’s Revised Tariff Filing violates the Commission’s rules, its *Liability Order*,² and Section 201(b) of the Communications Act. The Commission should therefore find Aureon’s current rate to be unreasonable and direct Aureon to: (a) file a new rate correcting the errors identified below and (b) refund the difference between that corrected rate and its current rate of \$0.00576/min.

¹ Order Designating Issues for Investigation, *In the Matter of Iowa Network Access Division Tariff F.C.C. No. 1*, WC Docket No. 18-60, Transmittal No. 36 (Apr. 19, 2018) (“*Designation Order*”).

² Memorandum Opinion and Order, *AT&T Corp. v. Iowa Network Servs., Inc., d/b/a Aureon Network Servs.*, 32 FCC Rcd. 9677 (2017) (“*Liability Order*”).

INTRODUCTION

By order dated February 28, 2018, the Commission suspended Aureon’s Tariff because significant questions had been raised regarding the lawfulness of its rates.³ In its April 19, 2018 *Designation Order*, the Commission set for investigation and identified specific questions regarding each of the following three issues:

1. What is the appropriate benchmark rate for Aureon’s Centralized Equal Access (“CEA”) service?
2. Are the cost and demand data supporting Aureon’s proposed rate of \$0.00576 per minute (“/min.”) adequate and consistent with Section 61.38 of the Commission’s rules (47 C.F.R. § 61.38)?
3. What is the relationship between the Commission’s competitive local exchange carrier (“CLEC”) benchmark rules and its dominant carrier pricing regulations as those regulations relate to CEA service?

Rather than immediately address these questions, Aureon’s Direct Case begins by attacking the conclusion that, under the Commission’s 2011 transitional access service pricing rules, Aureon is subject to the Commission’s benchmark rules for CLECs—even asking the Commission to waive those rules. Direct Case at 3-10, 11-13. These arguments have no place here. The Commission’s rules were adopted seven years ago in 2011, and in the *Liability Order*, the Commission properly interpreted and applied the plain language of those rules to Aureon, finding that “Aureon is a CLEC” for purposes of those rules. *Liability Order*, ¶ 25. The *Designation Order* incorporated that finding, *see Designation Order*, ¶ 9, and Aureon provides no valid basis for the Commission to waive a binding regulation in a tariff investigation. *See infra* Part III. Aureon is a CLEC, the Commission’s benchmark rules apply to Aureon, and, as explained herein, Aureon’s rate violates those rules.

³ Order, *In the Matter of Iowa Network Access Division Tariff F.C.C. No. 1*, WC Docket No. 18-60, Transmittal No. 36 (Feb. 28, 2018) (“*Suspension Order*”).

Aureon’s Direct Case also seeks to justify its excessive tariff rate by arguing that its CEA service is “critical” to rural areas, and by hinting that, unless the Commission rubber-stamps Aureon’s inefficient operations, it might need to “discontinu[e] . . . CEA service.” Direct Case at 1-2. Aureon provides no support for these assertions. In fact, other rural areas in the country have long managed without CEA service, and other CEA providers acknowledge they are subject to the intercarrier compensation rules and have not insisted that they need to charge excessive rates to carry access stimulation traffic. In any event, Aureon’s arguments are misplaced, and the issue here is whether ratepayers—long distance and wireless companies and their customers—must continue to pay Aureon’s unreasonable charges. As AT&T explained in its formal complaint, it is billed terminating switched access service by about 1300 carriers nationwide, and yet one carrier, Aureon—which professes to be a “rural” carrier, and which serves a few hundred communities and a few hundred thousand end users—has been responsible for billing over 12 percent of AT&T’s total, nationwide terminating switched access expense. Aureon’s revised tariff rate is nowhere near the reduction in price that is necessary to avoid further harm to ratepayers.

When Aureon does turn to the issues posed in the *Designation Order*, its responses are inadequate and do not support its proposed tariff rate. As to the benchmark rules, Aureon argues that its proposed CEA rate passes muster under those rules regardless of whether that rate is based on the rates of NECA or CenturyLink. It also defends the adequacy of its Section 61.38 rates, arguing that the **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[[END CONFIDENTIAL]] Finally, Aureon asserts that the CLEC benchmark rate

should be viewed as a floor rather than a ceiling—and as such there is no need to consider the reasonableness of its CEA rate under Section 61.38 so long as that rate is lower than the CLEC benchmark.

As explained in greater detail below, each of Aureon’s responses to the issues designated for investigation is seriously deficient. *First*, Aureon’s tariffed rate exceeds the CLEC benchmark rate, which is a maximum of \$0.003188/min. The benchmark rate for Aureon’s CEA service, which it prices using a composite rate, must be based on the composite rate that CenturyLink would charge for tandem switching and transport service. 47 C.F.R. § 61.26(f). CenturyLink is the “competing ILEC” under the Commission’s rules because it is the only ILEC in Iowa that has a tandem network similar to Aureon’s network; if Aureon were not providing its CEA service, then the incumbent LEC that AT&T and other interexchange carriers (“IXCs”) would use for tandem switching and transport service is CenturyLink. *See* 47 C.F.R. § 61.26(a)(2). In fact, CenturyLink currently operates tandem switches near each of the primary points of interconnection (“POIs”) where Aureon exchanges traffic with its subtending LECs. Aureon also miscalculates the composite benchmark rate because it applies Aureon’s mileages to CenturyLink’s rates. The CLEC benchmark rules were put in place to mimic a competitive market, and specifically prohibit competitive LECs from filing tariffed rates above the prevailing market price of the competing ILEC. Yet Aureon’s proposed benchmark rate based on CenturyLink’s tariffed rates is calculated using over 100 miles of per-mile transport charges. That rate far exceeds the prevailing market price because CenturyLink could provide the same tandem and transport service as Aureon while billing—at most—an average of 22 miles.

Aureon also fails to support its claim that the small ILECs subtending Aureon would be the “competing ILECs.” Those subtending LECs do not have the legal or practical capability to

provide a service comparable to the tandem switching and transport services offered by Aureon or CenturyLink. And, contrary to Aureon’s claims, it is not entitled to tariff its rates using the rural CLEC exemption, which the Commission has repeatedly held is very narrow, and which is not applicable to Aureon for numerous reasons.

Second, Aureon has not demonstrated that the cost and demand data underlying its revised rate of \$0.00576/min. is adequate. Aureon’s current CEA rate, as determined on a cost-of-service basis, depends primarily on two calculations: (a) a projected revenue requirement, which consists of a return on switching investment plus the operating expenses (including a “CWF lease expense”) expected to be incurred in providing CEA service in the test year, and (b) a demand forecast for CEA service in the test year. Because the “CWF lease expense” assigned to CEA service accounts for approximately 85% of the projected revenue requirement for CEA service, that lease cost, together with Aureon’s demand forecast, are the two key factors driving Aureon’s CEA rates.

As explained in greater detail below, Aureon has failed to support either factor. The back-up data provided by Aureon in support of the “CWF lease expense” is clearly deficient. In fact, Aureon admits that the detailed [[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁴ Direct Case at 40-41.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [[END CONFIDENTIAL]]

Further, as AT&T demonstrated in the complaint proceeding, [[BEGIN
CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [[END CONFIDENTIAL]]

As to its demand calculation, Aureon's prior demand forecasts have historically been inaccurate, and, given that fact and the uncertainties associated with CEA service generally and access stimulation traffic in particular, Aureon's current forecast is not reasonable or adequately supported. The forecast was not computed using defensible assumptions, and it fails to take into account significant volumes of traffic from other IXC's to Aureon's subtending LECs that bypasses Aureon—even though Aureon contends IXC's are obligated to transport calls to subtending LECs using Aureon's CEA service, and thus this bypass should, under Aureon's view, be included. If Aureon's demand forecast had been reliably prepared and its CWF costs had been properly

allocated, Aureon's revised rate would be much lower, [[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED] [[END CONFIDENTIAL]]

Finally, Aureon's contention that the CLEC benchmark should be viewed as a floor, as opposed to a ceiling, makes a mockery of the CLEC benchmark and turns the Commission's rate cap and rate parity regulations on their head. Moreover, it runs entirely counter to the Commission's findings that Aureon's CEA services is intended to be a *lower* cost, more efficient way of transporting traffic to and from rural areas in Iowa.⁵ Indeed, Aureon's approach would enable Aureon to raise its rates to levels *higher* than the rates it was authorized to charge in 1988. In addition, it would not impose any meaningful constraint on Aureon's Section 61.38 rates, particularly if Aureon were to prevail on its position that the benchmark should be computed based on NECA's rates. As explained below, the best way to ensure the reasonableness of Aureon's CEA rates (and the way required by the Commission's rules and *Liability Order*) is to require Aureon to compute the rates under both sets of rules, and to cap Aureon's properly computed Section 61.38 CEA rate at or below a composite CLEC benchmark rate computed on the basis of CenturyLink's rates and network mileages.

Given the major deficiencies in both Aureon's rate calculations and its responses to the issues identified for investigation in the *Designation Order*, the Commission should find Aureon's revised rate to be unreasonable and direct Aureon to (a) file a new CEA rate correcting the errors identified above and discussed in greater detail below, and (b) refund the difference between that corrected rate and Aureon's current rate of \$0.00576/min.

⁵ *AT&T v. Alpine*, 27 FCC Rcd. 11511, ¶ 29 (2012) ("*Alpine*") (holding that the Commission "approved the creation of [Aureon] in order to *lower* the cost of transporting traffic from Des Moines to the various remote rural exchanges. . . ."), *recon. denied*, 27 FCC Rcd. 16606 (2012).

BACKGROUND

This case arises from a dispute over Aureon's unlawful billing of CEA service in Iowa. Although Aureon was established in 1988 for the express purpose of providing a tandem switching and transport service for carriage of traditional long distance calls to and from small rural carriers, for the past decade the vast preponderance of Aureon's CEA traffic has consisted of access stimulation traffic routed to a handful of access stimulating CLECs operating in Iowa.

In July 2013, Aureon raised its composite rate for CEA service from \$0.00623/min. to \$0.00896/min., thereby violating the rate cap regulations that the Commission adopted in late 2011.⁶ In seeking to justify that rate increase (which exceeded the level of Aureon's CEA rate at the end of 2011 (*i.e.*, \$0.00819/min.) and thus violated the Commission's Default Rate cap), Aureon took the position that it was wholly exempt from the Commission's rate cap and rate parity regulations. AT&T objected to Aureon's unlawful rate increase and began to withhold payment of most of Aureon's billed charges. Aureon subsequently brought a collection action in New Jersey federal district court, which the court eventually referred to the Commission on primary jurisdiction grounds.

I. AT&T's Formal Complaint Proceeding Before the Commission

In June 2017, AT&T filed a formal complaint against Aureon, alleging four claims, including a claim that Aureon had unlawfully manipulated its rates for CEA service, making them

⁶ *Liability Order*, ¶ 23; *In re Connect Am. Fund*, 26 FCC Rcd. 17763, ¶¶ 800-01, 812 (2011) ("*Transformation Order*").

unreasonable.⁷ AT&T further requested additional discovery from Aureon regarding the basis for its rate calculations.⁸

In its Answer regarding AT&T's rate manipulation claims, Aureon argued that so long as it followed the applicable procedures, the Commission should accept its assurances that its CEA rates were reasonable. Aureon also submitted a declaration from its Vice-President of Finance, Jeff Schill, which included a table (Table 1) that **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[[END CONFIDENTIAL]] [REDACTED]

On July 25, 2017, the Commission entered an order directing Aureon to produce additional discovery regarding its rate calculations and granting AT&T's request to depose Aureon's Vice-

⁷ In support of its rate manipulation claims, AT&T submitted a declaration from Daniel P. Rhinehart, an internal AT&T cost analyst, with extensive experience in cost of service ratemaking. AT&T Ex. 1, Declaration of Daniel P. Rhinehart, *AT&T Corp. v. Iowa Network Services, Inc., d/b/a Aureon Network Services*, Proceeding Number 17-56 (June 1, 2017) ("Rhinehart Initial Decl.") (AT&T Ex. 1). Mr. Rhinehart has now submitted a total of five declarations on these issues—three in the complaint proceeding, and two during this rate investigation. Mr. Rhinehart's initial declaration in the complaint proceeding will hereinafter be referenced as "Rhinehart Initial Decl."; his reply declaration will be referenced herein as "Rhinehart Reply Decl." (AT&T Ex. 2); and his supplemental declaration, which is appended hereto, will be referenced as "Rhinehart Supp. Decl." (AT&T Ex. 3). His declaration submitted in support of AT&T's Petition to Reject or Suspend will be referenced as "Rhinehart Rate Decl.," and his declaration in support of this Opposition to Aureon's Direct Case will be referenced as "Rhinehart Supp. Rate Decl."

⁸ That discovery, as well as certain discovery regarding Aureon's rate calculations that was provided to AT&T prior to the filing of AT&T's formal complaint, was produced under a protective order that specifically permitted Mr. Rhinehart to review all confidential material, regardless of whether that material was designated as "Confidential" or "Highly Confidential." By contrast, in this proceeding Aureon has objected to Mr. Rhinehart's reviewing any materials designated in this case as "Confidential," regardless of whether he had previously seen and testified about the very same type of material in the complaint proceeding. Aureon, however, has permitted both AT&T and Mr. Rhinehart to use in this proceeding material designated as either "Confidential" or "Highly Confidential" in the complaint proceeding. As a consequence, Mr. Rhinehart's analysis in this proceeding is limited to his review of the public versions of the material that Aureon has provided in support of its revised CEA rate, and material (including confidential material) from the complaint proceeding.

President of Finance, Jeff Schill.⁹ In response to that Order on August 7, 2017, Aureon submitted a letter disclosing for the very first time **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]** At his deposition, Mr. Schill was, by and large, unable to answer **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]**

In AT&T's Final Brief, AT&T explained the lack of any record evidence supporting Aureon's lease rates, Aureon's over-allocation of CWF fiber costs to its CEA service, **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]** AT&T also submitted a supplemental declaration from Mr. Rhinehart demonstrating **[[BEGIN CONFIDENTIAL]]** [REDACTED]

⁹ Order, *AT&T Corp. v. Iowa Network Services, Inc., d/b/a Aureon Network Services*, Proceeding Number 17-56 (July 25, 2017).

¹⁰ See AT&T Ex. 4, INS Discovery Letter, *AT&T Corp. v. Iowa Network Services, Inc., d/b/a Aureon Network Services*, Proceeding Number 17-56 ("August 7 Letter").

¹¹ Final Brief of AT&T Corp., *AT&T Corp. v. Iowa Network Services, Inc., d/b/a Aureon Network Services*, Proceeding Number 17-56 (Aug. 21, 2017) ("AT&T Final Brief").

■ [[END CONFIDENTIAL]]

In its Final Reply Brief, Aureon attempted to justify the reasonableness of its belatedly disclosed lease rates,¹³ but as AT&T explained in a motion to strike, Aureon had [[BEGIN CONFIDENTIAL]]

■ [[END CONFIDENTIAL]]

II. The Commission's *Liability Order*

On November 5, 2017, the Commission ruled in AT&T's favor on several issues. First, the Commission held that Aureon had violated the Commission's rate cap and rate parity rules, that Aureon was a CLEC for purposes of its transitional access rules, and that Aureon should be benchmarking its rates according to the CLEC access rules.¹⁵ Second, the Commission declared Aureon's tariff *void ab initio* as of July 1, 2013, and it directed Aureon to file a new tariff in compliance with the *Liability Order* and the Commission's rules.¹⁶ Third, the Commission noted that AT&T had "raised a number of significant questions about Aureon's CEA practices and rates that deserve further exploration. These include Aureon's treatment of network investment, its cost

¹² AT&T Ex. 3, Rhinehart Supp. Decl.

¹³ Reply Brief of Iowa Network Services, Inc. d/b/a Aureon Network Services, *AT&T Corp. v. Iowa Network Services, Inc., d/b/a Aureon Network Services*, at 6-7, Proceeding Number 17-56 (Aug. 28, 2017) ("Aureon Final Reply Brief"); *see also* Final Reply Brief of AT&T Corp., *AT&T Corp. v. Iowa Network Services, Inc., d/b/a Aureon Network Services*, Proceeding Number 17-56 (Aug. 28, 2017) ("AT&T Final Reply Brief").

¹⁴ Motion of AT&T Corp. to Strike Portions of Aureon's Final Reply Brief and Supporting Declarations, *AT&T Corp. v. Iowa Network Services, Inc., d/b/a Aureon Network Services*, Proceeding Number 17-56 (Aug. 31, 2017) ("Motion to Strike").

¹⁵ *Liability Order*, ¶¶ 24-25.

¹⁶ *Id.* ¶¶ 29, 35.

allocations, and the role of lease costs involving the regulated entity and a competitive services affiliate.”¹⁷

On December 8, 2017, Aureon filed a petition for reconsideration, which AT&T opposed.¹⁸ That petition is currently pending before the Commission. Further, on January 6, 2018, AT&T filed an appeal of the Commission’s decision in the *Liability Order* addressing (a) whether Aureon’s CEA tariff applies to access stimulation traffic and (b) whether Aureon is subject to the Commission’s access stimulation rules.¹⁹ That appeal is currently stayed pending resolution of Aureon’s motion for reconsideration of the *Liability Order*.²⁰

III. The Commission’s Rate Investigation Proceeding

A. Aureon’s Revised Tariff Filing and the Commission’s *Suspension Order*

On February 22, 2018, Aureon submitted its revised Tariff Filing, setting forth a new proposed rate of \$.00576/min, contending that that rate “represent[ed] a reduction of \$0.0032 or - 36%” versus the prior CEA rate that the Commission had found to be unlawful.²¹

¹⁷ *Id.* ¶ 30.

¹⁸ Petition for Reconsideration, *AT&T Corp. v. Iowa Network Services, Inc., d/b/a Aureon Network Services*, Proceeding Number 17-56 (Dec. 8, 2017).

¹⁹ Petition for Review, *AT&T Corp. v. FCC*, No. 18-1007 (D.C. Cir. Jan. 8, 2018).

²⁰ Order, *AT&T Corp. v. FCC*, No. 18-1007 (D.C. Cir. Apr. 11, 2018).

²¹ Aureon 2018 Tariff Filing, Description and Justification, at 1. As Mr. Rhinehart pointed out in his declaration in support of AT&T’s Petition to Reject or Suspend, that decrease was almost entirely the result of Aureon’s decision not to include so-called “Uncollectible Revenues” in the revenue requirement supporting its new CEA rate. *See* Rhinehart Rate Decl. As Mr. Rhinehart explained in detail in his declarations in the complaint proceeding (and further discusses in his supplemental rate declaration), the inclusion of such amounts was never justified. *See* AT&T Ex. 1, Rhinehart Initial Decl. ¶¶ 38-43; AT&T Ex. 2, Rhinehart Reply Decl. ¶¶ 52-57.

On February 25, 2018, AT&T filed a Petition to Reject or Suspend Aureon's Tariff Filing.²² In that petition, AT&T argued that Aureon had failed to properly revise its tariff filing in accordance with the *Liability Order* and the Commission's rules, and that many of the same rate manipulation issues identified in the complaint proceeding with regard to Aureon's prior tariff filings persisted in its 2018 Tariff Filing. Sprint also separately filed a Petition to Reject or Suspend Aureon's Tariff Filing.²³

On February 28, 2018, the Commission suspended Aureon's tariff, concluding that "substantial questions of lawfulness exist regarding how Aureon revised the switched transport rate contained in its proposed tariff revisions."²⁴ In that *Suspension Order*, the Commission highlighted several concerns with Aureon's Tariff Filing, including the adequacy of the cost support submitted by Aureon under Section 61.38, improper cost allocation methodology, and inaccurate traffic projections.²⁵ The Commission also raised questions regarding the appropriate benchmark rate against which Aureon's CEA rate should be compared.²⁶

B. The Commission's *Designation Order*

On April 19, 2018, the Commission issued its *Designation Order* and identified the three issues discussed above for its investigation. With respect to each of these issues, the Commission

²² Petition of AT&T Services, Inc. to Reject or to Suspend and Investigate Iowa Network Services, Inc. Tariff Filing, *In the Matter of Iowa Network Access Division Tariff F.C.C. No. 1*, WC Docket No. 18-60, Transmittal No. 36 (Feb. 26, 2018) ("AT&T Petition to Reject or Suspend").

²³ Petition of Sprint to Reject or Suspend and Investigate Iowa Network Access Division d/b/a Aureon Tariff, *In the Matter of Iowa Network Access Division Tariff F.C.C. No. 1*, WC Docket No. 18-60, Transmittal No. 36 (Feb. 26, 2018).

²⁴ *Suspension Order*, ¶ 1.

²⁵ *Id.* ¶ 3.

²⁶ *Id.* ¶ 4.

directed Aureon to respond to a series of questions and to supply additional supporting information.

- *Appropriate Benchmark Rate.* The Commission requested that Aureon:
 - (a) address whether the revised rate in Aureon's Tariff Filing was benchmarked to the correct competing ILEC, and also whether that rate was accurately benchmarked to the rate(s) for the appropriate service(s) of that competing ILEC;
 - (b) justify its assertion that it is entitled to use the rural exemption and is a rural CLEC under Section 61.26 of the Commission's rules, given that it does not serve end users (including certifications on the end user issue);
 - (c) identify the non-rural ILECs with whom it is competing that entitles it to the rural exemption, as well as the attendant NECA rate it believes it would benchmark to as a rural CLEC, and whether that rate is higher than its \$0.00819/min. rate in place on December 29, 2011;
 - (d) justify its alternative assertion that the appropriate competing ILECs are those that subtend Aureon's tandem, and how this position is consistent with Aureon's other positions and the Commission's rules;
 - (e) provide information regarding its subtending LECs, including whether they participate in the NECA tariff, how they can be considered competitors of Aureon's, and how serving LECs engaged in access stimulation affects Aureon's ability to benchmark to the NECA rate;
 - (f) explain why CenturyLink is not the competing ILEC for the provision of interstate exchange access service; and
 - (g) address the comparability of Aureon's rate to that of CenturyLink, including the appropriate mileage and which points of interconnection (POIs) should be used.
- *Sufficiency of Cost Support.* In addition to requiring Aureon to re-file its cost support data in native format, the Commission requested that Aureon:
 - (a) provide additional data regarding its 10.625% rate of return;
 - (b) justify its costs (particularly the costs underlying its "CWF expense"), and the method by which COE and CWF costs are assigned to the lease rate;
 - (c) explain its cost allocation methodology, particularly **[[BEGIN CONFIDENTIAL]]** [REDACTED] **[[END CONFIDENTIAL]]**

- (d) provide additional circuit cost documentation and detail, including **[[BEGIN CONFIDENTIAL]]** [REDACTED] **[[END CONFIDENTIAL]]** and
 - (e) discuss whether its lease expense, including expense related to spare network capacity.
- *Sufficiency of Demand Support.* On the demand side, the Commission directed Aureon to:
 - (a) demonstrate that its demand forecast is based on accurate and reliable data and that a credible forecasting method was used; and
 - (b) provide monthly traffic volume data for the period January 1, 2015 to the present to justify its forecast demand.
- *Relationship Between Benchmark Rate and Cost Support.* The Commission directed Aureon to address:
 - (a) whether consideration of cost data was necessary once the Commission identifies the competing ILEC to which Aureon must benchmark; and
 - (b) if the cost support confirms a lower rate, whether that lower rate would instead apply.

C. Aureon’s May 3 Direct Case Submission

On May 3, 2018, Aureon filed its Direct Case.²⁷ In its 66-page submission, Aureon spends a great deal of time on issues not before the Commission, including whether the Commission should waive or amend its rules.²⁸ And its responses fail to adequately address the questions and requests in the Commission’s *Designation Order*. First, on the CLEC benchmark issue, Aureon attempts to evade the CLEC benchmark requirement and otherwise fails to demonstrate why CenturyLink is not the competing ILEC, or why the CLEC benchmark rate should not be set to reflect the amount that CenturyLink would charge to AT&T and other IXC’s for a comparable

²⁷ Direct Case of Iowa Network Access Division d/b/a Aureon Network Services, *In the Matter of Iowa Network Access Division Tariff F.C.C. No. 1*, WC Docket No. 18-60, Transmittal No. 36 (May 3, 2018) (“Direct Case”).

²⁸ See, e.g., *id.* at 1-10.

service. *Second*, the cost and demand data provided by Aureon again demonstrates (as it did in the complaint proceeding) that Aureon is engaged in rate manipulation, has not justified its rate allocation, and has used a highly inaccurate forecasting model, thereby greatly overstating the rate for CEA service. *Third*, Aureon's argument that the CLEC benchmark is a "floor" is misguided under the Commission's rules and the *Liability Order*—Aureon is subject to a price "cap."

ARGUMENT

I. Issue #1 – The Appropriate Benchmark Rate for Aureon's Switched Access Service is a Maximum of \$0.003188 per Minute

In the *Designation Order*, the Commission explained that "Aureon is a competitive LEC for purposes of the Commission's intercarrier compensation rules." *Designation Order*, ¶ 9; *see Liability Order*, ¶ 25; *see generally* 47 C.F.R. §§ 51.901 *et seq.* (the Commission's "transitional access service pricing rules"); *id.* § 51.903(a) (defining "Competitive Local Exchange Carrier" under these rules as "any local exchange carrier" that is not an incumbent LEC). Under the transitional access service pricing rules, Aureon's rates are thus subject to 47 C.F.R. § 51.911.

Specifically, as of July 1, 2013, Aureon's rates are governed by Section 51.911(c) of those pricing rules. *See Designation Order*, ¶ 9. That section provides:

Beginning July 1, 2013, notwithstanding any other provision of the Commission's rules, all Competitive Local Exchange Carrier Access Reciprocal Compensation rates for switched exchange access services subject to this subpart shall be no higher than the Access Reciprocal Compensation rates charged by the competing incumbent local exchange carrier, in accordance with the same procedures specified in § 61.26 of this chapter.

47 C.F.R. § 51.911(c). To set Aureon's benchmark rate, Section 51.911(c) thus incorporates the "procedures specified" in Section 61.26 of the Commission's rules, which are the Commission's CLEC benchmark rules. *Id.* § 61.26. As such, as of July 1, 2013, the Commission's rules required that Aureon's rates for any of its switched access services had to be filed according to the procedures of Section 61.26. *Id.* § 51.911(c). Under the procedures of Section 61.26, Aureon's

rates must be benchmarked to those of the “competing ILEC.” *Designation Order*, ¶ 9; 47 C.F.R. § 61.26(f).

Accordingly, the first issue the Commission designated for investigation is “whether the revised rate for interstate switched transport service in Aureon’s Transmittal No. 36 is benchmarked to the correct competing incumbent LEC, and whether the Aureon rate is accurately benchmarked to the rate(s) for the appropriate service(s) of that competing incumbent LEC.” *Designation Order*, ¶ 9. Rather than accept that as the starting point for responding to the *Designation Order* on this issue—*i.e.*, that Aureon is a CLEC under the transitional pricing rules and must benchmark its rate to the competing ILEC, *Designation Order*, ¶ 9—Aureon’s first claim in its Direct Case is that, for various policy reasons, the Commission should change its rules in the middle of the proceeding. *See* Direct Case at 3-16. Indeed, Aureon even argues that the Commission should “waive the application of Section 51.911(c) and 61.26. . . .” *Id.* at 8. As explained below in Part III, Aureon’s arguments are misplaced, both legally and factually, and should be rejected.

As to the issue set for investigation by the *Designation Order*—the proper benchmark rate for Aureon’s CEA service—the answer is that Aureon must benchmark its rates to those of CenturyLink, and the accurate benchmark rate for Aureon’s CEA service is a maximum of \$0.003188 per minute.

A. The Commission’s Benchmark Rules Mimic The Operation Of A Competitive Market By Prohibiting CLECs From Filing Tariffed Rates That Exceed The Prevailing Market Price, Namely The Competing ILEC Rate

The Commission first issued its benchmark pricing rules in 2001, and then clarified and added to them in 2004.²⁹ The Commission determined that rules limiting CLEC access charges were necessary because the “tariff system create[s] an arbitrage opportunity for CLECs to charge unreasonable access rates.” *Seventh Report and Order*, ¶ 34. In particular, the Commission objected to efforts by CLECs to rely on tariffs to force IXCs to pay tariffed rates set unilaterally by the CLECs and thereby “recover an excessive share of their costs from their IXC access customers—and, through them, the long distance market generally.” *Id.* ¶ 39; *see also id.* ¶ 22 (high rates shift “an inappropriate share of the carriers’ costs onto the IXCs” and their customers); *id.* ¶ 59.

Consistent with its policy that the Commission should “rely on market forces as a means of reducing access charges,” the Commission adopted a benchmark approach that sought to “mimic the actions of a competitive marketplace,” in which competitors normally “price their product at or below the level of the incumbent provider.” *Seventh Report and Order*, ¶ 45; *see id.* ¶ 4 (the benchmark “will mimic the operation of the marketplace as competitive LECs will no longer be operating in the access market with tariffed rates well above the prevailing market price.”). The Commission determined that “it is highly unusual for a competitor to enter a market at a price dramatically above the price charged by the incumbent, absent a differentiated service offering.” *Id.* ¶ 37. The Commission recognized that “the benchmark we adopt may dramatically

²⁹ *See* *Seventh Report and Order, In the Matter of Access Charge Reform*, 16 FCC Rcd. 9923 (2001) (“*Seventh Report and Order*”); *Eighth Report and Order, In the Matter of Access Charge Reform*, 19 FCC Rcd. 9108 (2004) (“*Eighth Report and Order*”).

reduce the tariffed access rates and revenues of many CLECs,” but concluded that “this reduction is warranted.” *Id.* ¶ 59.

The Commission adopted a benchmark approach based on the rates of incumbents, in which CLECs could not lawfully file tariffs with rates above the benchmark rate of an incumbent. *Id.* ¶ 3 (“Above the benchmark, CLEC access services will be mandatorily detariffed”); *id.* ¶ 40.³⁰ Specifically, for most CLECs (those not engaged in access stimulation or not eligible for the rural exemption), the benchmark rate is based on the rate of the “competing ILEC.” 47 C.F.R. § 61.26. The Commission’s rules define “competing ILEC” as “the incumbent local exchange carrier, as defined in 47 U.S.C. 251(h), that would provide interstate exchange access services, in whole or in part, to the extent those services were not provided by the CLEC.” 47 C.F.R. § 61.26(a)(2).

In 2004, the Commission expanded its benchmark rule, adding a new subsection (f), to encompass services provided by “intermediate carriers.” *Eighth Report and Order*, ¶ 17; 47 C.F.R. § 61.26(f). In so acting, the Commission declared that “regulation of [intermediate carrier] rates is necessary for all the reasons that we identified in the [*Seventh Report and Order*].” *Eighth*

³⁰ In an appellate brief, the Commission’s Office of General Counsel has explained that a “CLEC tariff for interstate switched access services that includes rates in excess of the benchmark in Rule 61.26 is subject to mandatory detariffing. Under that regime, a carrier is *prohibited* from filing a tariff; any attempt to do so would violate the FCC’s rules and render the prohibited tariff *void ab initio* if filed with the Commission. . . . Thus, such a tariff cannot benefit from ‘deemed lawful’ status pursuant to section 204(a)(3) of the Act.” Brief for Amicus Curiae FCC, *Paetec Commc’ns v. MCI Commc’ns*, Nos. 11-2268 & 11-1204, 2012 WL 992658, at *25 (3d Cir. Mar. 14, 2012) (citation omitted) (“FCC PaeTec Amicus Brief”). Because Aureon’s tariff filings have always been above the benchmark since July 1, 2013, Aureon has been subject to mandatory detariffing, it was prohibited from filing its tariffs under the rules, and its tariffs cannot benefit from deemed lawful status. *See id.* Here, Aureon’s tariff was suspended for one day, which also prevents Aureon’s current rate from being deemed lawful.

Report and Order, ¶ 17.³¹ The Commission’s new benchmark rule also clearly spelled out that, as to intermediate carriers, the permissible benchmark rate “may not exceed the rate charged by the competing ILEC *for the same access services*.” 47 C.F.R. § 61.26(f) (emphasis added). The Commission thus flatly rejected any approach in which benchmark rates “are not tethered to the provision of particular services.” *Eighth Report and Order*, ¶ 14. That is because rates “do not exist in isolation. They have meaning only when one knows the services to which they are attached.” *Id.* (quoting *AT&T v. Cent. Office Tel.*, 524 U.S. 214, 223 (1998)). Allowing competitive LECs to benchmark the price of their service to a service that is different than the one provided by the competing ILEC would be an “invitation to abuse.” *Id.* ¶ 14.

Another critical factor for purposes of this case is that the Commission addressed in detail the permissible rate structure under its benchmark rules. *See Seventh Report and Order*, ¶ 55 & n.109; *Eighth Report and Order*, ¶¶ 14, 48. The Commission explained that under its rules “our benchmark rate for CLEC switched access does not require any particular rate elements or rate structure; for example, it does not dictate whether a CLEC must use flat-rate charges or per-minute charges, so long as the composite rate does not exceed the benchmark. Rather it is based on a per-minute cap for all interstate switched access service charges. . . . The ***only requirement is that the aggregate charge for these services, however described in their tariffs, cannot exceed our***

³¹ Accordingly, while Aureon argues at length that the benchmark rules cannot be sensibly applied to Aureon because it does not serve end users, *see, e.g.*, Direct Case at 9, 11-14, 17-18, Aureon’s arguments ignore the fact that, since 2004, the Commission has regulated the rates of intermediate carriers that, like Aureon, do not serve end users. *AT&T Servs., Inc. v. Great Lakes Comnet*, 30 FCC Rcd. 2586, ¶¶ 2, 20 (2015) (“*Great Lakes Comnet Order*”), *aff’d in relevant part*, *Great Lakes Comnet v. FCC*, 823 F.3d 998, 1002-05 (D.C. Cir. 2016) (“*GLC v. FCC*”) (benchmark rules applied to an intermediate CLEC, even though it served no end users). Moreover, the Commission has also separately determined that it “approved the creation of [Aureon] in order to *lower* the cost of transporting traffic from Des Moines to the various remote rural exchanges.” *Alpine*, 27 FCC Rcd. 11511, ¶ 29. The application of the benchmark rules to Aureon’s CEA service complements this purpose by ensuring that Aureon’s rate is no higher than the prevailing market rate.

benchmark.” *Seventh Report and Order*, ¶ 55 (emphasis added). Accordingly, under the Commission’s benchmark rules, even when the competing ILEC offers per-minute and per-mile charges, a competitive LEC may tariff a “composite rate.” *Id.* A “composite rate” is “the amount billed for a given period divided by the minutes of use. Thus, flat-rated elements or per mile charges are translated into a per minute rate for purposes of this analysis.” *Id.* n.109.

While a composite rate is permissible, it is clear under the Commission’s rules that the “aggregate charge” for a service cannot exceed the charges imposed by the competing ILEC for the same service. *Id.* ¶ 55; *see also id.* ¶ 54 (under the benchmark rule, competitive LECs may receive “revenues equivalent to those the ILECs receive *from IXCs*, whether they are assessed as per-minute or flat-rate charges.”). As the Commission Staff has stated, “the rate *structure* a CLEC chooses for its tariff has no bearing on the maximum rate *level*. . . .” FCC PaeTec Amicus Brief at 19-20.³²

The Commission’s benchmark rules thus provide a relatively straightforward way of ensuring that the rate for a competitive LEC’s access service—even if not subject to actual competition—is reasonable and efficient, and “mimic[s]” a competitive market. *Seventh Report and Order*, ¶ 3. The rules accomplish this by prohibiting tariffed rates that exceed those of the

³² The Commission also explained how its benchmark rules apply when a CLEC serves areas covered by more than one competing ILEC. The CLEC could adopt different rates for each competing ILEC. *Eighth Report and Order*, ¶ 47. The Commission also found that a CLEC could charge a “blended access rate.” *Id.* ¶ 48. The easiest way to do so was via negotiation. *Id.* However, if such a blended rate were filed in a tariff, then the “rate must reasonably approximate the rate that an IXC would have paid to the competing incumbent LECs for access to the competitive LEC’s customers. That is, a blended rate is reasonable if it does not result in revenues that exceed those the competing incumbent LECs would receive from IXCs for access to those customers. . . . [W]e believe that a weighted average calculation based on the number of minutes of use generated by a competitive LEC’s end-user customers in different incumbent LEC territories is consistent with this standard. In such cases, the competitive LEC bears the burden of demonstrating that its blended rate approximates the rate that an IXC would have paid to the competing incumbent LECs for access to the competitive LEC’s customers.” *Id.*

competing ILEC for the provision of a comparable service on the ILEC's network. 47 C.F.R. § 61.26. Under the rules—as in a competitive market—a CLEC cannot force an IXC customer, via a filed tariff, to purchase an access service if the CLEC charges more for its service than the competing ILEC charges for its comparable service. *Seventh Report and Order*, ¶ 55 & n.109; *Eighth Report and Order*, ¶¶ 14, 48. If that were to occur in an actual competitive marketplace, the access customer would choose to use the incumbent's service, rather than the service offered by a competitor. *See id.* ¶ 37. Any other approach would reward inefficiency and would insulate the so-called “competitive” LEC from competition by incumbents and other providers.

B. Under The Rules, CenturyLink Is The “Competing ILEC” For Aureon’s Tariffed Service, and The Proper Benchmark Rate Is No More Than \$0.003188 Per Minute

Application of the benchmark rule for Aureon is straightforward. *First*, the “competing ILEC” for Aureon is CenturyLink. As explained below, CenturyLink is the incumbent LEC in Iowa that would provide the tandem switching and any transport services “to the extent those services were not provided by [Aureon].” 47 C.F.R. § 61.26(a)(2). *Second*, if long distance carriers—like AT&T—were using CenturyLink to exchange traffic with the subtending LECs, they would pay CenturyLink's (i) tandem switching rate of \$0.002252 per minute, (ii) a multiplexing rate of \$0.000036 per minute, (iii) a fixed termination charge of \$0.00024 per minute, and (iv) a maximum of about 22 miles, on an aggregate basis, to transport the traffic at CenturyLink's rate of \$0.00003 per mile, per minute. Habiak Rate Decl. ¶ 14. That results in a maximum “per-minute cap for all interstate switched access service charges” (*Seventh Report and Order*, ¶ 55) of \$0.003188 per minute. This is the “aggregate charge” (*id.*) for access service that constitutes the maximum benchmark rate for Aureon under the Commission's benchmark rules.

1. CenturyLink is the “Competing ILEC” for Aureon

Under Section 61.26(a)(2), CenturyLink is the incumbent LEC “that would provide interstate exchange access services, in whole or in part, to the extent those services were not provided by [Aureon].” 47 C.F.R. § 61.26(a)(2). Of the incumbent LECs operating in Iowa, only CenturyLink has a network capable of providing the same tandem and transport services as Aureon. *See* Habiak Rate Decl. ¶ 8.

CenturyLink, which recently merged with Level 3, is the ultimate successor to Northwestern Bell/US West, which merged with Qwest, which then merged with CenturyLink. According to the Iowa Utilities Board (“IUB”), within Iowa, CenturyLink has the largest revenues of any telecommunications provider.³³ The IUB has also observed that CenturyLink serves the most urban customers of any local exchange carrier in Iowa, including the communities of Ames, Cedar Rapids, Council Bluffs, Davenport, Des Moines, Dubuque, Iowa City, and Sioux City, but also noted that CenturyLink serves about 55 rural exchanges.³⁴

Moreover, CenturyLink operates numerous tandem (and end office) switches within Iowa, as well as a transport network that connects these switches. *See* Habiak Rate Decl. ¶¶ 9, 16. CenturyLink operates tandem switches in Des Moines, Sioux City, Cedar Rapids, Davenport, and Spencer, as well as a switch in Omaha. *Id.* These CenturyLink tandem switches are located very close to the primary points of interconnection (or “POIs”) on Aureon’s network. *Id.* Although

³³ *See* Iowa Utilities Board, [FY 2017 Annual Report](https://iub.iowa.gov/sites/default/files/files/records_center/reports/AnnualReport_FY2017_Final.pdf), at 53 (reporting about \$170 million in 2015 Iowa Local Exchange Gross Operating Revenues), *available at* https://iub.iowa.gov/sites/default/files/files/records_center/reports/AnnualReport_FY2017_Final.pdf.

³⁴ Iowa Utils. Bd., [Second Statewide Telecommunications Competition Survey For Retail Local Voice Services In Iowa](https://iub.iowa.gov/sites/default/files/files/records_center/reports/TelecomSurvey_2006.pdf), at 26 (March 2006), *available at* https://iub.iowa.gov/sites/default/files/files/records_center/reports/TelecomSurvey_2006.pdf.

Aureon's tariff lists 16 POIs on the Aureon CEA network,³⁵ as Aureon states in its Direct Case, only eight are active: Des Moines, Sioux City, Cedar Rapids, Davenport, Spencer, Grinnell, and Omaha. Direct Case at 27 n.95; Habiak Rate Decl. ¶ 9. In short, CenturyLink already has tandem switches at all of the historic POIs that Aureon uses to exchange traffic with the subtending LECs.

As a consequence, if Aureon's CEA service were no longer available, then AT&T and other long distance carriers could easily exchange traffic with the LECs subtending Aureon via the CenturyLink network. Habiak Rate Decl. ¶¶ 9, 16. In fact, AT&T already has facilities in place that connect AT&T's long distance network to each of the Century Link tandem switches in or near Iowa, in order for AT&T to route traffic to and from CenturyLink end office switches and end users served by CenturyLink. Habiak Rate Decl. ¶ 10. The same is presumably true of other major long distance carriers. Accordingly, if Aureon were not providing its tandem and transport services, then CenturyLink would be providing them, and CenturyLink is thus the "competing ILEC" for purposes of the Commission's benchmark rules.

The regulatory history of Aureon also supports use of CenturyLink as the "competing ILEC." Aureon was created primarily as a substitute for Northwestern Bell, *i.e.*, CenturyLink's predecessor. *See INS Order*, ¶ 22.³⁶ Relevant Commission precedent also supports use of CenturyLink as the "competing ILEC." In a recent complaint case against an intermediate tandem

³⁵ *See* Iowa Network Access Div., FCC Tariff No. 1, § 8.2, Page 147.

³⁶ Aureon cites an excerpt from the Commission's 1988 *INS Order* to claim that, at that time, the Northwestern Bell network lacked the same coverage as the CEA proposal put forward in 1988. Direct Case at 26 (citing *Application of Iowa Network Access Division for Authority Pursuant to Section 214 of the Communications Act of 1934 and Section 63.01 of the Commission's Rules and Regulations to Lease Transmission Facilities to Provide Access Service to Interexchange Carriers in the State of Iowa*, 3 FCC Rcd. 1468 (1988) ("*INS Order*"). However, Aureon makes no showing today that CenturyLink's facilities are significantly dissimilar to those of Aureon—and, the evidence showing that CenturyLink's tandems overlap the Aureon POIs makes any such showing virtually impossible.

and transport provider operating in and around Michigan, the Commission determined that the largest ILEC in Michigan, AT&T Michigan, was the “competing ILEC” for the competitive tandem and transport provider. *Great Lakes Comnet Order*, ¶ 25, and that determination was upheld on appeal. *GLC v. FCC*, 823 F.3d at 1004-05.

Aureon argues that other ILECs, namely the ILECs that subtend Aureon, are the “competing ILECs” under the Commission’s benchmark rules; however, for reasons explained below, if Aureon were not providing the tandem and transport access services, the mostly rural ILECs subtending Aureon would not provide those services. Rather, the Commission should conclude that CenturyLink is the “competing ILEC.”

2. The Benchmark Rate, Using Century’s Link’s Rates and Mileage, Is A Maximum of \$0.003188, Far Lower Than Aureon’s Tariffed Rate

Under the Commission’s benchmark rules, Aureon’s tariffed rate of \$0.00576 per minute is a composite rate, which aggregates charges for both tandem switching and transport. *See Seventh Report and Order*, n.109 (a composite rate translates per mile rates into a per minute rate). Under the Commission’s benchmark rule, Aureon’s aggregate charge of \$0.00576 per minute “cannot exceed” the CenturyLink benchmark rate. *Id.* ¶¶ 54-55; 47 C.F.R. § 61.26(f). In fact, Aureon’s tariffed rate of \$0.00576 per minute exceeds the CenturyLink benchmark rate (which is a maximum of \$0.003188 per minute) by, at minimum, 80 percent. In a competitive market, which the Commission’s rules seek to mimic, no CLEC could possibly maintain a price differential of 80% over a competitor. *Seventh Report and Order*, ¶¶ 4, 37. Aureon’s tariffed rate of \$0.00576 is inefficient, unjust, unreasonable, and unlawful.

As noted above, CenturyLink’s tariffed rates for its tandem switching and transport services are (i) \$0.002252 per minute for tandem switching, (ii) \$0.000036 per minute for multiplexing, (iii) \$0.00024 per minute for fixed tandem termination, and (iv) \$0.00003 per mile,

per minute for tandem switched transport. Habiak Rate Decl. ¶ 14. The benchmark rate, based on CenturyLink's tariff for tandem-switched services, could be as low as \$0.002558 per minute, if it is assumed that the IXC's would deliver the calls to the CenturyLink tandem switch closest to the POI that Aureon is currently using to serve the subtending LEC, and CenturyLink transported the call for delivery to the subtending LEC's local exchange within 1 mile of CenturyLink's tandem switch.³⁷ Habiak Rate Decl. ¶ 20. This assumption is certainly reasonable, because Aureon itself hands off the traffic to the subtending LECs at those same locations, (*e.g.*, in Sioux City, Davenport, Omaha, Spencer, etc.), and the subtending LECs generally bill AT&T separately for transporting the call from the POI to their local exchanges. Habiak Rate Decl. ¶ 19. Assuming

³⁷ For the reasons previously explained by AT&T, the benchmark rate would be even lower than \$0.002558 per minute, if the applicable benchmark rate were based on CenturyLink's rate for direct trunked transport service. *E.g.*, AT&T Compl. ¶¶ 76-80; AT&T Ex. 38, Habiak Compl. Decl. ¶¶ 23-28. Given the very large traffic volumes that Aureon has voluntarily agreed to transport for CLECs engaged in access stimulation, the use of a direct trunked transport service is unquestionably more efficient. *See* AT&T Compl. ¶¶ 76-80; AT&T Ex. 38, Habiak Compl. Decl. ¶¶ 23-28. If AT&T were using CenturyLink to transport millions and millions of minutes to a CLEC such as Great Lakes, (which is located in Spencer, Iowa), AT&T would purchase direct trunked transport under CenturyLink's tariff, rather than CenturyLink's tandem switched transport. In a competitive marketplace, in which the Commission's rules seek to mimic the rate of the competing ILEC, Aureon as a competitive carrier could not merely offer a tandem switched transport service in seeking to transport large volumes of traffic. Rather, it would have to offer a rate competitive with a direct connect rate because every rational long distance company would use CenturyLink's direct trunked transport service rather than Aureon's tandem switched transport service (even if that tandem switching rate were properly benchmarked to CenturyLink's tandem-switched service).

AT&T recognizes that, in the *Designation Order*, the Commission declined to set this issue for investigation, on the grounds that Aureon need not offer a direct connection in its tariff, because under Section 251(a) it may interconnect indirectly. *Designation Order*, n.41. This misses the point. The issue is not whether Aureon has violated Section 251(a) of the Act (which establishes a floor applicable to any telecommunications carrier) by not offering a direct connection. Instead, the issue is whether Aureon's tariffed rate violates the benchmark rules under Section 201(b) by exceeding the applicable CenturyLink rate. Because the benchmark rules mimic a competitive market, a rational CLEC operating under those rules *would be required to offer* direct trunked transport at CenturyLink's rates for that service. Otherwise, in the hypothetical market that the benchmark rule seeks to replicate, that CLEC would lose business to CenturyLink.

that the average distance between CenturyLink's tandem switches and Aureon's POIs in these locations is one mile, the benchmark rate using CenturyLink's tandem switched transport services would be \$0.002558 per minute.

On the other hand, if one were to assume that CenturyLink was required to deliver the calls all the way to the subtending LEC's local exchange, the benchmark rate could be as high as \$0.003188/min. As explained in greater detail in Mr. Habiak's declaration, this rate was computed using an average mileage of 22 miles.³⁸ That average was computed by Mr. Habiak based on LERG data, which enabled him to determine the mileage between CenturyLink's tandem switches and the local exchanges of each of the subtending LECs to which AT&T delivered access traffic.³⁹ As Mr. Habiak explains in his Rate Declaration, the 22 mile transport distance is an average based on the transport miles to each subtending local exchange to which AT&T delivered traffic weighted by the volumes of AT&T traffic transported to each subtending LEC over the period January 2015 to March 2018.⁴⁰ This approach is quite conservative, because it assumes that, if Aureon were no longer providing its CEA service, CenturyLink would be providing not only the tandem and transport functionality to replace Aureon's CEA service, but also *all* of the transport between its tandem switches and the local exchanges of the subtending LEC.⁴¹

³⁸ See Habiak Rate Decl. ¶¶ 22-26.

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ In most circumstances, the LECs billing access service typically specify some type of "meet point" billing arrangement, with one carrier (*i.e.*, CenturyLink) providing a specified percentage of the route between the tandem and local exchange end office, and the other carrier (the subtending ILEC) providing the remaining percentage. Here, AT&T assumes there is no "meet point" – even though it is unlikely that CenturyLink currently owns or leases any facilities between its tandem switches and the end offices of the subtending LECs. Rather, those facilities are likely owned or leased by the subtending LECs, and they currently bill long distance carriers for that transport.

Using the conservative assumption that, if Aureon were not providing its access service on the calls at issue, *see* 47 C.F.R. §§ 61.26(a)(2), (f), CenturyLink would be providing and billing its tariffed rates for tandem switching, multiplexing, termination, and mileage-based transport of 22 miles, the amount that CenturyLink would bill long distance carriers like AT&T would be no more than \$0.003188/min.⁴² Aureon’s tariffed rate of \$0.00576 per minute clearly exceeds this maximum CLEC benchmark rate, and thus violates the Commission’s CLEC benchmark rules and Section 201(b) of the Act.

3. Aureon’s Calculation Of The Benchmark Rate Is Unreasonable And Inconsistent With the Commission’s Benchmark Rules

In its initial tariff filing, Aureon claimed the CLEC benchmark rate (when computed using CenturyLink as the competing ILEC) was \$0.005526 per minute, which is below Aureon’s tariffed rate.⁴³ Aureon’s calculation was based on the assumption that the benchmark rate would be computed based on 100 miles of transport.⁴⁴ In the *Designation Order*, the Commission directed Aureon to “justify its claim that 100 miles is the average length of transport. . . .”⁴⁵ Aureon’s Direct Case fails to justify this claim, or a benchmark rate anywhere close to Aureon’s tariffed rate of \$0.00576 per minute.

In its Direct Case, Aureon has revised the mileage calculation from its initial tariff filing, now claiming that the appropriate mileage is either 104 or 118 miles.⁴⁶ According to Aureon, the average distance of each route between all of the active POIs on Aureon’s CEA network (36 total

⁴² *See* Habiak Rate Decl. ¶¶ 5, 22-26; *Seventh Report and Order*, ¶¶ 54-55 (the composite benchmark rates are the “revenues equivalent to those the ILECs receive from IXCs”).

⁴³ *See Designation Order*, ¶ 16.

⁴⁴ *See id.*

⁴⁵ *See id.*

⁴⁶ Direct Case at 29-30.

routes) is 118 miles, and the average distance of every route between Des Moines and each active POI (8 total routes) is 104 miles.⁴⁷ According to Aureon, it is more appropriate to use the longer distance of 118 miles because of Aureon’s purported “flexibility”—which Aureon claims no one else is able to offer—that “allows IXC’s to deliver traffic to any POI” and thus to use any possible route between any two active POIs.⁴⁸ Using the longer distance, Aureon calculates the benchmark rate at \$0.00608 per minute; using 104 miles, Aureon calculates the rate as \$0.005648 per minute.⁴⁹ In either case, Aureon’s assumptions as to the length of transport are seriously flawed.

Aureon’s assumption that, under the Commission’s CLEC benchmark rules, the traffic at issue would be hauled an average of over 100 miles is fundamentally wrong. Under the CLEC benchmark rules, the competing ILEC’s rate is the “prevailing market price” that CLECs must meet or beat in any tariff (otherwise, mandatory detariffing applies). *See Seventh Report and Order*, ¶¶ 3, 37. As explained above, because CenturyLink has tandems in seven different locations in or near Iowa—all close to Aureon’s active POIs—the prevailing market price cannot be based on the assumption that long distance carriers would hand off their traffic to CenturyLink in Des Moines, and then have it hauled, on average, 104 miles to other CenturyLink tandems. Instead, to reduce the access costs associated with long transport hauls, IXC’s would hand off traffic to CenturyLink at the CenturyLink tandem closest to the LECs now subtending Aureon. Habiak Rate Decl. ¶¶ 8-9, 12, 18.⁵⁰ Accordingly, the prevailing market price under the Commission’s

⁴⁷ *Id.* at 29.

⁴⁸ *Id.* at 27; *id.* at 29 (claiming Aureon provides IXC’s with “the flexibility for IXC’s to connect and hand off traffic at any POI”).

⁴⁹ *Id.* at 30.

⁵⁰ Even for small volumes of traffic, IXC’s would use the closest tandem switch, but because Aureon has for over a decade transported very large volumes of traffic, it is unquestionably economic for IXC’s to avoid lengthy transport hauls of 100 miles or more and hand off these enormous volumes at the closest possible point. Habiak Rate Decl. ¶¶ 8-12, 16.

CLEC benchmark rule requires use of the shorter mileage employed in AT&T's calculations: either 1 mile if CenturyLink handed off the traffic to the subtending LEC at the location of the nearby POI (for a benchmark rate of \$0.002558 per minute), or an average of 22 miles, if CenturyLink transported the traffic from its tandem to the subtending LEC local exchange (for a maximum benchmark rate of \$0.003188). *Id.* ¶¶ 20-26.

Indeed, Aureon concedes that use of lengthy routes, in excess of 100 miles, is not even required on its own network: rather, IXC's have "the flexibility . . . to connect to and hand off traffic at *any* POI," namely, in Cedar Rapids, Davenport, Des Moines, Grinnell, Mason City, Omaha, Sioux City, or Spencer.⁵¹ Under the CLEC benchmark rules, if Aureon were mirroring CenturyLink's rate structure and billing a per minute, per mile rate for tandem-switched transport (instead of a flat, per-minute rate), IXC's would use this "flexibility" to hand off traffic at the closest POI and avoid paying over 100 miles in transport. Aureon should not be permitted to evade the benchmark rules by tariffing a composite rate that attempts to force IXC's into purchasing inefficient, long transport routes. *See* FCC Paetec Amicus Brief, at 19-20 ("the rate *structure* a CLEC chooses for its tariff has no bearing on the maximum rate *level*").⁵²

Contrary to Aureon's assumptions, the benchmark rate is not based on how much it would cost the incumbent to replicate the competitor's service. That has it backwards: under the rules, the competitor must tariff and charge at or below the incumbent's price, and then, in order to

⁵¹ Direct Case at 29 (emphasis added).

⁵² Although many IXC's, including AT&T, have traditionally handed off their traffic to Aureon in Des Moines rather than at one of the other active POIs, that is a reflection of Aureon's rate structure, which imposes a flat-rate, per minute charge regardless of distance. Although IXC's today could, for example, exchange all of their traffic with Great Lakes (a CLEC in Spencer) using Aureon's POI in Spencer, there would be no cost savings if the IXC's did so. That is because Aureon would charge the IXC's the same flat-rated per minute charge, regardless of whether the traffic was handed off in Spencer or Des Moines (or any other active POI).

compete successfully, provide service as efficiently (or more so) than the incumbent. No competitive company could attempt to compete with an incumbent by offering a higher price for a product, and then seek to justify that higher price on the ground that the incumbent's price would be higher if the incumbent made the product using the competitive carrier's methods. Thus, under the CLEC benchmark rules—which seek to mimic a competitive market—the location of Aureon's facilities are irrelevant to determining CenturyLink's prevailing market-based rate.

Aureon further argues that its excessive mileage assumptions are warranted because the Commission's rules state that CLEC may not tariff more than the "rate charged by the *competing ILEC for the same access services*."⁵³ For the reasons just explained, however, the "same access services" at issue in this case are not the eight (or 36 routes) that exist on Aureon's ring. Rather, the "same access services" are tandem switching and tandem-switched termination, expressed on a per minute rate. *See Seventh Report and Order*, ¶¶ 54-55 & n.109. The "same access services" are the services and functions that IXC's need to exchange traffic with the LEC's subtending Aureon, and, as AT&T has calculated, the benchmark rate for these "same access services," *i.e.*, tandem switching and tandem transport, is between \$0.002558 and \$0.003198 per minute.

Finally, Aureon argues that higher mileage, and a higher benchmark rate, is warranted because of Aureon's claim that its CEA service is unique and "no [other] carrier in Iowa provides the exact same access service. . . ."⁵⁴ In fact, however, CenturyLink provides an equivalent service, and that service could be used by IXC's to exchange traffic with the LEC's subtending Aureon.⁵⁵ But even if Aureon CEA service were unique, and no "other LEC in Iowa [were] able to offer such

⁵³ *See* Direct Case at 26-27 (quoting 47 C.F.R. § 61.26(f) (emphasis added)).

⁵⁴ *Id.*

⁵⁵ *See* Habiak Rate Decl. ¶¶ 8-12, 16.

flexibility” in routing (*see id.* at 27)—which is not accurate—such claims would not justify Aureon’s higher rate, because the “Commission approved the creation of INS in order to lower the cost of transporting traffic from Des Moines to the various remote rural exchanges. . . .” *Alpine*, 27 FCC Rcd. 11511, ¶ 29. Given this purpose, Aureon’s rate should be far *lower* than that of CenturyLink, not 80 percent higher.

C. Aureon’s Claim that the CLEC Benchmark Should Be Based on the NECA Rate is Not Defensible

In its tariff filing, Aureon asserted that, if it was not entitled to the rural exemption, then the “competing ILEC” should be each of the incumbent LECs that subtend Aureon’s tandem, and that, as a consequence, Aureon’s benchmark rate is a NECA-based rate, because “nearly all” of those subtending ILECs participate in the NECA tariff.⁵⁶ In the *Designation Order*, the Commission directed Aureon to “provide support to justify” these assertions, and asked a series of questions, including how the benchmark rate would be calculated and how subtending LECs engaged in access stimulation affect that rate.⁵⁷ In its Direct Case, Aureon fails to justify its claims that the subtending NECA carriers are the “competing ILECs” under Section 61.26(a)(2) or that, if so, the CLEC benchmark rate would be based on NECA rates.

1. Aureon Has Not Shown That Subtending ILECs Are The “Competing ILECs”

In its Direct Case, Aureon offers little explanation for its position that the subtending LECs would be the competing ILECs.⁵⁸ In fact, Aureon’s entire support for this claim is its assertion that “[i]t is the end offices of those [subtending] ILECs to which Aureon sends traffic, and those

⁵⁶ *See Designation Order*, ¶ 13.

⁵⁷ *Id.*

⁵⁸ Direct Case at 19, 23-24.

ILECs would . . . provide the switched access service to their end office” if Aureon did not.⁵⁹ Even though these ILECs do not operate tandem switches or have extensive tandem transport facilities, Aureon’s declarant offers a single sentence claiming that “[m]any ILECs subtending Aureon’s access tandem have constructed transport facilities that did not exist when Aureon was initially formed, and in Aureon’s absence, I further believe that they would have extended the distance of such transport facilities.”⁶⁰

Aureon’s showing is entirely inadequate and ignores several reasons why the subtending ILECs would not provide the tandem switching and tandem transport services if Aureon were not providing CEA service. Most fundamentally, Aureon has not shown any evidence that the subtending LECs could provide tandem switching services in lieu of Aureon, and, in fact, few if any of these subtending ILECs operate tandem switches—whereas CenturyLink does operate tandem switches at the primary active POIs.⁶¹ Further, to the extent that Aureon’s position is that the relevant transport service at issue involves over 100 miles of transport across Iowa (*see supra* Section I.B.3), none of the subtending LECs operate a transport network that could provide such routing.⁶² Indeed, one of the principal reasons that Aureon initially formed was because these subtending LECs could not economically offer such a service on their own. Even today, most of these subtending ILECs (which are not engaged in access stimulation⁶³), lack the traffic volumes

⁵⁹ *Id.* at 23-24.

⁶⁰ *See* Hilton Direct Case Decl. ¶ 3.

⁶¹ *See* Habiak Rate Decl. ¶¶ 8-12, 16.

⁶² *Id.* ¶¶ 8-12, 16-18.

⁶³ *See* Hilton Direct Case Decl. ¶ 18.

that would justify their deployment and operation of tandem switches and/or “extend[ing] the distance of [any existing] transport facilities.”⁶⁴

Notably, as discussed above, in the *Great Lakes Comnet* case, the Commission rejected the claim of a CLEC, which offered intermediate tandem and transport services in Michigan, that the “competing ILEC” was one of its subtending ILECs.⁶⁵ There, the Commission noted that the subtending ILEC was a NECA carrier and, under the tariff, could not provide any interLATA services, including interLATA transport.⁶⁶ Here, Aureon claims that most of the subtending LECs are NECA carriers (*see* Direct Case at 23), yet it makes no effort to distinguish the *Great Lakes Comnet Order*, which was affirmed on appeal.

In short, Aureon provides no valid support for its clam that the subtending LECs would provide tandem switching and transport services if Aureon did not offer CEA service. Rather, as explained above, CenturyLink could provide those services, and it is the “competing ILEC.”

2. Aureon Has Failed To Justify Its Position That NECA Rates Would Apply Even If The Subtending LECs Were The Competing ILECs

Even if the subtending ILECs were deemed the “competing ILEC,” Aureon has not demonstrated that the appropriate benchmark would be the “NECA rates,” as it claims.⁶⁷ Indeed, Aureon has not even properly calculated what the benchmark rate would be, claiming that it can use unspecified NECA rates as the benchmark because it would be too expensive and burdensome to bill a separate rate for each subtending LEC.⁶⁸ Aureon’s position is that, because “nearly all”

⁶⁴ *Id.* ¶ 3.

⁶⁵ *See Great Lakes Comnet Order*, ¶ 25

⁶⁶ *Id.* & n.92.

⁶⁷ Direct Case at 19.

⁶⁸ *See id.* at 22

of the subtending LECs are NECA carriers, use of some NECA-based rate is reasonable. Aureon is not correct.

The Commission's *Eighth Report and Order* explains in detail how the benchmark rules should be applied when a CLEC competes against multiple ILECs. *Eighth Report and Order*, ¶¶ 46-48. If a CLEC does not want to have a separate rate for each competing ILEC (or negotiate a rate), it may under specified circumstances file a "blended rate." *Id.* ¶ 48. Any blended rate must "reasonably approximate the rate that an IXC would have paid to the competing incumbent LECs for access to the competitive LEC's customers." *Id.* The Commission also said that

Although we decline to specify the precise manner in which a competitive LEC must set its access rates when it serves the area of multiple incumbent LECs, we believe that *a weighted average calculation based on the number of minutes of use generated by a competitive LEC's end-user customers in different incumbent LEC territories is consistent with this standard*. In such cases, the competitive LEC bears the burden of demonstrating that its blended rate approximates the rate that an IXC would have paid to the competing incumbent LECs for access to the competitive LEC's customers.

Id. (emphasis added).

Aureon's Direct Case makes no effort to comply with this aspect of the *Eighth Report and Order*. Instead, Aureon assumes that because "nearly all" of the subtending ILECs participate in the NECA tariff, a NECA-based, blended benchmark rate is reasonable. Not so. The subtending ILECs that participate in NECA are not engaged in access stimulation, and these ILECs are only responsible for a very small percentage of the CEA traffic Aureon handles for AT&T— **[[BEGIN CONFIDENTIAL]]** [REDACTED] **[[END CONFIDENTIAL]]**.⁶⁹ The overwhelming majority of traffic that AT&T exchanges via Aureon with the subtending LECs is access stimulation traffic,⁷⁰

⁶⁹ See Habiak Rate Decl. ¶ 12; *id.* Ex. B, Summary (showing that approximately 93% of the traffic is access stimulation traffic).

⁷⁰ See *id.*

and carriers engaged in that practice do not bill NECA-based rates, but rather bill the rates of the lowest-priced price cap LEC in the state (*see* 47 C.F.R. § 61.26(g)), which is CenturyLink. Accordingly, Aureon has failed to justify use of any NECA-based benchmark.

D. Aureon Is Not Entitled To The Rural Exemption In Section 61.26(e).

In the *Designation Order*, the Commission noted Aureon’s claim that it is a “rural competitive LEC under section 61.26(a)(6) and thus qualifies for the rural exemption in Section 61.26(e), which would allow Aureon to benchmark to the NECA rate.” *Designation Order*, ¶ 10. The *Designation Order* posed several questions to Aureon and directed Aureon to “provide support to justify th[e] assertion” that it is a rural CLEC and entitled to the rural exemption. *Id.* ¶¶ 10-12. In its Direct Case, Aureon again asserts that it is a rural CLEC and is entitled to the rural exemption. Direct Case at 10-18. However, Aureon’s claims lack merit, and the rural exemption does not apply to Aureon.

1. By Its Terms, The Rural Exemption in Section 61.26(e) Does Not Apply To Intermediate Carriers Subject To Section 61.26(f)

In 2001, the Commission adopted a “narrow” exemption for certain rural CLECs, specifically those “rural competitive LECs with high loop costs” competing against non-rural ILECs. 47 C.F.R. § 61.26(e); *Eighth Report and Order*, ¶ 35. However, by its terms (and consistent with its limited purpose), the rural exemption has *never* applied to intermediate CLECs subject to Section 61.26(f)—which is the section of the Commission’s benchmark rule applicable to Aureon. *See Designation Order*, ¶ 9 (for Aureon, the “procedure for its benchmarking obligation is contained in [S]ection 61.26(f) of the Commission’s rules”).

When the Commission initially drafted its benchmark rules in 2001, there was no regulation that specifically addressed access charges by intermediate carriers. *See Eighth Report and Order*, ¶ 15. The benchmark rule was found in paragraph (b) or (c), and the rural exemption

was placed in paragraph (e), which applied “[n]otwithstanding paragraphs (b) through (c) of this section.” *See Seventh Report and Order*, App. B (final rules).

In 2004, the Commission amended Section 61.26 in two ways relevant here. It added paragraph (f), in order to govern access charges by CLECs, like Aureon, that operate as intermediate CLECs that do not serve their own end users. *See Eighth Report and Order*, at 61, Appendix A (showing amendments to regulations). It also amended the text of the rural exemption so that qualifying “rural CLECs” would be exempt only from “paragraphs (b) through (d) of [Section 61.26].” *Id.*

By its plain terms, the rural CLEC exemption in paragraph (e) modifies *only* the rules that appear in “paragraphs (b) through (d) of this section.” 47 C.F.R. § 61.26(e). Thus, the rural exemption in paragraph (e) does not modify the benchmark rule applicable to intermediate CLECs in paragraph (f). By exempting rural CLECs from paragraphs (b) through (d)—but not paragraph (f)—the Commission expressly chose not to exempt rural CLECs from the rules governing access charges provided by intermediate CLECs in paragraph (f). *Id.*⁷¹

⁷¹ Nor does the rural exemption modify the rule for CLECs that engage in access stimulation, which appears in paragraph (g). In 2011, when the Commission added paragraph (g) to address access charges by CLECs engaged in access stimulation, the Commission again modified the rural exemption to make clear that rural CLECs would not be exempt from the access stimulation provisions in paragraph (g). *See Transformation Order*, ¶¶ 663, 666, 669 (the NECA rate was not an appropriate benchmark for carriers engaged in access stimulation). As a result, the Commission added language to the rural exemption in paragraph (e) making clear that rural CLECs were not exempt from the access stimulation rule in paragraph (g). At the same time, the Commission retained the prior language in paragraph (e) that exempted rural CLECs from only “paragraphs (b) through (d) of this section.” 47 C.F.R. § 61.26(e). The Commission’s addition of language confirming that rural CLECs were not exempt from the newly adopted access stimulation rules in paragraph (g) cannot be read to exempt rural LECs from the access rules applicable to intermediate CLECs in paragraph (f) of Section 61.26. If the Commission meant to exempt rural CLECs from the requirements of paragraph (f), then it could have and would have said so directly.

The Commission’s decision not to apply the rural exemption to intermediate carriers subject to Section 61.26(f) was compelled by the limited purpose of the rural exemption, which the Commission has said is “as narrow as possible” to serve its limited purpose, and includes only a “small number of carriers” serving a “tiny portion” of access lines. *Seventh Report and Order*, ¶ 68; *Eighth Report and Order*, ¶ 35. Specifically, “[t]he rural exemption was intended” to benefit “rural competitive LECs with high loop costs” competing against non-rural ILECs. *Id.* Because the “loop” is the connection between the end user and the LEC’s end office, the only carriers that incur “loop costs” are those that serve end users. Intermediate carriers—like Aureon—that serve no end users do not incur any “loop costs” and thus expanding the rural exemption to include such intermediate carriers would be flatly inconsistent with the limited purposes of the rural exemption.⁷²

2. Aureon Fails To Reconcile Its Position That CenturyLink Is Not The “Competing ILEC,” But Is “Competing” Against Aureon For Purposes Of The Rural Exemption

In the *Designation Order*, the Commission also explained that the rural exemption applies only to a rural CLEC that is “competing with a non-rural ILEC”—such as CenturyLink.

⁷² In its *Great Lakes Comnet* decision, the Commission explained in a footnote that “the rural exemption does not apply to carriers that serve no end users whatsoever.” *Great Lakes Comnet Order*, ¶ 27 n.96. In that case, the court of appeals remanded the Commission’s determination that a carrier did not qualify for the rural exemption, because the Commission’s explanation for other aspects of its holding was not sufficient (and, in the court’s view, the Commission did not at all articulate the position “that intermediate carriers may not qualify for the rural exemption under any circumstances.”). *GLC v. FCC*, 823 F.3d at 1004. However, the court of appeals in no way rejected that position—to the contrary, it said it “too may have merit.” *Id.* The Commission was thus free to adopt that position on remand in that case (which ultimately settled prior to any remand proceedings). Because it is the interpretation that is consistent with the plain text of Section 61.26 as well as its purposes, AT&T urges the Commission to adopt it in this proceeding.

Designation Order, ¶ 12; 47 C.F.R. § 61.26(e).⁷³ As described above, Aureon insists that CenturyLink is not the “Competing ILEC” under Section 61.26(a)(2). Direct Case at 25-26. Yet, for purposes of the rural exemption, Aureon simultaneously claims that it is “competing with a non-rural ILEC”—namely, CenturyLink. *Id.* at 19-20. These two positions cannot be reconciled, and Aureon’s Direct Case presents no cogent explanation for how (i) Century Link is not Aureon’s “competing ILEC” under Section 61.26(a)(2), yet (ii) Aureon “compete[s]” with CenturyLink, a non-rural ILEC, for purposes of the rural exemption.

3. Aureon Is Not, In Any Event, A “Rural CLEC” Under Section 61.26(a)(6)

Because the rural exemption in Section 61.26(e) does not apply to intermediate carriers like Aureon, then whether Aureon is a “rural CLEC” that fits within the definition of Section 61.26(a)(4) is irrelevant. Even if Aureon were a “rural CLEC,” it would not be entitled to the rural exemption, which does not apply at all to intermediate carriers. *See supra* Part I.D.1. However, in any event, Aureon is not a “rural CLEC” and is also not entitled to the rural exemption on these grounds.

Under the rules, a “Rural CLEC” is:

a CLEC that does not serve (*i.e.*, terminate traffic to or originate traffic from) any end users located within either:

- (i) Any incorporated place of 50,000 inhabitants or more, based on the most recently available population statistics of the Census Bureau or
- (ii) An urbanized area, as defined by the Census Bureau.

⁷³ A “non-rural CLEC” is “an incumbent local exchange carrier that is not a rural telephone company under 47 U.S.C. 153(44).” 47 C.F.R. § 61.26(a)(4). Thus, even assuming, *arguendo*, that intermediate carriers subject to Section 61.26(f) may qualify for the rural exemption, Aureon must also show that it is a rural CLEC and that it competes against a non-rural ILEC—such as CenturyLink. *See Seventh Report and Order*, ¶ 79 (CLECs competing with carriers that qualify as rural under the Act’s definition are excluded from the rural exemption).

47 C.F.R. § 61.26(a)(6). When the Commission explained its regulation at the time that it promulgated it in 2001, the Commission said that “if *any portion of a CLEC’s access traffic originates from or terminates to end users* located within either of the[] two types of areas [specified in Section 61.26(a)(6)(i)-(ii)], the carrier will be ineligible for the rural exemption to our benchmark rule.” *Seventh Report and Order*, ¶ 76 (emphasis added).⁷⁴

Aureon concedes that a “portion of [its] access traffic originates from or terminates to end users located within” the two areas specified in the rural exemption (*Seventh Report and Order*, ¶ 76), and thus Aureon falls outside the definition of rural CLEC. Specifically, Aureon admits that, on the calls that it provides terminating access services, those calls are terminated to at least some end users located within an urbanized area and/or a place of 50,000 inhabitants or more; and, on the calls that it provides originating access, those calls are originated by at least some end users located within an urbanized area and/or a place of 50,000 inhabitants or more. *See Direct Case* at 17-18. Accordingly, under the plain text of Section 61.26(a)(6), Aureon in fact does “serve (*i.e.*, terminate traffic to or originate traffic from)” non-rural end users. 47 C.F.R § 61.26(a)(6).

Aureon nonetheless argues that its admission is irrelevant in determining whether Aureon is a “rural CLEC,” because Aureon does not *directly* serve those non-rural end users. *Direct Case* at 17 (arguing that Aureon’s CEA service is provided to other carriers, and Aureon’s “supposed ‘indirect’ service” is not sufficient under the rule). Aureon’s reading of the rule is flawed.

The portion of the Commission’s rule defining “rural CLEC” does not specify what “serve” means. The Commission should therefore interpret the term consistent with the very limited

⁷⁴ The Commission’s contemporaneous statements explaining its regulation are strong “evidence of the agency’s intent at the time of the regulation’s promulgation.” *AT&T Corp. v. FCC*, 841 F.3d 1047, 1054 (D.C. Cir. 2016) (internal quotation marks omitted). An interpretation “at odds with the agency’s expressed intent at the time of adoption enjoys no judicial deference.” *Id.*

purposes of the rural exemption.⁷⁵ As explained above, “[t]he rural exemption was intended” to benefit a limited set of “rural competitive LECs with high loop costs.” *Eighth Report & Order*, ¶ 35; *see also Seventh Report and Order*, ¶¶ 68, 75-79. Accordingly, the most sensible interpretation of “rural CLEC,” for purposes of applying the rural exemption, is that the term encompasses only those rural CLECs that use loops to serve end users within the rural areas specified in Section 61.26(a)(6)(i)-(ii); a “rural CLEC” does *not* include either (i) a CLEC that uses loops to serve any non-rural end user, or (ii) a CLEC that uses *no* loops, such as an intermediate carrier.

By contrast, if Aureon’s interpretation were correct, then the definition of “rural CLEC” would be patently overbroad. Under Aureon’s view, *all* intermediate CLECs are by definition “rural CLECs,” no matter where they operate. Thus, if Aureon were correct, an access provider whose service area rests entirely within the center of Times Square in New York or in the Chicago Loop would be deemed a “rural CLEC,” so long as it acted only as an intermediate carrier and did not directly serve end users. This is plainly inconsistent with the Commission’s intent, which was to make the rural exemption very narrow, so that it covers only a “small number of carriers serving a tiny portion of the nation’s access lines.” *Seventh Report and Order*, ¶ 68.⁷⁶

⁷⁵ *See, e.g., CCMI v. AT&T Corp.*, 23 FCC Rcd. 12249, ¶ 11 (2008) (“To ascertain how best to interpret [a rule], we must examine the rule’s text, history, purpose, and structure”) (citing *Bell Atlantic Tel. Cos. v. FCC*, 131 F.3d 1044, 1047 (D.C. Cir. 1997) (“[T]extual analysis is a language game played on a field known as ‘context.’”)); *see also Verizon Cal. v. FCC*, 555 F.3d 270, 273 (D.C. Cir. 2009) (“The context is key,” and the Commission “understandably . . . looked to the context.”).

⁷⁶ Specifically, in 2001, the Commission cited evidence that only about 100,000 access lines would fall within the proposed rural exemption. *Seventh Report and Order*, ¶ 68. Yet, the access lines to which Aureon routes traffic is many times that figure. *See Direct Case* at 2. And, under Aureon’s view, the rural exemption would be expanded to other CEA providers in other states and all other intermediate CLECs—thus dwarfing the very limited scope of the exemption.

II. Issue #2 – The Adequacy of the Cost and Demand Data Supporting Aureon’s Current Rate of \$0.00576/min.

In the *Liability Order*, the Commission found that significant questions had been raised regarding the calculation of Aureon’s CEA rates, including the calculation of the lease amounts assigned to Aureon’s CEA service, Aureon’s cost allocation practices, and the possible cross-subsidization of Aureon’s other non-regulated services.⁷⁷ In addition, AT&T presented extensive data in the complaint proceeding calling into question the accuracy and the reliability of Aureon’s prior demand forecasts.⁷⁸

In the *Designation Order*, the Commission has identified these same issues for investigation and, in that connection, directed Aureon to produce additional cost and demand data in support of its current CEA rate and to answer specific questions regarding the derivation of that rate. In its Direct Case, Aureon has produced additional material in response to the Commission’s requests; however, as discussed below, Aureon has not met its burden of demonstrating the reasonableness of its current CEA rate. To the contrary, the problems identified by the Commission in the *Liability Order* continue to exist both with the network cost data underlying Aureon’s rate calculations, and with the demand forecast Aureon used in deriving its current CEA rate. [[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED] [[END CONFIDENTIAL]]

A. Deficiencies in Aureon’s Lease Calculation

As AT&T noted in its Petition to Reject or Suspend, network costs (which consist of COE and CWF costs) represent about 85% of the total revenue requirement used by Aureon in

⁷⁷ See *Liability Order*, ¶ 30.

⁷⁸ See AT&T Formal Complaint, ¶ 131; AT&T Ex. 1, Rhinehart Initial Decl., ¶¶ 34-37; AT&T Reply Legal Analysis, 53-56; AT&T Ex. 2, Rhinehart Reply Decl. ¶¶ 44-51.

developing its current CEA rate.⁷⁹ As AT&T further explained, Aureon's estimate of network costs was not calculated in the traditional way it would be done in a standard rate of return proceeding.⁸⁰ Because no network investment costs are assigned to Aureon's Access Division, those costs are allocated to Aureon's CEA service pursuant to a lease charge and reported in Aureon's 2018 Tariff Filing as a "CWF lease expense."⁸¹

In the complaint proceeding, Aureon was unable to explain the derivation of the lease expense used in calculating its prior CEA rates. **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁷⁹ AT&T Petition to Reject or Suspend at 12-13.

⁸⁰ *Id.*

⁸¹ Aureon 2018 Tariff Filing, INS Cost Support, Schedule 5.

⁸² **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[[END CONFIDENTIAL]]

⁸³ *Id.* at 38:9-40:3.

⁸⁴ *See, e.g., id.* at 78:24-83:10.

[REDACTED]

[REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]**

In its Reply to AT&T's Petition to Reject or Suspend,⁸⁶ Aureon attempted to address those deficiencies by attaching a one-page work paper to the declaration of one of its declarants, Brian Sullivan. That document, which was designated as Annex 3, **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]**

Aureon has also attempted to address this issue in its Direct Case, explaining that **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]**

In the *Designation Order*, the Commission asked a number of questions regarding the logic underlying the calculations set forth in Annex 3, as well as the source of the data used in developing

⁸⁵ See AT&T Ex. 3, Rhinehart Supp. Decl. ¶¶ 9-15.

⁸⁶ Consolidated Reply of Iowa Network Services d/b/a Aureon Network Services to the Petitions to Reject or to Suspend and Investigate Filed by AT&T Corp. and Sprint, *In the Matter of Iowa Network Access Division Tariff F.C.C. No. 1*, WC Docket No. 18-60, Transmittal No. 36 (Feb. 28, 2018).

⁸⁷ See Direct Case at 36-38.

Annex 3.⁸⁸ In particular, the Commission requested that Aureon explain how the revenue requirements for COE and CWF costs were developed and provide detailed data supporting those two amounts.⁸⁹ **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[[END CONFIDENTIAL]] As explained below, serious problems still exist with Aureon’s computation of the “CWF lease expense” assigned to its CEA service.

1. Source of the Annex 3 COE and CWF Revenue Requirements

In the *Designation Order*, the Commission directed Aureon to provide a spreadsheet showing how the COE and CWF revenue requirements were calculated.⁹¹ The Commission further directed Aureon to provide separately for each revenue requirement data regarding: (a) each type of asset included; (b) capital cost information for each identified asset, including gross investment, accumulated depreciation, net investment, return on net investment, depreciation expense and federal and state income tax expense; and (c) other expense data, including maintenance and repair, network operations selling, general, administrative, and any other overhead and taxes other than income taxes.⁹² **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[[END

⁸⁸ See *Designation Order*, ¶¶ 21-27.

⁸⁹ *Id.* ¶¶ 21-23.

⁹⁰ *Id.*

⁹¹ *Id.* ¶ 27.

⁹² *Id.*

CONFIDENTIAL]] Consequently, the reliability of the cost allocations is dependent on the reliability of the two revenue requirements.

In its Direct Case, Aureon asserts that the data requested by the Commission does not exist—it claims that **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]**

Aureon’s analysis here is demonstrably incorrect, and otherwise insufficient. To begin, what Aureon has done here is to replace one “Black Box” with another “Black Box,” because it still has yet to provide information to the Commission on *how* the COE and CWF amounts included in Annex 3 were derived. **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁹³ Direct Case at 43.

⁹⁴ *Id.*

⁹⁵ *Id.*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁹⁶ See AT&T Exhibits 88 to 93 in the complaint proceeding, which have been marked in this proceeding as AT&T Exhibits 6 to 11. As can be seen from these exhibits (which date back to 2006), **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[[END CONFIDENTIAL]] [REDACTED]

⁹⁷ See, e.g., AT&T Ex. 3, Rhinehart Supp. Decl. ¶ 19; AT&T Ex. 5, Schill Depo. at 34:8-38:13.

⁹⁸ See AT&T Ex. 3, Rhinehart Supp. Decl. ¶¶ 4-15.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁹⁹ This information is taken from the support material provided as part of Aureon's prior tariff filings. *See* AT&T Exs. 12-19, Section 5, Part 64 Separations, Schedule S-1, Line 3 (Account 6210 for COE expense).

¹⁰⁰ This data is taken from the Aureon circuit cost allocation data provided in connection with the complaint proceeding, as well as the data in Annex 3. *See* AT&T Exs. 6-11; Aureon Reply, Sullivan Decl., Annex 3.

¹⁰¹ This information is taken from the backup data provided as part of Aureon's tariff filings. *See* AT&T Exs. 12-19, Section 5, Part 64 Separations, Schedule S-1, Line 4 (Account 6410 for CWF expense).

¹⁰² This data is taken from Aureon's circuit cost allocation data provided in connection with the complaint proceeding, as well as the data in Annex 3. *See* AT&T Exs. 6-11; Aureon Reply, Sullivan Decl., Annex 3.

[REDACTED]

[REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]** Further, the fact that some other “alternative” rate calculation—for which no detailed support has been provided—might justify a higher rate does not support the reasonableness of the CEA rate that Aureon actually filed. *See* Section II.D below. In short, Aureon has left the Commission in the same position it was in during the complaint proceeding—with “significant questions” that have still not been answered.

2. Issues Pertaining to the Allocation of the COE “Revenue Requirement.”

In Annex 3, **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹⁰³ Direct Case at 43-44.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]**

In the *Designation Order*, the Commission asked a number of questions regarding Aureon’s allocation of its COE “revenue requirement,” including whether **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]** The Commission also directed Aureon to provide documentation showing the source of the data used to calculate “Circuit Cost” and explain how those costs were developed.¹⁰⁵

In its Direct Case, Aureon leaves open several significant open issues. To start, it is important to understand that **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹⁰⁴ *Designation Order*, ¶ 24.

¹⁰⁵ *Id.* ¶ 25.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹⁰⁶ As Mr. Rhinehart explained in his Supplemental Declaration, **[[BEGIN CONFIDENTIAL]]**
[REDACTED] **[[END CONFIDENTIAL]]**
See AT&T Ex. 3, Rhinehart Supp. Decl. ¶ 22.

¹⁰⁷ *See* AT&T Exs. 6-11.

¹⁰⁸ In addition, the actual demand for 2017 was 2,999,771,329 MOUs. *See* Aureon 2018 Tariff Filing, INS Cost Support.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹⁰⁹ A comparison of the circuit charts from 2016 and 2018 indicates that **[[BEGIN CONFIDENTIAL]]**

[REDACTED]

[[END CONFIDENTIAL]] See Section

II.E below.

¹¹⁰ **[[BEGIN CONFIDENTIAL]]**

[REDACTED]

[[END CONFIDENTIAL]]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]**

¹¹¹ Aureon does assert that its OPEX expenses have been declining. *See* Direct Case at 34-35. However, the OPEX expenses being referenced do not include COE and CWF costs and are thus irrelevant to the computation of Aureon’s “CWF lease expense.”

3. Issues Pertaining to the Allocation of the CWF “Revenue Requirement”

In Annex 3, [[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [[END

CONFIDENTIAL]]

In the *Designation Order*, the Commission asks a number of questions regarding Aureon’s

[[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

[REDACTED]

[[END CONFIDENTIAL]]

In its Direct Case, Aureon responds to some of the Commission’s inquiries, but there are still significant open issues. To begin, it is important to recognize that [[BEGIN

CONFIDENTIAL]] [REDACTED]

[REDACTED]

¹¹² In its Direct Case, Aureon points out that the estimates of “Avg. Miles per Cct” set forth in Annex 3 is a derived number. *See* Direct case at 51-52.

¹¹³ *Designation Order*, ¶ 26.

¹¹⁴ *Id.*

115 **[[BEGIN CONFIDENTIAL]]**

55

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹¹⁷ The actual traffic volume for 2010-11 is reported on Table 1 to AT&T's Formal Complaint.

[REDACTED] [REDACTED]
[REDACTED] [[END
CONFIDENTIAL]]

5. Aureon's Handling of Spare Capacity

In response to the *Designation Order's* request for an explanation of whether the "\$13,430,525 CWF Facility Lease" expense used in Aureon's tariff filing includes spare capacity,¹¹⁹ Aureon acknowledges that [[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED]
[REDACTED] [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

¹¹⁸ [[BEGIN CONFIDENTIAL]] [REDACTED]
[REDACTED] [REDACTED] [[END
CONFIDENTIAL]]

¹¹⁹ *Designation Order*, ¶ 27.

¹²⁰ Direct Case at 53.

¹²¹ *Id.*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [[END CONFIDENTIAL]]

B. Aureon's Misallocation of CWF Costs

In his Supplemental Declaration, Mr. Rhinehart demonstrated that Aureon had been

[[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹²² AT&T Ex. 3, Rhinehart Supp. Decl. ¶¶ 16-32.

¹²³ *Id.* ¶ 20.

¹²⁴ This information is set forth on the second tab of the electronic version of Annex 3 and on page 2 of the circuit allocation data produced in the Complaint proceeding (*see* AT&T Exhibits 6 to 11).

¹²⁵ *See* Hilton Direct Case Decl. ¶¶ 14-15; *see also* Aureon Final Reply Brief, Second Supp. Decl. of Frank Hilton, ¶ 3.

¹²⁶ AT&T Ex. 3, Rhinehart Supp. Decl. ¶ 20.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.* ¶ 22.

¹³⁰ The source of this calculation is Table 2 on the first pages of AT&T Exs. 88 to 93.

¹³¹ The basis for this calculation is set forth on AT&T Exhibit 94, which Mr. Rhinehart prepared and submitted in the complaint proceeding.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹³² AT&T Ex. 3, Rhinehart Supp. Decl. ¶¶ 27-29.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹³³ *Id.* ¶¶ 30-31.

¹³⁴ In 2016, the exclusion of “Uncollectible Revenues would have reduced Aureon’s CEA rate from \$0.00896/min. to \$0.00673/min. (*see* Rhinehart Initial Declaration ¶ 43) **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[[END CONFIDENTIAL]]

[REDACTED]

[REDACTED]

[REDACTED]

[[END CONFIDENTIAL]]

137 [[BEGIN CONFIDENTIAL]] [REDACTED] [[END CONFIDENTIAL]]

138 **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[[END CONFIDENTIAL]]

63

¹⁴⁷ *Id.*

By over-allocating CWF costs to its CEA service, Aureon has not only overstated its CEA rates but has also reduced the CWF costs assigned to its other non-regulated services, thereby cross-subsidizing those services.

¹⁵² See *id.* ¶¶ 23-24, Table L; *id.* ¶ 31, Table P.

[[BEGIN CONFIDENTIAL]]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹⁵³ [[BEGIN CONFIDENTIAL]]

[REDACTED]

[[END CONFIDENTIAL]]

¹⁵⁴ See, e.g., AT&T Ex. 1, Rhinehart Initial Decl. ¶ 23.

██████████ [[END CONFIDENTIAL]]

Finally, that CEA service is subsidizing Aureon's other non-regulated services can be seen from Aureon's network investment data. The following table (which is an updated version of Table E to Mr. Rhinehart's initial declaration) shows the amounts that Aureon has invested in CWF facilities since 2004:

Table 9	
Cable & Wire Investment (Total Co.) ¹⁵⁶	
2004	\$21,331,701
2006	\$21,721,264
2008	\$23,377,974
2010	\$26,818,101
2012	\$43,102,372
2013	\$57,085,004
2014	\$59,282,926
2016	\$74,866,654
2017	\$68,284,259
2018	\$71,064,962

As can be seen from Table 9, Aureon's investment in CWF was relatively constant from 2004 to 2010 but then almost tripled between 2010 and 2016.

¹⁵⁵ AT&T Ex. 2, Rhinehart Reply Decl. ¶ 28.

¹⁵⁶ The source of the Total Company investment in Cable & Wire Facilities is Section 5, Part 64 Separations, Schedule S-2, Line 4 (Cable & Wire Facilities) of INS's 2004 to 2017 Tariff Filings. See AT&T Exs. 12-19. The source for Aureon's 2018 Tariff Filing is Section 5, Part 64 Separations, Line 36 (Cable & Wire Facilities).

In its tariff filings, Aureon explained that this investment was being made to “upgrade its fiber routes and electronics.”¹⁵⁷ However, as Mr. Rhinehart pointed out in his Initial Declaration, the planned expenditure of “an additional \$22.5 million ... for 2013” (*see* Ex. 17, INS’s 2013 Tariff Filing, at 2) is extremely difficult to justify given that demand for traditional CEA service had at that point steadily declined **[[BEGIN CONFIDENTIAL]]** **[[END CONFIDENTIAL]]**¹⁵⁸ the Access Division’s overall interstate throughput had declined significantly since 2011,¹⁵⁹ and in 2011, the Commission had found that access stimulation was a “wasteful arbitrage” practice and took steps to “curtail” it. *See Connect America Order*, ¶¶ 648–49, 662–63.¹⁶⁰ What is even more difficult to understand is why Aureon was allocating in its lease rate calculation more than 60 percent of those costs to its declining CEA service. The only logical explanation is that Aureon’s CEA service was being used to subsidize Aureon’s network expansion, and thereby cross-subsidize its other non-regulated services.

¹⁵⁷ *See* AT&T Ex. 15, Aureon 2010 Tariff Filing, at 2 (“INS has plans to upgrade its fiber routes and electronics to bring newer technologies and increased capacity Approximately \$20 million has been expended since 2006 and an additional \$4.5 million is planned for 2010.”); AT&T Ex. 16, Aureon 2012 Tariff Filing, at 2 (“INS has plans to upgrade its fiber routes and electronics Approximately \$9.6 million has been expended since 2009 and an additional \$11.3 million is planned for 2012.”); AT&T Ex. 17, Aureon 2013 Tariff Filing at 2 (“INS has plans to upgrade its fiber routes and electronics Approximately \$20.3 million has been expended since 2010 and an additional \$22.5 million is planned for 2013.”).

¹⁵⁸ *See* AT&T Complaint, Section I.B; *see also* **[[BEGIN CONFIDENTIAL]]** **[[END CONFIDENTIAL]]**.

¹⁵⁹ *See infra* Table 10 below, showing that **[[BEGIN CONFIDENTIAL]]** **[[END CONFIDENTIAL]]**.

¹⁶⁰ *See* AT&T Ex. 1, Rhinehart Initial Decl. ¶ 25.

D. Aureon's Alternative Rate Calculation

Given its inability to provide back-up support for the “CWF lease expense” used in calculating its CEA rate, Aureon presents an alternative rate calculation that purports to develop a rate for CEA service on a more traditional cost-of-service basis.¹⁶¹ Instead of using a lease cost to capture the network costs assigned to Aureon’s CEA service, Aureon developed a rate calculation that purports to be based on its actual investments in COE and CWF, and its actual CWF expense.¹⁶² It then allocated those investments and expenses between its CEA service and its other non-regulated services using a single allocation factor of 64%.¹⁶³ Based on this alternative rate calculation, Aureon derived a CEA rate of \$0.00652/min, which it claims validates the reasonableness of its current CEA rate.

Aureon’s alternative rate calculation suffers from many of the same problems as its rate calculation using a “CWF lease expense,” and certainly does not demonstrate that Aureon’s current CEA rate is reasonable. *First*, Aureon’s alternative rate calculation is not the calculation that was used to develop Aureon’s current CEA rate, nor does it reflect either the costs that were used to develop that rate, or the costs that are reported on Aureon’s books and records in the ordinary course.¹⁶⁴ Instead, it is a hypothetical construct developed for the sole purpose of trying to demonstrate the reasonableness of a CEA rate that cannot otherwise be supported.¹⁶⁵ Indeed, Aureon all but admits that fact in responding to the Commission’s inquiry regarding the basis for the COE and CWF “revenue requirements” used to generate Aureon’s current CEA. **[[BEGIN**

¹⁶¹ Direct Case at 54-57.

¹⁶² *Id.* at 56.

¹⁶³ *See* Direct Case, Sullivan Decl., Attachment 2.

¹⁶⁴ *See* Rhinehart Supp. Rate Decl. ¶ 46.

¹⁶⁵ *Id.*

CONFIDENTIAL]] [REDACTED]

[REDACTED] [[END CONFIDENTIAL]] However, Aureon's current CEA rate is not based on this alternative rate calculation and is thus unsupported.

Second, the fact that this alternative rate calculation produces a very different rate calls into question the reliability of both calculations. As Mr. Rhinehart explains in his Supplemental Rate Declaration, one would expect, if correctly done, both calculations would produce similar results.¹⁶⁷ They purport to be based on that same total company data, and the "revenue requirements" underlying the "CWF lease expense" should sync up with the calculations in the alternative rate calculation producing a similar rate.¹⁶⁸ That they do not raises a red flag that calls into question the reliability of both calculations.¹⁶⁹

Third, Aureon's alternative rate calculation [[BEGIN CONFIDENTIAL]] [REDACTED]
[REDACTED] [[END CONFIDENTIAL]] In allocating COE and CWF investment and CWF expense between Aureon's CEA service and its other non-regulated services, Aureon uses a single allocation factor of 64%, [[BEGIN CONFIDENTIAL]] [REDACTED]

¹⁶⁶ See Direct Case at 43-44.

¹⁶⁷ See Rhinehart Supp. Rate Decl. ¶ 47.

¹⁶⁸ *Id.*

¹⁶⁹ *Id.*

¹⁷⁰ See Direct Case at 54; Sullivan Direct Case Decl. ¶ 23.

[illegible]

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[[END

CONFIDENTIAL]]

Finally, the underlying COE and CWF investment and expense data relied on by Aureon in its alternative rate calculation does not reflect the actual COE and CWF costs incurred by Aureon in providing CEA service. In the *Designation Order*, the Commission requested detailed data regarding the assets underlying the COE and CWF “revenue requirements” set forth in Annex 3.¹⁷⁴ As noted above, Aureon has not produced such data in support of its “CWF lease expense” rate calculation (*see* Section II.A.1 above), nor has it produced such data in connection with its alternative rate calculation. Instead, it simply relied on its overall account balances in doing its alternative rate calculation. But that approach does not answer the question of what specific assets are used in providing CEA service and what specific expenses are incurred in providing CEA service. As regards those questions, Aureon’s alternative rate calculation is just another “black box.”¹⁷⁵

In sum, Aureon’s alternative rate calculation provides no more support for its CEA rate than its flawed “CWF lease expense” rate calculation.

E. Aureon’s Traffic Demand Forecast

In the complaint proceeding, Mr. Rhinehart presented a table (Table H to Mr. Rhinehart’s Initial Declaration) demonstrating the inaccuracy and unreliability of the demand forecasts used in connection with Aureon’s prior tariff filings.¹⁷⁶ The following table (Table 10) replicates and updates the data on that earlier table:

¹⁷⁴ *Designation Order*, ¶ 23.

¹⁷⁵ *See* Rhinehart Supp. Rate Decl. ¶ 49.

¹⁷⁶ AT&T Ex. 1, Rhinehart Initial Decl., ¶ 34, Table H.

Table 10			
<u>Test Period</u>	<u>Projected Demand</u> ¹⁷⁷	<u>Actual Demand</u> ¹⁷⁸	<u>Difference</u>
7/1/04 to 6/30/05	876,231,538 min.	930,533,227 min.	54,301,689 min.
7/1/06 to 6/30/07	1,296,905,198 min.	1,707,544,370 min.	410,639,172 min.
7/1/08 to 6/30/09	2,346,089,248 min.	2,576,662,181 min.	230,572,933 min.
7/1/10 to 6/30/11	3,481,819,561 min.	3,756,655,810 min.	274,836,249 min.
7/1/12 to 6/30/13	3,339,631,164 min.	3,165,619,256 min.	(174,011,908) min.
7/1/13 to 6/30/14	2,925,535,070 min.	2,742,967,138 min.	(182,567,932) min.
7/1/14 to 6/30/15	2,019,322,322 min.	2,470,990,085 min.	451,667,763 min.
7/1/16 to 6/30/17	2,508,443,160 min.	2,866,477,973 min.	358,034,813 min.
3/1/18 to 2/28/19	2,599,778,953 min.	na	na

As can be seen from Table 10, there is a lot of variation from year to year in Aureon's traffic forecasts. For the test periods up to and including the 7/1/10 to 6/30/11 test period, Aureon consistently underestimated demand by an average of 240 million minutes per year. Further, for two test periods, including the 2014 test period (7/1/06 to 6/30/07, 7/1/14 to 6/30/15), Aureon underestimated the demand by at least 400 million minutes.

As further demonstrated in the complaint proceeding, Aureon has benefitted from the deficiencies in its forecasting. In those years where Aureon's forecasts underestimated demand, its rates were higher than they would have been if the forecast had been more accurate. In each one of those instances, however, Aureon permitted the rates to remain in effect for the full two year period permitted by the Commission's regulations, thereby benefitting from the higher rates for the full two year period.¹⁷⁹ By contrast, in 2013 (the single test year in which Aureon

¹⁷⁷ The source of the "Projected Demand" for 2004-2016 is Aureon's Tariff Filings for 2004, 2006, 2008, 2010, 2012, 2013, 2014, 2016, and 2018. See AT&T Exs. 15-22; Aureon 2018 Revised Tariff Filing, Description and Justification, at 2.

¹⁷⁸ This figure is a simple average of the actual demand reported by Aureon in its Tariff Filings for the two year period encompassed within the test period. Thus, for example, the actual demand compared to Projected Demand for the test period 7/1/04 to 6/30/05 would be a simple average of the reported actual demand for 2004 and 2005.

¹⁷⁹ AT&T Ex. 2, Rhinehart Reply Decl. ¶ 47.

overestimated demand), it made an out-of-period tariff filing and raised its rate from \$.00623/min. to \$.00896/min.¹⁸⁰ The resulting rate not only violated the Commission's rate cap regulations but also deprived AT&T and other IXCs of the benefit of the lower rate for the full two year tariff cycle.

The demand forecast in Aureon's current tariff filing evidences these same deficiencies. Despite the fact that Aureon's CEA traffic has steadily increased since 2015, Aureon's demand projection forecasts a decline in total traffic in the 2018 test year (as compared to 2017 actual traffic) of about 400 million minutes, which has the effect of increasing Aureon's rate by about \$.0005/min.¹⁸¹ In the *Designation Order*, the Commission set this issue for investigation and required Aureon to: (a) justify the demand forecast reflected in its revised rate by demonstrating that the forecast is based on accurate and reliable data and that a credible forecasting method was used; and (b) explain why it believes that traffic volumes are declining on its CEA network, and to provide historical MOUs for January 2015 – April 2015 to help the Commission determine the accuracy of Aureon's demand forecasts.¹⁸²

In its Direct Case, Aureon concedes that [[BEGIN CONFIDENTIAL]]

¹⁸⁰ *Id.*

¹⁸¹ Rhinehart Supp. Rate Decl. ¶ 43.

¹⁸² *Designation Order*, ¶¶ 29-31.

¹⁸³ Direct Case at 57.

¹⁸⁴ *Id.* at 58.

[REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

[REDACTED] [REDACTED] [[END
CONFIDENTIAL]]

Second, the Commission asked Aureon to justify the demand forecast that was “reflected in its revised rate.” Aureon did not do that in its Direct Case, but instead has [[BEGIN
CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹⁸⁵ *Id.* at 60-61.

¹⁸⁶ *Id.*

¹⁸⁷ Rhinehart Supp. Rate Decl. ¶ 21.

¹⁸⁸ *See* Aureon Direct Case at 57.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [[END CONFIDENTIAL]]

Third, as noted in the *Designation Order*, the Commission was unable to replicate the demand forecast using the Excel application identified by Aureon in its Reply to AT&T’s Petition to Reject or Suspend.¹⁸⁹ Interestingly, Aureon does not take issue with this point. [[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED]

¹⁸⁹ *Designation Order*, ¶ 30.

¹⁹⁰ Aureon 2018 Tariff Filing, Description and Justification, at 2 (“The change in interstate traffic for the projected test period results from a review of the monthly traffic volume for 2017, which showed that INAD experienced a material decrease in minutes in the fourth quarter of 2017, and that trend is expected to carry forward into 2018.”).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹⁹¹ *Id.*

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [[END CONFIDENTIAL]]

Fourth, Aureon does not meaningfully respond to the Commission’s directive that it provide an analysis of its past forecasts as compared to its actual traffic.¹⁹³ No such analysis is provided. Further, it offers no explanation as to why its past forecasts were inaccurate other than to assert that forecasting [[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

¹⁹² The source of the “Projected Demand” is Aureon 2018 Revised Tariff Filing, INS Cost Support.

¹⁹³ *See Designation Order*, ¶ 31.

¹⁹⁴ Direct Case at 61-62.

[REDACTED]

[[END CONFIDENTIAL]]

Fifth, notwithstanding its assertion that IXCs are required to transport their long distance traffic as a result of the Commission’s supposed “CEA mandatory use policy,” Aureon failed to take into account bypass traffic in forecasting demand for CEA service. While AT&T takes issue with the proposition that there currently is a CEA mandatory use policy, to the extent Aureon is taking that position, bypass traffic should be included in the demand forecast underlying its CEA rates. Otherwise, AT&T and the other IXCs that use Aureon’s CEA service are required to bear the burden (through increased rates) of Aureon’s failure to enforce the alleged requirement to transport all traffic over its CEA network.

Moreover, Aureon’s failure to include bypass traffic in its demand forecast is particularly troubling given that some of that bypass traffic [[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

¹⁹⁵ *Id.* at 62.

¹⁹⁶ *See* AT&T Exs. 24-36; *see also* AT&T Final Brief at 9-15.

¹⁹⁷ *See* AT&T Ex. 37.

CONFIDENTIAL]]

Sixth, Aureon's assertions regarding the **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹⁹⁹ See Rhinehart Supp. Rate Decl. ¶ 43.

200 *Id.*

201 *Id.*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]**

As AT&T has long argued, the only way to prevent this situation from occurring is to either prevent Aureon from assessing CEA charges with respect to access stimulation traffic, or take all

²⁰² See Habiak Rate Decl. ¶ 28.

²⁰³ *Id.* ¶ 29.

²⁰⁴ *Id.* ¶¶ 29-30.

²⁰⁵ *Id.* ¶ 30.

²⁰⁶ *Id.*

²⁰⁷ *Id.*

²⁰⁸ *Id.*

the bypass minutes into account in setting Aureon's CEA rates. In the *Liability Order*, the Commission seemingly rejected the former alternative. Consequently, to address this issue, it should now direct Aureon to take bypass traffic into account in its rate calculations. As previously noted, the addition of 500 million minutes of bypass traffic to Aureon's 2017 actual traffic level would reduce Aureon's current CEA rate by about \$0.00130/min. to \$0.00446/min.

Finally, if both the rate adjustment associated with Aureon's misallocation of CWF costs and the rate adjustment relating to Aureon's demand forecast are taken into account together, the resulting rate is even lower. Again, assuming that the demand forecast is about 500 million minutes higher than Aureon's 2017 traffic level, [[BEGIN CONFIDENTIAL]] [REDACTED]
[REDACTED] [[END CONFIDENTIAL]]

III. Issue #3 -- The Relationship between the Commission's CLEC Benchmark Rate and Its Cost of Service Regulations

In the *Designation Order*, the Commission asks several questions about the relationship between its benchmark rules and its dominant carrier pricing regulations, and how that relationship applies to Aureon.²¹⁰ In its Direct Case, Aureon argues that: (1) the 2011 rate cap, which for Aureon's CEA service was \$0.00819 per minute, should be the only applicable benchmark; (2) the benchmark rule should be considered as a "rate floor," and not be applied to set a lower rate than

²⁰⁹ [[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED] [[END CONFIDENTIAL]]

²¹⁰ See *Designation Order*, ¶ 32.

the cost of service rate; and (3) the Commission should waive Rules 51.911(c) and 61.26.²¹¹ Aureon's arguments lack merit.

First, the Commission's transitional access service pricing rules relevant to this case are unambiguous. As of July 1, 2013, the applicable rate cap for CLECs is *not* what Aureon calls the "default" transitional rate, *i.e.*, the rate that was in effect on December 29, 2011 (\$0.00819 per minute). Rather, the rules clearly provide that, as of July 1, 2013, the applicable benchmark rate for CLECs "shall be no higher than" the rates "charged by the competing incumbent local exchange carrier, in accordance with the same procedures specified in § 61.26 of this chapter." 47 C.F.R. § 51.911(c).

Citing a single word in Section 51.905(b) of the Commission's CLEC benchmark rules, Aureon argues that the 2011 "default transitional rate applies 'notwithstanding' the CLEC rate benchmark."²¹² Not true. In full, Section 51.905(b) provides that "LECs who are otherwise required to file tariffs are required to tariff rates no higher than the default transitional rates *specified by this subpart.*" 47 C.F.R. § 51.905(b) (emphasis added). As of July 1, 2013, the default transitional rates for CLECs that are "specified by this subpart,"—namely, Subpart J of Part 51, 47 C.F.R. §§ 51.901-51.919—are the Commission's CLEC benchmark rules, as set forth by Section 51.911(c) and, by reference, Section 61.26. Thus, as of July 1, 2013, the applicable benchmark under the transitional access service pricing rules was and remains the rate under the CLEC benchmark rules, not the 2011 default rate cap.

²¹¹ See Direct Case at 61-66.

²¹² *Id.* at 62.

Second, Aureon’s claim that the CLEC benchmark rule should serve only as a “rate floor” for Aureon lacks merit.²¹³ Aureon’s position is not consistent with the *Liability Order*, the FCC’s rate cap and rate parity regulations, the purposes for which CEA service was authorized, or with the purpose underlying the CLEC benchmark rule.

As found in the *Liability Order*, the Commission’s benchmark rules and cost of service rules “complement each other,” and “do not conflict.” *Liability Order*, ¶ 26. As a dominant carrier, Aureon is subject to the rules applicable to such carriers, including Section 61.38 and the cost of service rules. In 2011, the Commission enacted its transitional access service pricing rules, which apply to all switched access services and to any LEC. *Transformation Order*, ¶¶ 800-01. Aureon is indisputably a LEC. *Liability Order*, ¶ 25 & n.135. Consequently, there is no basis for excusing Aureon from the general rules that apply to all LECs. Accordingly, in this proceeding, the Commission should apply both sets of rules. As the Commission stated in the *Liability Order*: “Aureon must comply with the 61.38 rules to support its rates at or below the cap and therefore Section 61.38 is not superfluous. But if the rates it calculates exceed the rate caps . . . Aureon must lower them.” *Id.* ¶ 26.

Nor is Aureon’s position justified because it is a CEA provider. As the Commission concluded in 2012, it “approved the creation of [Aureon] in order to *lower* the cost of transporting traffic from Des Moines to the various remote rural exchanges.” *Alpine*, 27 FCC Rcd. 11511, ¶ 29 (emphasis in original). Yet, under Aureon’s view of the CLEC benchmark, Aureon would be able to raise its rates to levels *higher* than the rates it was authorized to charge thirty years ago, in 1988. That is improper. Because CEA providers like Aureon should be reducing costs, interpreting the CLEC benchmark rule as a floor makes no sense.

²¹³ Direct Case at 65.

Aureon's "rate floor" position is also not consistent with the CLEC benchmark rules. As explained above, those rules were intended to mimic a competitive marketplace. *See Seventh Report and Order*, ¶ 3. Allowing Aureon to price its CEA service above the rate of the competing ILEC runs directly counter to the purposes of the CLEC benchmark rules.

In short, the best way to ensure the reasonableness of Aureon's CEA rates is to require Aureon to compute the rates under both sets of rules, and to cap Aureon's properly computed Section 61.38 CEA rate at or below a composite CLEC benchmark rate computed on the basis of CenturyLink's rates and network mileages. This approach ensures that the rates are not excessive, and acts as a check on Aureon's cost of service rates and its ability to cross-subsidize its other non-regulated services.

Third, Aureon's position that Rules 51.911(c) and 61.26 should be waived, in the middle of this adjudication,²¹⁴ is meritless. It is "elementary that an agency must adhere to its own rules and regulations. *Ad hoc* departures from those rules, even to achieve laudable aims, cannot be sanctioned. . . . Simply stated, rules are rules, and fidelity to the rules which have been properly promulgated, consistent with applicable statutory requirements, is required. . . ." *Reuters Ltd. v. FCC*, 781 F.2d 946, 950-51 (D.C. Cir. 1986). The Commission may nevertheless waive its rules, but the "criteria used to make waiver determinations are essential." *NetworkIP v. FCC*, 548 F.3d 116, 127 (D.C. Cir. 2008). Under the accepted criteria, the waiver proponent "must explain why deviation better serves the public interest and articulate the nature of the special circumstances to prevent discriminatory application and to put future parties on notice as to its operation." *Ne. Cellular Tel. Co. v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1990).

Aureon's request for waiver does not remotely satisfy these criteria. As shown above,

²¹⁴ See Direct Case at 8-9, 65, 67.

under the CLEC benchmark rules, the maximum CLEC benchmark rate for Aureon's CEA service is \$0.003188/min. By contrast, Aureon's current CEA rate is \$0.00576/min. Consequently, ratepayers would be harmed, and would suffer unfair prejudice if the benchmark rules were waived and Aureon were permitted to bill a rate higher than the benchmark rate. Further, Aureon offers no explanation for how a waiver would "better serve[] the public interest," and it is evident that a waiver at this juncture would further only Aureon's interest. Accordingly, Aureon's request for a waiver in this proceeding of the transitional access service pricing rules (Section 51.911(c)) and the benchmark rules (Section 61.26) should be denied.

Moreover, if Aureon believes that the Commission should examine whether it is in the public interest to modify or forbear from applying some rules to Aureon's CEA service, there are accepted procedures for doing so, primarily notice-and-comment rulemaking, or a petition for forbearance, where a more complete record could be developed. That said, there is no legitimate justification for modifying the transitional access service pricing rules, or the benchmark rules, as applied to Aureon's CEA service.²¹⁵ In fact, the Commission's transitional pricing rules are essential until the Commission completes intercarrier compensation reform, and Aureon should be subject to those rules—like all other LECs. *Transformation Order*, ¶¶ 800-02, 808. As to the CLEC benchmark rules, the Commission has applied those rules for nearly fifteen years to intermediate carriers, *see Eighth Report and Order*, ¶ 17; *Great Lakes Comnet Order*, ¶¶ 20-23, and the rules, if applied properly, serve as an appropriate way to prevent Aureon from imposing

²¹⁵ As set forth in AT&T's formal complaint, AT&T's position is that Aureon is subject to Section 61.26(g) of the Commission's benchmark rules because it is engaged in access stimulation. In the *Liability Order*, the Commission disagreed with that view, and AT&T has petitioned for review of that aspect of the *Liability Order*. In this Opposition, AT&T accepts the determination in the *Designation Order* (¶ 9) that Aureon is subject to Section 61.26(f), and not Section 61.26(g). However, nothing in this Opposition should be taken as a waiver of AT&T's position in the formal complaint case or the petition for review of the *Liability Order*.

“excessive access charges on IXC’s and their customers.” *Seventh Report and Order*, ¶ 2; *Transformation Order*, ¶ 808 (“new arbitrage opportunities could arise and increased regulatory oversight would be necessary were we to abandon the CLEC benchmarking rule,” which has “important policy objectives”).

Any modification of the cost of service rules would also be hard to justify even in the appropriate procedural mode, such as a rulemaking or forbearance petition. Although other CLECs are not subject to cost of service rules, Aureon and other CEA providers were authorized to operate and created in order “to *lower* the cost of transporting traffic from Des Moines to the various remote rural exchanges.” *Alpine*, 27 FCC Rcd. 11511, ¶ 29. Consequently, to the extent Aureon’s rate, as determined on a cost of service basis, is lower than the benchmark rate, that result is fully consistent with the Commission’s purposes in authorizing Aureon and other CEA providers, and any lower rates should be passed on to ratepayers.²¹⁶

²¹⁶ In some future rulemaking or forbearance proceeding, Aureon and/or other CEA providers could potentially argue that only the CLEC benchmark rules should apply to CEA providers. To show that such a proposal was in the public interest, and would not harm ratepayers, then Aureon, at a bare minimum, would absolutely need to abandon any claim that “mandatory use” requirements continue to apply to it, because no such requirement applies to any other CLECs (or, indeed, any other carriers). Aureon would also likely need to agree that, if most of its traffic was access stimulation traffic, then Section 61.26(g) would be applicable. Further, the only way that the Commission could possibly rely solely on the CLEC benchmark rules to regulate the reasonableness of Aureon’s rates would be if the CLEC benchmark rate is applied properly, to mimic the competitive market, so that it truly represents the amount that would be charged by the competing ILEC for comparable service. *See* 47 C.F.R. § 61.26(f). For that to occur, the CLEC benchmark rate must reflect both the competing ILEC’s rates and the mileages associated with providing the comparable service on the competing ILEC’s network. *See supra* Part I.B.2. When applied properly in this fashion, the CLEC benchmark rule ensures that ratepayers are not compelled to pay a tariffed rate that exceeds what they could pay if the calls could be routed via the incumbent’s services rather than that of the competitor. If Aureon were allowed to charge a rate based on transport charges of more than 100 miles, when CenturyLink could originate or terminate the traffic using between 1 and 22 miles, then the resulting CLEC benchmark would be meaningless, and there would be no effective rate reasonableness regulation of Aureon.

CONCLUSION

For the foregoing reasons, the Commission should find Aureon's revised rate to be unreasonable and direct Aureon to file: (a) a new rate correcting the errors identified below; and (b) refund the difference between that corrected rate and its current rate of \$0.00576/min.

Respectfully submitted,

/s/ Michael J. Hunseder
Michael J. Hunseder

Christi Shewman
Gary L. Phillips
David L. Lawson
AT&T SERVICES, INC
1120 20th St., NW
Suite 1100
Washington, DC 20036
(202) 457-3090
(202) 463-8066 (fax)

Letty Friesen
AT&T SERVICES, INC
161 Inverness Drive West
Englewood, CO 80112
(303) 299-5708
(281) 664-9858 (fax)

James F. Bendernagel, Jr.
Michael J. Hunseder
Spencer Driscoll
Morgan Lindsay
SIDLEY AUSTIN LLP
1501 K Street NW
Washington, DC 20005
jbendernagel@sidley.com
mhunseder@sidley.com
(202) 736-8000
(202) 736-8711 (fax)

Brian A. McAleenan
SIDLEY AUSTIN LLP
One South Dearborn
Chicago, IL 60603
(312) 853-7000
(312) 853-7036 (fax)

Dated: May 10, 2018

Counsel for AT&T Services, Inc.

PUBLIC VERSION
REDACTED - FOR PUBLIC INSPECTION

CERTIFICATE OF SERVICE

I hereby certify that on May 10, 2018, I caused a copy of the foregoing AT&T Services, Inc.'s Opposition to Direct Case of Iowa Network Access Division d/b/a Aureon Network Services to be served via email on the following:

Joseph Price
Pam Arluk
Joel Rabinovitz
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Keith C. Buell
Director, Government Affairs
Sprint Communications Company L.P.
900 Seventh Street NW, Suite 700
Washington, D.C. 20001
Keith.Buell@sprint.com

James U. Troup
Tony S. Lee
Fletcher, Heald & Hildreth
1300 North 17th Street
Suite 1100
Arlington, VA 22209
troup@fhhlaw.com
lee@fhhlaw.com

Curtis L. Groves
Associate General Counsel
Federal Regulatory and Legal Affairs
Verizon
1300 I Street, N.W., Suite 500 East
Washington, D.C. 20005
curtis.groves@verizon.com

Respectfully submitted,

/s/ Michael J. Hunseder
Michael J. Hunseder

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

**Iowa Network Access Division
Tariff FCC No. 1**

WC Docket No. 18-60

Transmittal No. 36

**DECLARATION OF DANIEL P. RHINEHART IN SUPPORT OF AT&T SERVICES, INC'S
OPPOSITION TO DIRECT CASE OF IOWA NETWORK ACCESS DIVISION d/b/a
AUREON NETWORK SERVICES**

I, Daniel P. Rhinehart, of full age, hereby declare and certify as follows:

1. I am employed by AT&T Services, Inc. ("AT&T"). My job title is Director - Regulatory. As detailed in my declaration in support of AT&T's Petition to Reject or Suspend the Tariff Filing of Iowa Network Services, Inc. d/b/a Aureon Network Services ("Aureon"), dated February 22, 2018, I am very familiar with the manner in which rates are calculated by Local Exchange Carriers ("LECs") that are regulated on a rate of return basis.¹ I am also very familiar with the tariff filings made by Aureon, having reviewed Aureon's previous bi-annual tariff filings and supporting documentation dating back to 2004 and having submitted three separate declarations in support of AT&T's formal complaint challenging Aureon's prior rates for Centralized Equal Access ("CEA") Service (i.e., *AT&T Corp. v. Iowa Network Services, Inc. d/b/a Aureon Network Services*, FCC 17-148, EB-17-MD-001 (2017)).²

¹ See Declaration of Daniel P. Rhinehart in Support of Petition of AT&T Services, Inc. to Reject, or to Suspend and Investigate, Iowa Network Services, Inc. Tariff Filing, ¶ 2 (dated February 26, 2018) ("Rhinehart Rate Decl.").

² *Id.* The public versions of those declarations were submitted as Exhibits A, B, and C to my Rate Declaration. It is my understanding that Aureon has now consented to AT&T using the "Highly Confidential" versions of those declarations in this proceeding. Copies of those declarations are

2. In my Rate Declaration, I explained that Aureon’s proposed CEA rate of \$0.00576 per minute appeared to raise many of the same “significant questions” that the Commission indicated in its *Liability Order* “deserve[d] further exploration,” including Aureon’s “treatment of network investment, its cost allocations, and the role of lease costs involving the regulated entity and a competitive services affiliate.”³ I further testified that Aureon’s proposed rate appeared to be in violation of the Commission’s rate cap regulations which required that Aureon’s CEA rate be no greater than the composite rate CenturyLink would charge to transport the traffic in place of Aureon. As I further demonstrated in my Rate Declaration, that composite rate would be substantially lower than Aureon’s current CEA rate.⁴

3. By order dated February 28, 2018, the Commission suspended the revised tariff that Aureon filed on February 22, 2018 on the ground that significant questions had been raised regarding the lawfulness of Aureon’s revised CEA rate,⁵ and on April 19, 2018, the Commission issued an order⁶ designating the following matters for investigation:

- (1) What is the appropriate benchmark for Aureon’s CEA service?
- (2) Are the cost and demand data supporting Aureon’s proposed rate of \$0.00576 per minute (“/min.”) adequate?

Exhibits 1-3 to AT&T’s May 10 Opposition and have been designated as Exhibit 1 (“Initial Declaration”), Exhibit 2 (“Reply Declaration”) and Exhibit 3 (“Supplemental Declaration”).

³ Memorandum Opinion and Order, *AT&T Corp. v. Iowa Network Services, Inc., d/b/a Aureon Network Services*, 32 FCC Rcd. 9677, ¶ 30 (2017) (“*Liability Order*”); *see also* Rhinehart Rate Decl. ¶¶ 9, 18-24.

⁴ Rhinehart Rate Decl., ¶¶ 8, 11-15.

⁵ Order, *In the Matter of Iowa Network Access Division Tariff F.C.C. No. 1*, WC Docket No. 18-60, Transmittal No. 36, ¶ 1 (Feb. 28, 2018) (“*Suspension Order*”).

⁶ Order Designating Issues for Investigation, *In the Matter of Iowa Network Access Division Tariff F.C.C. No. 1*, WC Docket No. 18-60, Transmittal No. 36 (Apr. 19, 2018) (“*Designation Order*”).

- (3) What is the relationship between the Commission’s CLEC Benchmark regulations and its dominant carrier pricing regulations as those regulations relate to Centralized Equal Access (“CEA”) service?

The Commission further directed Aureon to respond to specific questions regarding its Revised 2018 Tariff Filing and the supporting materials it submitted in connection with the Reply to AT&T’s Petition that it filed on February 28, 2018.⁷

4. In preparing this declaration, I have reviewed Aureon’s 2018 Tariff Filing⁸ as well as public versions of Aureon’s Reply to AT&T’s Petition, the Commission’s *Designation Order*, and Aureon’s Direct Case responding to the *Designation Order*.⁹ I have also reviewed my prior declarations in the complaint proceeding and the material cited in those declarations. While some of that material was subject to a protective order in the complaint proceeding, it is my understanding that Aureon has consented to my use of that material in this proceeding.¹⁰

5. Based on that review, it is my opinion that Aureon has not demonstrated that its current CEA rate complies with the Commission’s CLEC benchmark regulations. As explained in greater detail below, the appropriate benchmark for Aureon’s CEA service is a composite rate based on the amounts that CenturyLink would charge AT&T and other interexchange carriers (“IXCs”) for a tandem switching and transport service comparable to the tandem switching and

⁷ Consolidated Reply of Iowa Network Services d/b/a Aureon Network Services to the Petitions to Reject or to Suspend and Investigate Filed by AT&T Corp. and Sprint, *In the Matter of Iowa Network Access Division Tariff F.C.C. No. 1*, WC Docket No. 18-60, Transmittal No. 36, at 10-11, 13-14 (Feb. 28, 2018) (“Aureon Reply to AT&T’s Petition”).

⁸ Iowa Network Access Division, FCC Tariff Filing – Transmittal # 36 (dated Feb. 22, 2018) (Aureon 2018 Tariff Filing).

⁹ Direct Case of Iowa Network Access Division d/b/a Aureon Network Services, *In the Matter of Iowa Network Access Division Tariff F.C.C. No. 1*, WC Docket No. 18-60, Transmittal No. 36 (May 3, 2018) (“Direct Case”).

¹⁰ Because the Protective Order in this proceeding limits access to material designated as “Confidential” to counsel and outside consultants, I have not reviewed the “Confidential” versions of Aureon’s Reply to AT&T’s Petition, or Aureon’s Direct Case.

transport service Aureon provides in connection with its CEA service. CenturyLink is the only incumbent LEC (“ILEC”) in Iowa that has a network capable of providing such a service. Further, AT&T’s calculations show that the maximum amount that CenturyLink would charge for that service on a composite basis (i.e., about \$0.003188/min) would be much lower than Aureon’s current CEA rate of \$0.00576/min. Consequently, Aureon’s current CEA rate violates the Commission’s CLEC benchmark regulations.

6. Significant problems also exist regarding Aureon’s calculation of its rates under Section 61.38 of the Commission’s rules. In the complaint proceeding, I presented detailed testimony demonstrating that in its past tariff filings, Aureon had **[[BEGIN CONFIDENTIAL]]**
[REDACTED] **[[END CONFIDENTIAL]]** I also raised questions regarding the accuracy and reliability of Aureon’s demand forecast. Based on my review of the public versions of the material that Aureon has presented in support of its cost-of-service rate calculation, those problems still appear to exist with respect to the computation of Aureon’s current CEA rates.

7. In the complaint proceeding, Aureon **[[BEGIN CONFIDENTIAL]]** [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

¹¹ See Rhinehart Supp. Decl., ¶¶ 18-22; *see also* page 2 of AT&T Exhibits 6-11.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [[END
CONFIDENTIAL]]

9. Significant issues also exist with respect to the demand forecast Aureon used in calculating its current CEA rate. As the Commission points out in the *Designation Order*, it was unable to replicate Aureon's demand forecast using the Excel application identified in Aureon's Reply to AT&T's Petition.¹⁵ Further, the time period used by Aureon in developing its demand

¹² See Rhinehart Supp. Decl. ¶ 22.

¹³ [[BEGIN CONFIDENTIAL]] [REDACTED]
[REDACTED] [[END CONFIDENTIAL]]

¹⁴ Attached as Exhibit A is a worksheet setting forth the calculations in support of this restated CEA rate.

¹⁵ *Designation Order*, ¶ 30.

forecast (i.e., changes in traffic levels from the third quarter to the fourth quarter of 2017) is not an adequate time period given the historic volatility of Aureon's traffic and the fact that [[BEGIN

CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [[END CONFIDENTIAL]] As shown below, if Aureon had simply used its 2017 actual demand and added 500 million minutes to reflect bypass traffic, its current CEA rate of \$0.00576/min. would have been reduced by about \$0.00130/min. to \$0.00446.

10. Finally, Aureon's alternative rate calculation is not a reliable way of determining the reasonableness of Aureon's CEA rate. To begin, it appears to suffer from [[BEGIN

CONFIDENTIAL]] [REDACTED]

[REDACTED] [[END CONFIDENTIAL]] As can be seen from the public version of the work papers supporting Aureon's alternative rate calculation, approximately 64% of the CWF investment and 64% of the CWF expenses are allocated to CEA service, which is similar to the allocation factors that Aureon used in allocating CWF costs in connection with its earlier tariff filings. As discussed above, [[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED] [[END CONFIDENTIAL]] Further, the fact that Aureon's alternative methodology produces a CEA rate that is quite different from the CEA rate generated by Aureon's "CWF lease expense" rate calculation raises a red flag suggesting that one or both of the calculations is defective. As I explain below, one should expect that the two calculations would produce very similar results. The fact that they do not raises more question than answers.

I. Aureon’s Current CEA Rate Does Not Comply With The Commission’s Benchmark Regulations.

11. In the *Liability Order*, the Commission found that Aureon was a competitive Local Exchange Carrier (“CLEC”) subject to the Commission’s rate cap and rate parity regulations, and that those rates applied to Aureon’s CEA service.¹⁶ Those regulations expressly required that “beginning July 1, 2013” Aureon’s CEA rates (both intrastate and interstate) be “no higher than the ... rates charged by the competing incumbent local exchange carrier in accordance with the same procedures specified in Section 61.26.”¹⁷

12. In its Direct Case, Aureon takes the position that the CLEC benchmark rate, to the extent it even applies to CEA service, should be based on the tandem switching and transport rates set forth in the National Exchange Carriers Association (“NECA”) tariff.¹⁸ Aureon further claims that a CLEC benchmark rate based on the NECA rates would be at least \$0.02522/min. and could be higher, and as such, its CEA rate of \$0.00576/min. complies with the Commission’s CLEC benchmark regulations.¹⁹

13. Aureon’s position is not soundly based. The NECA rates are not a good proxy for the CLEC benchmark rate applicable to Aureon’s CEA service. Aureon’s CEA network bears no resemblance to the networks of Aureon’s sub-tending LECs in terms of size, complexity, or the volumes of traffic transported. In fact, it is my understanding that **[[BEGIN CONFIDENTIAL]]**

¹⁶ See *Liability Order*, ¶ 29.

¹⁷ See 47 C.F.R. § 51.911(c).

¹⁸ Direct Case at 19-22.

¹⁹ See *id.* at 20-21.

[REDACTED] [REDACTED]

[REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]** Further, as is clear from Aureon's own calculations, a NECA-based CLEC benchmark rate would be well above Aureon's current CEA rate and thus would not place any meaningful constraint on that rate.

14. By contrast, CenturyLink's rates are the appropriate rates for use in setting the CLEC benchmark rate for Aureon's CEA service. As I just mentioned, most of Aureon's CEA traffic is currently benchmarked to CenturyLink's rates. Further, CenturyLink's network is the only network in Iowa that is comparable to Aureon's network in terms of size, complexity and the volumes of traffic transported. In fact, construction of Aureon's network was initially authorized by the Commission for the express purpose of providing an alternative to the network of CenturyLink's predecessor, Northwestern Bell Telephone Company.²² As such, CenturyLink's tandem switching and transport service is the comparable service against which Aureon would compete and is thus the appropriate benchmark for Aureon's CEA rates.

15. Jack Habiak, the AT&T manager responsible for the AT&T traffic transported over Aureon's CEA network, has submitted a declaration in this proceeding in which he calculates the maximum composite rate that AT&T would pay CenturyLink for a tandem switching and transport service comparable to the service provided by Aureon.²³ Consistent with the directive in the *Designation Order*, Mr. Habiak used AT&T traffic data for the period January 1, 2015 to the end

²⁰ See Declaration of Jack Habiak ("Habiak Rate Decl."), ¶ 8 (dated May 10, 2018).

²¹ See *id.* ¶ 12.

²² *In re Application of Iowa Network Access Div.*, 3 FCC Rcd. 1468 (C.C.B 1988).

²³ See Habiak Rate Decl. ¶ 22.

of March 2018.²⁴ He also used the CenturyLink tandem switching and transport rates that were in effect during that period as well as the transport mileages between CenturyLink's tandem switches in Iowa and each sub-tending LEC to which AT&T directed CEA traffic during that same period.²⁵

16. Based on that analysis, Mr. Habiak determined that the average transport mileage on CenturyLink's network, on an aggregate basis, would be no greater than 22 miles, and that the maximum composite Benchmark rate would be \$0.003188/min, which is well below Aureon's current rate of \$.00576/min.²⁶ I have reviewed Mr. Habiak's calculations and determined that they are accurate. Further, the reason that the average mileage (22 miles) and maximum composite rate (\$0.003188/min.) computed by Mr. Habiak differ slightly from the average miles (20 miles) and maximum composite rate (\$0.00312/min.) set forth in my Rate Declaration is that the prior estimate was based on a slightly different time period, resulting in a different aggregate average mileage.

17. In sum, a composite rate based on CenturyLink's rates, not NECA's rate, is the appropriate benchmark rate for use in determining whether Aureon has complied with the Commission's CLEC benchmark regulations. Further, that benchmark rate (\$0.003188/min.) is significantly below Aureon's current CEA rate of \$0.00576/min. Accordingly, the Commission should find that Aureon's current CEA rate is not in compliance with its CLEC benchmark regulations.

²⁴ *Id.* ¶ 24.

²⁵ *Id.* ¶ 25 & Ex. B.

²⁶ *Id.*

II. Aureon's Current CEA Rate Does Not Comply With The Commission's Rules, Is the Product of Unlawful Rate Manipulations and Is Excessive.

18. In the complaint proceeding, I identified a number of significant issues that strongly suggested Aureon's CEA rates were the product of unlawful rate manipulation practices. Those issues included the following:

- (a) Aureon's unlawful inclusion of allegedly "Uncollectible Revenues" in the revenue requirement used to compute Aureon's CEA rate, notwithstanding the fact that those revenues had not been properly billed and Aureon was still actively seeking to collect them;²⁷
- (b) its failure to disclose the basis by which the network costs allocated to Aureon's CEA service had been calculated;²⁸
- (c) its inability to explain the basis for and derivation of the lease rates charged to Aureon's CEA service;²⁹
- (d) its use of an inappropriate method of allocating CWF costs to its CEA service, thereby greatly inflating Aureon's CEA rates;³⁰ and
- (e) its inaccurate and unreliable demand forecasts.³¹

The evidence presented in the complaint further showed that in calculating its CEA rates, Aureon had not properly accounted for the fact that a number of carriers were bypassing its CEA network.³²

²⁷ See Rhinehart Initial Decl. ¶¶ 4, 38-44; Rhinehart Reply Decl. ¶¶ 52-57.

²⁸ See Rhinehart Initial Decl. ¶¶ 4, 14-27; Rhinehart Reply Decl. ¶¶ 21-39; Rhinehart Supp. Decl. ¶¶ 4-38.

²⁹ See Rhinehart Initial Decl. ¶¶ 20-27; Rhinehart Reply Decl. ¶¶ 21-30, 36-39; Rhinehart Supp. Decl. ¶¶ 4-15.

³⁰ See Rhinehart Initial Decl. ¶¶ 24-27; Rhinehart Reply Decl. ¶¶ 31-37; Rhinehart Supp. Decl. ¶¶ 16-32.

³¹ See Rhinehart Initial Decl. ¶¶ 34-37; Rhinehart Reply Decl. ¶¶ 44-51.

³² Final Brief of AT&T Corp., *AT&T Corp. v. Iowa Network Services, Inc., d/b/a Aureon Network Services*, Proceeding Number 17-56, at 9-15 (Aug. 21, 2017) ("AT&T Final Brief").

19. In the complaint case, I also presented evidence documenting the impact of these practices on Aureon's CEA rates. In my Supplemental Declaration, for example, I demonstrated that [[BEGIN CONFIDENTIAL]] [REDACTED] [REDACTED] [[END CONFIDENTIAL]] I also showed in my Initial Declaration the impact on CEA rates of Aureon's unlawful inclusion of "Uncollectible Revenues."³⁴ In addition, AT&T presented evidence in its Final Brief regarding bypass [[BEGIN CONFIDENTIAL]] [REDACTED] [REDACTED] [[END CONFIDENTIAL]] If those minutes were taken into account in Aureon's past rate calculations, its CEA rates during the period 2010 to 2017 would have been even lower.

20. Based on my review of the Aureon's 2018 Tariff Filing, the public version of its Reply to AT&T's Petition, and the public version of Aureon's Direct Case, Aureon's current CEA rate of \$0.00576/min. appears to be the product many of the same manipulative rate practices I identified in my prior declarations in the complaint proceeding.

A. Aureon's Handling of Uncollectible Revenues.

21. Both in the *Suspension Order* and in the *Designation Order*, the Commission suggests that it is AT&T's position in this proceeding that Aureon has continued to include so-called "Uncollectible Revenues" in the revenue requirement used to calculate its current CEA rate.³⁶ That is not AT&T's position. In fact, in my Rate Declaration, I specifically noted that the decline in Aureon's CEA rate was "largely the result of Aureon's decision **not** to include any so-

³³ See Rhinehart Supp. Decl. ¶¶ 16-32.

³⁴ See Rhinehart Initial Decl. ¶¶ 38-44 & Table J.

³⁵ See AT&T Final Brief at 9-15.

³⁶ See *Suspension Order*, ¶ 4; *Designation Order*, ¶ 4.

called ‘Uncollectible Revenues’ in the Access Division’s 2018 revenue requirement ... and certain changes likely mandated by the new tax laws.”³⁷

22. In its Reply to AT&T’s Petition, Aureon appeared to take issue with that claim, suggesting that the removal of the “Uncollectible Revenues” was linked to the changes that resulted in the negative values generated for certain of the switch investment and federal and state tax line items in Aureon’s CEA revenue requirement.³⁸ I do not fully understand the basis of Aureon’s claim in this regard, but to the extent it is accurate, all that would mean is that I understated in Table J to my Initial Declaration the impact on Aureon’s prior CEA rates of Aureon’s unlawful inclusion of “Uncollectible Revenues” in its CEA revenue requirements.

23. Finally, in its Direct Case, Aureon suggests that it might be appropriate for the Commission to consider including in Aureon’s CEA revenue requirement some amount for “Uncollectible Revenues” given AT&T’s continued failure to pay Aureon’s rates.³⁹ To start,

[[BEGIN CONFIDENTIAL]]

[[END CONFIDENTIAL]]

As for past amounts, the *Liability Order* determined that Aureon’s prior tariffs were *void ab initio*, and no decision has been rendered as to what, if any, amount should be paid for past periods. Further, for all of the reasons set forth in my Initial and Reply Declarations, the inclusion of an amount for “Uncollectible Revenues” in Aureon’s CEA revenue requirement would be improper.⁴⁰

³⁷ See Rhinehart Rate Decl. ¶ 18 (emphasis added).

³⁸ See Aureon Reply to AT&T Petition, at 10-11, 13-14.

³⁹ See Direct Case at 6-7.

⁴⁰ See Rhinehart Initial Decl. ¶¶ 4, 38-44; Rhinehart Reply Decl. ¶¶ 52-57.

B. Aureon’s Continuing Failure to Provide Documents in Support of its “CWF Lease Expense.”

24. As I noted in my Rate Declaration, the rate calculations underlying Aureon’s new CEA rate appeared to be “very much a ‘Black Box.’”⁴¹ No documentation or other cost support material was provided in Aureon’s 2018 Tariff Filing for the \$13.4 million “CWF lease expense” amount set forth on Schedule 5, page 3, line 68a of the support documentation, nor was any explanation provided as to why that lease expense had declined by about \$5 million between 2017 and Aureon’s 2018 test period.⁴²

25. In the public version of the *Designation Order*, the Commission directed Aureon to provide detailed and very specific information regarding the various assets and expenses that were included in the two revenue requirements Aureon apparently relied upon in calculating the CWF lease expense.⁴³ While I have only been able to review the public version of Aureon’s Direct Case, that information does not appear to have been produced. Since such information is critical to assessing the reliability of any revenue requirement, a failure to produce such information raises from a general rate-making perspective serious issues regarding the reliability of any numbers generated on the basis of those unsupported revenue requirements.

C. Aureon’s Continuing Misallocation of CWF costs.

26. In my Supplemental Declaration, I [[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED]

⁴¹ See Rhinehart Rate Decl. ¶ 19.

⁴² *Id.* (comparing Schedule 5, page 3 line 68a (\$13,430,525) of Aureon’s 2018 Tariff Filing to Schedule 8, page 3 Line 68a (\$18,452,058)).

⁴³ *Designation Order*, ¶ 23.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁴⁴ See Rhinehart Supp. Decl. ¶¶ 16-32.

⁴⁵ *Id.* ¶¶ 28-31.

⁴⁶ See *Id.* ¶ 23.

⁴⁷ The source of this calculation is Table 2 on the first pages of AT&T Exs. 6-11.

⁴⁸ The basis for this calculation was set forth on AT&T Exhibit 22.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁴⁹ See *id.* ¶ 28.

⁵⁰ See *id.* ¶ 31.

[REDACTED]
[REDACTED]
[REDACTED] [[END
CONFIDENTIAL]]

30. Although I have not been provided access to the data underlying the lease rate calculations used in developing Aureon's current CEA rate, as I noted in my Rate Declaration, the fact that the total amount and percentage of network costs allocated to the CEA service in Aureon's 2018 Tariff Filing is very similar to the amounts and percentages allocated to the Access Division in Aureon's past tariff filings (*see* Table C to my Initial Declaration) strongly supports the conclusion that Aureon is still improperly allocating its network costs (i.e., its CWF costs) between its CEA service and its other non-regulated affiliates.⁵²

31. To the extent that is true, it would mean that the network costs assigned to Aureon's CEA service in its 2018 Tariff Filing (about \$13.4 million) are [[BEGIN CONFIDENTIAL]]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [[END CONFIDENTIAL]]

32. Finally, in its Final Reply Brief in the complaint proceeding, Aureon [[BEGIN CONFIDENTIAL]] [REDACTED]

⁵¹ In 2016, the exclusion of "Uncollectible Revenues would have reduced Aureon's CEA rate from \$0.00896/min. to \$0.00673/min. (*see* Rhinehart Initial Declaration ¶43) [[BEGIN CONFIDENTIAL]] [REDACTED] [[END CONFIDENTIAL]]

⁵² *See* Rhinehart Rate Decl. ¶ 20.

⁵³ *See* Ex. A.

⁵⁸ See Aureon Final Reply Brief, at 1-2 (emphasis added); see also *id.*, Supp. Decl. of Frank Hilton.

59 **[[BEGIN CONFIDENTIAL]]**

[[END CONFIDENTIAL]]

⁶¹ See Rhinehart Supp. Decl. ¶¶ 20-22.

D. Aureon's Unreliable Demand Forecast.

36. In the complaint proceeding, I presented a table (Table H to my Initial Declaration) demonstrating the inaccuracy and unreliability of the demand forecasts used in connection with Aureon's prior tariff filings.⁶² That table showed that there had been a lot of variation from year to year in Aureon's traffic forecasts. For the test periods up to and including the 7/1/10 to 6/30/11 test period, Aureon consistently underestimated demand by an average of 240 million minutes per year. And for two test periods (7/1/06 to 6/30/07, 7/1/14 to 6/30/15), Aureon underestimated the demand by at least 400 million minutes.

37. I further demonstrated in the complaint proceeding that Aureon had benefitted from the deficiencies in its forecasting. In all of the years in which Aureon's forecasts underestimated demand, its rates were higher than they would have been if the forecast had been more accurate. Additionally, in each one of those instances, Aureon permitted the rates to remain in effect for the full two-year period permitted by the Commission's regulations, thereby benefitting from the higher rates for the full two year period. By contrast, in 2013, it made an out-of-period tariff filing and raised its rate from \$.00623/min to \$.00896/min. The resulting rate not only violated the Commission's rate cap regulations but also deprived AT&T and other IXC's of the benefit of the lower rate for the full two year tariff cycle.

38. The demand forecast in Aureon's 2018 tariff filing evidences these same types of deficiencies. The following (Table 10) replicates and updates the data on Table H to my Initial Declaration.

⁶² See Rhinehart Initial Decl., ¶ 34, Table H.

Table 10			
<u>Test Period</u>	<u>Projected Demand</u> ⁶³	<u>Actual Demand</u> ⁶⁴	<u>Difference</u>
7/1/04 to 6/30/05	876,231,538 min.	930,533,227 min.	54,301,689 min.
7/1/06 to 6/30/07	1,296,905,198 min.	1,707,544,370 min.	410,639,172 min.
7/1/08 to 6/30/09	2,346,089,248 min.	2,576,662,181 min.	230,572,933 min.
7/1/10 to 6/30/11	3,481,819,561 min.	3,756,655,810 min.	274,836,249 min.
7/1/12 to 6/30/13	3,339,631,164 min.	3,165,619,256 min.	(174,011,908) min.
7/1/13 to 6/30/14	2,925,535,070 min.	2,742,967,138 min.	(182,567,932) min.
7/1/14 to 6/30/15	2,019,322,322 min.	2,470,990,085 min.	451,667,763 min.
7/1/16 to 6/30/17	2,508,443,160 min.	2,866,477,973 min.	358,034,813 min.
3/1/18 to 2/28/19	2,599,778,953 min.	na	na

As can be seen from Table 10, there is a significant difference between Aureon’s traffic projection for its 2018 test period (about 2.6 billion minutes) and its actual traffic volumes for 2016-2017 (about 2.9 billion minutes). Moreover, Aureon is projecting this decline notwithstanding the fact that its CEA traffic has regularly increased since 2015. Aureon seeks to justify its lower demand forecast on the ground that the volume of CEA traffic declined between the third and fourth quarters of 2017.⁶⁵ Aureon further asserts that its 2018 demand forecast was derived based on an excel extrapolation formula.⁶⁶ Neither argument is soundly based.

39. *First*, in my experience, it is not appropriate to the adjust a forecast based only on a small number of observations; that is especially the case in a situation where the traffic in prior

⁶³ The source of the “Projected Demand” for 2004-2018 is Aureon’s Tariff Filings for 2004, 2006, 2008, 2010, 2012, 2013, 2014, 2016, and 2018. *See* AT&T Exs. 12-19 and Aureon’s 2018 Tariff Filing.

⁶⁴ This figure is a simple average of the actual demand reported by Aureon in its Tariff Filings for the two year period encompassed within the test period. Thus, for example, the actual demand compared to Projected Demand for the test period 7/1/04 to 6/30/05 would be a simple average of the reported actual demand for 2004 and 2005.

⁶⁵ Aureon Reply at 15.

⁶⁶ *Id.* at 15.

periods had been increasing and that over the long term there had been significant variation between the forecasted demand and actual demand.

40. *Second*, in the *Designation Order*, the Commission noted that it had been unable to replicate Aureon's demand forecast using the Excel application identified by Aureon in its Reply to AT&T's Petition.⁶⁷ I have had the same problem.

41. *Third*, in forecasting the demand for its CEA service, Aureon does not take into account bypass traffic, notwithstanding the fact that it has consistently taken the position that all switched access terminating traffic is required by the Commission's prior decisions approving CEA service in Iowa to be transported over Aureon's CEA network. While AT&T takes issue with that position, to the extent this is Aureon's position, such traffic should be included in the demand forecast underlying its CEA rates. Otherwise, AT&T and the other IXC's using Aureon's CEA service bear the burden (through increased rates) of Aureon's failure to enforce the alleged requirement to transport all such traffic over its CEA network.

42. *Fourth*, Aureon's failure to include bypass traffic is **[[BEGIN CONFIDENTIAL]]**

[REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

⁶⁷ *Designation Order*, ¶ 30.

⁶⁸ See AT&T Exs. 24-36.

[REDACTED] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [REDACTED] [[END CONFIDENTIAL]]

43. *Fifth*, the impact of Aureon's having understated its demand forecast is significant. If, for example, Aureon had simply used its 2017 demand level and added to that forecast 500 million minutes to reflect bypass traffic, its CEA rate would have been reduced by about \$0.00130/min. to \$0.00446. Moreover, this estimate is conservative in that it accounts for only a small portion of the traffic that appears to be bypassing Aureon's CEA service. Further, it is based on a very conservative assumption that the incremental costs associated with adding those minutes would be linear. In other words, there would be no economies of scale. However, given that most of this additional traffic would be routed to a few CLECs engaged in access stimulation, it is likely that there would be economies of scale and that the incremental costs as well as the resulting CEA rates would be lower.

44. *Finally*, if both this rate adjustment and [[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [REDACTED] [[END CONFIDENTIAL]]

⁶⁹ See AT&T Ex. 37.

⁷⁰ See Aureon Reply at 15-16.

⁷¹ See Ex. A.

E. **Aureon's Deficient Alternative Rate Calculation.**

45. In support of its CEA rate, Aureon presents an alternative rate calculation that purports to develop a rate for CEA service rate on a more traditional cost-of-service basis.⁷² Instead of using a lease cost expense to capture all of the network costs assigned to Aureon's CEA service, Aureon developed a calculation that purports to be based on its actual investments in COE and CWF, and its actual CWF expense.⁷³ It then allocated those investments and expenses between its CEA service and its other non-regulated services using a using a single allocation factor of 64%.⁷⁴ Based on this alternative analysis, Aureon derived a CEA rate of \$0.00655/min, which it claims validates the reasonableness of its current CEA rate.

46. Aureon's alternative rate calculation suffers from many of the same problems as its rate calculation using a "CWF lease expense," and certainly does not demonstrate that Aureon's current CEA rate is reasonable. *First*, Aureon's alternative rate calculation does not reflect the costs that are on Aureon's books and records developed in the ordinary course of business. Instead, it is a hypothetical construct developed for the sole purpose of trying to demonstrate the reasonableness of a CEA rate that cannot otherwise be supported. Specifically, the alternative rate calculation continues to include the hypothetical CWF Facility Lease "cost" (*see* Line 68a) though it is assigned to "Other" rather than the Access Division. The CWF Lease Costs are an interdivisional fiction that are not on the business-as-usual books of account, and both the revenues and expenses associated with the CWF lease would be "eliminated" under normal accounting

⁷² Aureon Reply, Sullivan Declaration, Annex 1.

⁷³ *Id.*

⁷⁴ *Id.*

practice. Thus, it makes no sense whatsoever that the alternative rate calculation total company revenue requirement should be the same as shown in the initial tariff filing support.

47. *Second*, the fact that this alternative rate calculation produces a different rate calls into question the reliability of both calculations. One would expect, if correctly performed, both calculations would produce similar results. They purport to be based on the same total company data, and thus the revenue requirements used in the “CWF lease expense” rate calculation should sync up with the calculations in the alternative rate calculation producing a similar rate. That they do not raises a red flag that calls into question the reliability of both calculations.

48. *Third*, Aureon’s alternative rate calculation appears to suffer from the same allocation issue as the “CWF lease expense” rate calculation. In its alternative rate calculation, Aureon allocates COE investment, CWF investment and CWF expense between Aureon’s CEA service and its other non-regulated services, using a single allocation factor of 64%. **[[BEGIN**

CONFIDENTIAL]] [REDACTED]
[REDACTED]
[REDACTED] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] **[[END CONFIDENTIAL]]**

Further, I have a problem with Aureon’s use of a single factor to allocate both COE investment and CWF investment and expense. The assumptions used to calculate depreciation expense and other trailing assets and expenses in the Part 64 and Part 36 Separations models for these two asset classes undoubtedly differ.

⁷⁵ See AT&T Exs. 6-11, page 1, Table 2.

Consequently, this approach will necessarily produce inaccurate results. [[BEGIN
CONFIDENTIAL]] [REDACTED]


[REDACTED]

[REDACTED] [[END CONFIDENTIAL]]

49. *Finally*, the underlying COE and CWF investment and expense data relied on by Aureon in its alternative rate calculation does not appear to reflect the actual COE and CWF costs incurred by Aureon in providing CEA service. The fixed percentage assignment approach does nothing to answer the question of what specific network assets are used in providing CEA service and what specific network expenses were incurred in providing that service. Consequently, Aureon’s alternative rate calculation appears to be another “black box” calculation.

CERTIFICATION

I certify under penalty of perjury that the foregoing is true and correct. Executed on May 10, 2018.

A handwritten signature in cursive script, reading "Daniel P. Rhinehart", is written over a horizontal line.

Daniel P. Rhinehart

EXHIBIT A

to Rhinehart Supplemental Rate Declaration

**PUBLIC VERSION
REDACTED - FOR PUBLIC INSPECTION**

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

**Iowa Network Access Division Tariff
F.C.C. No. 1**

Proceeding No. 18-60

Transmittal No. 36

DECLARATION OF JOHN W. HABIAK

I, John W. Habiak, of full age, hereby declare and certify as follows:

1. I am employed by AT&T Corp. ("AT&T"). My job title is Carrier Relations Director in AT&T's access management organization. My responsibilities include carrier relations and fraud monitoring and, in that connection, I have become very familiar with the services provided by access providers and the associated billing for such services, as well as various access stimulation and other arbitrage schemes related to switched access services. I am providing this Declaration in support of AT&T's Opposition to the Direct Case of Iowa Network Services, d/b/a Aureon ("Aureon") that Aureon submitted in support of its recent tariff filing. The information provided in this Declaration is based on my personal knowledge and my review of documents and records kept by AT&T in the normal course of its business.

2. Based on my responsibilities, I am generally familiar with Aureon, its rates and operations as a centralized equal access ("CEA") provider and Aureon's billing of, and relationship with, AT&T. I am also generally familiar with the rules of the Federal Communications Commission ("Commission") as they pertain to the benchmarking of rates for competitive local exchange carriers ("CLECs"). In addition, I have knowledge of the arrangement between Aureon and AT&T regarding AT&T traffic bound for local exchange carriers ("LECs") that subtend the Aureon network in Iowa. Further, I am generally familiar with Qwest Corporation d/b/a

CenturyLink QC (“CenturyLink”), which is an incumbent LEC (“ILEC”) operating in various locations in the United States, including Iowa, and its network, facilities and switched access services in Iowa. And I am also familiar with the volume of AT&T long distance calls handled by Aureon, and the volumes of AT&T calls directed to LECs that subtend the Aureon network.

3. In this Declaration, I primarily address three points. *First*, I understand that one of AT&T’s challenges to Aureon’s Direct Case relates to the CLEC benchmark rate applicable to Aureon’s CEA service. I have been informed, and it is my understanding, that under the applicable Commission rules and Orders governing the CLEC benchmark rules, Aureon, as a CLEC, is obligated to benchmark its rates to the rates of the ILEC in Iowa that would supply a tandem switching and transport service, if Aureon were not providing its service.

4. As explained below, in my experience, the role that Aureon performs with respect to long distance traffic in Iowa is to link the networks of AT&T and other long distance carriers to the networks of the LECs that subtend Aureon. In fulfilling that role, Aureon performs two primary functions – tandem switching and transport. Based upon my knowledge and experience, CenturyLink is the ILEC that would supply the tandem switching and transport services that long distance carriers would use to complete calls to (and originate calls from) the LECs subtending the Aureon network, if Aureon did not provide its CEA service. CenturyLink is therefore the ILEC to which Aureon should benchmark its rates.

5. *Second*, I provide a calculation of the appropriate benchmark rate based upon CenturyLink’s rates. I understand that Aureon has taken the position that, if CenturyLink’s rates are used as the benchmark, the mileage used to compute the transport component of the rates should be based upon the distances between the Aureon tandem switch in Des Moines and the eight points of interconnection (“POIs”) on the Aureon network to which subtending LECs

connect. I explain below that, based on my experience, the mileage used to calculate the transport component of the benchmark rate should be based on the air miles that CenturyLink would charge if the traffic was transported over CenturyLink's network – which is the air mileage between the CenturyLink tandem switches and the subtending LEC's local exchanges. I also explain below that the maximum composite CLEC benchmark rate applicable to Aureon's CEA service is \$0.003188 per-minute.

6. *Third*, I address certain assertions that I am told have been made by Aureon regarding the volumes of AT&T traffic bound for Aureon's CEA network. **[[BEGIN**

CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED] **[[END CONFIDENTIAL]]**

CenturyLink's Rates Supply The Proper Benchmark For Aureon's CEA Service.

7. I understand that, under the Commission's rules, the "competing ILEC" to which CLECs like Aureon must benchmark their rates is defined as the "incumbent local exchange carrier ... that would provide interstate exchange access services, in whole or in part, to the extent those services were not provided by the CLEC." 47 C.F.R. 61.26(a)(2). Aureon's CEA service links the networks of long distance carriers to the networks of the LECs that subtend the Aureon network. To do so, Aureon primarily performs two functions – tandem switching and transport. Based on my knowledge and experience, the ILEC in Iowa that would provide those functions in the absence of Aureon is CenturyLink. My position in that regard is based on the following:

8. *First*, I am aware that, like Aureon, CenturyLink has the network facilities necessary to provide the service at issue in and around Iowa. To my knowledge, no other incumbent LEC in Iowa has anything close to a statewide tandem and transport network. Further, as for the subtending LECs that Aureon wishes to use as benchmarking carriers, I believe that few, if any, of the over 150 small LECs that subtend Aureon have any tandem switching facilities at all.

9. *Second*, I am aware that CenturyLink has tandem switches in or near the municipalities in which Aureon's active POIs are located. Iowa LECs that subtend the Aureon network connect with Aureon at one of these POIs; which I have been advised are located in Cedar Rapids, Davenport, Des Moines, Grinnell, Mason City, Omaha, Sioux City and Spencer. CenturyLink likewise has tandem switches located across the state and generally within close proximity to, Cedar Rapids, Davenport, Des Moines, Mason City, Omaha, Sioux City and Spencer. Accordingly, the LECs that subtend the Aureon network would likely be able to move their connecting facilities from Aureon's network to CenturyLink's network efficiently.

10. AT&T's network already connects with CenturyLink at each of the CenturyLink

tandem switches. It is also likely that the other major long distance carriers serving Iowa have connections to the CenturyLink tandem switches.

11. *Third*, CenturyLink's predecessor – Northwestern Bell Telephone Co. ("Northwestern Bell") – performed the role of linking long distance carriers to the small, rural LECs in Iowa using tandem switching and transport services before Aureon's CEA service was authorized and became operational. In fact, it is my understanding that the reason Aureon's POIs are located in close proximity to CenturyLink's tandem switches is because Aureon consciously constructed its fiber loop network and chose its POIs based on where the vast majority of Aureon subtending LECs already had connections with Northwestern Bell. Simply put, because Aureon essentially took over Northwestern Bell's role of connecting long distance carriers to small, rural LECs in Iowa, it is natural to assume that CenturyLink, as Northwestern Bell's successor, could resume its prior role were Aureon no longer fulfilling it.

12. *Fourth*, CenturyLink's tandem switching and transport rates are lower than most, if not all, of the other ILECs that provide such services in Iowa. CenturyLink is thus the most efficient, lowest cost option. It is my understanding that improving efficiency and lowering the cost of long distance service were among the reasons Aureon was created and approved. Choosing the ILEC with the most efficient network and lowest costs as the benchmark is thus consistent with those objectives. Further, the vast majority of AT&T's CEA traffic is access stimulation traffic directed to a handful of CLECs in Iowa that are engaged in traffic pumping. The rates of those CLECs are not based on the NECA tariff, but instead are benchmarked to Centurylink's tariff rates.

Determining Aureon's CEA Rate Using CenturyLink As The Benchmark Carrier.

13. For the reasons explained above, CenturyLink is the ILEC that would provide Aureon's services in the absence of Aureon, and therefore is the "competing incumbent LEC"

against which Aureon must benchmark its rates.

14. Based upon my experience, if CenturyLink were to perform the tandem switching and transport functions associated with linking AT&T to the LECs that subtend the Aureon network, CenturyLink would bill AT&T for the following four rate elements: (1) tandem switching; (2) multiplexing; (3) tandem transport termination; and (4) tandem-switched transport. CenturyLink's tariff contains per-minute rates for the first three rate elements, which are \$0.002252 (tandem switching), \$0.000036 (multiplexing) and \$0.000240 (tandem transport termination). *See* Exhibit A (CenturyLink tariff excerpts). For the fourth rate element, tandem-switched transport, CenturyLink's tariff contains a per-minute, per-mile rate of \$0.00003. *Id.* The rate for transport therefore varies depending on the number of air miles of transport service provided. To arrive at the composite charge CenturyLink would impose for such service, those four rate elements must be added together, and then multiplied by the minutes of use for the billing period.

15. Before the appropriate CenturyLink rate can be determined, however, additional analysis is necessary. As an initial matter, unlike CenturyLink's rates, Aureon's CEA rate contains no distance-sensitive component, and no individual rate elements – it is a “composite” per-minute rate that encompasses all four of the above-described CenturyLink rate elements. Therefore, to arrive at a comparable CenturyLink rate for the functions that Aureon performs, a weighted-average for the number of air miles of transport provided must be determined.

16. To determine a weighted-average of the number of transport air miles provided, the proper starting point for the transport service must be selected. AT&T, and most if not all of the long distance carriers that Aureon serves, exchange their traffic with Aureon in Des Moines, where Aureon's single tandem switch is located. But, as explained above, CenturyLink has multiple

tandem switches very close to the primary POIs. Therefore, if CenturyLink were providing the service, AT&T (and other long distance carriers) would exchange their traffic with CenturyLink at CenturyLink's tandem switches which are located in close proximity to Aureon's primary POIs with the subtending LECs.

17. I have been informed that one of Aureon's approaches to determining the transport mileage for a CenturyLink-based benchmark rate is to assume that all traffic would be exchanged at Des Moines, as it is when Aureon provides the service, and then to calculate a weighted average number of air miles of transport based on the distance between Des Moines and the Aureon POIs.

18. That approach is wrong, in my view, because it assumes that Aureon is providing the service over the Aureon network. As I understand the CLEC benchmark rule, the CLEC benchmark rate is the rate that CenturyLink would charge if CenturyLink provided the service. If CenturyLink provided the service, it would not make economic sense to exchange all of the traffic at Des Moines (especially in light of CenturyLink's per mile transport charge). Instead, the traffic would be exchanged at each of CenturyLink's tandem switches.

19. Under Aureon's CEA tariff, the composite rate that Aureon charges is for transport from and to the active Aureon POIs. The carrier to which Aureon delivers the calls could be either the subtending LEC itself, or an intermediate carrier with which the subtending LEC has a lease or other arrangement. In either case, AT&T is typically billed by the subtending LEC for transport between the Aureon POI and the subtending LEC's end office.

20. Accordingly, if CenturyLink were to begin providing the link between the long distance carriers and the subtending LECs, the most sensible approach would be to disconnect the facilities used by the subtending LECs at the Aureon POIs, and have CenturyLink establish connections between its nearby tandem switches and the facilities used by the subtending LECs

near the Aureon POIs. It is likely that in many, if not all, such instances the distance between CenturyLink's tandem switch and the facilities used by the subtending LECs is one mile (or less). Using one mile of transport service, the rate for the transport element would be $\$0.00003 \times 1$ mile, or \$0.00003 per-minute and the composite rate would be \$0.002558 per-minute. That composite CLEC benchmark rate was calculated as follows: $\$0.002252$ (tandem switching) + $\$0.000036$ (multiplexing) + $\$0.000240$ (termination) + $\$0.00003$ (tandem switched transport) = $\$0.002558$ per-minute.

21. I am not aware of the precise distances between the CenturyLink tandem switches and the facilities used by the subtending LECs to deliver the traffic to their end offices. However, the worst case scenario would be if CenturyLink were required to transport the traffic from its tandem switch all the way to the subtending LEC's end office.

22. Assuming that worst case scenario, I have estimated that, on an aggregate basis, the maximum composite rate that CenturyLink would charge if it was required to deliver all of the CEA traffic to the subtending LECs' end offices would be \$0.003188 per-minute. Therefore, \$0.003188 per minute is a conservative benchmark rate for Aureon. The supporting materials for that estimate are set forth in Exhibit B, attached hereto. Following is a summary of my approach.

23. Based upon information from the LERG, specifically the locations of the CenturyLink tandem switches in Iowa and the locations of the switches used by the LECs that subtend Aureon, I was able to determine the air miles between the CenturyLink tandem switches and the subtending LECs' local exchanges.

24. Also, based on AT&T's network data, I was able to determine the total number of minutes of AT&T traffic delivered to, and received from, each subtending LEC for each month. Having both the number of minutes and the air miles going to each subtending LEC for each

month, I was able to determine a weighted-average number of transport miles for all of the subtending LECs. The time period I used to calculate the weighted average transport miles to determine the benchmark rate of \$0.003188 per-minute was January 2015 through March 2018. That time period is consistent with the time period identified in the Order Designating Issues for Investigation, *In the Matter of Iowa Network Access Division Tariff F.C.C. No. 1*, WC Docket No. 18-60, ¶ 30 (April 19, 2018) and included data relating to the most recent month that I had.

25. As shown in Exhibit B, the weighted average transport distance between the CenturyLink tandem switches and the subtending LEC's switches for the period January 2015 through March 2018 was 22 miles. *See* Exhibit B (Summary). At \$0.00003 per-minute, per-mile, the 22 mile average produces a per-minute switched transport charge of \$0.00066 ($\0.00003×22). The total benchmark rate was then calculated as follows: \$0.002252 (tandem switching) + \$0.000036 (multiplexing) + \$0.000240 (termination) + \$0.00066 (tandem switched transport) = \$0.003188 per-minute.

26. Listed below are some additional assumptions and explanations regarding the methodology used to determine the weighted average transport mileage of 22 miles:

- a. Both originating and terminating traffic were included in the total minutes of use.
- b. Airline miles were used to determine the transport distance, which is the industry standard for transport service.
- c. In instances where a subtending LEC has a host-remote switching configuration, the distance from the CenturyLink tandem switch to the subtending LEC's host switch was used.
- d. The analysis used only interstate traffic.

[REDACTED]

[REDACTED]

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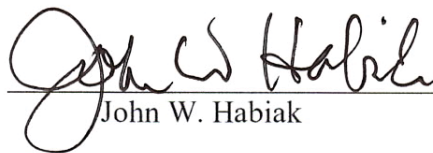
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[REDACTED]

[REDACTED] [[END CONFIDENTIAL]]

CERTIFICATION

I certify under penalty of perjury that the foregoing is true and correct. Executed on
May 10, 2018.



John W. Habiak

EXHIBIT A

to Habiak Rate Declaration

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CENTURYLINK OPERATING COMPANIES

TARIFF F.C.C. NO. 11
5TH REVISED PAGE 6-318
CANCELS 4TH REVISED PAGE 6-318

ACCESS SERVICE

6. SWITCHED ACCESS SERVICE

6.8 RATES AND CHARGES

6.8.1 SWITCHED TRANSPORT (Cont'd)

C. Tandem-Switched Transport

1. Tandem Transmission Usage Rates

MILEAGE BANDS	RATE PER ACCESS MINUTE	
	FIXED	PER MILE
-Originating		
0	—	—
Over 0 to 8	\$0.000240	\$0.000030
Over 8 to 25	0.000240	0.000030
Over 25 to 50	0.000240	0.000030
Over 50	0.000240	0.000030
-Terminating – Tandem 3rd Party		
0	—	—
Over 0 to 8	0.000240	0.000030
Over 8 to 25	0.000240	0.000030
Over 25 to 50	0.000240	0.000030
Over 50	0.000240	0.000030
-Terminating – Tandem End Office		
0	—	—
Over 0 to 8	0.000000 (R)	0.000000 (R)
Over 8 to 25	0.000000	0.000000
Over 25 to 50	0.000000	0.000000
Over 50	0.000000 (R)	0.000000 (R)

Issued Date:
June 16, 2017

FCC2017-008

Issued Under Transmittal No. 93
Vice President-Regulatory Operations
100 CenturyLink Drive
Monroe, Louisiana 71203

Effective Date:
July 1, 2017

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CENTURYLINK OPERATING COMPANIES

TARIFF F.C.C. NO. 11
2ND REVISED PAGE 6-318.1
CANCELS 1ST REVISED PAGE 6-318.1

ACCESS SERVICE

6. SWITCHED ACCESS SERVICE

6.8 RATES AND CHARGES

6.8.1 SWITCHED TRANSPORT (Cont'd)

C. Tandem-Switched Transport (Cont'd)

1. Tandem Transmission Usage Rates (Cont'd)

RATE PER ACCESS MINUTE

- Tandem Switching Charge
 - Originating \$0.002252
 - Terminating -- Tandem 3rd Party 0.002252
 - Terminating -- Tandem End Office 0.000700 (R)

- Common Transport Multiplexing
 - Originating 0.000036
 - Terminating -- Tandem 3rd Party 0.000036
 - Terminating -- Tandem End Office 0.000000 (R)

2. Tandem Trunk Rate

MONTHLY
RATE

- Access Tandem Trunk Port Charge, Per Trunk \$6.00

Issued Date:
June 16, 2017

FCC2017-008

Issued Under Transmittal No. 93
Vice President-Regulatory Operations
100 CenturyLink Drive
Monroe, Louisiana 71203

Effective Date:
July 1, 2017

EXHIBIT B

to Habiak Rate Declaration

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Table of Exhibits in Support of AT&T's Opposition to Direct Case

New Exhibit Number	Complaint Proceeding Exhibit Number	Description
1	N/A	Rhinehart Initial Declaration
2	N/A	Rhinehart Reply Declaration
3	N/A	Rhinehart Supplemental Declaration
4	AT&T Ex. 86	Aureon Aug. 7, 2017 Letter and Exhibit 1
5	AT&T Ex. 87	Schill Deposition Transcript
6	AT&T Ex. 88	Aureon 2015 Circuit Cost Data (AUREON_02881-99)
7	AT&T Ex. 89	Aureon 2014 Circuit Cost Data (AUREON_02862-80)
8	AT&T Ex. 90	Aureon 2013 Circuit Cost Data (AUREON_02843-61)
9	AT&T Ex. 91	Aureon 2011 Circuit Cost Data (AUREON_02824-42)
10	AT&T Ex. 92	Aureon 2009 Circuit Cost Data (AUREON_02816-20)
11	AT&T Ex. 93	Aureon 2006 Circuit Cost Data (AUREON_02821-23)
12	AT&T Ex. 15	Aureon 2004 Tariff Filing (filed June 24, 2004)
13	AT&T Ex. 16	Aureon 2006 Tariff Filing (filed June 26, 2006)
14	AT&T Ex. 17	Aureon 2008 Tariff Filing (filed June 24, 2008)
15	AT&T Ex. 18	Aureon 2010 Tariff Filing (filed June 16, 2010)
16	AT&T Ex. 19	Aureon 2012 Tariff Filing (filed June 26, 2012)
17	AT&T Ex. 20	Aureon 2013 Tariff Filing (filed June 17, 2013)
18	AT&T Ex. 21	Aureon 2014 Tariff Filing (filed June 16, 2014)
19	AT&T Ex. 22	Aureon 2016 Tariff Filing (filed June 16, 2016)
20	AT&T Ex. 46	Aureon April 2017 Revised Tariff Filing (filed Apr. 14, 2017)
21	AT&T Ex. 47	Aureon May 2017 Revised Tariff Filing (filed May 16, 2017)
22	AT&T Ex. 94	Calculation of CWF Costs Allocated on a T3 System Basis
23	AT&T Ex. 2	Aureon Worksheet (Aureon_02696-02708)
24	AT&T Ex. 97	GLCC-Aureon DS-3 Schedule "A" Agreements (AUREON_00163-67)
25	AT&T Ex. 98	GLCC-Aureon OC-3 Schedule "A" Agreements (AUREON_00170-72)
26	AT&T Ex. 99	GLCC-Aureon Ethernet Schedule "A" Agreements (AUREON_00120-26)
27	AT&T Ex. 100	BTC-Aureon Network Transport Agreements (AUREON_00210-15)

PUBLIC VERSION

New Exhibit Number	Complaint Proceeding Exhibit Number	Description
28	AT&T Ex. 101	BTC-Aureon Dedicated Internet Access Agreements (AUREON_00204-07)
29	AT&T Ex. 102	BTC-Aureon Ethernet Schedule “A” Agreements (AUREON_00439-43)
30	AT&T Ex. 103	BTC-Aureon IP Transit Service Agreement, dated Jan. 1, 2015 (AUREON_00208-09)
31	AT&T Ex. 104	Omnitel-Aureon Fiber Optic Cable Facilities Lease Agreement, dated Aug. 1, 2013 (AUREON_01004-09)
32	AT&T Ex. 105	Omnitel-Aureon Dedicated Internet Access and Ethernet Transport Agreement, dated June 1, 2014 (AUREON_00960-63)
33	AT&T Ex. 106	Omnitel-Aureon Dedicated Internet Access Agreement, dated Feb. 1, 2015 (AUREON_00968-69)
34	AT&T Ex. 107	Omnitel-Aureon Dedicated Internet Access Agreements (AUREON_00956-59, 00964-67, 00972-75)
35	AT&T Ex. 108	Omnitel-Aureon Ethernet Schedule “A” Agreement, dated Jan. 5, 2011 (AUREON_00976)
36	AT&T Ex. 109	Omnitel-Aureon DS-3 Schedule “A” Agreements (AUREON_00999-1001)
37	AT&T Ex. 96	Table of Access Stimulating CLEC Network Services (AUREON_02752-61)
38	N/A	Habiak Complaint Declaration
39	Aureon Ex. 63	NECA Reporting Guidelines

AT&T Exhibit 1

Rhinehart Initial Declaration

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

**In the Matter of
AT&T CORP.
One AT&T Way
Bedminster, NJ 07921
(202) 457-3090**

Complainant,

v.

**IOWA NETWORK SERVICES, INC.
d/b/a Aureon Network Services
7760 Office Plaza Drive South
West Des Moines, IA 50266
(515) 830-0110**

Defendant.

**Proceeding Number 17-56
File No. EB-17-MD-001**

DECLARATION OF DANIEL P. RHINEHART

I, Daniel P. Rhinehart, of full age, hereby declare and certify as follows:

1. I am employed by AT&T Services, Inc., a services affiliate of Complainant AT&T Corp. ("AT&T"). My job title is Director - Regulatory. My current responsibilities include participating in regulatory dockets and litigation matters on behalf of various AT&T entities in the areas of cost analysis and universal services matters. I also direct the development of AT&T's pole attachment and conduit occupancy rates pursuant to standard FCC formulas, and I support the analysis of third-party pole attachment rates. I have been employed by AT&T and its predecessors since 1979 and have held a number of different jobs with increasing responsibilities in the finance and regulatory areas. Over the years, I have testified in a number of different federal and state rate cases regarding the reasonableness of rates filed by AT&T and by other carriers. My curriculum vitae is included as Exhibit 82 to the Formal Complaint.

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2. As a result of my experience, I am very familiar with the manner in which rates are calculated by Local Exchange Carriers (“LECs”) that are regulated on a rate of return basis. In addition, I have reviewed the bi-annual tariff filings made by Iowa Network Services, Inc. d/b/a Aureon Network Services (“INS”)¹ as well as various documents that have been produced in discovery in this case or in other proceedings relating to access stimulation. I have also reviewed the various Commission decisions approving Centralized Equal Access (“CEA”) service in Indiana, Iowa, South Dakota and Minnesota² as well as other Commission decisions relating to access stimulation.³ In addition, I have reviewed INS’s recent tariff filings, which

¹ See Ex. 15, INS Introduction, Overview and Rate Development, July 1, 2004 FCC Annual Access Charge Tariff Filing (dated June 24, 2004) (“INS 2004 Tariff Filing”); Ex. 16, INS Introduction, Overview and Rate Development, July 3, 2006 FCC Annual Access Charge Tariff Filing (dated June 26, 2006) (“INS 2006 Tariff Filing”); Ex. 17, INS Introduction, Overview and Rate Development, July 1, 2008 FCC Annual Access Charge Filing (dated June 24, 2008) (“INS 2008 Tariff Filing”); Ex. 18, INS Introduction, Overview and Rate Development, July 1, 2010 FCC Annual Access Charge Filing (dated June 16, 2010) (“INS 2010 Tariff Filing”); Ex. 19, INS Introduction, Overview and Rate Development, July 3, 2012 FCC Annual Access Charge Filing (dated June 26, 2012) (“INS 2012 Tariff Filing”); Ex. 20, INS Introduction, Overview and Rate Development, July 2, 2013 FCC Annual Access Charge Filing (dated June 17, 2013) (“INS 2013 Tariff Filing”); Ex. 21, INS Introduction, Overview and Rate Development, July 1, 2014 FCC Annual Access Charge Filing (dated June 16, 2014) (“INS 2014 Tariff Filing”); and Ex. 22, INS Introduction, Overview and Rate Development, July 1, 2016 FCC Annual Access Charge Filing (dated June 16, 2016) (“INS 2016 Tariff Filing”).

² *In re Application of Ind. Switch Access Div.*, File No. W-P-C-5671, 1986 WL 291436, ¶¶ 2, 23 (F.C.C. Apr. 10, 1986) (“*Indiana Switch CCB Order*”); *In re Application of Ind. Switch Access Div.*, 1 FCC Rcd. 634, ¶ 5 (1986) (“*Indiana Switch Review Order*”) (collectively, the “*Indiana Switch Orders*”); *In re Application of Iowa Network Access Div.*, 3 FCC Rcd. 1468, ¶ 3 (1988) (“*INS Order*”); *In re Application of SDCEA, Inc.*, 5 FCC Rcd. 6978, ¶ 17 (1990) (“*SDCEA Order*”); Ex. 12, Memorandum Opinion, Order and Certificate, *In re the Application of Minn. Indep. Equal Access Corp.*, File No. W-P-C-6400 (F.C.C. rel. Aug. 22, 1990) (“*MIEAC Order*”).

³ See *In re Connect America Fund*, 26 FCC Rcd. 17763 (2011) (“*Connect America Order*”); *In re Access Charge Reform*, 16 FCC Rcd. 9923 (2001) (“*CLEC Access Order*”); *In re Access Charge Reform*, 19 FCC Rcd. 9108 (2004); *Qwest Commc’ns Corp. v. Farmers & Merchs. Mut. Tel. Co.*, 22 FCC Rcd. 17973 (2007) (“*Farmers I*”); *Qwest Commc’ns Corp. v. Farmers & Merchs. Mut. Tel. Co.*, 24 FCC Rcd. 14801 (2009) (“*Farmers II*”).

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initially proposed to offer a new contract tariff service specifically targeted at access stimulation traffic⁴ but then withdrew that proposal and replaced it with a “volume discount” proposal.⁵

3. Based on my analysis to date, serious questions exist regarding the reasonableness of INS’s rates for CEA service. As explained in greater detail below, INS’s current rate for CEA service is \$0.00896 per minute, which is only a few tenths of a cent lower than INS’s initial rate for CEA service (\$0.0117 per minute), which became effective in 1989. Moreover, INS’s current rate is approximately 44 percent higher than it was in mid-2013 (\$0.00623 per minute). Suffice it to say, these trends are not consistent with the general industry trends for access charges, which have declined precipitously since 1989.

4. To date, INS has not produced all of the cost information supporting its CEA rate calculations. Consequently, my evaluation of the reasons that INS’s rates have not declined consistent with the industry trends for access charges is ongoing. Based on my review to date, however, I have the following observations:

First, the level of the network costs allocated to INS’s Access Division appears to be excessive. INS’s Access Division does not own any of the transmission

⁴ See Ex. 46, Iowa Network Services, Inc. dba Aureon Network Services, Iowa Network Access Division, Tariff F.C.C. No 1, (Transmittal No. 33) (Description and Justification and Cost Support Material) (filed April 14, 2017) (“Contract Tariff Support”) and Proposed Revised Tariff Pages (filed April 14, 2017) (“Revised Tariff Pages”) (collectively, “INS April 2017 Revised Tariff Filing”).

⁵ See Ex. 47, Iowa Network Access Division, Application No. 8 (dated May 16, 2017) with attachments (“INS May 2017 Revised Tariff Filing,” together with the tariff filings identified in *supra* notes 1 and 4, collectively referred to herein as the “Tariff Filings” or “INS’s Tariff Filings”) (seeking permission to (i) withdraw the tariff pages submitted under Transmittal No. 33 and (ii) file revised tariff pages proposing to offer a “volume discount”).

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facilities or equipment that it uses in connection with its CEA service. Instead, it leases those facilities and equipment at rates that appear to exceed the rates at which INS leases such facilities and equipment to other entities, thereby inflating INS's CEA rates and raising concerns regarding the cross-subsidization of INS's other services.

Second, in recent years an increasing percentage of the costs of INS's Cable & Wire Facilities have been allocated to INS's Access Division. In 2017, for example, 74.1 percent of those costs were assigned to the Access Division whereas in 2006, the Access Division was only assigned 45.3 percent of those costs.

Third, questions exist as to the reasonableness of INS's calculation of the lease costs allocated to the Access Division. As explained in greater detail below, there are **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]

[REDACTED]

[REDACTED]

[[END HIGHLY CONFIDENTIAL]] INS provides absolutely no support for the derivation of these costs. Further, additional concerns arise when the dramatic increase in INS's investment in Cable & Wire facilities since 2010 is contrasted with the significant decline in switched access minutes of use transported on INS's network.

Fourth, in recent years an increasing percentage of the Access Division's revenue requirement has been allocated to interstate traffic as opposed to intrastate traffic.

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This development stands in stark contrast to the assumption underlying the Commission's initial approval of INS's application to provide CEA service; namely, that "the majority of the network's costs w[ould] be recovered from intraLATA toll calls." *See INS Order* ¶ 32.

Fifth, concerns also exist as to the five-year traffic forecasts that INS has used in developing its rates for CEA service. Those forecasts vary widely from year to year and have proven to be very inaccurate when compared to INS's actual demand. Additionally, INS's recent forecasts showing declining demand stand in stark contrast to AT&T's actual traffic on INS's network, which has steadily grown.

Sixth, since 2010, INS has included in its revenue requirement large "Uncollectible Revenues" even though those amounts remain the subject of litigation contesting whether they were "properly billed" and INS is still actively seeking to collect them. The inclusion of those amounts in the Access Division's revenue requirement had a potential rate impact of between .073 and .659 cents per minute.

5. Each of these concerns is discussed in greater detail below.⁶

⁶ The first, second, and third concerns regarding network costs apply with equal force to INS's recent Tariff Filings, first offering a new contract tariff service (*see* Ex. 46, INS April 2017 Revised Tariff Filing) and then seeking to replace that offering with a new "volume discount" service. *See* Ex. 47, INS May 2017 Revised Tariff Filing.

The Overall Level of INS's CEA Rates.

6. INS's application to provide CEA service in Iowa was approved in 1988, and INS filed its original tariff for that service in early 1989. As initially filed, the rate that INS proposed to charge for CEA service was \$0.0161 per minute. *See In re Iowa Access Division Tariff FCC No.1*, 4 FCC Rcd. 3947, ¶ 9 (C.C.B. Apr. 28, 1989) (“*INS Rate Order*”). A number of parties, including AT&T and Northwestern Bell Company (“NWB”), challenged INS's proposed rate on a number of grounds, including that it was not adequately supported. *Id.* ¶¶ 2–7. Rather than litigate those issues, INS revised its tariff filing and lowered its rate to \$0.0117 per minute. *Id.* ¶ 9.

7. Since 1989, INS's CEA rate has remained at roughly the same level. The following table (Table A) sets forth INS's rates for CEA service for the period 2003 to 2017.⁷

	<u>INS's CEA Rate</u>
2003	\$0.01045 per minute
2004	\$0.01045 per minute/\$0.01031 per minute
2005	\$0.01031 per minute
2006	\$0.01031 per minute/\$0.00855 per minute
2007	\$0.00855 per minute
2008	\$0.00855 per minute/\$0.00819 per minute
2009	\$0.00819 per minute

⁷ These rates are reported in the INS Tariff Filings that are publicly available on the FCC's website. *See* Exs. 15–22. Rate information for periods prior to 2003 is not available on the FCC's website.

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2010	\$0.00819 per minute
2011	\$0.00819 per minute
2012	\$0.00819 per minute/\$0.00623 per minute
2013	\$0.00623 per minute/\$0.00896 per minute
2014	\$0.00896 per minute
2015	\$0.00896 per minute
2016	\$0.00896 per minute
2017	\$0.00896 per minute

As can be seen from Table A, INS's current CEA rate (\$0.00896 per minute) is about three tenths of a cent lower than the rate for that service in 1989 (\$0.0117 per minute), and is approximately 44 percent higher than the rate in mid-2013 (\$0.00623 per minute).

8. The fact that INS's current CEA rate has not declined more significantly during the past 27 years is surprising given the overall trend in the industry with regard to access charges. In a 2010 report entitled "Trends in Telephone Service," the Commission reported that the national average traffic sensitive interstate switched access charge per minute went from \$0.030 (in April 1989) to \$0.0064 (in 2010)⁸ – a decline of almost 79%. During that same period, INS's CEA rate only declined by about 23 percent. Moreover, the situation has gotten worse since 2011. The national average charge per minute for access has continued to decline as the Commission's 2011 transitional rules have begun to take effect.⁹ By contrast, INS raised its

⁸ See Ex. 57, FCC, *Trends in Telephone Service*, Table 1.2 (W.C.B. Sept. 2010), https://apps.fcc.gov/edocs_public/attachmatch/DOC-301823A1.pdf.

⁹ *Connect America Order* ¶¶ 739, 798–808 (providing that local switching rates would be eliminated by mid-2017); see also 47 C.F.R., Subpart J of Part 51.

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CEA rate from its 2011 capped level of \$0.00819 per minute to its current level of \$0.0896 per minute.

9. The high level of INS's current CEA rate is particularly difficult to understand given the fact that INS's investment in the switching equipment needed to provide equal access and in related general support facilities has largely been depreciated and recovered in INS's prior rates.¹⁰ In addition, during the period 2005 to 2011, the volume of interstate access minutes transported over INS's network grew from about 954 million minutes per year to over 3.8 billion minutes per year. *See* Exs. 16 and 19, INS Tariff Filings for 2006 and 2012. All else held constant, these two factors working in combination should have resulted in a significant decline in INS's CEA rates.¹¹ But that did not occur. In 2005, INS's rate was \$0.01031 per minute. *See* Ex. 16, INS 2006 Tariff Filing, at 3. As previously noted, INS's current rate is \$0.00896 per minute – a decline of only slightly more than one tenth of a cent.

10. INS's CEA rates also do not appear to reflect any cost efficiency gains resulting from advances in transmission technology. In its Tariff Filings, INS has reported that it has made significant investments in its fiber network.¹² Those investments, however, do not appear

¹⁰ *See* Ex. 22, INS 2016 Tariff Filing, Section 5, Schedule S-2 (indicating that the \$37 million in Total Plant in Service allocated to INS's Access Division has been largely depreciated with accumulated depreciation and amortization totaling \$34 million).

¹¹ *See also Farmers I* ¶ 24 (crediting testimony demonstrating that an access stimulation LEC's "costs did not rise by nearly the same proportion as its access revenues"); Ex. 67, Declaration of Peter D. Copeland, *Qwest Commc'ns Corp. v. Farmers & Merchs. Mut. Tel. Co.*, File No. EB-07- MD-001, ¶¶ 5–14 (dated May 1, 2007) ("Copeland Decl.") (making the same point).

¹² *See* Ex. 18, INS 2010 Tariff Filing, at 2 ("INS has plans to upgrade its fiber routes and electronics to bring newer technologies and increased capacity Approximately \$20 million has been expended since 2006 and an additional \$4.5 million is planned for 2010."); Ex. 19, INS 2012 Tariff Filing, at 2 ("INS has plans to upgrade its fiber routes and electronics

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to have resulted in lower CEA rates. Indeed, in its 2016 Tariff Filing, INS asserted that its projected revenue requirement would support a rate of \$0.01332 per minute,¹³ which is almost two tenths of a cent higher than INS's interstate CEA rate in 1989 (i.e., \$0.0117 per minute). A rate at that level is not consistent with the rate that one would expect given INS's recent "upgrades" to its network. *See* Ex. 67, Copeland Decl. ¶¶ 11–14.

11. That INS's rates for CEA service are excessive is also clear from INS's recent Tariff Filings. As discussed in greater detail below, INS's inclusion of "Uncollectible Revenues" in the revenue requirement supporting its 2016 Tariff Filing had the potential effect of inflating INS's CEA rate by as much as \$0.00659 per minute. *See infra*, Table J. Indeed, if those Uncollectible Revenues were removed from the underlying revenue requirement, the resulting rate generated by INS revenue analysis would decline from \$0.01332 per minute to \$0.00673 per minute, which is more than two tenths of a cent less than INS's current CEA rate (\$0.00896 per minute).

12. INS's even more recent Tariff Filings proposing to offer a new rate of \$0.00649 per minute for high volume (access stimulation) traffic also demonstrate that INS's current CEA rate is excessive. *See* Ex. 46, INS April 2017 Revised Tariff Filing; Ex. 47, INS May 2017

Approximately \$9.6 million has been expended since 2009 and an additional \$11.3 million is planned for 2012."); Ex. 20, INS 2013 Tariff Filing, at 2 ("INS has plans to upgrade its fiber routes and electronics Approximately \$20.3 million has been expended since 2010 and an additional \$22.5 million is planned for 2013." (internal footnote omitted)).

¹³ *See* Ex. 22, INS 2016 Tariff Filing, at 5; *see also* Ex. 21, INS 2014 Tariff Filing, at 4 (projecting a rate of \$0.01297 per minute).

Revised Tariff Filing.¹⁴ The cost support material presented in connection with INS's April 2017 Tariff Filing purports to show that a rate of \$0.00604 per minute would be sufficient to support INS's projected revenue requirement, which does not include any Uncollectible Revenues. *See* Ex. 46, INS's April 2017 Tariff Filing, Contract Tariff Support at 2, 5, Section 2 (Schedule A), and Section 3 (Schedule S-1, Line 15). That rate (\$0.00604 per minute) is almost three tenths of a cent less than INS's current rate (\$0.00896 per minute). Moreover, when the minimum traffic volumes associated with INS's May 2017 "volume discount" proposal (a minimum of 25 million minutes per month/300 million minutes per year) are applied to the revenue requirement submitted in support of the proposed rate of \$0.00649 per minute, the resulting rate would be \$0.003624 per minute, which is more than five tenths of a cent lower than INS's current rate (\$0.00896 per minute).¹⁵

¹⁴ As initially proposed, this service was to be offered on a contract tariff basis. *See* Ex.46, INS April 2017 Revised Tariff Filing. However, on May 16, 2017, INS filed an application with the Commission seeking permission to withdraw its proposed contract tariff service, and to instead offer a volume discount to customers (i) with a minimum monthly usage of "at least 25 million interstate interlata terminating minutes-of-use and 80% or greater utilization of each trunk group" and (ii) that agreed to sign a separate service agreement. *See* Ex. 47, INS May 2017 Revised Tariff Filing, Second Revised Tariff Page 137, Section 6.7.3. In its May 2017 Tariff Filing, INS does not provide any specific details as to the terms of the "separate service agreement," nor does it indicate whether those terms are the same or similar to the additional terms that were applicable to the proposed contract tariff service it has now withdrawn. *See* Ex. 46, INS April 2017 Revised Tariff Filing, Contract Tariff Support at 1; *see also* AT&T Formal Complaint ¶ 74 (discussing the terms applicable to INS's proposed contract tariff service).

¹⁵ In submitting its May 2017 Tariff Filing, INS did not modify or present a new rate analysis in support of the proposed rate of \$0.00649 per minute. In its April 2017 Tariff Filing, the projected revenue requirement presented in support of the \$0.00649 rate was \$1,087,200. *See* Ex. 46, INS April 2017 Revised Tariff Filing, Contract Tariff Support at 2, 3, and Section 2 (Schedule A). When that revenue requirement (\$1,087,200) is divided by the minimum annual throughput required to qualify for the \$0.00649 "volume discount" rate (300 million minutes), the resulting rate is \$0.003624 per minute. Moreover, the surplus over the base revenue requirement generated by imposition of the \$0.00649 per minute rate is \$859,800 per year.

13. Finally, the evidence shows that over the past 15 years, INS has dramatically lowered the rates that it charges for some of its non-CEA services. For example, in the **[[BEGIN 3P CONFIDENTIAL]]** [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] **[[END 3P CONFIDENTIAL]]** Additionally, **[[BEGIN CONFIDENTIAL]]**
[REDACTED]
[REDACTED] [REDACTED]
[REDACTED] **[[END CONFIDENTIAL]]**¹⁸

INS's Handling of Network Investment Costs.

14. As previously noted, INS has reported in its Tariff Filings that it made significant investments in its fiber network.¹⁹ None of that investment, however, has been recorded on the books of INS's Access Division. Instead, as is clear from INS's Tariff Filings, all investment in

¹⁶ See Ex. 68, Deposition of Thomas Lovell, *Alpine Commc'ns, LLC v. AT&T Corp.*, No. 2:08-cv-01042, at 56:9–58:9 (N.D. Iowa) (taken Oct. 29, 2009).

¹⁷ See Ex. 23, **[[BEGIN CONFIDENTIAL]]** [REDACTED]
[REDACTED]
[REDACTED] **[[END CONFIDENTIAL]]**

¹⁸ See Ex. 15, INS 2004 Tariff Filing at 2 (noting that the agreements “remove[d] interstate traffic from the network and replace[d] it with interconnection traffic to be billed in accordance with interconnection agreements”).

¹⁹ See *supra* note 13.

Central Office Transmission Equipment (Account 2230) and Cable & Wire Facilities (Account 2410) has been recorded on the books of INS's other divisions.²⁰ As a consequence, the Access Division does not earn a rate of return on INS's investment in its network. Rather, INS's Access Division appears to lease fiber capacity from INS's Network Division at a rate and rate of return that is not disclosed in INS's tariff filings, or in the support data that INS has produced as part of the informal discovery process.²¹

15. As can be seen from the following table (Table B), network costs constitute a significant percentage of the Access Division's overall revenue requirement:

	<u>Rev. Req. Less Uncollectibles</u> ²²	<u>Network Costs</u> ²³	<u>Percentage</u>
2004	\$21,063,949	\$12,777,678	60.7%
2006	\$27,790,646	\$17,693,096	63.7%

²⁰ See Exs. 15–22, INS's 2004, 2006, 2008, 2010, 2012, 2013, 2014, and 2016 Tariff Filings, Section 5, Schedule S-2, Lines 3 and 4 (Central Office Transmission Equipment and Cable & Wire Facilities).

²¹ From the documents that INS has produced in response to informal discovery, **[[BEGIN HIGHLY CONFIDENTIAL]]**

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²² The data for the Access Division's "Revenue Requirement less Uncollectibles" was derived from Section 5, Part 64 Separations, Schedule S-1, Lines 15 and 19, of INS's 2004, 2006, 2008, 2010, 2012, 2013, 2014, 2016, and April 2017 Tariff Filings. See Exs. 15–22 & 46. The "uncollectible revenues" subtracted from the Revenue Requirement for each year are as follows: \$271,799 (2004); \$284,299 (2006); \$3,369,633 (2008); \$3,120,000 (2010); \$2,690,638 (2012); \$4,320,000 (2013); \$3,992,932 (2014); \$16,816,800 (2016); and \$18,642,577 (Apr. 2017). *Id.*

²³ The Access Division's Network Costs are sourced from Section 5, Part 64 Separations, Schedule S-8, Line 4 (Cable & Wire Facilities) of INS's 2004, 2006, 2008, 2010, 2012, 2013, 2014, 2016, and April 2017 Tariff Filings. See Exs. 15–22 & 46.

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2008	\$28,275,864	\$16,968,588	60%
2010	\$31,522,883	\$17,882,154	56.7%
2012	\$21,512,296	\$9,754,800	45.3%
2013	\$26,219,366	\$13,843,200	52.8%
2014	\$27,829,176	\$18,248,747	65.6%
2016	\$18,794,588	\$12,840,050	68.3%
2017	\$19,441,960	\$14,675,151	75.5%

Notwithstanding the magnitude of these costs, INS's Tariff Filings do not provide any information regarding the derivation of the lease costs that INS's Access Division pays to INS's Network Division for Cable & Wire Facilities.

16. In the initial INS tariff proceeding held in 1989, NWB asserted that the Access Division was paying all of the costs to construct and maintain INS's network, including a rate of return of over 30 percent. *See INS Rate Order* ¶ 6. Obviously, such a rate of return would be excessive. More recent deposition testimony suggests that **[[BEGIN HIGHLY**

CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **[[END HIGHLY CONFIDENTIAL]]**

17. In the discovery materials that INS has recently produced in this case, there is evidence that **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]

²⁴ See Ex. 69, Deposition of Dennis Creveling, *Alpine Commc'ns, LLC v. AT&T Corp.*, No. 08-01042, at 28:3–29:6 (N.D. Iowa) (taken Feb. 10, 2010) (“Creveling Dep.”).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [[END

HIGHLY CONFIDENTIAL]] Obviously, to the extent that the rate that INS pays to lease circuits on INS's network is inflated, its CEA rate will also be inflated.

INS's Allocation of Costs for Network Facilities.

18. Another area of concern relates to INS's allocation of the costs associated with the Access Division's use of INS's fiber network. The following table (Table C) sets forth data from INS's Tariff Filings showing the allocation of costs for Cable & Wire Facilities between INS's Access Division and its other divisions.²⁸

²⁵ See, e.g., **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[[END CONFIDENTIAL]]

²⁶ See, e.g., **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[[END CONFIDENTIAL]]

²⁷ **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]

[[END HIGHLY CONFIDENTIAL]]

²⁸ The source of the Total Company and Access Division costs is the back-up to INS's 2004 to April 2017 Tariff Filings, Section 5, Part 64 Separations, Schedule S-8, Line 4 (Cable & Wire Facilities). See Exs. 15-22 & 46.

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	<u>Total Company</u>	<u>Access Division</u>	<u>Percent Allocated</u>
2004	\$26,868,987	\$12,777,678	47.6%
2006	\$39,072,861	\$17,693,096	45.3%
2008	\$35,307,201	\$16,968,588	48.1%
2010	\$25,211,234	\$17,882,154	70.9%
2012	\$14,457,480	\$9,754,800	67.5%
2013	\$18,592,129	\$13,843,200	74.5%
2014	\$22,946,170	\$18,248,747	79.5%
2016	\$17,861,701	\$12,840,050	71.9%
2017	\$19,816,729	\$14,675,151	74.1%

19. As can be seen from this table, the Access Division's allocated share of the costs of the Cable & Wire Facilities went from about 45% to 48% (during 2004–2008) to above 70% (in 2013–2017). By contrast, between 2004 and 2016, the Cable & Wire Facilities costs allocated to INS's other divisions actually declined from about \$14 million in 2004 to about \$5 million in 2017.²⁹ No explanation is provided in INS's Tariff Filings for this change, nor is the manner in which these costs were allocated discussed in any detail. Obviously, to the extent that Cable & Wire Facility costs are being over allocated to INS's Access Division, INS's CEA rates would be overstated.

²⁹ See Exs. 15–22 & 46, INS's Tariff Filings, Section 5, Part 64 Separations, Form S-8, Line 4 (Cable & Wire Facilities).

INS's Calculation of the Lease Costs to be Allocated to the Access Division.

20. An additional area of concern relates to INS's calculation of the lease costs to be allocated to the Access Division. As previously mentioned, no explanation is provided—in either INS's Tariff Filings or in the back-up support data produced as part of the informal discovery process—as to the basis for, or the methodology used in, calculating the lease costs allocated to the Access Division.

21. Presumably, the lease cost allocated to INS's Access Division is intended to recover the costs associated with the Access Division's use of INS's fiber network. However, a breakdown of the specific network costs included in the allocated lease costs has not been made available, nor has any explanation been provided as to why a lease cost approach has been used with respect to the Access Division's network costs but not with respect to any of its other costs, such as switching costs.³⁰ Further, a review of the cost information that has been produced raises serious questions as to the reasonableness of INS's allocation of network costs to the Access Division.

³⁰ The back-up material produced by INS indicates that **[[BEGIN HIGHLY CONFIDENTIAL]]**

[[END

HIGHLY CONFIDENTIAL]] However, none of the back-up material that has been produced explains the methodology used to calculate the amount of the lease costs to be allocated and paid by the Access Division or any of INS's other divisions.

22. The following table (Table D) sets forth **[[BEGIN HIGHLY CONFIDENTIAL]]**

[REDACTED]	
[REDACTED]	
	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] **[[END HIGHLY CONFIDENTIAL]]**

23. At a minimum, **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]
[REDACTED]
[REDACTED] **[[END HIGHLY CONFIDENTIAL]]** During this same
period, INS's tariffed rate for CEA service first decreased by about 23 percent (2010 to 2012)

³¹ **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]
[REDACTED] **[[END HIGHLY CONFIDENTIAL]]**

and then increased by about 44 percent (2012 to 2013). Obviously, the extent to which the 2013 increase in CEA rates was caused by the allocation of costs to the Access Division that had been previously allocated to other INS divisions would raise concerns about cross-subsidization.³²

24. Another area of concern as to the efficacy of INS's lease cost calculations arises as a result of the dramatic increase in INS's investment in Cable & Wire Facilities (beginning in 2010). The following table (Table E) depicts the Total Company investment levels for Cable & Wire Facilities reported in INS's Tariff Filings from 2004 to 2017.³³

<u>Cable & Wire Investment (Total Co.)</u>	
2004	\$21,331,701
2006	\$21,721,264
2008	\$23,377,974
2010	\$26,818,101
2012	\$43,102,372

³² As can be seen from INS's Tariff Filings, the 2013 increase in INS's CEA rate was at least partially the result of a \$4 million increase in lease costs. More specifically, the Access Division's projected revenue requirement went from \$24,202,934 (in 2012) to \$30,539,366 (in 2013), most of which appears to be the result of a \$4.1 million increase in Cable & Wire Facilities costs, *i.e.*, the lease costs that INS's Access Division pays to INS's Network Division. See Exs. 19 and 20, INS's 2012 and 2013 Tariff Filings, Section 5, Part 64 Separations, Schedule S-8, Line 4; see also **[[BEGIN HIGHLY CONFIDENTIAL]]**

**[[END
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³³ The source of the Total Company investment in Cable & Wire Facilities is Section 5, Part 64 Separations, Schedule S-2, Line 4 (Cable & Wire Facilities) of INS's 2004 to 2017 Tariff Filings. See Exs. 15–22 & 46.

2013	\$57,085,004
2014	\$59,282,926
2016	\$74,866,654
2017	\$68,284,259

25. As can be seen from Table E, INS's investment in Cable & Wire Facilities was relatively constant from 2004 to 2010 but then almost triples between 2010 and 2016. In its Tariff Filings, INS explained that this investment was being made to "upgrade its fiber routes and electronics."³⁴ That explanation, especially the planned expenditure of "an additional \$22.5 million ... for 2013" (*see* Ex. 20, INS 2013 Tariff Filing, at 2) is extremely difficult to justify given that demand for legitimate CEA service has steadily declined **[[BEGIN HIGHLY CONFIDENTIAL]]** **[[END HIGHLY CONFIDENTIAL]]**,³⁵ the Access Division's overall interstate throughput has declined significantly since 2011,³⁶ and in 2011, the

³⁴ *See* Ex. 18, INS 2010 Tariff Charge Filing, at 2 ("INS has plans to upgrade its fiber routes and electronics to bring newer technologies and increased capacity Approximately \$20 million has been expended since 2006 and an additional \$4.5 million is planned for 2010."); Ex. 19, INS 2012 Tariff Filing at 2 ("INS has plans to upgrade its fiber routes and electronics Approximately \$9.6 million has been expended since 2009 and an additional \$11.3 million is planned for 2012."); Ex. 20, INS 2013 Tariff Filing at 2 ("INS has plans to upgrade its fiber routes and electronics Approximately \$20.3 million has been expended since 2010 and an additional \$22.5 million is planned for 2013.").

³⁵ *See* AT&T Complaint, Section I.B; *see also* **[[BEGIN HIGHLY CONFIDENTIAL]]** **[[END HIGHLY CONFIDENTIAL]]**.

³⁶ *See infra* Table H, showing that INS's annual throughput peaked in 2011 at about 3.8 billion minutes and thereafter has steadily declined. In the 2013, for example, the throughput was about 2.8 billion minutes – a decline of approximately a billion minutes in a two year period.

Commission found that access stimulation was a “wasteful arbitrage” practice and took steps to “curtail” it. *See Connect America Order* ¶¶ 648–49, 662–63.³⁷

26. That INS has over allocated its network costs to the Access Division also draws support when one considers the lease cost per minute of use (“mou”) allocated to INS’s Access Division. The following table (Table F) sets forth data relating to this metric.

<u>Test Period</u>	<u>Projected Lease Cost</u> ³⁸	<u>Projected Demand</u> ³⁹	<u>Lease cost/mou</u>
7/1/04 to 6/30/05	\$5,421,825	876,231,538 minutes	\$0.0062
7/1/06 to 6/30/07	\$6,891,903	1,296,905,198 minutes	\$0.0053
7/1/08 to 6/30/09	\$11,351,187	2,346,089,248 minutes	\$0.0048
7/1/10 to 6/30/11	\$14,478,572	3,481,819,561 minutes	\$0.0042
7/1/12 to 6/30/13	\$8,256,765	3,339,631,164 minutes	\$0.0025
7/1/13 to 6/30/14	\$11,669,499	2,925,535,070 minutes	\$0.0040
7/1/14 to 6/30/15	\$14,817,782	2,019,322,322 minutes	\$0.0073
7/1/16 to 6/30/17	\$11,604,439	2,508,443,160 minutes	\$0.0046

³⁷ **[[BEGIN HIGHLY CONFIDENTIAL]]**

**[[END
HIGHLY CONFIDENTIAL]]**

³⁸ The source of “Projected Lease Cost” is Section 3, Schedule A-8, Line 5, in AT&T’s Tariff Filings for 2004, 2006, 2008, 2010, 2012, 2013, 2014, and 2016. *See* Exs. 15–22.

³⁹ The source of the “Projected Demand” is INS’s Tariff Filings for 2004, 2006, 2008, 2010, 2012, 2013, 2014, and 2016. *See* Exs. 15–22.

27. As can be seen from Table F, the lease cost per mou allocated to the Access Division steadily declined until about 2013 and then almost doubled in 2014. Some of that increase was undoubtedly attributable to a decline in projected throughput. However, to the extent that INS's allocation of costs between its various operating divisions was based on projected demand for service, it is difficult to understand why the Access Division's projected lease costs also increased during this period. One explanation is that INS has over-allocated its network costs to the Access Division – a conclusion that also draws support from the fact that during this same period, the Access Division's Network Costs as a percentage of its revenue requirement less uncollectibles was also rapidly increasing. *See supra* Table C.⁴⁰

INS's Allocation of Costs Between Interstate and Intrastate Traffic.

28. Another area of concern relates to the allocation of the Access Division's projected revenue requirement between interstate and intrastate long distance traffic. In initially approving INS's application to provide CEA service in Iowa, the Commission specifically noted INS's assumption that "the majority of the network's costs w[ould] be recovered from intraLATA toll calls" and cautioned that if that assumption changed materially, the Commission would need to review INS's proposal. *See INS Order* ¶ 32.

29. As can be seen from the following table (Table G), for periods prior to 2008 that assumption held true – the majority of the Access Division's revenue requirement was allocated

⁴⁰ Because INS has not provided any detail as to the basis for the calculation of the lease costs allocated to the Access Division, it is not possible to determine on the current record exactly how much of INS's recent fiber investment has been charged to the Access Division.

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to intrastate CEA service.⁴¹ In 2008, however, that situation changed dramatically. Since then, the vast bulk of the Access Division’s revenue requirement has been assigned to interstate CEA service. Indeed, in 2016, almost 94% of the Access Division’s revenue requirement was allocated to interstate traffic.

<u>Year</u>	<u>Access Division</u>	<u>Interstate</u>	<u>Intrastate</u>	<u>Percentage Interstate</u>
2004	\$21,355,748	\$9,065,913	\$12,269,835	42.5%
2006	\$28,074,946	\$11,092,328	\$16,982,618	39.5%
2008	\$31,645,497	\$19,270,037	\$12,375,565	60.9%
2010	\$34,642,883	\$28,671,480	\$5,971,403	82.8%
2012	\$24,202,934	\$20,839,116	\$3,363,618	86.1%
2013	\$30,539,366	\$26,254,447	\$4,284,919	86.0%
2014	\$31,822,108	\$26,211,200	\$5,610,908	82.4%
2016	\$35,611,388	\$33,428,538	\$2,182,850	93.9%

30. One possible explanation for this dramatic shift is that in 2008 INS adjusted the PIU factor used in its tariff filings to “more accurately classif[y] the jurisdiction of . . . call aggregator traffic.” *See* Ex. 17, INS 2008 Tariff Filing, at 1–2. As INS explained, this change resulted in the PIU factor for calls associated with call aggregation increasing from 48 percent to 78 percent. *Id.* at 3–4. In other words, an additional 30 percent of the call aggregation traffic was assigned to the interstate jurisdiction.

31. In making this change, INS did not bring to the Commission’s attention that a key assumption underlying the Commission’s initial approval of CEA service in Iowa had changed,

⁴¹ The Access Division’s Revenue Requirement data are sourced from Section 4, Schedule S-1, Line 19, of INS’s 2004, 2006, 2008, 2010, 2012, 2013, 2014, and 2016 Tariff Filings. *See* Exs. 15–22.

nor did it point out that this change had had an enormous impact on cost allocation between the interstate and intrastate jurisdictions. As depicted in the table above, the “majority of [INS’s] network’s costs” are no longer being recovered from intrastate CEA service. *See INS Order* ¶ 32. Instead, most of the costs are now recovered from interstate traffic.

32. Further, there seems to be a disconnect between the 78 percent PIU factor that INS adopted in 2008 and the percentage of costs INS has allocated to interstate CEA service since 2008. As shown in Table G, the percentage of costs allocated to the interstate jurisdiction started out well below the 78 percent PIU factor in 2008 (60.9 percent) but now exceeds that factor by a wide margin (93.9 percent in 2016). Obviously, to the extent that these allocations were not properly made, INS’s CEA rates could be distorted. Moreover, the potential problems are exacerbated by the fact that INS does not appear to have adjusted its intrastate rates since the early 1990s. *See Habiak Decl.* ¶ 38.

33. Finally, to the extent that INS has understated the interstate PIU factor for access stimulation traffic, its interstate CEA rates could be inflated. In its 2008 Tariff Filing, for example, INS indicated that for its 2009 test period, it was projecting “1.6 billion terminating conference call minutes generated by call aggregators,” of which 78 percent were rated as interstate. *See Ex. 17, INS 2008 Tariff Filing*, at 3–4. If, in fact, a significantly larger percentage of those calls were interstate (say 98 percent), INS’s interstate CEA rate for that test period would necessarily be lower, assuming all other assumptions remained the same.

The Reliability of INS's Traffic Forecasts.

34. A further area of concern relates to the reliability of the traffic forecasts used by INS in developing its CEA rates. The following table (Table H) sets forth the test period traffic forecasts used by INS in its Tariff Filings from 2004 to 2017 and then compares those forecasts to a simple average of the actual demand reported by INS in its Tariff Filings for the two years encompassed by the applicable test period forecast.

<u>Test Period</u>	<u>Projected Demand</u> ⁴²	<u>Actual Demand</u> ⁴³	<u>Difference</u>
7/1/04 to 6/30/05	876,231,538 min.	930,533,227 min.	54,301,689 min.
7/1/06 to 6/30/07	1,296,905,198 min.	1,707,544,370 min.	410,639,172 min.
7/1/08 to 6/30/09	2,346,089,248 min.	2,576,662,181 min.	230,572,933 min.
7/1/10 to 6/30/11	3,481,819,561 min.	3,756,655,810 min.	274,836,249 min.
7/1/12 to 6/30/13	3,339,631,164 min.	3,165,619,256 min.	(174,011,908) min.
7/1/13 to 6/30/14	2,925,535,070 min.	2,742,967,138 min.	(182,567,932) min.
7/1/14 to 6/30/15	2,019,322,322 min.	2,470,990,085 min.	451,667,763 min.
7/1/16 to 6/30/17	2,508,443,160 min.	na	na

35. As can be seen from Table H, there was a lot of variation from year to year in INS's test period traffic forecasts. Table H also shows that INS's test period traffic forecasts were not

⁴² The source of the "Projected Demand" is INS's Tariff Filings for 2004, 2006, 2008, 2010, 2012, 2013, 2014, and 2016. *See* Exs. 15–22.

⁴³ This figure is a simple average of the actual demand reported by INS in its Tariff Filings for the two year period encompassed within the test period. Thus, for example, the actual demand compared to Projected Demand for the test period 7/1/04 to 6/30/05 would be a simple average of the reported actual demand for 2004 and 2005.

very accurate when compared to actual demand. Indeed, for the test periods up to and including the 7/1/10 to 6/30/11 test period, INS consistently underestimated demand by an average of 240 million minutes per year. Further, for two test periods (7/1/06 to 6/30/07 and 7/1/14 to 6/30/15), INS underestimated the demand by at least 400 million minutes.

36. Because INS's CEA rates are derived by dividing its projected revenue requirement by its traffic forecast for the applicable test period, an underestimation of the projected demand necessarily results in a higher rate. Moreover, to the extent that the disparity is large enough, it can result in the carrier exceeding its allowed rate of return – a situation that has occurred with respect to INS's CEA service in a number of years.⁴⁴

37. Finally, INS's test period forecasts, particularly in the more recent periods (2012 to 2016), are not consistent with AT&T's billing data which shows that AT&T's INS volumes have steadily increased over that same period. *See* Habiak Decl. ¶ 54. Obviously, to the extent that INS's test period traffic forecasts are understated, INS rates would be inflated (all other factors remaining constant).

INS's Inclusion of "Uncollectible Revenues" in its Revenue Requirement.

38. An additional area of concern relates to INS's inclusion of "Uncollectible Revenues" in its projected revenue requirement. This practice appears to have started in connection with INS's 2010 Tariff Filing, wherein it noted that during 2007, it "began to

⁴⁴ *See* Ex. 16, INS 2006 Tariff Filing, at 1 (noting that in 2005, INS experienced a return of 27.89%); Ex. 17, 2008 Tariff Filing, at 1 (for the period 2005/2006, INS experienced a return of 38.63%); Ex. 20, INS 2013 Tariff Filing, at 1 (INS's regulated revenue resulted in a "return of 64.57% on its interstate investment").

experience an increase in its uncollectible revenues from an [IXC] as a result of billing disputes over the classification and quantification of interstate access minutes related to traffic terminated by the IXC to ILEC customer locations in Iowa.”⁴⁵ While the specific IXC is not identified, it is believed to be Sprint, which is involved in a lawsuit in Iowa federal district court where INS is seeking to collect unpaid tariff charges.⁴⁶ Rather than wait for that lawsuit to be resolved, INS appears to have simply included the amount of \$2,893,575 in its 2010 Tariff Filing, thereby inflating its revenue requirement as well as its rates.⁴⁷ Worse yet, by seeking to recover these amounts through its rates, INS effectively required its other CEA customers (including AT&T) to pay for service that it allegedly provided to Sprint.⁴⁸

39. The following table (Table I) identifies for each filing period since 2010, INS’s Total Revenue Requirement, INS’s Base Revenue Requirement (i.e., Total Revenue Requirement less Uncollectible Revenues), and the “Uncollectible Revenues” that INS has sought to recover through its CEA rates. Table I also includes, for each filing period, a calculation of Uncollectible Revenues as a percentage of the Base Revenue Requirement.

⁴⁵ See Ex. 18, INS 2010 Tariff Filing, at 2. While the work papers underlying INS’s 2008 Tariff Filing indicate that the Access Division’s overall revenue requirement included “Uncollectible Revenues” of \$3,369,633 (see Section 5, Part 64 Separations, Schedule S-1, Line 15), that amount was not allocated to the interstate jurisdiction for ratemaking purposes. See *id.*, Section 4, Part 36 Separations, Schedule S-1, Line 15.

⁴⁶ See, e.g., *Iowa Network Servs. v. Sprint Commc’ns Co.*, No. 4:10-CV-102 (S.D. Iowa).

⁴⁷ See Ex. 18, INS 2010 Tariff Filing, at 2.

⁴⁸ In its April 2017 Tariff Filing, INS did not allocate any “Uncollectible Revenues” to its new contract tariff service, thus exempting those customers from having to bear any of these alleged costs. See Ex. 46, INS’s April 2017 Tariff Filing, Contract Tariff Support, Section 3, Schedule A-1, Line 15.

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	<u>Total Rev. Req.</u>	<u>Base Rev. Req.</u>	<u>Uncollectibles</u>	<u>% Uncollectibles</u>
2010	\$28,671,481	\$25,777,906	\$2,893,575	11.2%
2012	\$20,839,117	\$18,377,183	\$2,461,934	13.4%
2013	\$26,254,447	\$22,293,439	\$3,961,008	17.8%
2014	\$26,211,200	\$22,756,744	\$3,454,456	15.2%
2016	\$33,428,538	\$16,903,398	\$16,525,230	97.8%

40. As can be seen from Table I, since 2010, INS has included in its revenue requirement calculations almost \$30 million in so-called “Uncollectible Revenues.” For the filing periods 2010 through 2014, Uncollectible Revenues averaged about \$3.2 million per year and constituted between 11 percent and 18 percent of INS’s Base Revenue Requirement. In 2016, however, that percentage increased to 97.8 percent of the Base Revenue Requirement. In other words, almost half of INS’s 2016 Total Revenue Requirement consisted of Uncollectible Revenues.

41. The next table (Table J) sets forth an estimate of the potential rate impact of INS’s having included these amounts in its revenue requirement.

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	<u>“Uncollectible Revenues”</u> ⁴⁹	<u>Projected Traffic</u> ⁵⁰	<u>Potential Rate Impact</u> ⁵¹
2010	\$2,893,575	3,481,819,561	\$0.00083
2012	\$2,461,934	3,339,631,164	\$0.00074
2013	\$3,961,008	2,925,535,070	\$0.00135
2014	\$3,454,456	2,019,322,322	\$0.00171
2016	\$16,525,230 ⁵²	2,508,443,160	\$0.00659

42. As can be seen from Table J, over the period 2010 to 2016, the potential rate impact of INS’s having included Uncollectible Revenues in its revenue requirement was between 0.074 cents per minute and 0.659 cents per minute. Given that all of the so-called “Uncollectible Revenues” are the subject of litigation that disputes whether the underlying rates were “properly billed,” there was no justification for this rate treatment, which had the obvious impact of inflating rates.⁵³ Moreover, INS’s counsel has admitted in response to informal discovery that **[[BEGIN**

⁴⁹ The source of the “Uncollectible Revenues” is INS’s Tariff Filings for 2010, 2012, 2013, 2014, and 2016. *See* Exs. 18–22.

⁵⁰ The source of the “Projected Traffic” is INS’s Tariff Filings for 2010, 2012, 2013, 2014, and 2016. *See* Exs. 18–22.

⁵¹ The rate impact was estimated by dividing the “Uncollectible Revenues” by the projected traffic.

⁵² A portion of this amount appears to relate to the charges that are the subject of dispute in this proceeding. The fact that AT&T contends that these amounts were not “properly billed” and INS is still seeking to collect them via its lawsuit against AT&T raises the same issue as to whether these amounts can properly be included in INS’s revenue requirement as “Uncollectible Revenues” and recovered from INS’s current customers through its rates.

⁵³ *In re Annual 1988 Access Tariff Filings*, 3 FCC. Rcd. 1281, ¶ 245 (1987) (“Uncollectible revenues are included in interstate revenue requirements to reflect *properly billed* revenues which cannot be collected.” (emphasis added)); *In re Telecomms. Relay Serv., N. Am. Numbering*

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[REDACTED] [[END CONFIDENTIAL]]

43. Finally, the inclusion of these “Uncollectible Revenues” in INS’s revenue requirement (together with INS’s voluntary retention of rates that are lower than the rates allegedly justified by its revenue requirement) fully explains the so-called negative rates of return that INS has reported in its recent Tariff Filings. To the extent that these “Uncollectible Revenues” are excluded from INS’s revenue requirement, these negative returns either disappear or are significantly reduced. Take, for example, INS’s 2016 Tariff Filing, in which INS reported a rate of return of -171.69% on a Total Revenue Requirement of \$33,407,808. *See* Ex. 22, 2016 Tariff Filing, at 2, 4–5. If the “Uncollectible Revenues” (\$16,525,230) are excluded from INS’s Total Revenue Requirement, the projected revenues of \$22,496,381 exceed the Base Revenue Requirement (\$16,903,308) by about \$5.6 million resulting in a positive return. It should further be noted that if the “Uncollectible Revenues” are excluded, the maximum rate that INS could charge for CEA service would be \$0.00673 per minute (i.e., \$0.01332 per minute minus \$0.00659 per minute), which is more than two tenths of a cent lower than INS’s current rate (\$0.00896 per minute).⁵⁵

Plan, 17 FCC. Rcd. 24952, ¶ 57 (2002) (noting that carriers cannot record universal service contributions as “uncollectibles” where those amounts cannot be properly billed to customers).

⁵⁴ *See* Ex. 59, Letter from James U. Troup and Tony S. Lee (Counsel for INS) to Michael J. Hunseder and James F. Bendernagel (Counsel for AT&T), at 2 (dated Mar. 23, 2017).

⁵⁵ As previously noted, INS did not allocate any “Uncollectible Revenues” to its new contract tariff/volume discount service, thus exempting the customers of that service from having to bear any of these alleged costs. *See supra* note 49. This difference in ratemaking largely appears to account for the difference between INS’s current CEA rate (\$0.00896 per minute) and its proposed new contract/volume discount rate (\$0.00649 per minute). Indeed, when the impact of the inclusion of “Uncollectible Revenues” in its 2016 revenue requirement (\$0.00659 per

The Overall Reasonableness of INS's Rates for CEA Service.

44. Based on my analysis to date, serious issues exist regarding the reasonableness of INS's rates for CEA service. Notwithstanding the fact that access rates have declined precipitously since 1989, INS's CEA rates have remained relatively constant and, in recent years, have actually increased, which makes little sense. Further, no documentation has been provided explaining the methodology used in calculating the networks costs (*i.e.*, lease costs) that have been allocated to INS's Access Division, and the evidence that has been made available strongly suggests that INS's Access Division has been allocated a disproportionate share of those costs. In addition, questions exist regarding INS's allocation of costs between its interstate and intrastate traffic. Finally, there is no justification for INS's inclusion of the so-called "Uncollectible Revenues" in the revenue requirements used to generate its CEA rates. Those amounts are the subject of ongoing litigations wherein the issue of whether those amounts were "properly billed" is at issue. Moreover, **[[BEGIN CONFIDENTIAL]]** [REDACTED] **[[END** [REDACTED] **CONFIDENTIAL]]** As such, those amounts should not have been included in the rate requirements used to generate INS's CEA rates.

minute) is subtracted from the rate INS claims is "supported" by its 2016 revenue requirement (\$0.01332 per minute), the resulting rate (\$0.00673 per minute) is nearly the same as its new proposed contract tariff rate of \$0.00649 per minute.

CERTIFICATION

I certify under penalty of perjury that the foregoing is true and correct. Executed on
June 1, 2017.


Daniel P. Rhinehart

AT&T Exhibit 2

Rhinehart Reply Declaration

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

**In the Matter of
AT&T CORP.
One AT&T Way
Bedminster, NJ 07921
(202) 457-3090**

Complainant,

v.

**IOWA NETWORK SERVICES, INC.
d/b/a Aureon Network Services
7760 Office Plaza Drive South
West Des Moines, IA 50266
(515) 830-0110**

Defendant.

**Proceeding Number 17-56
File No. EB-17-MD-001**

**REPLY DECLARATION OF
DANIEL P. RHINEHART**

I, Daniel P. Rhinehart, of full age, hereby declare and certify as follows:

1. I am employed by AT&T Services, Inc., a services affiliate of Complainant AT&T Corp. ("AT&T"), and my job title is Directory-Regulatory. My responsibilities in that job as well as my prior experience are set forth in the initial declaration that I submitted in this proceeding on June 8, 2017.
2. In that earlier declaration, I described the work I had done reviewing INS's CEA rates and the support for those rates, and I identified and explained my concerns regarding the reasonableness of INS's CEA rates. As a result of that work, I noted that INS's rates had remained relatively flat over the past 30 years and contrasted that situation to both (i) the trend for switched access rates more generally and (ii) the fact that INS had more aggressively lowered

the rates it charges to other entities. I also expressed skepticism as to INS's apparent inability to lower its rates and discussed a number of specific issues pertaining to various aspects of INS's prior rate submissions, including its handling of the Access Division's network costs, its apparent inability to reliably and accurately forecast demand for its CEA service, and its inclusion of so-called "Uncollectible Revenues" in the Access Division's revenue requirement even though the amounts at issue were being challenged as not having been properly billed,

[[BEGIN HIGHLY CONFIDENTIAL]] [REDACTED] **[[END HIGHLY CONFIDENTIAL]]** and INS was still seeking to collect them.

3. In this reply declaration,¹ I have been asked to comment on INS's answering submission, particularly the sections that address the matters discussed in my initial declaration. In that connection, I have reviewed the declaration of Jeff Schill as well as the sections of INS's Legal Analysis that discuss ratemaking generally (*see* Legal Analysis in Support of the Answer of INS, at 29–43 (filed Jun. 28, 2017) ("INS Legal Analysis")) and that respond to the specific issues raised in my initial declaration (*see id.* at 43–64).

4. As discussed in greater detail below, neither Mr. Schill nor INS has responded adequately to the specific concerns raised in my earlier declaration. With respect to the Access Division's network costs (which account for as much as 75 percent of its revenue requirement (*see* Rhinehart Decl. ¶ 15 Table B)), INS still has not produced the data needed to evaluate the reasonableness of the lease costs that the Access Division pays to use INS's network. In fact, Mr. Schill's discussion of the treatment of these costs appears to substantiate my concern that the network costs allocated to the Access Division are excessive. Likewise, INS has not justified its

¹ To distinguish between my initial declaration and this reply declaration, my initial declaration will be cited as "Rhinehart Decl.," whereas this declaration will be cited as "Rhinehart Reply Decl."

inclusion of “Uncollectible Revenues” in the Access Division’s revenue requirement, and its claim that it [[**BEGIN HIGHLY CONFIDENTIAL**]] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **[[END**

HIGHLY CONFIDENTIAL]]

5. The remainder of my reply declaration is organized as follows. Part I sets forth a number of general observation that I have regarding various statements made by either Mr. Schill or INS about the Commission’s rate regulation regime. In Part II I respond to Mr. Schill’s comments regarding the specific concerns that I identified in my initial declaration.

I. General Observations Regarding the Commission’s Rate Regulation Regime

6. Before discussing Mr. Schill’s specific criticisms of my declaration, I would like to make a few general observations regarding Mr. Schill’s testimony as well as INS’s discussion in its Legal Analysis of the manner in which rates are regulated on a rate of return basis.

7. *First*, I am perplexed by Mr. Schill’s suggestion that I do not have the requisite expertise to address the reasonableness of INS’s rates. In making this point, Mr. Schill does not question the fact that I am familiar with the manner in which rates are calculated by Local Exchange Carriers (“LECs”) that are regulated on a rate of return basis. INS Answer to the Formal Complaint of AT&T Corp., Exhibit A, Declaration of Jeff Schill ¶ 4 (filed Jun. 28, 2017) (“Schill Decl.”). Instead, he argues that INS is a “dominant carrier,” and not a “Rate of Return Carrier” and implies that that distinction has some significance. *Id.* Putting to one side what INS’s proper classification is as a CEA provider, there is no question that INS submits its rates pursuant to the same rules that apply to “Rate of Return Carriers” and that the exact same type of

analysis used in evaluating the rates of such carriers applies to INS's rates.² In fact, at various points in his declaration, Mr. Schill seeks to justify the reasonableness of INS's rates on the grounds that INS purportedly calculated its rates based on those rules. *See, e.g.*, INS Legal Analysis at 39.

8. *Second*, in its Legal Analysis INS discusses the "original form of ratesetting utilized by the FCC" (*see* INS Legal Analysis at 30), and seems to suggest that INS follows that approach to the letter. However, INS's method of calculating its rates is, in actuality, a variation of the way in which cost of capital analysis is generally done. That is because a major component of the Access Division's costs, i.e., its network costs, are not handled in the traditional manner. Because INS does not own its network facilities but rather leases them from an affiliate, those costs are handled entirely as an expense. As a consequence, no capital cost analysis is done as to the network cost component, which accounts for as much as 75 percent of the Access Division's overall revenue requirement. Further, there is no detail provided in INS's regulatory filings as to the derivation of those lease costs, nor was such material provided as part of the pre-filing discovery process.

9. *Third*, the fact that a carrier regulated on a rate of return basis follows the Commission's procedures in submitting its rates does not, as both Mr. Schill and INS assert repeatedly throughout their respective submissions (*see, e.g.*, Schill Decl. ¶¶ 14, 20; INS Legal Analysis at 15, 31, 51), mean that the resulting rates are reasonable. In addition to following the Commission's procedures, it is imperative that, among other things, the cost inputs used in

² *E.g.*, 47 C.F.R. § 61.38 (for a tariff change, the carrier should submit: "(i) A cost of service study for all elements for the most recent 12 month period; (ii) A study containing a projection of costs for a representative 12 month period; (iii) Estimates of the effect of the changed matter on the traffic and revenues from the service to which the changed matter applies, the issuing carrier's other service classifications, and the carrier's overall traffic and revenues.").

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developing the rates be shown to be reasonable. Further, the normal way that the reasonableness of those cost inputs would be assessed is for the back-up support for those cost inputs to be provided. In the case of the lease costs that are embedded in INS's Cable & Wire expense account, however, no such data have been provided – not in INS's regulatory filings, not in the discovery material produced to date, and not as an exhibit to Mr. Schill's declaration. In fact, the lease costs are not separately broken out in INS's regulatory filings, but are rather lumped together with INS's other network expenses. It is a proverbial "black box" and thus not capable of being scrutinized based on the information that INS has elected to disclose.

10. *Fourth*, the fact that INS's rates did not generate revenues that exceeded INS's authorized rate of return does not, as INS contends (*see, e.g.*, INS Legal Analysis at 39) mean that its rates are reasonable. If, for example, the revenue requirement was inflated by the inclusion of inappropriate costs, that would render any such result meaningless. Likewise, the failure to properly project demand would also undermine any such conclusion. Further, these observations are equally applicable to a rate that purportedly generates a negative rate of return.

11. *Fifth*, the fact that INS's rate filings were prepared with the assistance of outside consultants (*see* INS Legal Analysis at 39) does not establish that the resulting rates are reasonable. Similarly, the fact that a regulatory agency may have reached certain conclusions in some earlier rate proceeding does not, as INS repeatedly seems to suggest, inoculate that carrier's rates from further scrutiny as to a particular issue in a later rate proceeding. Indeed, INS's apparent reliance on Commission statements made in INS's initial tariff proceeding almost 30 years ago regarding cross subsidization (*see, e.g.*, INS Legal Analysis at 41–42) is at odds with my understanding of the Commission's regulatory rate regime.

12. *Sixth*, the fact that INS's CEA rate is a flat per minute rate that combines both switching and transport does not, as INS seems to suggest (*see* INS Legal Analysis at 39), mean that it is reasonable. Indeed, the mere structure of a rate says nothing about its reasonableness. To determine the reasonableness of a flat per-minute, combined rate, one must do the same type of rate reasonableness analysis that is done with respect to any other rate. Similarly, the fact that INS's rates are not subsidized by the Connect America Fund or the Universal Service Fund does not mean, as INS asserts (*see* INS Legal Analysis at 41), that its rates are reasonable. The lack of such funding is irrelevant to the rate reasonableness determination.

13. *Finally*, repeated assertions that its allocations "are compliant with the Commission's accounting rules," that its PIU factor is "based on the best available information that is has," and that its forecasting is based on a "good faith attempt," (*see* INS Legal Analysis at 51, 59), and so on are not a substitute for actual evidence demonstrating that the carrier's rates are reasonable. Yet throughout their respective submissions, both Mr. Schill and INS resort to such pronouncements, and such pronouncements alone, in responding to specific concerns that I raised as to INS's rates in my initial declaration. As I explain in greater detail below, those concerns remain unanswered.

II. Responses to INS's Criticisms Regarding the Specific Concerns Addressed in My Initial Declaration

14. In my initial declaration I raised seven specific concerns regarding INS's rates. In his declaration, Mr. Schill purports to address each of those concerns. Those concerns are also addressed in INS's Legal Analysis. However, the points raised in INS's Legal Analysis are nearly identical to the points raised in Mr. Schill's declaration. Consequently, my declaration focuses and cites to Mr. Schill's declaration.

A. The Overall Level of INS's CEA Rates

15. Neither Mr. Schill nor INS takes issue with my observation that INS's CEA rates have remained relatively constant over the past thirty years, nor do they dispute that switched access rates generally and the rates that INS charges for certain of its non-CEA services have decreased more dramatically. Instead, they take the position that that INS's CEA rates are, in essence, unique unto themselves; that data regarding other rates and rate trends is simply irrelevant. *See* Schill Decl. ¶¶ 5, 7–13; INS Legal Analysis at 43–47. That position, as well as Mr. Schill's other arguments regarding the level of INS's CEA rates, is groundless.

16. *First*, Mr. Schill's claim that "CEA service is not one that is comparable to access service that is provided by other carriers" (*see* Schill Decl. ¶ 5) is difficult to reconcile with INS's claim that it is just another form of switched access service. *See* INS Legal Analysis at 22 (discussing whether INS's tariff authorizes the billing of CEA rates for access stimulation traffic). Further, Mr. Schill overstates the potential impact on rates of differences between CEA service and other switch services. For example, the fact that CEA service is provided in rural areas may account for some of the differences in historic pricing trends, but it does not explain the huge differential that exists between the trend line for INS's CEA serve (a decline of about 23% in the period 1988 to 2010) and the trend line for switched access rates generally (a decline of about 80% over the same period).

17. *Second*, Mr. Schill's criticisms of my observations regarding the potential rate impacts of INS's explosive growth and the fact that INS's switching equipment is largely depreciated (*see* Schill Decl. ¶ 9) are not accurate. Indeed, Mr. Schill's assertion that depreciation expense is no longer a significant rate driver proves my point. Further, the tremendous growth in call volumes that INS has experienced (particularly during the period 2004

to 2011) also supports the conclusion that INS's CEA rates should have declined more significantly than they have. Additionally, the fact that INS's call volumes have declined somewhat since 2011 does not explain why during the period 1998 to 2010 switched access rates declined by almost 80 percent but INS's rates only declined by 23 percent.

18. *Third*, Mr. Schill's response to my observation that INS's rates do not appear to have benefited from cost efficiency gains (*see id.* ¶ 10) is a *non-sequitur*. Rather than present evidence showing that such gains were actually realized and are reflected in INS's CEA rates, Mr. Schill instead assumes (without presenting any evidentiary support) that such gains were achieved but then asserts (again without any evidentiary support) that they were "offset by increases in access stimulation traffic volumes, and the need to augment facilities to handle that traffic." This claim not only is unsupported but does not make economic sense. Efficiency gains are generally not lost with the addition of capacity, especially when that capacity is being added to handle large volumes of traffic directed to a single location (or a handful of locations), which is generally the case with access stimulation traffic. In fact, in such circumstances, one would expect that the increased volumes would result in the realization of economies of scale.

19. *Fourth*, Mr. Schill's assertion that "the reductions in the [[BEGIN THIRD PARTY HIGHLY CONFIDENTIAL]] [REDACTED] [[END THIRD PARTY HIGHLY CONFIDENTIAL]] and the [[BEGIN CONFIDENTIAL]] [REDACTED] [[END CONFIDENTIAL]] do not have any bearing on whether [INS's] CEA service rates must be reduced" (*see id.* ¶ 12) is wholly unconvincing. To begin with, there is no question that such rate reductions occurred with respect to those services and that they were large. Further, it defies logic to contend that providing CEA service is **more costly** than providing small increments of capacity that are

tailored to specific customer needs. Indeed, that cost proposition is completely at odds with the economic rationale relied on by the Commission in initially approving CEA service in 1988. Additionally, the claim that the Commission's *Alpine* decision dramatically changed the transport costs incurred by the Access Division is not only unsupported, it was disregarded by the Commission in *Alpine* because it could not be substantiated. *See AT&T v. Alpine Commc'ns*, 27 FCC Rcd. 11511, ¶ 48 (2012) ("The parties stipulated, however, that 'INS has not quantified any resulting actual reduction in the rates paid by IXCs.'").

20. *Finally*, Mr. Schill effectively concedes that INS's CEA rates are excessive in discussing the rate impact of INS's inclusion of "Uncollectible Revenues" in the Access Division's revenue requirement. *See* Schill Decl. ¶ 12. In that connection, he admits that the rate "would be \$0.00673 – a full half cent less than in 1989" (*id.* ¶ 10) and more than two tenths of a cent less than the current rate. Moreover, as I pointed out in my initial declaration that rate could be as low as \$0.003624 per minute. *See* Rhinehart Decl. ¶12.

B. INS's Handling of Network Investment Costs

21. Mr. Schill does not dispute that network costs constitute a significant percentage of the Access Division's overall revenue requirement. He also confirms that the Access Division leases its network facilities from another INS division, i.e., the IXC Division. *See* Schill Decl. ¶ 14. Mr. Schill further contends that the Access Division is "required by the FCC to lease capacity from the IXC Division" and claims that I alleged that "[INS]'s investments in its fiber network have not been accurately recorded in [INS's] books," citing to paragraph 14 of my initial declaration. *See id.* Neither of these allegations is accurate. Additionally, Mr. Schill's discussion of the lease costs that the Access Division pays to the IXC Division is deficient in multiple respects.

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22. *First*, at no point in my initial declaration did I assert that INS’s investment in its fiber network was not accurately recorded on INS’s books. Nowhere in the paragraph that Mr. Schill cites as support for that proposition (i.e., paragraph 14) do I say anything about the lawfulness or accuracy of INS’s accounting practices. To the contrary, in that paragraph, I accurately reported that none of the investment in INS’s fiber network is recorded on the Access Division’s books, and I further reported accurately that “all investment in Central Office Transmission Equipment (Account 2230) and in Cable & Wire Facilities (Account 2410) has been recorded on the books of INS’s other divisions” – which is exactly what INS’s Tariff Filings disclose. *See* Rhinehart Decl. ¶ 14.

23. *Second*, Mr. Schill’s assertion that the Access Division is “required by the FCC to lease capacity from the IXC Division” (*see* Schill Decl. ¶ 14) is not accurate. While it is true that the Commission’s regulations require the Access Division to “have separate books of account” and prohibit joint ownership of “transmission or switching facilities,” (*see In re Policy & Rules Concerning Rates for Competitive Common Carrier Servs. & Facilities Authorizations Therefor*, 98 F.C.C.2d 1191, ¶ 9 (1984) (“*Fifth Report and Order*”)), they do not “require” the Access Division to lease such facilities from the IXC Division, and the Access Division does not lease its switching equipment from the IXC Division. Further, no such requirement is included in the Commission’s 1988 decision (what Mr. Schill refers to as the FCC’s 214 Order) approving INS’s initial Section 214 application. That decision did approve INS’s leasing of network transport capacity from the IXC Division (based on the facts and circumstances at the time of such approval) but it did not “require” that approach.

24. *Third*, contrary to Mr. Schill’s claims, INS’s Tariff Filings do not break out on a separate basis the lease costs that the Access Division pays to the IXC Division, nor do they

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report that the amounts in the Cable & Wire Facilities account are equal to the lease payments made by the Access Division to the IXC Division. In fact, there is no specific mention of lease costs or of the IXC Division in INS's Tariff Filings. That is not to say that such costs are not included in the Access Division's revenue requirement. I have no doubt that they are. My simple point is that they are not broken out separately but are rather bunched together with INS's other network costs. And, even more significantly, no documentation is provided as to the method by which the lease costs are calculated, nor is any information provided regarding the reasonableness of those costs as compared to alternatives. Further, Mr. Schill's assertion that the Commission's accounting rules do not require the tariff cost support to include lease rates (*see* Schill Decl. ¶ 16) is a bit disingenuous given (i) that those rules were developed based on the assumption that the regulated carrier would own its own transmission facilities and (ii) in this proceeding, the reasonableness of those lease costs, which account for as much as 75 percent of the Access Division revenue requirement, has now been challenged.

25. *Fourth*, Mr. Schill's claim that INS's network lease costs "are periodically tested for reasonableness based on an analysis of the costs derived from the IXC Division (*see id.*) is interesting but does not prove that INS's rates are, in fact, reasonable. The test results, if they had been made available, would clearly be relevant to such an assessment – but they have not been made available. They are not included (or even mentioned) in INS's Tariff Filings, they were not produced in connection with the pre-filing discovery process (even though that type of material was requested), and they are not attached as exhibits to Mr. Schill's declaration or INS's answering submission. Consequently, neither I nor AT&T has had an opportunity to review them.

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26. *Fifth*, Mr. Schill’s assertion that INS’s “tariff filings do disclose all the information necessary to calculate the lease rate paid to the IXC Division for fiber” (*see id.*) is problematic in multiple respects. To begin with, the metric that Mr. Schill claims can be derived (i.e., “dividing the transport costs by the reported minutes of use”) is not the metric that he uses in Table 1 to his declaration (i.e., equivalent cost per DSO mile), which I agree is the more relevant metric. Additionally, Mr. Schill’s embrace of a metric based on “minutes of use” (“mous”) in this part of his testimony is a little difficult to reconcile with his later criticism of the metric set forth in Table F of my presentation, which is a very similar metric (i.e., projected lease costs per projected demand or “lease cost/mou”). *See* Rhinehart Decl. ¶ 26. It should further be noted that the type of metric that Mr. Schill sets forth in Table 1, or for that matter any metric, is not, nor can it be, on a stand-alone basis, determinative of a cost’s reasonableness. In order to make that determination, the metric needs to be compared to other data (such as comparable data developed for other INS services that are offered on a competitive basis). Indeed, that was the purpose of the analysis in paragraphs 16 and 17 of my initial declaration in which I compared the “DS-3 route mile rate” that the Access Division is charged to the “DS-3 route mile rate” that

[[BEGIN HIGHLY CONFIDENTIAL]] [REDACTED]

[[END HIGHLY CONFIDENTIAL]] pays for transport capacity over the very route that the Access Division uses to transport the majority of the access stimulation traffic at issue in this case. As I explained, that comparison shows that the rate paid by the Access Division **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]

[REDACTED]

[REDACTED] **[[END HIGHLY CONFIDENTIAL]]** *See id.* ¶ 17.

27. *Sixth*, Mr. Schill's criticism of my calculation of the DS-3 route mile rate paid by the Access Division, i.e., **[[BEGIN HIGHLY CONFIDENTIAL]]** **[[END HIGHLY CONFIDENTIAL]]** (*see* Schill Decl. ¶ 18) is supported only by bald claims of purportedly correct computations. The generic rule of thumb that I used to convert the DS-0 route mile rate that Mr. Creveling (INS's former CFO) had provided to an equivalent DS-3 route mile rate is a simple approach that is particularly useful in situations, like this one, where more detailed information is not available. (Much of the information set forth on Mr. Schill's Table 1 is not publicly available nor does his table document the sources of the included data). It should further be noted that even with access to the data included on Table 1, Mr. Schill still used a rule of thumb **[[BEGIN HIGHLY CONFIDENTIAL]]** **[[END HIGHLY CONFIDENTIAL]]** Indeed, that rule of thumb is very similar to the rule of thumb that I used to convert the DS-0 rate that had been provided to a DS-1 value. Instead of **[[BEGIN HIGHLY CONFIDENTIAL]]** **[[END HIGHLY CONFIDENTIAL]]** I used 24, which as discussed below produces a lower DS-3 route mile rate for the Access Division, **[[BEGIN HIGHLY CONFIDENTIAL]]** **[[END HIGHLY CONFIDENTIAL]]**

28. *Seventh*, Mr. Schill's criticism of the rule of thumb that I used in comparing the rate charged to the Access Division to the rates paid by GLCC does not change my bottom line conclusion that the lease rates charged to the Access Division are excessive. Indeed, the DS-3 route mile rate calculated by Mr. Schill **[[BEGIN HIGHLY CONFIDENTIAL]]** **[[END HIGHLY CONFIDENTIAL]]** actually suggests that the gap between the

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rates charged to the Access division and the rates paid by [[BEGIN HIGHLY CONFIDENTIAL]] [REDACTED] [[END HIGHLY CONFIDENTIAL]] is even greater. Further, Mr. Schill's testimony that the "cost of the transmission equipment used to provision a DS-3 circuit is calculated in the amount of [[BEGIN HIGHLY CONFIDENTIAL]] [REDACTED] [[END HIGHLY CONFIDENTIAL]] (see Schill Decl. ¶ 23) is difficult to reconcile with the fact that INS's records show that it has provided DS-3 circuits [[BEGIN HIGHLY CONFIDENTIAL]] [REDACTED] [REDACTED] [[END HIGHLY CONFIDENTIAL]] Either Mr. Schill's cost calculation is wrong, or INS is selling those circuits to [[BEGIN HIGHLY CONFIDENTIAL]] [REDACTED] [[END HIGHLY CONFIDENTIAL]] at a significant loss. Additionally, to the extent that the Access Division is in effect paying [[BEGIN HIGHLY CONFIDENTIAL]] [REDACTED] [REDACTED] [[END HIGHLY CONFIDENTIAL]] that strongly suggests that the amounts paid by the Access Division are significantly above market rates, and that INS's CEA service is subsidizing INS's other transport services.

29. *Finally*, Mr. Schill's claim that it is not reasonable to directly compare the rates that the Access Division pays for transport to the rate paid by GLLC for a single point to point connection (see Schill Decl. ¶ 18) might have some validity if we were simply discussing traditional CEA service where the traffic at issue was somewhat evenly disbursed across INS's entire 2700 mile fiber network. But that is not the situation that exists with respect to access stimulation traffic, the majority of which moves over a limited number of point to point connections. As INS's documents show, more than [[BEGIN HIGHLY CONFIDENTIAL]] [REDACTED] [[END HIGHLY CONFIDENTIAL]] of the Access Division's traffic is access stimulation traffic (see AT&T Ex. 2, INS Worksheet (Aureon_02696-02708), at Aueron_02697-

98) and it is impossible to deny that there are not significant economies of scale in moving large volumes of traffic over a limited number of point to point connections. But none of those economies of scale, which are likely extensive, seem to be shared. Certainly, the alleged “volume discount” that INS recently offered in its tariff does not share any of those cost savings. In fact, the cost information filed in support of that rate shows that the lower rate results exclusively from INS’s decision not to include “Uncollectible Revenues” in the applicable revenue requirement. *See* Rhinehart Decl. ¶¶ 12, 38 n. 48, 43, note 55.

30. In sum, rather than demonstrating that the lease costs that the Access Division pays are reasonable, Mr. Schill’s declaration reinforces the conclusion that they are excessive.

C. INS’s Allocation of Costs for Network Facilities

31. Mr. Schill does not dispute that the Access Division’s allocated share of the costs of Cable & Wireless Facilities went from about 45% to 48% (during 2004-2008) to above 70% (in 2013-17) as shown on Table C to my initial declaration, nor does he deny that the Cable & Wire Facilities costs allocated to INS’s other divisions actually declined from about \$14 million in 2004 to about \$5 million in 2017. Instead, he categorically declares that such comparisons are meaningless because INS’s “cost allocations for the Access Division’s use of [INS]’s fiber network are compliant with the Commission’s accounting rules,” those cost allocations “are based on the actual use of facilities provided to the Access Division” and the lease rates for those facilities “are at or below the fully distributed cost of the network facilities provided.” *See* Schill Decl. ¶ 20. Mr. Schill further asserts that “[a]ny attempt to use generalized Access Division cost relationships from year to year to determine the reasonableness of one component of expense (e.g., charges for network costs) is improper, especially when the facilities being leased to the Access Division remain fairly constant from year to year.” *Id.* ¶ 20. He also presents a table that

purports to show that network expense has remained fairly constant from year to year. *See id.* ¶ 26, Table 1.

32. As I have previously explained, this type of rhetoric is not a substitute for the submission of evidence that directly addresses the specific matters of concern that have been identified. Nowhere in his declaration does Mr. Schill specifically address and explain why the percentage of Cable & Wire Facilities costs allocated to the Access Division went from below 50% in 2008 to above 70% in 2013. Likewise, no explanation is provided as to why the amount of Cable and Wire Facilities cost allocated to INS's other divisions declined from about \$14 million to about \$5 million. And no explanation is provided as to why the Cable & Wire Facilities costs allocated to the Access Division went from almost \$18 million in 2010 to less than \$10 million in 2012 and then back up to almost \$14 million, which does not appear to comport with Mr. Schill's claim that the facilities being leased to the Access Division "remain fairly constant form year to year." *See id.* ¶ 20. Perhaps there are reasonable explanations for these changes. However, such explanations have not been provided, and Mr. Schill's reluctance to even address them suggests a different conclusion.

33. Mr. Schill's attachment of Table 1 to his declaration certainly does not shed any light on the answers to these questions. Indeed, Table 1 raises more questions than it provides answers. To begin, Table 1 does not indicate the sources of the data set forth on Table 1, and the data do not appear to match the data set forth in INS's Tariff Filings. Moreover, to the extent that some of the data are drawn from documents that INS produced during the pre-filing discovery process, bates numbers should have been provided. In addition, explanations as to whether the data in a column was derived or assumed should have been provided. And, given

Mr. Schill's criticism of my failure to include in Table H percentages showing year to year variations (*see* Schill Decl. ¶ 39), his Table 1 should have included such percentages.³

34. Beyond that, an explanation should have been provided as to why the amounts set forth in the column entitled "Equivalent Cost Per DS-0 Mile" seem to be at odds with the estimate of that rate **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED] **[[END HIGHLY CONFIDENTIAL]]** that Mr. Creveling provided in his deposition in the *Alpine* case. Additionally, the levels of the Equivalent Cost Per DS-0 Mile rate set forth in Table 1 do not appear to be "fairly constant from year to year." *See* Schill Decl. ¶ 20. To the contrary, there is a fair amount of variation in the rate and that variation does not seem to match the corresponding changes in INS's CEA rates. For example, in 2013 INS's projected network costs increased from about \$10 million to about \$14 million, its projected traffic volumes declined by about 400 million minutes, and the CEA rate was increased by about 44% (from \$0.0623 per minute to \$0.00896 per minute). *See* Rhinehart Decl. ¶¶ 7 (CEA rate change), 18, Table C (network costs change), 34, Table H (volume change). Yet the Equivalent Cost Per DS-0 miles appears to have decreased from \$0.08523 to \$0.07364, a decline of about 14 percent. That does not make sense.

35. Finally, Mr. Schill's comment that "[it] is not apparent from Mr. Rhinehart's comments or observations that this analysis was performed" (*see id.* ¶ 20) is perplexing. The analysis that he apparently is referencing is "an analysis of the cost and use of the facilities being provided." *See id.* (prior sentence). However, to do an analysis beyond the analyses included in my initial declaration (which are based either on public data or that data that INS has produced), one would need access to additional information, particularly detailed information regarding the

³ Such percentages would have shown year to year variation as follows: an increase of about 16 percent (2010 to 2012), a decrease of about 14 percent (2012 to 2013), an increase of about 32 percent (2013 to 2014), and a decrease of 9 percent (2014 to 2016).

computation and reasonableness of the lease costs that are charged to the Access Division and how those lease costs compare to the rates that INS charges to its other customers, appropriately adjusted. But INS has not produced such material. Indeed, it does not appear to have provided all of the source data for Table 1, and it certainly has not produced the results of its purported periodic reasonableness testing of the leases costs charged to the Access Division. In short, INS has not demonstrated the reasonableness of the network costs that underlie its tariffed CEA rates.

D. INS's Calculation and Allocation of Lease Costs

36. In this section of my initial declaration, I presented three tables based on data derived from either INS's Tariff Filings or INS internal documents produced in discovery. Each of these tables set forth information relating to INS's network costs, and as I noted in my initial declaration, raised "serious questions as to the reasonableness of INS's allocation of network costs to the Access Division." *See* Rhinehart Decl. ¶ 21. Neither Mr. Schill in his declaration nor INS in its answering submission addresses or answers these questions. Instead, Mr. Schill takes issue with the relevance of each of the tables. His arguments in that regard are not soundly based.

37. In Table D, I compared lease cost forecasts produced by INS for 2010, 2012 and 2013, and expressed concern as to level of variation in those forecasts from year to year, particularly in light of the changes that INS had made in its CEA rates during the period 2010 to 2013. *See id.* ¶¶ 22–23. Rather than directly address those issues, however, Mr. Schill dismisses the comparisons set forth in Table D on the ground that that the lease cost forecasts included in Table D are not specific to the lease costs allocated to the Access Division but relate to the lease costs paid by all of INS's divisions. *See* Schill Decl. ¶ 27. Mr. Schill's criticism is unwarranted. Putting aside that these forecasts were produced by INS in response to AT&T's request for the

back-up support used by INS in preparing its 2010, 2012 and 2013 Tariff filings, Mr. Schill's concern is specifically addressed in note 32 of my declaration, where I pointed out that the year to year variation in the overall lease cost forecasts was consistent with the variation in the lease cost projections included in INS's Tariff Filings, particularly for 2012 and 2013. *See* Rhinehart Decl. ¶ 23, n.32. I also noted that a similar pattern could be seen in the Income Statement Summaries that INS had also produced in response to AT&T's requests for the back-up material. *See id.* Consequently, Mr. Schill's excuse for not specifically addressing the reasons for the changes in the forecasts and their relationship to the changes in INS's CEA rates is no excuse at all.

38. In discussing the trends reflected in the network investment data set forth in Table E, and the "lease cost/mou" data set forth in Table F, Mr. Schill adopts a similar approach. As Table E shows, INS's investment in Cable & Wire Facilities almost tripled between 2010 and 2016, which raises the question of whether the Access Division is being to ask to fund that massive new network investment, notwithstanding the fact that (i) its overall throughput is and has been in decline (during the period 2011 to 2016, demand dropped by more than a billion minutes), (ii) legitimate CEA service (what INS refers to in its work papers as "regular CEA service") has been in a steady year to year decline since at least 2008 (a decline that shows no signs of abating), and (iii) the FCC in 2011 found that access stimulation is a "wasteful arbitrage practice" that should be "curtailed." *See* Rhinehart Decl. ¶¶ 24–25, Table E. Table F, by contrast, uses the lease cost data and demand projections set forth in INS's Tariff Filings to develop the metric "lease cost/mou," which is a rough measure of the efficiency of the Access Division's CEA service. *See id.* ¶¶ 26–27, Table F. For the test periods prior to INS's 2013 Tariff Filing, the "lease cost/mou" metric declined at a rather steady pace. *See id.* ¶ 27.

Beginning in 2013, however, Table F shows that “lease cost/mou” skyrocketed, which as I explained could be the result of declining demand, an over-allocation of network costs, or both. *See id.* Rather than address that issue and the related issues raised by Table E, and present empirical data in support of his position, Mr. Schill instead simply dismisses the concerns without ever seriously addressing them.

39. In sum, the data that I presented in this section go to the heart of the issue of the reasonableness of INS’s CEA rates, and in my view, present some serious questions, that neither Mr. Schill nor INS has answered.

E. INS’s Allocation of Costs Between Interstate and Intrastate Traffic

40. Mr. Schill does not deny that the mix of interstate and intrastate traffic on INS’s CEA network has changed dramatically, nor does he take issue with the percentages set forth in Table G to my initial declaration which show that since 2010 more than 80 percent of the Access Division’s revenue requirement has been allocated to interstate CEA service, and that in 2016 about 94 percent of the Access Division’s revenue requirement was so allocated. See Rhinehart Decl. ¶ 29. Instead, Mr. Schill argues that INS was under no obligation to inform the Commission of this dramatic shift (*see* Schill Decl. ¶¶ 5 (“Rhinehart’s Fourth Observation”), 32), and he suggests that the change in the jurisdictional mix was due entirely to modifications in INS’s billing systems and improvements in its ability to monitor interstate traffic. *See id.* ¶¶ 33–35. He further contends that that INS “does not have any control over the jurisdiction of the traffic that is sent by IXC’s to the CEA network.” *See id.* ¶ 33; *see also id.* ¶ 5.

41. To begin with, Mr. Schill’s assertion that the dramatic shift in the jurisdictional mix of INS’s CEA traffic was “due to upgrades in [INS]’s equipment to better track the jurisdiction of the calls on the CEA network” (*id.* ¶ 33) is not consistent with the explanation that

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INS provided in its 2008 Tariff Filing where it attributed the change in its PIU factor to two factors: changes in its ability to monitor the traffic and the huge influx of access stimulation traffic that was predominately interstate in nature. *See* AT&T Ex. 17, INS 2008 Tariff Filing, at 1–2; *see also* Rhinehart Decl. ¶ 30. Given the magnitude of that influx (which appears from INS’s Tariff Filings to have begun in late 2005), it seems clear that that change, and not improvements in INS’s monitoring abilities, was the principal cause of the dramatic shift that is reflected in Table G to my initial declaration.

42. Further, Mr. Schill’s assertion that INS has no ability to control the jurisdiction of the traffic tendered to its network (*see* Schill Decl. ¶¶ 5, 34) is not accurate. In 2005, INS entered into a series of traffic agreements with Competitive Local Exchange Carriers (“CLECs”) that were not primarily engaged in the provision of Local Exchange Service, but instead were focused on building access stimulation businesses. *See* AT&T Complaint, Section I.D. As Mr. Habiak explains in his initial declaration, access to INS’s network was important to their success and by entering into the aforementioned traffic agreements, INS facilitated the rapid growth of access stimulation in Iowa. *See* Habiak Decl. ¶¶ 11-16; *see also* AT&T Complaint § I.D.

Indeed, **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]

[[END HIGHLY CONFIDENTIAL]] [REDACTED] INS has facilitated their ability to engage in mileage pumping – a practice that flourished in Iowa until the Commission’s *Alpine* decision was issued.

43. Finally, neither Mr. Schill nor INS responds, or even addresses, the specific potential rate manipulation issues that I identified in my initial declaration: the first involving the apparent disconnect between INS’s stated Percent Interstate Use (“PIU”) factor, and the second relating to INS’s apparent understatement of the PIU factor associated with the access

stimulation traffic on its network.⁴ *See* Rhinehart Decl. ¶¶ 32–33. As they do with respect to a number of the specific concerns that I have identified, they either ignore them entirely or dismiss them as “simply without merit.” *See, e.g.,* Schill Decl. ¶ 36. But, as I have previously noted, such rhetoric is not a substitute for evidence, and INS’s apparent reluctance to address the issues only serves to reinforce the conclusion that its rates are not reasonable.

F. Reliability of INS’s Traffic Forecasts

44. Neither Mr. Schill nor INS deny that there has been a lot of variation in INS’s test period forecasts, nor do they deny that those test period forecasts have been inaccurate. Instead, Mr. Schill asserts that “[f]orecasting traffic over a long time period is difficult, particularly when [INS] has no control over the traffic sent by other carriers over its network.” *See* Schill Decl. ¶ 37. He further claims that the variation in INS’s test period forecasts is “due to fluctuations in access stimulation traffic” (*see id.* ¶ 38) and contends that the INS’s traffic forecasts are “more accurate than Mr. Rhinehart suggests,” pointing to percentage difference calculations which in his view (at least with respect to this issue) are “more meaningful.” *See id.* ¶ 39. Mr. Schill also speculates, without offering any evidentiary support, that the inaccuracies in INS’s traffic forecasts is somehow the result of AT&T’s transporting, on a wholesale basis, the long distance traffic of other carriers (*see id.* ¶ 42) and attempts to deflect the fact that in certain years it has over earned its authorized rate of return by pointing to instances where it either projected negative rates of return or allegedly experienced such results. *See id.* ¶ 41. As explained below, I have issues with each of these points.

⁴ In its response to AT&T’s discovery requests, INS notes that the reference to 78% as it related to access stimulation traffic was a typo – the 78% factor was the factor applicable to all traffic. *See* INS Objections and Responses to Complainant’s First Set of Interrogatories, at 12. INS does not, however, indicate what the percentage applicable to the access stimulation traffic was, or otherwise address the specific concerns addressed in my initial declaration.

45. *First*, Mr. Schill’s assertion that the test period forecasts have varied “due to fluctuations in access stimulation traffic” is, at best, an over-simplification. **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]

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CONFIDENTIAL]] Further, Mr. Schill’s claim that INS has no control over the access stimulation traffic on its network (*see* Schill Decl. ¶ 37) rings somewhat hollow given that its traffic agreements with the access stimulating CLECs **[[BEGIN HIGHLY CONFIDENTIAL]]**

[REDACTED]
[REDACTED] **[[END HIGHLY CONFIDENTIAL]]** *See* AT&T Complaint, Section I.D.

46. *Second*, Mr. Schill’s claim that on a percentage basis, INS’s test period forecasts “are actually more accurate than Mr. Rhinehart suggest[ed]” (*see* Schill Decl. ¶ 39) also rings hollow. At bottom, INS’s CEA rates are a function of its revenue requirement divided by its forecasted traffic. Consequently, it is important that the traffic forecasts are accurate. To the extent that the traffic forecast is underestimated, the resulting rates will be inflated (all other factors remaining constant) and vice versa.

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47. As I pointed out in my initial declaration, for two test periods, INS underestimated the demand by at least 400 million, and for the test periods up to and including the 7/1/10 to 6/30/11 test period, demand was underestimated by an average of 240 million minutes per year. *See* Rhinehart Decl. ¶ 35. In all of these instances, the underestimation worked in INS's favor, and INS made no effort to adjust its rates in advance of its bi-annual tariff filings regardless of the size of the miss. That approach stands in stark contrast to the approach that INS adopted in 2013. Having overestimated the demand for CEA service by less than 200 million minutes, it did not wait to adjust its rates until its next bi-annual tariff filing. It instead made an off-year filing in 2013 and increased its rates by 44 percent (from \$0.00623 per minute to \$0.00896 per minute).

48. The fact that INS believed that a five percent error in its traffic forecasts was sufficient to require an off-year tariff filing completely undermines Mr. Schill's claim that the percentage differences identified in his testimony support his position that I have overstated the significance of the forecasting inaccuracies discussed in my initial declaration. In this regard, it should also be noted that all of the percentage differences that Mr. Schill calculated for test periods in which the demand was underestimated exceeded the 5 percent threshold that prompted INS's 2013 Tariff Filing, and yet in no instance (even when the percentage difference was over 31 percent) did INS adjust its rates in advance of its bi-annual tariff filing. In his declaration, Mr. Schill simply ignores these issues.

49. *Third*, Mr. Schill adopts a similar approach to the issue of INS's over-earning of its authorized rate of return in certain years. Rather than address the years identified in my declaration where INS reported that it had over-earned its authorized rate of return, he ignores those years and instead focuses on the fact that in recent years, INS has projected negative rates

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of return in its Tariff Filings and alleges that in certain years it has under-earned its authorized rate of return. *See* Schill Decl. ¶ 41. However, as I pointed out in my initial declaration, and Mr. Schill effectively admits, those negative rates of return were principally the result of INS's inclusion of "Uncollectible Revenues" in its revenue requirement. *See* Rhinehart Decl. ¶ 43. As discussed below and in my initial declaration, the inclusion of those "Uncollectible Revenues" was improper, and those amounts largely account for the negative returns identified in Mr. Schill's declaration.

50. *Fourth*, Mr. Schill's speculation that the inaccuracies in INS's traffic forecast are "likely the result of AT&T acting as the intermediate carrier for other IXC's" (*see* Schill Decl. ¶¶ 5, 42) is groundless. To begin, it is important to keep in mind that most large facilities-based carriers, like AT&T, provide intermediate carriage, and that as a consequence, the presence of wholesale traffic on a network's like AT&T's is not surprising. In fact, as noted in AT&T's Complaint, INS is both an intermediate carrier and it offers wholesale services. *See* AT&T Complaint § I.B. What is not accurate, however, is the suggestion that the alleged disappearance of the traffic of some large IXC's from INS's network is attributable to AT&T and its wholesale business. **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]

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[REDACTED]

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[[END

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51. *Finally*, Mr. Schill’s claim that AT&T’s wholesale business is the “only logical explanation” for the disappearance of traffic from INS’s network (*see* Schill Decl. ¶ 42) is simply wrong. Another “logical explanation,” and the explanation that is probably correct, is that these other carriers have found a way to bypass INS’s network by delivering the traffic directly to the access stimulating CLECs’ end office switches. Indeed, Mr. Schill acknowledges that INS recently learned that bypass is occurring. *See id.* ¶ 28. Rather than seek to blame AT&T for this practice and the alleged disappearance of traffic from its network, Mr. Schill and INS should instead investigate how this bypass is occurring and whether access stimulating CLECs are using either INS’s internet services or INS leased capacity to transport this traffic.

G. INS’s Inclusion of “Uncollectible Revenues” in its Revenue Requirement

52. Mr. Schill does not dispute that INS’s inclusion of its so-called “Uncollectible Revenues” in its revenue requirement has had the potential rate impacts set forth in Table J to my initial declaration, nor does either Mr. Schill or INS deny that the inclusion of those amounts effectively required INS’s other CEA customers (including AT&T prior to 2013) to pay higher rates for CEA service. *See* Schill Decl. ¶¶ 43–46; INS Legal Analysis at 61–63. He also admits that the amounts at issue relate to INS’s ongoing litigation disputes with AT&T and Sprint, and

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[[END HIGHLY CONFIDENTIAL]] *See id.* Nevertheless, Mr. Schill insists that those amounts were properly included in INS’s revenue requirements. *See id.* I disagree with Mr. Schill’s position.

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53. *First*, Mr. Schill’s claim that the amounts at issue were “properly billed” (*see* Schill Decl. ¶ 45) ignores the fact that both Sprint and AT&T have withheld payment on the ground that the amounts at issue were **not** properly billed and litigation as to that issue is pending. Consequently, the issue of whether the amounts were properly billed has not been settled.

54. *Second*, the assertion by Mr. Schill and INS that the amounts at issue are “known direct cost[s]” (*see id.* ¶ 44; *see also* INS Legal Analysis at 61–62) is hard to reconcile with the fact that INS is **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]

[REDACTED] **[[END HIGHLY CONFIDENTIAL]]** In my experience, an uncollectible revenue is considered a known direct costs because the carrier has concluded that collection is not likely and **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]

[REDACTED] **[[END HIGHLY CONFIDENTIAL]]** Hence, they are not a known direct cost.

55. *Third*, Mr. Schill wholly ignores the issue of ratepayer fairness. As previously noted, he does not dispute that INS’s other CEA customers have been adversely affected by the inclusion of the amounts at issue in INS’s revenue requirement, nor does he explain why that is appropriate. Instead, he effectively ignores the issue and blames AT&T for exercising its right to contest INS’s improper billing of its CEA rates. *See id.* ¶ 46.

56. *Finally*, Mr. Schill wholly ignores the intergenerational billing issues created by INS’s inclusion in its revenue requirement of uncollected amounts that are still the subject of ongoing litigation. Presumably, if INS prevails in the litigations, it will reduce, in the future, its

revenue requirement to reflect the recovery of those amounts. But the beneficiaries of that reduction will not be the same group of ratepayers that initially bore the burden of the earlier inclusion of the “Uncollectible Revenues” in the revenue requirement. Worse yet, what happens if INS does not prevail? At that juncture will INS similarly reduce its rates even though it has not recovered the amounts at issue? What happens if INS cannot afford to do so?

57. The rules requiring that uncollectible revenues be “properly billed” and “a direct known cost” are designed to protect against these types of problems. Further, it is to avoid these types of problems that carriers, in my experience, do not include uncollectible revenues in their revenue requirements until **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]

[REDACTED] **[[END
HIGHLY CONFIDENTIAL]]**

III. Conclusion

58. Contrary to Mr. Schill’s claims, INS has not established that its CEA rates are reasonable, nor has it addressed and resolved the serious issues identified and documented in my initial declaration. In fact, INS’s answering submission not only fails to respond adequately to the matters that have been raised, it raises additional questions, particularly with respect to the lease costs that have been allocated to the Access Division. Not only has INS not produced the back-up showing how those rates are calculated, it has not made available the reasonableness testing that allegedly is prepared on periodic basis. Additionally, it has failed to identify the source data for the information set forth on Table 1 to Mr. Schill’s declaration.

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CERTIFICATION

I certify under penalty of perjury that the foregoing is true and correct. Executed on
July 5, 2017.



Daniel P. Rhinehart

AT&T Exhibit 3

Rhinehart Supplemental Declaration

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

**In the Matter of
AT&T CORP.
One AT&T Way
Bedminster, NJ 07921
(202) 457-3090**

Complainant,

v.

**IOWA NETWORK SERVICES, INC.
d/b/a Aureon Network Services
7760 Office Plaza Drive South
West Des Moines, IA 50266
(515) 830-0110**

Defendant.

**Proceeding Number 17-56
File No. EB-17-MD-001**

**SUPPLEMENTAL DECLARATION OF
DANIEL P. RHINEHART**

I, Daniel P. Rhinehart, of full age, hereby declare and certify as follows:

1. I am employed by AT&T Services, Inc., a services affiliate of Complainant AT&T Corp. ("AT&T"), and my job title is Directory-Regulatory. My responsibilities in that job as well as my prior experience are set forth in the initial declaration that I submitted in this proceeding on June 8, 2017. I submitted a reply declaration in this proceeding on July 5, 2017.

2. In this supplemental declaration, I have been asked to review and comment on the various discovery that has been produced by INS since the filing of my reply declaration regarding the lease costs that are allocated to INS's Access Division and that are used in developing INS's tariffed CEA rate. In that connection, I have reviewed: (a) the cover letter from INS's counsel, dated August 7, 2017 (identifying the materials that INS produced on that

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date in response to AT&T's First and Second Set of Interrogatories); (b) Exhibit 1 to that letter (which identifies the actual lease rates purportedly charged to the Access Division and discusses the various reasonableness testing allegedly done by INS with respect to those lease rates);¹ and (c) various of the documents produced in connection with that letter. In addition, I attended Mr. Schill's deposition and have reviewed both the transcript of that deposition and the exhibits that were discussed at that deposition.

3. Based on that review, I have the following comments regarding the derivation and reasonableness of both the lease rates purportedly charged to the Access Division and the network costs allocated to INS's Access Division. As explained in greater detail below,

[[BEGIN HIGHLY CONFIDENTIAL]] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[[END HIGHLY CONFIDENTIAL]]

¹ The August 7 Letter and Exhibit 1 were marked as Exhibit 2 to Mr. Schill's deposition and are AT&T Ex. 86.

**PUBLIC VERSION
REDACTED - FOR PUBLIC INSPECTION**

A. The Derivation of the Lease Rates Purportedly Charged to The Access Division.

4. [[BEGIN HIGHLY CONFIDENTIAL]]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- [[END HIGHLY CONFIDENTIAL]]**

9. **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]

A series of 12 horizontal black bars of varying lengths, representing redacted text. The bars are arranged in a single column, with each bar starting at the left margin and extending to the right for a different duration. The lengths vary significantly, with some bars being nearly full-width and others being much shorter.

**PUBLIC VERSION
REDACTED - FOR PUBLIC INSPECTION**

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[REDACTED]

[illegible]

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [[END HIGHLY
CONFIDENTIAL]]

C. The Over-Allocation of CWF Fiber Costs to the Access Division

16. [[BEGIN HIGHLY CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1. **Identify the main components of the system.** What are the key elements, modules, or subsystems that make up the system?

**PUBLIC VERSION
REDACTED - FOR PUBLIC INSPECTION**

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

**PUBLIC VERSION
REDACTED - FOR PUBLIC INSPECTION**

■ [REDACTED]

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[REDACTED]

**PUBLIC VERSION
REDACTED - FOR PUBLIC INSPECTION**

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

**PUBLIC VERSION
REDACTED - FOR PUBLIC INSPECTION**

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **[[END HIGHLY**

CONFIDENTIAL]]

D. **Mr. Schill's Inability to Explain the Anomalies in the Cost Data Underlying
INS's CEA Rates.**

33. **[[BEGIN HIGHLY CONFIDENTIAL]]** [REDACTED]

[REDACTED]

**PUBLIC VERSION
REDACTED - FOR PUBLIC INSPECTION**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [[END HIGHLY CONFIDENTIAL]]

E. The Unreliability of INS's New "Reasonableness" Test

39. [[BEGIN HIGHLY CONFIDENTIAL]] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[illegible]

**PUBLIC VERSION
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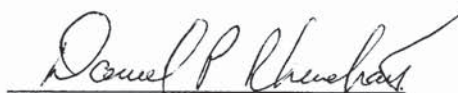
[REDACTED]

[REDACTED]

[REDACTED] **[[END HIGHLY CONFIDENTIAL]]**

CERTIFICATION

I certify under penalty of perjury that the foregoing is true and correct. Executed on August 21, 2017.

A handwritten signature in black ink, appearing to read "Daniel P. Rhinehart", is written over a horizontal line.

Daniel P. Rhinehart

AT&T Exhibit 4

**Aureon Aug. 7, 2017 Letter and
Exhibit 1**

[AT&T Exhibit 86 to Complaint Proceeding]

AT&T Exhibit 5

Schill Deposition Transcript

[AT&T Exhibit 87 to Complaint Proceeding]

AT&T Exhibit 6

**Aureon 2015 Circuit Cost Data
(AUREON_02881-99)**

[AT&T Exhibit 88 to Complaint Proceeding]

AT&T Exhibit 7

**Aureon 2014 Circuit Cost Data
(AUREON_02862-80)**

[AT&T Exhibit 89 to Complaint Proceeding]

AT&T Exhibit 8

**Aureon 2013 Circuit Cost Data
(AUREON_02843-61)**

[AT&T Exhibit 90 to Complaint Proceeding]

AT&T Exhibit 9

**Aureon 2011 Circuit Cost Data
(AUREON_02824-42)**

[AT&T Exhibit 91 to Complaint Proceeding]

AT&T Exhibit 10

**Aureon 2009 Circuit Cost Data
(AUREON_02816-20)**

[AT&T Exhibit 92 to Complaint Proceeding]

AT&T Exhibit 11

**Aureon 2006 Circuit Cost Data
(AUREON_02821-23)**

[AT&T Exhibit 93 to Complaint Proceeding]

AT&T Exhibit 12

**Aureon 2004 Tariff Filing (filed June
24, 2004)**

[AT&T Exhibit 15 to Complaint Proceeding]

PUBLIC VERSION

McGuireWoods LLP
Washington Square
1050 Connecticut Ave N.W.
Suite 1200
Washington, DC 20036-5317
Phone: 202.857.1700
Fax: 202.857.1737
www.mcguirewoods.com

McGUIREWOODS

**Filed Pursuant to
§ 204(a)(3) of the
Communications Act
on 7 Days' Notice**

June 24, 2004

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Attention: Wireline Competition Bureau

Transmittal No. 22

FRN: 002-5807-10
Iowa Network Services, Inc.

FRN: 005-8579-17
McGuireWoods LLP

Dear Ms. Dortch:

The accompanying 2004 Annual Access Tariff Filing of Iowa Network Services, Inc. ("INS"), effective July 1, 2004, is sent to you for filing in compliance with the requirements of the Communications Act of 1934, as amended. This tariff filing consists of the following Check Sheets:

Tariff F.C.C. No.
1

Check Sheet Revision No.
18th Revised Page 1
5th Revised Page 1.1

This 2004 Annual Access Tariff Filing consists of the cost support material required by *In the Matter of July 1, 2004 Annual Access Charge Tariff Filings*, Order, 19 FCC Rcd 7038 (2004) and Order, 19 FCC Rcd 7047 (2004) (collectively the "*Tariff Orders*"). Pursuant to the attached study for the test year ending June 30, 2005, INS is reducing its switched transport rate.

PUBLIC VERSION

June 24, 2004
Page 2

As required by the *Tariff Orders*, INS is submitting its 2004 Annual Tariff Review Plan and associated tariff changes electronically, using the Commission's Electronic Tariff Filing System ("ETFS"). The statutory processing fee in the amount of \$695.00 is being hand-delivered today to the Federal Communications Commission (Tariff Filings, P.O. Box 358150, Pittsburgh, Pennsylvania 15251-5150) along with the original transmittal letter and FCC Form 159.

In addition to filing this letter with the ETFS, INS is sending separate courtesy copies of the TRP to Raj Kannan and the Commission's Duplication Contractor, Qualex International.

Acknowledgement and date of receipt of this filing is requested. A duplicate copy of this letter is provided for this purpose.

Should you have any questions concerning this matter, please contact James U. Troup at 202-857-1700.

Sincerely,

/s/

James U. Troup

Counsel for
Iowa Network Services, Inc.

Attachments

cc: Raj Kannan, FCC Pricing Policy Division
FCC Reference Information Center
Qualex International

IOWA NETWORK SERVICES, INC.

IOWA NETWORK ACCESS DIVISION

DESCRIPTION AND JUSTIFICATION

COST SUPPORT MATERIAL

TARIFF REVIEW PLAN

JULY 1, 2004 ANNUAL ACCESS CHARGE TARIFF FILING

JUNE 24, 2004

IOWA NETWORK ACCESS DIVISION

INTERSTATE ACCESS TARIFF FILING

**PROSPECTIVE PERIOD
JULY 1, 2004 - JUNE 30, 2005**

INDEX

Section	Description
	Transmittal Letter
1	Introduction, Overview and Rate Development
2	Development of Switched Transport Charge and Study Period Projected Access Minutes
3	Projected Revenue Requirement Summary - Total Interstate (Part 69)
4	Projected Part 36 Revenue Requirement Summary
5	Projected Part 64 Revenue Requirement Summary
6	Tariff Review Plan (TRP)

IOWA NETWORK ACCESS DIVISION

INTRODUCTION, OVERVIEW AND RATE DEVELOPMENT

INTRODUCTION

This filing supports revisions to Iowa Network Access Division Tariff F.C.C. No. 1 in accordance with the Federal Communications Commission's (FCC) Order, July 1, 2004 Annual Access Charge Tariff Filings, 19 FCC Rcd 7047 (2004). This Order establishes procedures for the 2004 filing of annual access charge tariffs and Tariff Review Plans (TRPs). The requirements for summary cost support material to support the annual access charge filings to be submitted on or before June 24, 2004 are presented in the Commission's Order, In the Matter of Material to be Filed in Support of 2004 Annual Access Tariff Filings, 19 FCC Rcd 7038 (2004).

This 2004 Annual Access Charge Tariff Filing covers the scheduled effective period from July 1, 2004 through June 30, 2006. This documentation volume contains the introduction, overview, rate development narrative, access rate development and corresponding cost support material to be filed with the FCC on June 24, 2004.

OVERVIEW

Schedule A of Section 2 presents a summary of the proposed rate to be effective July 1, 2004. The Company proposes to implement a switched transport rate of \$0.01031 effective July 1, 2004 representing a reduction of \$0.00014 from its existing switched transport rate. The Company's proposed switched transport rate of \$0.01031 per access minute is projected to generate a return of 11.25% on interstate investments for the projected twelve-month period ending June 30, 2005.

For the year 2003, Iowa Network Access Division (INAD) earned a return of 4.21% on interstate investment. INAD experienced a return of 3.69% for the 2001/2002 monitoring period. During this period, the FCC authorized a maximum rate of return for interstate access operations of 11.50% with a target of 11.25%.

Interstate access minutes grew at a rate of 7.83% during 2003 to 831,287,417 from 770,906,630 in 2002. During the year 2002, INAD recorded interstate traffic growth of 1.45% over the year 2001. For the test period ending June 30, 2005, INAD is projecting interstate access minutes of 876,231,538, representing an increase of 2.32% over projected access minutes of 856,381,84 for the period ending June 30, 2004 and an increase of 5.41% compared with actual interstate access minutes for the year 2003. The lower than normal increase in interstate

PUBLIC VERSION

traffic for the projected test period results primarily from the reduction of wireless minutes terminated by interexchange carriers over Feature Group D toll trunks. Several wireless carriers have requested direct interconnection with INS that effectively removes interstate traffic from the network and replaces it with interconnection traffic to be billed in accordance with interconnection agreements.

Since 2000, INS has implemented a network modernization program that provides full redundancy and protection for its equal access network to interexchange carriers serving rural Iowa. During the years 2003 and 2004, the Company completed upgrades to its fiber ring network that connects all major traffic routes throughout Iowa and expanded the capacity of its existing equal access switches to handle greater peak traffic loads. During 2004, INAD will update its equal access switch to comply with the FCC's requirements for Local Number Portability (LNP). INAD is also planning significant modifications to its accounting and billing applications and its computer systems and software for improved network monitoring and security. To date, INAD's efforts to construct and operate an efficient equal access network coupled with increases in interstate access minutes have enabled the Company to maintain or lower its centralized equal access rate, while greatly improving services to interexchange carriers.

The proposed tariff rate of Iowa Network Access Division is targeted to generate a return of 11.25% on investment for the test period ended June 30, 2005. The cost support material of Iowa Network Access Division has been developed using procedures prescribed by the Federal Communications Commission as follows:

- A) Financial reporting is in accordance with the Uniform Systems of Accounts and Financial Reporting Requirements of Class A and Class B Telephone Companies, CC Docket 78-196 (Part 32 Order).
- B) Jurisdictional allocation is in accordance with Federal Communications Commission's Rules adopted in CC Docket Nos. 78-72, 80-286, 86-297 and FCC Docket 87-134 released August 18, 1987 (Part 36 Order) and all subsequent revisions to the rules adopted through the period June 16, 2004.
- C) Access rate development is performed in accordance with CC Docket No. 87-113 released August 18, 1987 (Part 69 Conformance Notice) and subsequent modifications including CC Docket No. 00-256, Second Report and Order and Notice of Proposed Rulemaking, 16 FCC Rcd 19613 (2001), ("Rate-of-Return Access Charge Reform Order").

The proposed access service tariff maintains the method of charging for interstate access by major rate element. Iowa Network Access Division proposes to reduce its current equal access switched transport rate from \$0.01045 to \$0.01031 which is to remain in effect through June 30, 2006.

RATE DEVELOPMENT

Development of cost support as contained in the tariff filing was accomplished as follows:

- 1) Projection of test period investment, revenue and expense was determined based on the best estimates of management using fixed, known and measurable amounts from the Company's 2004 and 2005 operating budgets. Anticipated changes in investments and reserves were reflected in conjunction with the Company's ongoing construction and modernization programs. Revenues were increased to reflect the projected increase in access minutes during the test period over the year 2003.
- 2) Projection of the test period Access Division revenue requirement was accomplished using FCC Part 64 cost allocation procedures applied to total company projected investment and expense amounts determined in (1) above. The Access Division revenue requirement summary data is contained in Section 5 of the cost support material.
- 3) Projection of the test period interstate access revenue requirement was accomplished using Parts 36/69 separation procedures applied to projected total Access Division investment and expense amounts determined in (2) above. The summary Part 36 and Part 69 revenue requirements are contained in Sections 3 and 4 of the cost support material.
- 4) Projection of access minutes for the period from July 1, 2004 through June 30, 2005 was accomplished by applying an interstate annual growth rate of 2.32% to projected interstate access minutes for the period ending June 30, 2004. Projected access minutes for the period ending June 30, 2005 represent a 5.41% over interstate access minutes for the historical period January 1, 2003 through December 31, 2003. Access minutes for the period ending June 30, 2005 are projected to be 876,231,538 compared to 856,381,984 for the projected period ending June 30, 2004 and 831,287,417 for the actual period ended December 31, 2003. Projected access minutes for the test period ending June 30, 2005 are presented on Schedule B following.
- 5) The interstate access revenue requirement determined in (3) above of \$9,065,913 was reduced by projected nonrecurring service revenues of \$31,966. Projected revenues from nonrecurring charges of \$31,966 represent service order and labor charges for engineering, overtime repair, stand by repair, testing and maintenance provided to other telephone companies other than when in conjunction with acceptance testing.
- 6) The projected switched transport charge was determined by dividing the residual interstate revenue requirement of \$9,033,947 determined in (5) above by projected

PUBLIC VERSION

access minutes of 876,231,538 determined in (4) above resulting in a cost of \$0.01031 per access minute. An analysis of the development of the interstate switched transport rate is presented on Schedule A in Section 2.

SUMMARY

The 2004 annual access tariff filing is supplemented by the enclosed cost support material. Schedule A reflects the Company's existing switched transport charge of \$0.01045 compared with the authorized rate of \$0.01031. Through this filing, the Company proposes to reduce its switched transport charge from \$0.01045 to \$0.01031 for the test period ending June 30, 2005 resulting in a reduction of switched transport revenue of \$122,672 for the period ending June 30, 2005. The proposed switched transport charge will produce revenues that will generate a rate of return on investment of 11.25% for the test period ended June 30, 2005.

Included in the cost support material are schedules depicting projected investment and expense data, demand quantities, jurisdictional cost allocations and rate calculations for the twelve-month period ending June 30, 2005. Cost and revenue data for the historical period from January 1 through December 31, 2003 is contained in the Company's Tariff Review Plan (TRP) which has been filed under separate cover.

This filing is presented to comply with the Commission's July 1, 2004 annual access tariff filing requirements in Order, 19 FCC Rcd 7047 and subsequent Order, 19 FCC Rcd 7038 establishing the Tariff Review Plan (TRP) schedules to be filed in support of the annual access charge tariff filing. The Company proposes a switched transport charge of \$0.01031 through June 30, 2006.

TARIFF REVIEW PLAN

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Certification

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION

TARIFF F.C.C. NO. 1
18th Revised Page 1
Cancels 17th Revised Page1CENTRALIZED EQUAL ACCESS SERVICECHECK SHEET

Title Page 1 and Page 1 to 188 and Supplement No. 7, inclusive, of this tariff are effective as of the date shown. Original and revised pages as named below contain all changes from the original tariff that are in effect on the date hereof.

* New or Revised page

<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>
1*	18 th	28	1 st	54	Original	78	1 st
1.1*	5 th	29	1 st	55	Original	79	Original
2	1 st	30	Original	56	1 st	80	Original
3	Original	31	Original	57	Original	81	Original
4	1 st	32	Original	58	1 st	82	Original
5	3 rd	33	1 st	59	Original	83	2 nd
6	3 rd	34	Original	60	Original	84	1 st
7	1 st	35	Original	61	2 nd	85	1 st
8	1 st	36	Original	61.1	Original	86	2 nd
9	Original	37	2 nd	62	1 st	87	1 st
10	1 st	38	1 st	63	2 nd	87.1	Original
11	2 nd	39	2 nd	63.1	1 st	88	3 rd
12	1 st	40	3 rd	64	1 st	89	3 rd
13	5 th	40.1	Original	64.1	1 st	89.1	1 st
13.1	Original	41	Original	65	1 st	89.2	1 st
14	1 st	42	1 st	66	Original	89.3	1 st
15	1 st	43	3 rd	67	Original	89.4	1 st
16	2 nd	43.1	Original	68	Original	90	2 nd
17	Original	44	Original	69	1 st	91	Original
18	Original	45	1 st	69.1	1 st	92	2 nd
19	1 st	46	1 st	70	Original	93	2 nd
20	1 st	46.1	Original	71	Original	94	1 st
21	Original	47	Original	72	3 rd	95	1 st
22	Original	48	Original	72.1	1 st	96	1 st
23	Original	49	Original	73	1 st	97	1 st
24	Original	50	1 st	74	Original	98	1 st
25	Original	51	1 st	75	Original		
26	Original	52	1 st	76	1 st		
27	Original	53	1 st	77	Original		

Issued: June 24, 2004

Effective: July 1, 2004

4201 Corporate Drive
West Des Moines, Iowa 50266-5906

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION

TARIFF F.C.C. NO. 1
5th Revised Page 1.1
Cancels 4th Revised Page1.1

CENTRALIZED EQUAL ACCESS SERVICE

CHECK SHEET

Title Page 1 and Page 1 to 188 and Supplement No. 7, inclusive, of this tariff are effective as of the date shown. Original and revised pages as named below contain all changes from the original tariff that are in effect on the date hereof.

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99	1 st	123	Original	147	1 st	175	Original
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101	1 st	125	1 st	148	1 st	177	1 st
102	Original	126	Original	149	1 st	178	1 st
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104	2 nd	128	Original	151	1 st	180	1 st
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105.1	1 st	129.1	1 st	153	1 st	182	Original
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105.3	Original	131	Original	155	1 st	184	Original
106	Original	132	2 nd	156	1 st	185	Original
107	Original	133	Original	157	Original	186	Original
108	2 nd	134	1 st	158	Original	187	Original
109	Original	135	1 st	159	Original	188	Original
110	Original	136	2 nd	160	Original		
111	Original	136.1	2 nd	161	Original		
112	1 st	136.1.1	Original	162	Original		
113	1 st	136.2	1 st	163	Original		
114	1 st	137	1 st	164	Original		
115	1 st	138	2 nd	165	Original		
116	1 st	139	1 st	166	Original		
117	Original	140	2 nd	167	Original		
118	1 st	140.1	Original	168	Original		
118.1	Original	141	1 st	169	Original		
119	1 st	142	3 rd	170	Original		
120	1 st	143	Original	171	Original		
120.1	2 nd	144	Original	172	Original		
121	1 st	145*	8 th	173	1 st		
122	Original	146	Original	174	1 st		

* New or Revised page

Issued: June 24, 2004

Effective: July 1, 2004

4201 Corporate Drive
West Des Moines, Iowa 50266-5906

IOWA NETWORK ACCESS DIVISION

TARIFF F.C.C. NO. 1
8th Revised Page 145
Cancels 7th Revised Page 145CENTRALIZED EQUAL ACCESS SERVICE6. Switched Access Service (Cont'd)6.8 Rates and Charges6.8.1 Switched Transport

(A) Rate

Rate
Per Access Minute

\$ 0.01031 (R)

Rate
Per Call Blocked(B) Network Blocking Charge +

\$ 0.0070

(C) Nonrecurring Charges(1) InstallationRate
Per TrunkActivation of the first
trunk or SNAC contained
in the order

\$ 514.68

Activation of each
additional trunk or SNAC
contained in an order

\$ 12.55

(2) Interim NXX TranslationRate
Per OrderActivation or deactivation
of the first NXX code
contained in an order

\$ 213.70

Activation or deactivation
of each additional NXX code
contained in an order

\$ 23.81

+Applies to FGD

Issued: June 24, 2004

Effective: July 1, 2004

4201 Corporate Drive
West Des Moines, Iowa 50266-5906

PUBLIC VERSION

CERTIFICATION

I certify that I am a consultant authorized by Iowa Network Services, Inc. to deal with matters involving the interstate access tariff filing of Iowa Network Access Division; that I have examined the foregoing Tariff Review Plan; statements of fact contained in this Tariff Review Plan are true and this report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the period from July 1, 2004 to June 30, 2005.

June 24, 2004

Date



William J. Warinner

WARINNER, GESINGER & ASSOCIATES, LLC

IOWA NETWORK SERVICES, INC.
IOWA NETWORK ACCESS DIVISION
INTERSTATE ACCESS RATE DEVELOPMENT
TRANSMITTAL NO. 22
PROJECTED TEST PERIOD ENDED

SECTION 2
SCHEDULE A

6/30/2005

	SOURCE	CURRENT RATE	COST SUPPORT	DIFFERENCE
1 SWITCHED TRANSPORT RATE	(BELOW)	\$0.01045	\$0.01031	(\$0.00014)
2 STUDY PERIOD ACCESS MINUTES	SCHEDULE B	876,231,538	876,231,538	
3 STUDY PERIOD ACCESS REVENUE	LN 1*LN 2	\$9,156,620	\$9,033,947	(\$122,672)

ACCESS RATE DEVELOPMENT

	SOURCE	AMOUNT
4 PROJECTED REVENUE REQUIREMENT	SECTION 4	\$9,065,913
5 LESS: MISCELLANEOUS REVENUE	RECORDS	31,966
7 ACCESS REVENUE REQUIREMENT	LN 4-LN 5	\$9,033,947
8 PROJECTED ACCESS MINUTES	SCHEDULE B	876,231,538
9 PROJECTED ACCESS RATE PER MOU	LN 4/LN 5	\$0.01031

PUBLIC VERSION

IOWA NETWORK SERVICES, INC.
IOWA NETWORK ACCESS DIVISION
EQUAL ACCESS MOU SUMMARY
TRANSMITTAL NO. 22
PROJECTED TEST PERIOD ENDED

6/30/2005

SECTION 2
SCHEDULE B

PRO FORMA ALL CARRIERS	DAYS	INTERSTATE INTRALATA			INTERSTATE INTERLATA			TOTAL MINUTES	TOTAL REVENUES
		ORIGINATING MINUTES	TERMINATING MINUTES	REVENUES	ORIGINATING MINUTES	TERMINATING MINUTES	REVENUES		
7/1/2004 - 7/31/2004	31	1,262,861	1,550,216	\$29,002.83	30,743,102	38,090,617	\$709,675.63	71,646,797	\$738,678.46
8/1/2004 - 8/31/2004	31	1,148,457	1,246,373	\$24,690.69	33,704,798	37,641,136	\$735,576.56	73,740,763	\$760,267.25
9/1/2004 - 9/30/2004	30	1,184,025	1,373,204	\$26,365.03	31,645,727	37,186,415	\$709,659.37	71,389,371	\$736,024.40
10/1/2004 - 10/31/2004	31	1,229,393	1,425,821	\$27,375.26	32,858,308	38,611,301	\$736,851.65	74,124,823	\$764,226.91
11/1/2004 - 11/30/2004	30	1,194,171	1,384,971	\$26,590.95	31,916,903	37,505,070	\$715,740.53	72,001,115	\$742,331.49
12/1/2004 - 12/31/2004	31	1,237,555	1,435,287	\$27,557.01	33,076,453	38,867,640	\$741,743.58	74,616,935	\$769,300.59
1/1/2005 - 1/31/2005	31	1,240,639	1,438,864	\$27,625.68	33,158,880	38,964,498	\$743,592.02	74,802,881	\$771,217.69
2/1/2005 - 2/28/2005	28	1,122,967	1,302,391	\$25,005.44	30,013,830	35,268,798	\$673,063.89	67,707,987	\$698,069.33
3/1/2005 - 3/31/2005	31	1,245,404	1,444,390	\$27,731.78	33,286,233	39,114,149	\$746,447.92	75,090,176	\$774,179.70
4/1/2005 - 4/30/2005	30	1,207,247	1,400,136	\$26,882.12	32,266,390	37,915,747	\$723,577.82	72,788,520	\$750,459.93
5/1/2005 - 5/31/2005	31	1,249,309	1,448,919	\$27,818.74	33,390,604	39,236,794	\$748,788.47	75,325,627	\$776,607.20
6/1/2005 - 6/30/2005	30	1,210,664	1,404,099	\$26,958.21	32,357,717	38,023,064	\$725,625.84	72,995,544	\$752,584.05
TOTAL		14,532,693	16,854,672	\$323,603.73	388,418,945	456,425,228	\$8,710,343.27	876,231,538	\$9,033,947.00
3rd QUARTER		3,595,343	4,169,793	\$80,058.55	96,093,627	112,918,168	\$2,154,911.56	216,776,930	\$2,234,970.11
4th QUARTER		3,661,120	4,246,079	\$81,523.22	97,851,664	114,984,010	\$2,194,335.76	220,742,873	\$2,275,858.98
1st QUARTER		3,609,011	4,185,645	\$80,362.90	96,458,943	113,347,445	\$2,163,103.82	217,601,044	\$2,243,466.72
2nd QUARTER		3,667,220	4,253,155	\$81,659.06	98,014,711	115,175,605	\$2,197,992.12	221,110,691	\$2,279,651.18
TOTAL COMPANY		14,532,693	16,854,672	\$323,603.73	388,418,945	456,425,228	\$8,710,343.27	876,231,538	\$9,033,947.00

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005COST SUPPORT MATERIAL
PART 89 COST ALLOCATION

SECTION 3

A-1.1d1

SUMMARY OF REVENUE REQUIREMENT BY ACCESS ELEMENT

A-1.1d1

LN	AC	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		TRAFFIC SENSITIVE		SPECIAL ACCESS		CHANNEL MILEAGE		BAC		IC CATEGORY	
					LIMITED PAY	COMMON LINE	SWITCHING	INFO	COMMON TERM	TRANSPORT TERM	DEDICATED FACILITY	TRANSPORT FACILITY	ALLOTTED	TERM	TERM	P.L.
1		NET INVESTMENT FOR SETTLEMENTS	3,346,539	(NOTE A)	0	0	2,234,490	0	1,114,049	0	0	0	0	0	0	0
2		RATE OF RETURN	11.2500%	LN 11LN 2	11.2500%	0	11.2500%	11.2500%	11.2500%	0	0	0	0	0	0	0
3		RETURN ON INVESTMENT	376,711	A-8LN 25	0	0	251,380	0	125,330	0	0	0	0	0	0	0
4		ALLOW FOR FUNDS USED DURING CONSTR	0	LN 3-LN 4	0	0	0	0	0	0	0	0	0	0	0	0
5		NET RETURN FOR SETTLEMENTS	376,711	LN 3-LN 4	0	0	251,380	0	125,330	0	0	0	0	0	0	0
6		FEDERAL OPERATING INCOME TAX - ACTUAL	0	RECORDS	0	0	0	0	0	0	0	0	0	0	0	0
7		FEDERAL OPERATING INCOME TAX - OPTION	26,412	LN 30	0	0	17,625	0	8,787	0	0	0	0	0	0	0
8		FEDERAL ITC AMORTIZATION	0	A-12LN 22	0	0	0	0	0	0	0	0	0	0	0	0
9		STATE OPERATING INCOME TAX - ACTUAL	8,782	RECORDS	0	0	5,887	0	2,895	0	0	0	0	0	0	0
10		STATE OPERATING INCOME TAX - OPTION	0	LN 36	0	0	0	0	0	0	0	0	0	0	0	0
11		STATE ITC AMORTIZATION	0	A-12LN 23	0	0	0	0	0	0	0	0	0	0	0	0
12		PROVISION FOR DEFERRED INCOME TAX	8,549,559	A-8LN 15	0	0	1,880,504	0	842,804	0	0	0	0	0	0	0
13		NONOPERATING EXP	9,209	A-8LN 23	0	0	6,146	0	3,064	0	0	0	0	0	0	0
14		OPERATING EXPENSE & OTHER TAXES	9,065,913	A-8LN 28	0	0	2,035,099	0	1,014,623	0	0	0	0	0	0	0
15		UNCOLLECTIBLES	0	LN 28	0	0	0	0	0	0	0	0	0	0	0	0
16		PROVISION FOR GROSS RECEIPTS TAX	0	LN 16LN 17	0.0000%	0.0000%	0	0.0000%	0	0.0000%	0.0000%	0	0.0000%	0.0000%	0.0000%	0
17		GROSS RECEIPTS TAX RATE	0	LN 16LN 17	0.0000%	0.0000%	0	0.0000%	0	0.0000%	0.0000%	0	0.0000%	0.0000%	0.0000%	0
18		GROSS RECEIPTS TAX	0	LN 16LN 17	0	0	0	0	0	0	0	0	0	0	0	0
19		TOTAL REVENUE REQUIREMENT	9,065,913	LN 16LN 18	0	0	2,035,099	0	1,014,623	0	6,016,221	0	0	0	0	0
NOTE A: INCLUDES A-2 LN 31 LESS AC 2004, TRUC - LONG TERM																

OPTIONAL GROSS UP INCOME TAX CALCULATION																
20		RETURN ON INVESTMENT	376,711	LN 3	0	0	251,380	0	125,330	0	0	0	0	0	0	0
21		INTEREST AND RELATED ITEMS	325,440	A-12LN 16	0	0	217,167	0	108,273	0	0	0	0	0	0	0
22		OTHER INCOME ADJUSTMENTS	0	A-12LN 20	0	0	0	0	0	0	0	0	0	0	0	0
23		TOTAL INCOME ADJUSTMENTS	325,440	LN 21+LN 22	0	0	217,167	0	108,273	0	0	0	0	0	0	0
24		RETURN LESS INCOME ADJ	51,271	LN 23+LN 23	0	0	34,213	0	17,068	0	0	0	0	0	0	0
25		FEDERAL ITC AMORTIZATION	0	A-12LN 22	0	0	0	0	0	0	0	0	0	0	0	0
26		FIT BASE	51,271	LN 23	0	0	34,213	0	17,068	0	0	0	0	0	0	0
27		FEDERAL TAXABLE INCOME	26,412	LN 27TR	0	0	17,625	0	8,787	0	0	0	0	0	0	0
28		FEDERAL INCOME TAX	26,412	LN 28	0	0	0	0	0	0	0	0	0	0	0	0
29		FEDERAL SURTAX ALLOCATION	0	LN 29	0	0	0	0	0	0	0	0	0	0	0	0
30		NET FEDERAL TAX BEFORE ITC AMORT	26,412	LN 29	0	0	17,625	0	8,787	0	0	0	0	0	0	0
31		STATE ITC AMORTIZATION	0	A-12 LN 23	0	0	0	0	0	0	0	0	0	0	0	0
32		STATE TAXABLE INCOME	77,683	LN 32	0	0	51,638	0	25,945	0	0	0	0	0	0	0
33		STATE SURTAX ALLOCATION	86,276	LN 33STR	0	0	58,907	0	29,369	0	0	0	0	0	0	0
34	12.00%	STATE INCOME TAX	8,792	LN 32	0	0	5,887	0	2,905	0	0	0	0	0	0	0
35		NET STATE INCOME TAX BEFORE ITC AMORT	8,792	LN 34	0	0	5,887	0	2,905	0	0	0	0	0	0	0
36		FEDERAL TAX AT MAXIMUM RATE	26,412	LN 36	0	0	17,625	0	8,787	0	0	0	0	0	0	0
37		INCOME ADJUSTMENT FOR FIT	0	LN 37	0	0	0	0	0	0	0	0	0	0	0	0

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2006

COST SUPPORT MATERIAL
PART 89 COST ALLOCATION

SECTION 3

A-2, 10f1

A-2, 10f1

SUMMARY OF TELEPHONE PLANT AND RESERVES

LN	AC	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMONLINE		SWITCHING	INFO	TRAFFIC SENSITIVE		SPECIAL ACCESS		BAC	IX CATEGORY	
					LIMITED PAY	COMMON LINE			COMMON TRANSPORT	TERMINATION	CHANNEL MILEAGE	TERMINATION		MSG	P.L.
1		NET INVESTMENT SUMMARY	1,985,302	A-3-LIN 6C	0	0	1,258,068	0	627,234	0	0	0	0	0	0
2		GENERAL SUPPORT FACILITIES	9,752,253	A-4-LIN 21+25	0	0	8,507,708	0	3,244,545	0	0	0	0	0	0
3		CENTRAL OFFICE SWITCHING	0	A-4-LIN 17	0	0	0	0	0	0	0	0	0	0	0
4		OPERATOR SYSTEMS	0	A-4-LIN 41	0	0	0	0	0	0	0	0	0	0	0
5		CENTRAL OFFICE TRANSMISSION	0	A-5-LIN 10	0	0	0	0	0	0	0	0	0	0	0
6		INFORMATION ORIG/TERM	0	A-5-LIN 21	0	0	0	0	0	0	0	0	0	0	0
7		CABLE AND WIRE FACILITIES	273,079	A-3-LIN 14	0	0	182,226	0	90,852	0	0	0	0	0	0
8		TANGIBLE ASSETS	116,434	A-3-LIN 15	0	0	79,666	0	36,755	0	0	0	0	0	0
9		INTANGIBLE ASSETS	12,090,088	A-3-LIN 15	0	0	8,027,700	0	4,062,387	0	0	0	0	0	0
10		TOTAL PLANT IN SERVICE	100,0000%	A-3-LIN 15	0.0000%	0.0000%	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
11		% DISTRIBUTION	0	A-6-LIN 6	0	0	0	0	0	0	0	0	0	0	0
12		PROPERTY HELD FOR FUTURE USE	0	A-6-LIN 13	0	0	0	0	0	0	0	0	0	0	0
13		PLANT UNDER CONSTRUCT - SHORT TERM	0	A-6-LIN 20	0	0	0	0	0	0	0	0	0	0	0
14		PLANT UNDER CONSTRUCT - LONG TERM	0	A-6-LIN 27	0	0	0	0	0	0	0	0	0	0	0
15		TOTAL PLANT ADJUSTED	12,090,088	A-6-LIN 27	0	0	8,027,700	0	4,062,387	0	0	0	0	0	0
16		TOTAL PROPERTY - PLANT & EQUIP.	100,0000%	A-6-LIN 27	0.0000%	0.0000%	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
17		% DISTRIBUTION	8,987,540	A-7-LIN 7	0	0	4,942,788	0.0000%	2,314,733	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
18		ACCUM DEPRECIATION - PLANT IN SERVICE	208,701	A-7-LIN 8	0	0	139,266	0	66,434	0	0	0	0	0	0
19		ACCUM AMORTIZATION - FUTURE USE	119,434	A-7-LIN 15	0	0	79,666	0	39,735	0	0	0	0	0	0
20		ACCUM AMORTIZATION - TANGIBLE PROPERTY	0	A-7-LIN 16	0	0	0	0	0	0	0	0	0	0	0
21		ACCUM AMORTIZATION - INTANGIBLE PROP.	0	A-7-LIN 17	0	0	0	0	0	0	0	0	0	0	0
22		OPERATING DEFERRED INCOME TAX	1,761,553	A-7-LIN 26	0	0	1,175,490	0	586,063	0	0	0	0	0	0
23		OTHER DEFERRED CREDITS - NET	2,982,899	A-7-LIN 34	0	0	1,980,458	0	992,382	0	0	0	0	0	0
24		NET TELEPHONE PLANT	100,0000%	A-7-LIN 34	0.0000%	0.0000%	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
25		% DISTRIBUTION	0	A-3-LIN 16	0	0	0	0	0	0	0	0	0	0	0
26		MATERIALS AND SUPPLIES	0	A-3-LIN 17	0	0	0	0	0	0	0	0	0	0	0
27		RTB STOCK	0	A-3-LIN 18	0	0	0	0	0	0	0	0	0	0	0
28		EQUAL ACCESS EQUIPMENT	0	A-3-LIN 8	0	0	0	0	0	0	0	0	0	0	0
29		OTHER JURISDICTIONAL ASSETS	385,700	A-3-LIN 10	0	0	244,032	0	121,967	0	0	0	0	0	0
30		CASH WORKING CAPITAL	0	A-3-LIN 10	0	0	0	0	0	0	0	0	0	0	0
31		NET TELEPHONE PLANT, MAS AND CASH WORKING CAPITAL	3,246,539	A-3-LIN 10	0	0	2,234,480	0.0000%	1,114,049	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
32		% DISTRIBUTION	100,0000%	A-3-LIN 10	0.0000%	0.0000%	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005COST SUPPORT MATERIAL
PART 06 COST ALLOCATION

SECTION 3

A-3.1d1

A-3.1d1

GENERAL SUPPORT FACILITIES AND MISCELLANEOUS PLANT ALLOCATION

LN	AC	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE				DEDICATED				SPECIAL ACCESS				BAC	IC CATEGORY	
					LIMITED PAY	COMMON LINE		COMMON TRANSPORT	TERM	FACILITY	TRANSPORT	ALLOCATION	NET TERMINATION	TERM	CHANNEL	MILEAGE	FACILITY	MSG	P.L.			
1		BASIS FOR GENERAL SUPPORT FACILITIES	8,752,253	A-4-LN 42	0	0	6,507,708	0	3,244,545	0	0	0	0	0	0	0	0	0	0	0	0	
2		CENTRAL OFFICE EQUIPMENT	0	A-5-LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
3		INFORMATION ORIGINATOR	0	A-5-LN 23	0	0	6,507,708	0	3,244,545	0	0	0	0	0	0	0	0	0	0	0	0	
4		CWF EXCL CAT 1.3	9,752,253		0	0	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
5		TOTAL	100,0000%		0.0000%	0.0000%																
GENERAL SUPPORT ASSETS																						
6a		ALLOCATED	1,885,302	LN 5	0	0	1,259,069	0	627,234	0	0	0	0	0	0	0	0	0	0	0	0	
6b		DIRECT NON ACCESS	0	DIRECT	0	0	1,259,069	0	627,234	0	0	0	0	0	0	0	0	0	0	0	0	
6c		TOTAL GENERAL SUPPORT ASSETS	1,885,302		0.0000%	0.0000%	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
7		% DISTRIBUTION	100,0000%																			
8		EQUAL ACCESS EQUIPMENT	0	DIRECT	0		0															
9		COE LOT CWF GENERAL SUPPORT																				
10		AND EQUAL ACCESS EQUIPMENT	11,637,555		0	0	7,785,778	0	3,871,779	0	0	0	0	0	0	0	0	0	0	0	0	
11		% DISTRIBUTION	100,0000%		0.0000%	0.0000%	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
TANGIBLE ASSETS																						
12		CAPITAL ASSETS	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
13		LEASEHOLD IMPROVEMENTS	273,079	LN 10	0	0	182,226	0	90,852	0	0	0	0	0	0	0	0	0	0	0	0	
14		TOTAL	273,079		0	0	182,226	0	90,852	0	0	0	0	0	0	0	0	0	0	0	0	
15		INTANGIBLE ASSETS	119,434	LN 10	0	0	79,699	0	39,735	0	0	0	0	0	0	0	0	0	0	0	0	
16		MATERIALS AND SUPPLIES	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
17		RTB STOCK	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
18		OTHER JURISDICTIONAL ASSETS	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
19		COE LOT CWF GEN SUPP & EQUAL ACCESS	11,637,555		0	0	7,785,778	0	3,871,779	0	0	0	0	0	0	0	0	0	0	0	0	
20		FOR APPORTIONING PRESUBSCRIPTION	100,0000%		0.0000%	0.0000%	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
21		COE LOT & CWF EXCL CCL FOR ASSIGNING	9,752,253				6,507,708	0	3,244,545	0	0	0	0	0	0	0	0	0	0	0	0	
22		CARRIER ACCESS BILLING EXPENSES	100,0000%				66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2006

A-4,1022

COST SUPPORT MATERIAL
PART 06 COST ALLOCATION

CENTRAL OFFICE EQUIPMENT ALLOCATION

SECTION 3

A-4,1022

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE			SPECIAL ACCESS			B/C	IC CATEGORY	
					LIMITED PAY	COMMON LINE			COMMON TRANSPORT	DEDICATED TRANSPORT	DEDICATED TRANSPORT	REL. TERMINATION ALLOCA TED	TERM	TERM		MSG	P.L.
1		ALLOCATION FACTORS															
2		- STANDARD WORK SECONDS	100.0000%	AL-1, LN 9				0.0000%	0.0000%							100.0000%	
3		- TSPS COMPLEX	100.0000%	AL-1, LN 10				0.0000%	0.0000%							100.0000%	
4		- EQUIVALENT ACCESS LINES - MSG COE	0.0000%	AL-1, LN 2	0.0000%	0.0000%		0.0000%									
5		- IX CIRCUIT TERMINATIONS - MSG COE	100.0000%	AL-1, LN 6					100.0000%			0.0000%					
6	2220	CENTRAL OFFICE EQUIPMENT															
7		OPERATOR SYSTEMS	0	LN 2				0	0							0	
8		MANUAL SWITCHBOARDS	0	DIRECT				0									
9		AUXILIARY SWITCHBOARDS	0	DIRECT				0									
10		- DIRECTORY ASSISTANCE	0	DIRECT				0									
11		- INTERCEPT	0	DIRECT				0									
12		- OTHER	0	LN 27				0									
13		- SERVICE OBSERVING BOARDS	0	LN 27				0									
14		TSPS	0	LN 3				0									
15		OPERATOR	0	LN 27				0									
16		- RTA	0	LN 27				0									
17		- OTHER	0	LN 27				0									
18		TOTAL OPERATOR SYSTEMS	0					0									
19		2210 TANDEM SWITCHING EQUIPMENT															
20		ACCESS	3,244,545	DIRECT					3,244,545							0	
21		NON ACCESS	0	DIRECT												0	
22		TOTAL TANDEM SWITCH	3,244,545														
23		2210 LOCAL SWITCHING EQUIPMENT															
24		ACCESS	6,507,708	DIRECT				6,507,708								0	
25		DEDICATED	0	DIRECT				6,507,708								0	
26		TOTAL LOCAL SWITCH	6,507,708														
27		TOTAL CAT 1 EXCL SVC OBS, CAT 2 AND 3 % DISTRIBUTION	9,752,253 100.0000%	LN 28				6,507,708 68.7303%	0	3,244,545 33.2697%	0.0000%	0	0.0000%			0	0.0000%

IONA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005
A-4.2002

COST SUPPORT MATERIAL
PART 08 COST ALLOCATION
CENTRAL OFFICE EQUIPMENT ALLOCATION

SECTION 3
A-4.2002

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE			SPECIAL ACCESS			B/C	IX CATEGORY	
					LIMITED PAY	COMMON LINE		COMMON TRANSPORT TERM	FACILITY	DEDICATED TRANSPORT	REL. TERMINATION ALLOCA TED	TERM	CHANNEL TERM		MILEAGE FACILITY	MSG
28		2230 CENTRAL OFFICE TRANSMISSION														
29		EXCHANGE WIDEAREA	0	DIRECT												
30		EXCHANGE TRUNK - BASIC	0	DIRECT												
31		EXCHANGE TRUNK - SPECIAL	0	DIRECT												
32		SUBSCRIBER LINE	0	LN ADIRECT												
33		INTEREXCHANGE CIRCUIT	0	DIRECT												
34		FURNISHED OTHERS	0	LN ADIRECT												
35		ACCESS - BASIC	0	LN SDIRECT												
36		ACCESS - SPECIAL	0	DIRECT												
37		NON ACCESS	0	DIRECT												
38		TOTAL IX CIRCUIT	0	DIRECT												
39		HOT/REMOTE CIRCUIT	0	DIRECT												
40		EQUIPMENT RENTED OTHERS	0	DIRECT												
41		TOTAL CENTRAL OFFICE TRANSMISSION	9,752,253	0	0	0	6,507,708	0	3,244,545	0	0	0	0	0	0	0
42		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	0.0000%	66.7303%	0.0000%	33.2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
43																
COE RATIOS																
44		OPERATOR SYSTEMS	0.0000%	LN 17			0.0000%	0.0000%	0.0000%						0.0000%	0.0000%
45		TANDDEM SWITCHING	100.0000%	LN 21			100.0000%	0.0000%	100.0000%						0.0000%	0.0000%
46		LOCAL SWITCHING	100.0000%	LN 25			66.7303%		33.2697%						0.0000%	0.0000%
47		CENTRAL OFFICE SWITCHING	100.0000%	LN 21+25											0.0000%	0.0000%
48		CENTRAL OFFICE TRANSMISSION	100.0000%	LN 37	0.0000%	0.0000%			100.0000%						0.0000%	0.0000%

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005
A-5, 10/1

COST SUPPORT MATERIAL
PART 86 COST ALLOCATION

SECTION 3
A-5, 10/1

INFORMATION ORIGINATOR/TERMINATION AND CABLE AND WIRE FACILITIES

LN	AC	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		INFO	TRAFFIC SENSITIVE			SPECIAL ACCESS			BAC	IX CATEGORY	
					LIMITED PAY	COMMON LINE		COMMON TERM	TRANSPORT FACILITY	DEDICATED TRANSPORT	REL TERMINATION ALLOCATED	TERM	CHANNEL MILEAGE FACILITY		MSG	PL
1		ALLOCATION FACTORS														
2		EQUIVALENT ACCESS LINES - MSG CWF	0.0000%	AL-1, LN 4	0.0000%	0.0000%					0.0000%					
3		IX CIRCUIT MILES - MSG CWF	100.0000%	AL-1, LN 8												
4	2310	INFORMATION ORIGINATOR														
5		OTHER IOT EQUIPMENT	0	DIRECT		0										
6		COIN PUBLIC TELEPHONE	0	DIRECT	0	0										
7		COINLESS PUBLIC TELEPHONE	0	DIRECT	0	0										
8		OTHER	0	DIRECT	0	0										
9		SUBTOTAL	0		0	0										
10		NEW CUSTOMER PREMISE EQUIP	0	DIRECT	0	0										
11		TOTAL ORIGINATOR EQUIP	0		0	0										
		% DISTRIBUTION	0.0000%		0.0000%	0.0000%										
12	2410	CABLE AND WIRE FACILITIES														
13		SUBSCRIBER	0	LN 1/DIRECT	0	0					0		0			
14		EXCHANGE WIREBAND	0	DIRECT					0				0			
15		EXCHANGE TRUNK - BASIC	0	DIRECT					0				0			
16		EXCHANGE TRUNK - SPECIAL	0	DIRECT					0				0			
17a		INTEREXCHANGE WIREBAND	0	DIRECT					0				0			
17b		IX TRUNK - ACCESS	0	LN 2/DIRECT					0				0			
18		IX TRUNK - SPECIAL	0	DIRECT					0				0			
19		IX TRUNK - NON ACCESS	0	DIRECT					0				0			
20		HOT/REMOOTE	0	DIRECT					0				0			
21		EQUIPMENT FURNISHED OTHERS	0	DIRECT					0				0			
22		TOTAL CABLE AND WIRE FACILITIES	0		0	0										
		% DISTRIBUTION	100.0000%		0.0000%	0.0000%										
23		TOTAL CWF EXCLUDING CAT 1.3	0		0	0										
24		% DISTRIBUTION	100.0000%		0.0000%	0.0000%										

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005COST SUPPORT MATERIAL
PART 88 COST ALLOCATION

SECTION 3

A-4, 10/1

OTHER TELECOMMUNICATIONS PLANT ALLOCATION

A-4, 10/1

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		TRAFFIC SENSITIVE					SPECIAL ACCESS				BAC	IC CATEGORY	
					LIMITED PAY	COMMON LINE	SWITCHING	INFO	COMMON TRANSPORT TERM	DEDICATED TRANSPORT	NET TERMINATION ALLOCATION	TERM	CHANNEL MILEAGE FACILITY	MSG	P.L.			
1	2002	OTHER TELECOMMUNICATIONS PLANT																
2		PROPERTY HELD FOR FUTURE USE	0	A-3, LN 7	0	0	0	0	0	0	0	0	0	0	0	0	0	
3		GENERAL SUPPORT	0	A-4, LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0	
4		CENTRAL OFFICE EQUIPMENT	0	A-5, LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0	
5		CABLE AND WIRE FACILITIES	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	
6		UNDISTRIBUTED	0		0	0	0	0	0	0	0	0	0	0	0	0	0	
7		TOTAL	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
8	2003	PLANT UNDER CONSTR. - SHORT TERM																
9		GENERAL SUPPORT	0	A-3, LN 7	0	0	0	0	0	0	0	0	0	0	0	0	0	
10		CENTRAL OFFICE EQUIPMENT	0	A-4, LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0	
11		CABLE AND WIRE FACILITIES	0	A-5, LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0	
12		UNDISTRIBUTED	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	
13		TOTAL	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
14		% DISTRIBUTION																
15	2004	PLANT UNDER CONSTR. - LONG TERM																
16		GENERAL SUPPORT	0	A-3, LN 7	0	0	0	0	0	0	0	0	0	0	0	0	0	
17		CENTRAL OFFICE EQUIPMENT	0	A-4, LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0	
18		CABLE AND WIRE FACILITIES	0	A-5, LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0	
19		UNDISTRIBUTED	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	
20		TOTAL	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
21		% DISTRIBUTION																
22	2005	TELECOMMUNICATIONS PLANT ADJUST.																
23		GENERAL SUPPORT	0	A-3, LN 7	0	0	0	0	0	0	0	0	0	0	0	0	0	
24		CENTRAL OFFICE EQUIPMENT	0	A-4, LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0	
25		CABLE AND WIRE FACILITIES	0	A-5, LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0	
26		UNDISTRIBUTED	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	
27		TOTAL	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
28		% DISTRIBUTION																

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005

COST SUPPORT MATERIAL
PART 09 COST ALLOCATION

SECTION 3

A-7,16f1

ACCUMULATED DEPRECIATION, AMORTIZATION AND DEFERRED INCOME TAXES

A-7,16f1

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE				SPECIAL ACCESS							
					LIMITED PAY	COMMON LINE		COMMON TRANSPORT TERM	DEDICATED TRANSPORT FACILITY	NET TERMINATION ALLOCATED	CHANNEL MILEAGE TERM	BAC	IX CATEGORY MSG	P.L.					
1	3100	ACCUM DEPRECIATION - PLANT IN SERVICE																	
2		GENERAL SUPPORT	1,105,799	A-3,1LN 10	0	0	737,903	0	367,896	0	0	0	0	0	0	0	0	0	0
3		CENTRAL OFFICE SWITCHING EQUIPMENT	5,851,741	A-3,1LN 10	0	0	3,904,885	0	1,946,857	0	0	0	0	0	0	0	0	0	0
4		OPERATOR SYSTEMS EQUIPMENT	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5		CENTRAL OFFICE TRANSMISSION	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6		UNDISTRIBUTED COE	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7		INFORMATION ORIG/TERM	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8		CABLE AND WIRE FACILITIES	6,967,540	A-3,1LN 10	0	0	4,642,768	0	2,314,733	0	0	0	0	0	0	0	0	0	0
9		TOTAL ACCUM DEPR - THIS	12,925,080	A-3,1LN 10	0	0	8,642,768	0	4,282,857	0	0	0	0	0	0	0	0	0	0
10	3200	ACCUM DEPRECIATION - FUTURE USE	8,967,540	A-3,1LN 10	0	0	4,642,768	0	2,314,733	0	0	0	0	0	0	0	0	0	0
11		TOTAL ACCUM DEPRECIATION	100,00000%		0.0000%	0.0000%	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
12		% DISTRIBUTION																	
13	3400	ACCUMULATED AMORTIZATION																	
14		TANGIBLE ASSETS																	
15		CAPITAL LEASES	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16		LEASEHOLD IMPROVEMENTS	208,701	A-3,1LN 10	0	0	139,266	0	69,434	0	0	0	0	0	0	0	0	0	0
17		UNDISTRIBUTED	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	3500	TOTAL ACCUM AMORT - TANGIBLE	208,701	A-3,1LN 10	0	0	139,266	0	69,434	0	0	0	0	0	0	0	0	0	0
19		INTANGIBLE ASSETS	119,434	A-3,1LN 10	0	0	79,899	0	39,735	0	0	0	0	0	0	0	0	0	0
20	3600	TELEPHONE PLANT ADJUSTMENT	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21		TOTAL ACCUM AMORTIZATION	328,135		0.0000%	0.0000%	219,965	0	109,169	0	0	0	0	0	0	0	0	0	0
22	4100X	% DISTRIBUTION	100,00000%		0.0000%	0.0000%	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
23	4300	NET OPERATING DEFERRED INC TAX																	
24		GENERAL SUPPORT	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25		CENTRAL OFFICE EQUIP	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26		INFORMATION ORIG/TERM	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27		CABLE AND WIRE FACILITIES	1,731,553	A-3,1LN 10	0	0	1,175,490	0	586,063	0	0	0	0	0	0	0	0	0	0
28		UNDISTRIBUTED	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29		TOTAL NET DEFERRED INC TAX	1,731,553		0.0000%	0.0000%	1,175,490	0	586,063	0	0	0	0	0	0	0	0	0	0
30	4390	% DISTRIBUTION	100,00000%		0.0000%	0.0000%	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
31		OTHER DEFERRED CREDITS - NET																	
32		GENERAL SUPPORT	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
33		CENTRAL OFFICE EQUIP	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
34		INFORMATION ORIG/TERM	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35		CABLE AND WIRE FACILITIES	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
36		UNDISTRIBUTED	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
37		TOTAL OTHER DEFERRED CREDITS	0		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
		% DISTRIBUTION	0.00000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

IONA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005

COST SUPPORT MATERIAL
PART 99 COST ALLOCATION

SECTION 3

A-8,10f1

SUMMARY OF OPERATING EXPENSE AND TAX AND MISCELLANEOUS TAX ITEMS

A-8,10f1

LN	AC	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		TRAFFIC SENSITIVE		SPECIAL ACCESS		BAC	IX CATEGORY	
					LIMITED PAY	COMMON LINE	COMMON TRANSPORT	TERMINATION	CHANNEL MILEAGE	TERMINATION		MSG	P.L.
1	6110	OPERATING EXPENSE AND TAX	0	A-9,LN 6	0	0	0	0	0	0	0	0	0
2	6120	NETWORK SUPPORT EXPENSE	456,216	A-9,LN 7	0	0	304,434	0	0	0	0	0	0
3	6210	GENERAL SUPPORT EXPENSE	406,573	A-9,LN 15	0	0	270,640	0	0	0	0	0	0
4	6310	CENTRAL OFFICE EXPENSE	0	A-9,LN 22	0	0	0	0	0	0	0	0	0
5	6410	INFORMATION ORIGINATOR EXP	5,421,824	A-9,LN 24	0	0	0	0	5,421,824	0	0	0	0
6	6510	CABLE AND WIRE FACILITIES EXP	0	A-10,LN 7	0	0	0	0	0	0	0	0	0
7	6610	OTHER PLANT EXPENSE	0	A-10,LN 8	0	0	222,802	0	0	0	0	0	0
8	6830	NETWORK OPERATIONS EXPENSE	333,884	A-10,LN 9	0	0	0	0	0	0	0	0	0
9	6840	ACCESS CHARGE EXPENSE	0	A-11,LN 1	0	0	0	0	0	0	0	0	0
10	6810	MARKETING EXPENSE	78,913	A-11,LN 2	0	0	52,659	0	0	0	0	0	0
11	6820	SERVICES EXPENSE	148,185	A-11,LN 3	0	0	18,850	0	0	0	0	0	0
12	6870	GENERAL AND ADMINISTRATIVE EXP	7,030,545	A-12,LN 9	0	0	74,285	0	37,541	0	0	0	0
13	6720	SUBTOTAL OPERATING EXPENSE	100.0000%	A-12,LN 9	0	0	943,140	0	6,016,221	0	0	0	0
14	6560	% DISTRIBUTION	100.0000%	A-10,LN 19+27	0.0000%	0	12,701,480	0.0000%	6,016,221	0.0000%	0.0000%	0.0000%	0.0000%
15	6560	DEPRECIATION AND AMORTIZATION	1,065,307	A-12,LN 24	0	0	704,516	0	351,028	0	0	0	0
16	7200	OTHER OPERATING TAX	83,711	A-12,LN 24	0	0	42,514	0	21,198	0	0	0	0
17		EQUAL ACCESS EXPENSE	0	A-12,LN 12	0	0	0	0	0	0	0	0	0
18		TOTAL OPERATING EXP & TAX	8,546,559		0.0000%	0	1,690,504	0.0000%	9,642,834	0.0000%	0.0000%	0.0000%	0.0000%
19		% DISTRIBUTION	100.0000%		0.0000%	0	18,7730%	0.0000%	70.3888%	0.0000%	0.0000%	0.0000%	0.0000%
20	7370	NON-OPERATING EXPENSE	0	A-3,LN 10	0	0	0	0	0	0	0	0	0
21		ABANDONED CONSTRUCTION	0	A-3,LN 10	0	0	6,145	0	3,064	0	0	0	0
22		CONTRIBUTIONS	9,209	A-3,LN 10	0	0	6,145	0	3,064	0	0	0	0
23		TOTAL NON-OPERATING EXP	9,209		0	0	0	0	0	0	0	0	0
24	5310	UNCOLLECTIBLES	0	A-3,LN 10	0	0	0	0	0	0	0	0	0
25	5320	END USER MSG TOLL	0	DIRECT	0	0	83,548	0	31,683	0	0	0	0
26	5330	IX CARRIER	96,230	A-3,LN 22	0	0	83,548	0	31,683	0	0	0	0
27		TOTAL UNCOLLECTIBLES	96,230		0	0	0	0	0	0	0	0	0
28		ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	0	A-3,LN 10	0	0	0	0	0	0	0	0	0

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005

COST SUPPORT MATERIAL
PART 89 COST ALLOCATION

SECTION 3

A-9.1cft

A-9.1cft

PLANT SPECIFIC EXPENSE ALLOCATION

LN	AC	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMONLINE		TRAFFIC SENSITIVE				SPECIAL ACCESS				BAC	IX CATEGORY	
					LIMITED PAY	COMMON LINE	SWITCHING	INFO	TERM	FACILITY	DEDICATED TRANSPORT	REL TERMINATION ALLOCATED	TERM	CHANNEL MILEAGE FACILITY		MSG	P.L.
1		BASIS FOR NETWORK SUPPORT EXPENSE	11,637,555	VARIOUS	0	0	7,765,776	0	3,871,779	0	0	0	0	0	0	0	0
2		GEN SUPPORT, COE, IOT AND CAWF	0	A-3LN 8	0	0	0	0	3,871,779	0	0	0	0	0	0	0	0
3		EQUAL ACCESS EQUIPMENT	11,637,555		0.0000%	0.0000%	66,7363%	0.0000%	33,2987%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
4		TOTAL	100.0000%														
5		PLANT SPECIFIC EXPENSES															
6	6110	GENERAL SUPPORT EXPENSE	0	LN 4	0	0	0	0	0	0	0	0	0	0	0	0	0
7	6120	NETWORK SUPPORT	456,216	A-3LN 7	0	0	304,434	0	151,782	0	0	0	0	0	0	0	0
8		GENERAL SUPPORT EXP	456,216		0.0000%	0.0000%	66,7363%	0.0000%	33,2987%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
9		TOTAL GENERAL SUPPORT EXP	100.0000%														
10		% DISTRIBUTION															
11	6210	CENTRAL OFFICE SWITCHING EXPENSE	405,573	A-4LN 43	0	0	270,840	0	134,833	0	0	0	0	0	0	0	0
12	6220	OPERATION SYSTEMS EXPENSE	0	A-4LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0
13	6230	CENTRAL OFFICE TRANSMISSION EXPENSE	0	A-4LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0
14		UNDISTRIBUTED	0		0	0	0	0	0	0	0	0	0	0	0	0	0
15		TOTAL CENTRAL OFFICE EXPENSE	405,573	A-4LN 43	0.0000%	0.0000%	270,840	0.0000%	134,833	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
16		% DISTRIBUTION	100.0000%				66,7363%	0.0000%	33,2987%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
17	6310	INFORMATION ORIGTERM EXPENSE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
18		COIN PAY TELEPHONE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
19		COINLESS PAY TELEPHONE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
20		OTHER	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
21		CPE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
22		TOTAL INFORMATION ORIGTERM EXP	0		0.0000%	0.0000%	0	0.0000%	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
23		% DISTRIBUTION	0.0000%														
24	6410	CABLE AND WIRE FACILITIES EXPENSE	5,421,824	A-5LN 22	0	0	575,674	0	286,714	5,421,824	0	0	0	0	0	0	0
25		TOTAL PLANT SPECIFIC EXPENSE	6,288,613		0.0000%	0.0000%	9,1526%	0.0000%	4,5925%	66,2357%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
26		% DISTRIBUTION	100.0000%														

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005

COST SUPPORT MATERIAL
PART 06 COST ALLOCATION

SECTION 3

A-10, 10f1

PLANT NON SPECIFIC EXPENSE ALLOCATION

A-10, 10f1

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		TRAFFIC SENSITIVE				SPECIAL ACCESS				B/C	IX CATEGORY	
					LIMITED PAY	COMMON LINE	SWITCHING	INFO	COMMON TRANSPORT TERM	FACILITY	DEDICATED TRANSPORT	NET TERMINATION ALLOCA TED	TERM	CHANNEL MILEAGE FACILITY		MSG	P.L.
1		CENTRAL OFFICE EQUIPMENT	9,752,253	A-4-LIN 38	0	0	6,507,708	0	3,244,545	0	0	0	0	0	0	0	
2		INFORMATION ORIGIN/TERM	0	A-5-LIN 10	0	0	0	0	0	0	0	0	0	0	0	0	
3		CABLE AND WIRE FACILITIES	0	A-5-LIN 21	0	0	6,507,708	0	3,244,545	0	0	0	0	0	0	0	
4		TOTAL	9,752,253		0.0000%	0.0000%	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
5		% DISTRIBUTION	100.0000%														
PLANT NONSPECIFIC EXPENSE																	
6	6610	OTHER PROP PLANT & EQUIP EXPENSE	0	LN 5	0	0	0	0	0	0	0	0	0	0	0	0	
7	6630	NETWORK OPERATIONS EXPENSE	333,894	LN 5	0	0	222,802	0	111,082	0	0	0	0	0	0	0	
8	6640	ACCESS CHARGE EXPENSE	0	DIRECT													
DEPRECIATION EXPENSE																	
9	6660	GENERAL SUPPORT	203,494	A-3-LIN 7	0	0	135,792	0	67,702	0	0	0	0	0	0	0	
10		CENTRAL OFFICE SWITCHING EQUIPMENT	629,067	A-4-LIN 47			553,232	0	275,625	0	0	0	0	0	0	0	
11		OPERATOR SYSTEMS EQUIPMENT	0	A-4-LIN 44	0	0	0	0	0	0	0	0	0	0	0	0	
12		CENTRAL OFFICE TRANSMISSION	0	A-4-LIN 46	0	0	0	0	0	0	0	0	0	0	0	0	
13		UNISTRIBUTED COE	0	A-4-LIN 43	0	0	0	0	0	0	0	0	0	0	0	0	
14		INFORMATION ORIGIN/TERM	0	A-5-LIN 11	0	0	0	0	0	0	0	0	0	0	0	0	
15		CABLE AND WIRE FACILITIES	0	A-5-LIN 22	0	0	0	0	0	0	0	0	0	0	0	0	
16		TOTAL DEP EXP - PLANT IN SERVICE	1,032,551		0	0	689,025	0	343,527	0	0	0	0	0	0	0	
17		PROPERTY HELD FOR FUTURE USE	0		0	0	0	0	0	0	0	0	0	0	0	0	
18		TOTAL DEPRECIATION EXPENSE	1,032,551	A-6-LIN 7	0	0	689,025	0	343,527	0	0	0	0	0	0	0	
19		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
AMORTIZATION EXPENSE																	
21	6663	CAPITAL LEASE	0	A-3-LIN 10	0	0	0	0	0	0	0	0	0	0	0	0	
22	6663	LEASEHOLD IMPROVEMENTS	22,786	A-3-LIN 10	0	0	15,165	0	7,571	0	0	0	0	0	0	0	
23	6663	UNISTRIBUTED	0	A-3-LIN 10	0	0	0	0	0	0	0	0	0	0	0	0	
24		SUBTOTAL	22,786		0	0	15,165	0	7,571	0	0	0	0	0	0	0	
25	6664	INTANGIBLE ASSETS	0	A-3-LIN 10	0	0	0	0	0	0	0	0	0	0	0	0	
26		OTHER - TEL PLANT ADJUSTMENT	0	A-6-LIN 28	0	0	0	0	0	0	0	0	0	0	0	0	
27	6665	TOTAL AMORTIZATION EXPENSE	22,786		0	0	15,165	0	7,571	0	0	0	0	0	0	0	
28		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
TOTAL PLANT NON SPECIFIC EXPENSE																	
29		% DISTRIBUTION	1,388,192		0	0	927,012	0.0000%	462,180	0.0000%	0	0.0000%	0	0.0000%	0	0.0000%	
30		% DISTRIBUTION	100.0000%				66,7303%	0.0000%	33,2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005

A-11.16d1

COST SUPPORT MATERIAL
PART 89 COST ALLOCATION

CUSTOMER OPERATIONS EXPENSE ALLOCATION

SECTION 3
A-11.16d1

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		LIMITED PAY	COMMON LINE	SWITCHING	INFO	TRAFFIC SENSITIVE				SPECIAL ACCESS				IX CATEGORY	P.L.
											COMMON	TRANSPORT	DEDICATED	NET TERMINATION	TERM	CHANNEL	WILEAGE	BAC		
1	6610	CUSTOMER OPERATIONS EXPENSES	0	A-31LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	6621	MARKETING OPERATOR SERVICES	0	MS-OPERATORS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	6621	- CALL COMPLETION INCL. DA	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	6622	- OPERATOR SERVICES UNDER CONTRACT	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	6623	PUBLISHED DIRECTORY LISTINGS	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	6623	ALL OTHER	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	1.0	LOCAL BUSINESS OFFICE	0	A-31LN 20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	1.0	- END USER SVC ORDER PROCESSING	0	AL-1LN 12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	1.0	- PRESUBSCRIPTION	0	AL-1LN 12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	1.0	- END USER PAYMENT & COLLECTION	0	AL-1LN 12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	1.0	- END USER BILLING INQUIRY	0	AL-1LN 12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	1.0	- IX CARRIER SYNC ORDER PROCESSING	0	AL-1LN 15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	1.0	- IX CARRIER PAYMENT & COLLECTION	40,440	AL-1LN 15	0	0	0	0	26,866	0	0	13,454	0	0	0	0	0	0	0	0
14	1.0	- IX CARRIER BILLING INQUIRY	0	AL-1LN 17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	1.0	- COIN COLLECT AND ADMINISTRATION	0	AL-1LN 18	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16	1.0	SUBTOTAL LOCAL BUSINESS OFFICE	40,440	AL-1LN 18	0	0	0	0	26,866	0	13,454	0	0	0	0	0	0	0	0	0
17	2.0	CUSTOMER SERVICES (REV ACCTG)	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	2.0	- MESSAGE PROCESSING	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	2.0	- TOLL TICKET PROCESSING	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20	2.0	- LOCAL MESSAGE PROCESSING	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21	2.0	- OTHER BILLING & COLLECTION	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	2.0	- END USER COMMON LINE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	2.0	- CARRIER ACCESS BILLING (CABS)	36,474	A-31LN 22	0	0	0	0	25,674	0	12,800	0	0	0	0	0	0	0	0	0
24	2.0	SUBTOTAL CARRIER ACCESS SERVICES	36,474	A-31LN 22	0	0	0	0	25,674	0	12,800	0	0	0	0	0	0	0	0	0
25	2.0	TOTAL CAT 1 AND CAT 2	76,913		0	0	0	0	52,550	0	26,254	0	0	0	0	0	0	0	0	0
26	3.0	% DISTRIBUTION	100.0000%		0	0.0000%	0	0.0000%	66.7303%	0.0000%	33.2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
27	3.0	ALL OTHER CUSTOMER SERVICE	76,913	LN 34	0	0	0	0	52,550	0	26,254	0	0	0	0	0	0	0	0	0
28	3.0	% DISTRIBUTION	100.0000%		0	0.0000%	0	0.0000%	66.7303%	0.0000%	33.2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
29	3.0	TOTAL SERVICES EXPENSE	76,913		0	0	0	0	52,550	0	26,254	0	0	0	0	0	0	0	0	0
30	3.0	% DISTRIBUTION	100.0000%		0	0.0000%	0	0.0000%	66.7303%	0.0000%	33.2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
31	3.0	TOTAL CUSTOMER OPERATIONS EXPENSE	76,913		0	0	0	0	52,550	0	26,254	0	0	0	0	0	0	0	0	0
32	3.0	% DISTRIBUTION	100.0000%		0	0.0000%	0	0.0000%	66.7303%	0.0000%	33.2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
33	3.0	CUSTOMER OPERATIONS EXCL. MARKETING	76,913		0	0	0	0	52,550	0	26,254	0	0	0	0	0	0	0	0	0
34	3.0	% DISTRIBUTION	100.0000%		0	0.0000%	0	0.0000%	66.7303%	0.0000%	33.2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005

A-12, 16f1

COST SUPPORT MATERIAL
PART 89 COST ALLOCATION

SECTION 3

LN	AC	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		TRAFFIC SENSITIVE		SPECIAL ACCESS		IX CATEGORY	
					LIMITED PAY	COMMON LINE	SWITCHING	INFO	COMMON TRANSPORT TERM	DEDICATED TRANSPORT	NET TERMINATION ALLOTTED	CHANNEL MILEAGE FACILITY

1		BIG THREE EXPENSES	6,289,813	A-8 LN 25	0	0	575,074	0	0	286,714	5,421,824	0	0	0
2		PLANT SPECIFIC EXPENSE	0	A-10 LN 7	0	0	0	0	0	0	0	0	0	0
3		OTHER PLANT EXPENSE	0	A-10 LN 8	0	0	0	0	0	0	0	0	0	0
4		NETWORK OPERATIONS EXPENSE	333,884	A-10 LN 9	0	0	222,802	0	0	111,082	0	0	0	0
5		ACCESS CHARGE EXPENSE	0	A-10 LN 10	0	0	0	0	0	0	0	0	0	0
6		CUSTOMER OPERATIONS EXPENSE	78,913	A-11 LN 31	0	0	52,669	0	0	26,244	0	0	0	0
7		TOTAL BIG THREE EXPENSES	6,998,410		0	0	880,535	0	0	424,051	5,421,824	0	0	0
		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	12.7014%	0.0000%	6.3325%	80.9681%	0.0000%	0.0000%	0.0000%	0.0000%

8	6710	CORPORATE OPERATING EXPENSE	148,186	LN 7	0	0	18,850	0	0	9,448	120,786	0	0	0
9	6720	GENERAL AND ADMINISTRATIVE	584,835	LN 7	0	0	74,256	0	0	37,041	473,589	0	0	0
10	7210	TOTAL CORPORATE OPERATIONS	733,130		0	0	93,106	0	0	46,489	594,387	0	0	0
11		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	12.7014%	0.0000%	6.3325%	80.9681%	0.0000%	0.0000%	0.0000%	0.0000%

12		EQUAL ACCESS EXPENSE	0	DIRECT	0	0	0	0	0	0	0	0	0	0
13	7390	INTEREST EXPENSE	0	A-3 LN 10	0	0	0	0	0	0	0	0	0	0
14		CAPITAL LEASE	325,440	A-3 LN 10	0	0	217,187	0	0	108,273	0	0	0	0
15		OTHER	325,440		0	0	217,187	0	0	108,273	0	0	0	0
16		TOTAL			0	0		0	0		0	0	0	0

17		OTHER INCOME ADJUSTMENTS	0	A-2 LN 10	0	0	0	0	0	0	0	0	0	0
18		BASED ON PLANT	0	LN 7	0	0	0	0	0	0	0	0	0	0
19		TOTAL	0		0	0	0	0	0	0	0	0	0	0

21	7210	OPERATING TAXES	0	A-3 LN 10	0	0	0	0	0	0	0	0	0	0
22	7210	FEDERAL, ITC AMORTIZATION	0	A-3 LN 10	0	0	0	0	0	0	0	0	0	0
23	7210	STATE ITC AMORTIZATION	83,711	A-3 LN 10	0	0	42,514	0	0	21,196	0	0	0	0
24	7240	OTHER OPERATING TAXES	83,711		0	0	42,514	0	0	21,196	0	0	0	0
25		TOTAL OPERATING TAXES			0	0		0	0		0	0	0	0

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005

AL-1, 16f1

COST SUPPORT MATERIAL
PART 89 COST ALLOCATION

SECTION 3

LN	AC	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		TRAFFIC SENSITIVE				SPECIAL ACCESS		IX CATEGORY	
					LIMITED PAY	COMMON LINE	SWITCHING	INFO	COMMON TRANSPORT TERM	DEDICATED TRANSPORT FACILITY	NET TERMINATION ALLOCATED	CHANNEL MILEAGE FACILITY	BAC	MSG

1		EQUIVALENT ACCESS LINES - MSG COE	0		0	0	0	0	0	0	0	0	0	0
2		% DISTRIBUTION	0.0000%		0.0000%	0.0000%	0	0	0	0	0	0	0	0
3		EQUIVALENT ACCESS LINES - MSG CWF	0		0	0	0	0	0	0	0	0	0	0
4		% DISTRIBUTION	0.0000%		0.0000%	0.0000%	0	0	0	0	0	0	0	0
5		IX CIRCUIT TERMINATIONS - MSG COE	766		0.0000%	0.0000%	0	0	0	0	0	0	0	0
6		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	0	0	0	0	0	0	0	0
7		IX CIRCUIT MALES - MSG CWF	5,917,585		0.0000%	0.0000%	0	0	0	0	0	0	0	0
8		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	0	0	0	0	0	0	0	0

DISTRIBUTION FACTORS

9		STD WORK SECONDS - MANUAL BOARDS	100.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
10		STD WORK SECONDS - TSPS	100.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
11		STD WORK SECONDS - OPERATORS	100.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
12		END USER SVC ORDER CONTRACTS	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
13		END USER PAYMENT & COLLECTION	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
14		END USER BILLING INQUIRY CONTACTS	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
15		IX CARRIER SVC ORDER CONTACTS	100.0000%		0.0000%	0.0000%	66.7303%	0.0000%	33.2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
16		IX CARRIER PAYMENT & COLLECTION	100.0000%		0.0000%	0.0000%	66.7303%	0.0000%	33.2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
17		IX CARRIER BILLING INQUIRY CONTACTS	100.0000%		0.0000%	0.0000%	66.7303%	0.0000%	33.2697%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
18		PUBLIC TELEPHONE REVENUE	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
19		END USER BILLING & COLLECTION	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
20		OPERATOR SERVICES UNDER CONTRACT	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

Projected Study 2004/05
6/7/2005

"PROPRIETARY INFORMATION"

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PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005

COST SUPPORT MATERIAL
PART 36 SEPARATIONS

SECTION 4

S-1,1of1

REVENUE REQUIREMENT SUMMARY

S-1,1of1

LN	ALLOCATION RATIOS	TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE MSG TOLL		OTHER	NONACCESS
				INTRALATA	INTERLATA		
REVENUE REQUIREMENT SUMMARY							
1	NET INVESTMENT FOR SETTLEMENTS	7,948,158	NOTE A	119,712	3,228,827	4,599,619	0
2	RATE OF RETURN			11.2500%	11.2500%	9.5000%	11.2500%
3	RETURN ON INVESTMENT	813,674	LN1*LN 2	13,468	363,243	436,964	0
4	ALLOWANCE FOR FUNDS USED DURING CONSTR	0	S-8, LN 29	0	0	0	0
5	NET RETURN FOR SETTLEMENTS	813,674	LN3-LN4	13,468	363,243	436,964	0
6	TOTAL ITC AMORTIZATION	0	S-12, LN 28+29	0	0	0	0
7	FEDERAL OPERATING INCOME TAX (ACTUAL)	0	S-12, LN 30	0	0	0	0
8	FEDERAL OPERATING INCOME TAX (OPTION)	20,945	LN28-LN11	932	25,480	-5,467	0
9	STATE AND LOCAL INCOME TAX (ACTUAL)	0	S-12, LN 31	0	0	0	0
10	STATE AND LOCAL INCOME TAX (OPTION)	6,972	LN 33	310	8,482	-1,820	0
11	PROVISION FOR DEFERRED INCOME TAX	0	S-12, LN 33	0	0	0	0
13	OPERATING EXPENSE AND TAX	20,200,625	S-8, LN 18	301,706	8,247,852	11,851,066	0
14	NONOPERATING EXPENSE	21,733	S-8, LN 23	324	8,885	12,524	0
15	UNCOLLECTIBLES	271,799	S-8, LN 28	3,411	91,819	176,569	0
16	BASIS FOR GROSS RECEIPTS TAX	21,335,748		320,152	8,745,761	12,269,835	0
17	GROSS RECEIPTS TAX RATE (GROSS UP)			0.0000%	0.0000%	0.0000%	0.0000%
18	GROSS RECEIPTS TAX	0		0	0	0	0
19	TOTAL REVENUE REQUIREMENT	21,335,748		320,152	8,745,761	12,269,835	0

NOTE A: INCLUDES NET TEL PLANT FROM SCH S-2, LN 33 LESS A/C's 2004 ,2006 ,2007 AND 1402 OTHER THAN RTB STOCK.

OPTIONAL GROSS UP INCOME TAX CALCULATION							
20	RETURN ON INVESTMENT	813,674	LN 3	13,468	363,243	0	0
21	INTEREST AND RELATED ITEMS	773,016	S-12, LN 19	11,658	313,782	0	0
22	OTHER INCOME ADJUSTMENTS	0	S-12, LN 24+25	0	0	0	0
23	TOTAL INCOME ADJUSTMENTS	773,016	LN 21+22	11,658	313,782	0	0
24	FEDERAL ITC AMORTIZATION	0	S-12, LN 28	0	0	0	0
25	FEDERAL TAXABLE INCOME	61,603		2,742	74,941	0	0
26	FEDERAL INCOME TAX @	34.00%	LN 25*FIT	932	25,480	0	0
27	FEDERAL SURTAX ALLOCATION	0	S-2, LN 34	0	0	0	0
28	NET FEDERAL INCOME TAX BEFORE ITC	20,945	LN26-LN27	932	25,480	0	0
29	STATE ITC AMORTIZATION	0	S-12, LN 29	0	0	0	0
30	STATE TAXABLE INCOME	58,103		2,586	70,683	0	0
31	STATE INCOME TAX @	12.00%	LN 30*SIT	310	8,482	0	0
32	STATE SURTAX EXEMPTION	0	S-2, LN 34	0	0	0	0
33	NET STATE INCOME TAX BEFORE ITC	6,972		310	8,482	0	0

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005

COST SUPPORT MATERIAL
PART 36 SEPARATIONS

SECTION 4

S-2,1of1

SUMMARY OF NET TELEPHONE PLANT, M&S AND WORKING CAPITAL

S-2,1of1

LN	ALLOCATION RATIOS		TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE MSG TOLL		OTHER	NONACCESS
					INTRALATA	INTERLATA		
NET INVESTMENT SUMMARY								
1	GENERAL SUPPORT FACILITIES	2110	4,478,151	S-3,LN 10	67,535	1,817,767	2,592,850	0
2	CENTRAL OFFICE SWITCHING EQUIPMEI	2210	23,164,497	S-4,LN 52	349,344	9,402,910	13,412,244	0
3	OPERATOR SYSTEMS EQUIPMENT	2220	0	S-4,LN 41	0	0	0	0
4	CENTRAL OFFICE TRANSMISSION EQUIP	2230	0	S-4,LN 78	0	0	0	0
5	INFORMATION ORIG/TERM EQUIPMENT	2310	0	S-5,LN 17	0	0	0	0
6	CABLE AND WIRE FACILITIES	2410	0	S-5,LN 42	0	0	0	0
7	TANGIBLE ASSETS	2680	648,643	S-3,LN 29	9,782	263,296	375,564	0
8	INTANGIBLE ASSETS	2690	283,691	S-3,LN 36	4,278	115,156	164,257	0
9	TOTAL PLANT IN SERVICE A/C 2001		28,574,983		430,939	11,599,128	16,544,915	0
10	% DISTRIBUTION		100.0000%		1.5081%	40.5919%	57.9000%	0.0000%
11	PROPERTY HELD FOR FUTURE USE	2002	0	S-6,LN 9	0	0	0	0
12	PLANT UNDER CONSTR - SHORT TERM	2003	0	S-6,LN 15	0	0	0	0
13	PLANT UNDER CONSTR - LONG TERM	2004	0	S-6,LN 21	0	0	0	0
14	TELEPHONE PLANT ADJUSTMENT	2005	0	S-6,LN 27	0	0	0	0
15	NONOPERATING PLANT	2006	0	DIRECT				0
16	GOODWILL	2007	0	DIRECT				0
17	TOTAL PROPERTY, PLANT & EQUIPMENT		28,574,983		430,939	11,599,128	16,544,915	0
18	% DISTRIBUTION		100.0000%		1.5081%	40.5919%	57.9000%	0.0000%
19	ACCUM DEPRECIATION - PLANT IN SERV	3100	16,526,224	S-7,LN 18	249,232	6,708,308	9,568,684	0
20	ACCUM DEPRECIATION - FUTURE USE	3200	0	S-7,LN 19	0	0	0	0
21	ACCUM AMORTIZATION - TANGIBLE PRO	3400	495,726	S-7,LN 23	7,476	201,224	287,025	0
22	ACCUM AMORTIZATION - INTANGIBLE PF	3500	283,691	S-7,LN 24	4,278	115,156	164,257	0
23	ACCUM AMORTIZATION - TEL PLANT ADJ	3600	0	S-7,LN 25	0	0	0	0
24	OPERATING DEFERRED INCOME TAX - N	VAR	4,184,212	S-7,LN 32	63,102	1,698,451	2,422,659	0
25	OTHER DEFERRED CREDITS - NET	4360	0	S-7,LN 38	0	0	0	0
26	NET TELEPHONE PLANT		7,085,129		106,851	2,875,989	4,102,290	0
27	% DISTRIBUTION		100.0000%		1.5081%	40.5919%	57.9000%	0.0000%
28	MATERIALS AND SUPPLIES	1220	0	S-6,LN 31	0	0	0	0
29	INVESTMENT IN NONAFFILIATED CO'S	1402	0	S-6,LN 35	0	0	0	0
30	EQUAL ACCESS EQUIPMENT	1439	0	S-6,LN 36	0	0	0	0
31	OTHER JURISDICTIONAL ASSETS	1500	0	S-6,LN 37	0	0	0	0
32	CASH WORKING CAPITAL	XXXX	863,029	S-3,LN 3	12,861	352,838	497,329	0
33	NET TEL PLANT, M&S AND CASH WORKING CAPITAL		7,948,158		119,712	3,228,827	4,599,619	0
34	% DISTRIBUTION		100.0000%		1.5082%	40.6236%	57.8702%	0.0000%

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2005

COST SUPPORT MATERIAL
PART 36 SEPARATIONS

SECTION 4

S-8,1of1

SUMMARY OF OPERATING EXPENSE AND TAX

S-8,1of1

LN	ALLOCATION RATIOS		TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE MSG TOLL		OTHER	NONACCESS
					INTRALATA	INTERLATA		
	OPERATING EXPENSE AND TAX SUMMARY							
1	NETWORK SUPPORT EXPENSE	6110	0	S-9,LN 7	0	0	0	0
2	GENERAL SUPPORT EXPENSE	6120	1,083,648	S-9,LN 8	16,342	439,873	627,432	0
3	CENTRAL OFFICE EXPENSE	6210	963,356	S-9,LN 15	14,528	391,044	557,783	0
4	INFORMATION ORIG/TERM EXPENSE	6310	0	S-9,LN 21	0	0	0	0
5	CABLE AND WIRE FACILITIES EXPENSE	6410	12,777,678	S-9,LN 25	190,145	5,231,680	7,355,854	0
6	OTHER PLANT EXPENSE	6510	0	S-10,LN 11	0	0	0	0
7	NETWORK OPERATIONS EXPENSE	6530	793,074	S-10,LN 13	11,960	321,924	459,190	0
8	ACCESS CHARGE EXPENSE	6540	0	S-10,LN 14	0	0	0	0
9	MARKETING EXPENSE	6610	0	S-11,LN 13	0	0	0	0
10	SERVICES EXPENSE	6620	192,367	S-11,LN 44	2,827	76,087	113,454	0
11	EXECUTIVE AND PLANNING EXPENSE	6710	352,092	S-12,LN 8+9	5,247	143,948	202,896	0
12	GENERAL AND ADMINISTRATIVE EXPENSE	6720	1,380,410	S-12,LN 11+12	20,571	564,363	795,475	0
13	SUBTOTAL OPERATING EXPENSES		17,542,825		261,621	7,168,919	10,112,084	0
14	% DISTRIBUTION		100.0000%		1.4913%	40.8657%	57.6429%	0.0000%
15	DEPRECIATION AND AMORTIZATION	6560	2,506,669	S-10,LN 22+29	37,803	1,017,504	1,451,361	0
16	OTHER OPERATING TAX	7240	151,332	S-12,LN 32	2,282	61,428	87,621	0
17	EQUAL ACCESS EXPENSE		0	S-12,LN 15	0	0	0	0
18	TOTAL OPERATING EXPENSE AND TAX		20,200,825		301,706	8,247,852	11,651,066	0
19	% DISTRIBUTION		100.0000%		1.4935%	40.8297%	57.6768%	0.0000%
	NON OPERATING EXPENSE		7370					
20	ABANDONED CONSTRUCTION		0	S-2,LN 10	0	0	0	0
21	CONTRIBUTIONS		21,733	S-12,LN 14	324	8,885	12,524	0
22	OTHER NON OPERATING EXPENSE		0	DIRECT				0
23	TOTAL NON OPERATING EXPENSE		21,733		324	8,885	12,524	0
24	% DISTRIBUTION		100.0000%		1.4902%	40.8837%	0.0000%	0.0000%
	UNCOLLECTIBLES							
25	END USER MSG TOLLS	5310	0	DIRECT	0	0	0	0
26	END USER COMMON LINE	5320	0	DIRECT	0	0	0	0
27	IX CARRIER	5330	271,799	S-11,LN 5	3,411	91,819	176,569	0
28	TOTAL UNCOLLECTIBLES		271,799		3,411	91,819	176,569	0
29	ALLOWANCE FOR FUNDS USED DURING	7340	0	S-12,LN 3	0	0	0	0

PUBLIC VERSION

IOWA NETWORK SERVICES, INC.
PROJECTED JUNE 30, 2005

COST SUPPORT MATERIAL
PART 64 SEPARATIONS

SECTION 5

S-1,1of1

REVENUE REQUIREMENT SUMMARY

LN	DESCRIPTION	A/C	CAT	TOTAL COMPANY	ALLOCATION BASIS	ACCESS DIVISION	ALL OTHER
	REVENUE REQUIREMENT SUMMARY						
1	NET INVESTMENT FOR SETTLEMENTS			36,517,890	NOTE A	7,948,158	28,569,732
2	RATE OF RETURN					10.2373%	9.6106%
3	RETURN ON INVESTMENT			3,559,394	LN1*LN 2	813,674	2,745,720
4	ALLOWANCE FOR FUNDS USED DURING CONSTR			0	S-8, LN 30	0	0
5	NET RETURN FOR SETTLEMENTS			3,559,394	LN 3-LN 4	813,674	2,745,720
6	TOTAL ITC AMORTIZATION			0	S-12, LN 32	0	0
7	FEDERAL OPERATING INCOME TAX	(ACTUAL)		0		0	0
8	FEDERAL OPERATING INCOME TAX	(OPTION)		-29,755	LN28-LN11	20,945	-50,700
9	STATE AND LOCAL INCOME TAX	(ACTUAL)		0		0	0
10	STATE AND LOCAL INCOME TAX	(OPTION)		-9,905	LN 32	6,972	-16,877
11	PROVISION FOR DEFERRED INCOME TAX			0	S-12, LN 36	0	0
13	OPERATING EXPENSE AND TAX			68,487,906	S-8, LN 20	20,200,625	48,287,281
14	NONOPERATING EXPENSE			54,507	S-8, LN 25	21,733	32,774
15	UNCOLLECTIBLES			583,546	S-8, LN 29	271,799	311,747
16	BASIS FOR GROSS RECEIPTS TAX			72,645,693		21,335,748	51,309,945
17	GROSS RECEIPTS TAX RATE	(GROSS UP)				0.0000%	0.0000%
18	GROSS RECEIPTS TAX			0		0	0
19	TOTAL REVENUE REQUIREMENT			72,645,693		21,335,748	51,309,945

NOTE A: INCLUDES NET TEL PLANT FROM SCH S-2, LN 33 LESS A/C's 2004 ,2006 ,2007 AND 1402.

	OPTIONAL GROSS UP INCOME TAX CALCULATION						
20	RETURN ON INVESTMENT			3,559,394	LN 3	813,674	2,745,720
21	INTEREST AND RELATED ITEMS			7,450,421	S-12, LN 22	773,016	6,677,405
22	OTHER INCOME ADJUSTMENTS			-3,833,268	S-12, LN 27+28	0	-3,833,268
23	TOTAL INCOME ADJUSTMENTS			3,617,153	LN 21+22	773,016	2,844,137
24	FEDERAL ITC AMORTIZATION			0	S-12, LN 32	0	0
25	FEDERAL TAXABLE INCOME			-87,514		61,603	-149,117
26	FEDERAL INCOME TAX @	34.00%		-29,755	LN 25*FIT	20,945	-50,700
27	FEDERAL SURTAX ALLOCATION			0	S-2, LN 32	0	0
28	NET FEDERAL INCOME TAX BEFORE ITC			-29,755	LN26-LN27	20,945	-50,700
29	STATE TAXABLE INCOME			-82,542		58,103	-140,644
30	STATE INCOME TAX @	12.00%		-9,905	LN 29*SIT	6,972	-16,877
31	STATE SURTAX EXEMPTION			0	S-2, LN 32	0	0
32	NET STATE INCOME TAX BEFORE ITC			-9,905	LN30-LN31	6,972	-16,877

PUBLIC VERSION

IOWA NETWORK SERVICES, INC.
PROJECTED JUNE 30, 2005

COST SUPPORT MATERIAL
PART 64 SEPARATIONS

SECTION 5

S-2,1of1

SUMMARY OF NET TELEPHONE PLANT, M&S AND WORKING CAPITAL

S-2,1of1

LN	DESCRIPTION	A/C	CAT	TOTAL COMPANY	ALLOCATION BASIS	ACCESS DIVISION	ALL OTHER
	NET INVESTMENT SUMMARY						
1	GENERAL SUPPORT FACILITIES	2110		13,592,532	S-3, LN 27	4,478,151	9,114,381
2	CENTRAL OFFICE SWITCHING EQUIPME	2210		36,639,221	S-4, LN 17	23,164,497	13,474,724
3	CENTRAL OFFICE TRANSMISSION EQUIF	2230		39,811,366	S-4, LN 31	0	39,811,366
4	CABLE AND WIRE FACILITIES	2410		21,331,701	S-5, LN 16	0	21,331,701
5	TANGIBLE ASSETS	2680		1,968,825	S-3, LN 54	648,643	1,320,182
6	INTANGIBLE ASSETS	2690		1,136,555	S-3, LN 61	283,691	852,864
7	TOTAL PLANT IN SERVICE A/C 2001			114,480,200		28,574,983	85,905,217
8	% DISTRIBUTION			100.0000%		24.9606%	75.0394%
9	PROPERTY HELD FOR FUTURE USE	2002		0	S-6, LN 9	0	0
10	PLANT UNDER CONSTR - SHORT TERM	2003		0	S-6, LN 15	0	0
11	PLANT UNDER CONSTR - LONG TERM	2004		0	S-6, LN 21	0	0
12	TELEPHONE PLANT ADJUSTMENT	2005		0	S-6, LN 27	0	0
13	NONOPERATING PLANT	2006		0	DIRECT		
14	GOODWILL	2007		0	DIRECT		
15	TOTAL PROPERTY, PLANT & EQUIPMENT			114,480,200		28,574,983	85,905,217
16	% DISTRIBUTION			100.0000%		24.9606%	75.0394%
17	ACCUM DEPRECIATION - PLANT IN SERV	3100		61,827,139	S-7, LN 30	16,526,224	45,300,915
18	ACCUM DEPRECIATION - FUTURE USE	3200		0	S-7, LN 31	0	0
19	ACCUM AMORTIZATION - TANGIBLE PRC	3400		1,504,676	S-7, LN 36	495,726	1,008,950
20	ACCUM AMORTIZATION - INTANGIBLE PF	3500		1,136,555	S-7, LN 37	283,691	852,864
21	ACCUM AMORTIZATION - TEL PLANT AD.	3600		0	S-7, LN 38	0	0
22	OPERATING DEFERRED INCOME TAX - N	VAR		16,858,582	S-7, LN 44	4,184,212	12,674,370
23	OTHER DEFERRED CREDITS - NET	4360		0	S-7, LN 49	0	0
24	NET TELEPHONE PLANT			33,153,248		7,085,129	26,068,119
25	% DISTRIBUTION			100.0000%		21.3708%	78.6292%
26	MATERIALS AND SUPPLIES	1220		221,021	S-6, LN 32	0	221,021
27	PREPAID EXPENSES	1300		0	S-6, LN 37	0	0
28	INVESTMENT IN NONAFFILIATED CO'S	1402		0	S-6, LN 38	0	0
29	OTHER JURISDICTIONAL ASSETS	1500		0	S-6, LN 39	0	0
30	CASH WORKING CAPITAL	XXXX		3,143,621	COMPUTED	863,029	2,280,593
31	NET TEL PLANT, M&S AND CASH WORKING CAPITAL			36,517,890		7,948,158	28,569,732
32	% DISTRIBUTION			100.0000%		21.7651%	78.2349%

PUBLIC VERSION

IOWA NETWORK SERVICES, INC.
PROJECTED JUNE 30, 2005

COST SUPPORT MATERIAL
PART 64 SEPARATIONS

SECTION 5

S-8,1of1

SUMMARY OF OPERATING EXPENSE AND TAX

S-8,1of1

LN	DESCRIPTION	A/C	CAT	TOTAL COMPANY	ALLOCATION BASIS	ACCESS DIVISION	ALL OTHER
	OPERATING EXPENSE AND TAX SUMMARY						
1	NETWORK SUPPORT EXPENSE	6110		187,147	S-9, LN 13-23	62,473	124,674
2	GENERAL SUPPORT EXPENSE	6120		2,757,350	S-9, LN 24-27	1,021,174	1,736,176
3	CENTRAL OFFICE EXPENSE	6210		2,841,391	S-9, LN 33	963,356	1,878,035
4	CABLE AND WIRE FACILITIES EXPENSE	6410		26,868,987	S-9, LN 35	12,777,678	14,091,309
5	OTHER PLANT EXPENSE	6510		0	S-10, LN 6	0	0
6	NETWORK OPERATIONS EXPENSE	6530		3,371,263	S-10, LN 13	793,074	2,578,189
7	ACCESS CHARGE EXPENSE	6540		14,781,104	S-10, LN 15	0	14,781,104
8	MARKETING EXPENSE	6610		2,145,901	S-11, LN 15	0	2,145,901
9	SERVICES EXPENSE	6620		1,428,191	S-11, LN 39	192,367	1,235,824
10	EXECUTIVE AND PLANNING EXPENSE	6710		909,336	S-12, LN 7	352,092	557,244
11	GENERAL AND ADMINISTRATIVE EXPEN:	6720		3,296,902	S-12, LN 8-15	1,380,410	1,916,492
12	SUBTOTAL OPERATING EXPENSES			58,587,572		17,542,625	41,044,947
13	% DISTRIBUTION			100.0000%		29.9426%	70.0574%
14	DEPRECIATION - PLANT IN SERVICE	6561		9,129,986	S-10, LN 33	2,452,616	6,677,370
15	DEPRECIATION - FUTURE USE	6562		0	S-10, LN 34	0	0
16	AMORTIZATION - TANGIBLES	6563		164,066	S-3, LN 42-44	54,053	110,013
17	AMORTIZATION - INTANGIBLES	6564		0	S-3, LN 45	0	0
18	AMORTIZATION - OTHER	6565		0	S-3, LN 46	0	0
19	OTHER OPERATING TAX	7240		606,282	S-12, LN 35	151,332	454,950
20	TOTAL OPERATING EXPENSE AND TAX			68,487,906		20,200,625	48,287,281
21	% DISTRIBUTION			100.0000%		29.4952%	70.5048%
	NON OPERATING EXPENSE						
22	ABANDONED CONSTRUCTION	7370		0	S-2, LN 8	0	0
23	CONTRIBUTIONS			54,507	S-12, LN 2	21,733	32,774
24	ALL OTHER			0	S-12, LN 2	0	0
25	TOTAL NON OPERATING EXPENSE			54,507		21,733	32,774
26	% DISTRIBUTION			100.0000%		39.8711%	60.1289%
	UNCOLLECTIBLES						
27	END USER MSG TOLLS	5310		311,747	DIRECT	XXX	311,747
28	IX CARRIER	5330		271,799	DIRECT	271,799	
29	TOTAL UNCOLLECTIBLES			583,546		271,799	311,747
30	ALLOWANCE FOR FUNDS USED DURING	7340		0	S-12, LN 4	0	0

COS-1(P)
 Filing Date: 6/24/2004
 Filing Entity: Iowa Network Access Division
 Transmittal Number: 22
 COSA: INIAAN03
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Rate-of Return TRP
 Cost Analysis Summary
 Test Year: 7/04 - 7/05

	Total Company (A)	Part 64 Adjustments (B)	Other Adjustments (C)	Subject to Separations (D)	Total Interstate (E)
Revenues					
100 Network Access	n/a	n/a	n/a	n/a	n/a
110 Uncollectibles	n/a	n/a	n/a	n/a	n/a
120 Common Line Support	n/a	n/a	n/a	n/a	n/a
130 Long Term	n/a	n/a	n/a	n/a	n/a
140 Transitional	n/a	n/a	n/a	n/a	n/a
150 Miscellaneous	n/a	n/a	n/a	n/a	n/a
160 Net Revenues	---	---	---	---	---
Expenses					
170 Plant Specific	---	---	---	---	---
171 Network Support	0	0	0	0	0
172 General Support	1,083,648	0	0	1,083,648	456,216
173 Central Office	963,356	0	0	963,356	405,573
174 Operator Systems	0	0	0	0	0
175 COE Switching	963,356	0	0	963,356	405,573
176 COE Transmission	0	0	0	0	0
177 IOT	0	0	0	0	0
178 Cable & Wire Facilities	12,777,678	0	0	12,777,678	5,421,824
180 Plant Non-Sp. Less Dep./Amor	n/a	n/a	n/a	n/a	333,884
190 Depreciation / Amortization	2,506,859	0	0	2,506,859	1,055,307
200 Customer Operations	n/a	n/a	n/a	n/a	78,914
201 Marketing	0	0	0	0	0
202 Local Business Office	115,420	0	0	115,420	40,440
203 Revenue Accounting	76,947	0	0	76,947	38,474
204 Other Billing & Collection	0	0	0	0	0
210 Access	n/a	n/a	n/a	n/a	0
220 Corporate Operations	n/a	n/a	n/a	n/a	734,130
230 AFUDC	n/a	n/a	n/a	n/a	n/a
240 Other Exp. & Adjustments	n/a	n/a	n/a	n/a	9,209
250 Taxes Other than FIT	n/a	n/a	n/a	n/a	72,503
260 Total Exp and Other Taxes	---	---	---	---	5,557,560
FTT Adjustments					
270 Adjustment for FIT	773,016	0	0	773,016	325,440
280 Amortized ITC	0	0	0	0	0
290 Federal Income Taxes	n/a	n/a	n/a	n/a	0
300 Total Expenses & Taxes	---	---	---	---	8,242,120
Telephone Plant in Service					
310 General Support	4,478,151	0	0	4,478,151	1,885,302
320 Central Office Equip-Switch	23,164,497	0	0	23,164,497	9,752,253
321 Operator Systems	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0
323 Local Switching Ckt. 3	0	0	0	0	0
324 Equal Access	23,164,497	0	0	23,164,497	9,752,253
330 Central Office Equip-Trans	0	0	0	0	0
331 Subscriber Lines	0	0	0	0	0
332 Exchange Lines	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0
334 Host Remote	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0
342 Exchange	0	0	0	0	0
343 Interexchange	0	0	0	0	0
344 Host Remote	0	0	0	0	0
350 Info Org/Term Equipment	932,334	0	0	932,334	392,513
360 Amortizable Assets	28,574,982	0	0	28,574,982	12,030,068
370 Total Plant in Service	---	---	---	---	---
Adjustments to TRP					
380 Dep't / Amor Reserve	17,305,641	0	0	17,305,641	7,285,675
390 Accum Deferred Income Tax	4,164,212	0	0	4,164,212	1,761,553
400 Other Rate Base Adjust.	n/a	---	---	n/a	365,700
Return Data					
410 Average Rate Base	n/a	n/a	n/a	n/a	3,348,540
420 Return	n/a	n/a	n/a	n/a	n/a
430 Rate of Return	n/a	n/a	n/a	n/a	n/a

	Billing & Collection (F)	Interstate Inter-exchange (G)	ROR Regulated US Access (H)	Pay Phone (I)	Inside Wire (J)	BFP (K)	Total Common Line (L)
Revenues							
100 Network Access	n/a	n/a	9,033,947	0	0	0	0
110 Uncontractables	n/a	n/a	(95,230)	0	0	0	0
120 Common Line Support	n/a	n/a	0	0	0	0	0
130 Long Term	n/a	n/a	0	0	0	0	0
140 Transitional	n/a	n/a	0	0	0	0	0
150 Miscellaneous	n/a	n/a	31,986	0	0	0	0
160 Net Revenues	n/a	n/a	8,970,683	0	0	0	0
Expenses							
170 Plant Specific	0	0	6,283,613	0	0	0	0
171 Network Support	0	0	0	0	0	0	0
172 General Support	0	0	456,216	0	0	0	0
173 Central Office	0	0	405,573	0	0	0	0
174 Operator Systems	0	0	0	0	0	0	0
175 COE Switching	0	0	405,573	0	0	0	0
176 COE Transmission	0	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0	0
178 Cable & Wire Facilities	0	0	5,421,824	0	0	0	0
180 Plant Non-Sp. Leas Dep./Amor	0	0	333,884	0	0	0	0
190 Depreciation / Amortization	0	0	1,055,307	0	0	0	0
200 Customer Operations	0	0	78,914	0	0	0	0
201 Marketing	0	0	0	0	0	0	0
202 Local Business Office	0	0	40,440	0	0	0	0
203 Revenue Accounting	0	0	36,474	0	0	0	0
204 Other Billing & Collection	0	0	0	0	0	0	0
210 Access	n/a	0	n/a	n/a	n/a	n/a	n/a
220 Corporate Operations	0	0	734,130	0	0	0	0
230 AFUDC	n/a	n/a	0	0	0	0	0
240 Other Exp. & Adjustments	0	0	9,209	0	0	0	0
250 Taxes Other than FIT	0	0	72,503	0	0	0	0
260 Total Exp and Other Taxes	0	0	8,567,560	0	0	0	0
FIT Adjustments							
270 Adjustment for FIT	0	0	325,440	0	0	0	0
280 Amortized ITC	0	0	0	0	0	0	0
290 Federal Income Taxes	n/a	n/a	26,412	0	0	0	0
300 Total Expenses & Taxes	n/a	n/a	8,268,532	0	0	0	0
Telephone Plant in Service							
310 General Support	0	0	1,885,302	0	0	0	0
320 Central Office Equip-Switch	0	0	9,752,253	0	0	0	0
321 Operator Systems	0	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0	0
323 Local Switching C&L 3	0	0	0	0	0	0	0
324 Equal Access	0	0	9,752,253	0	0	0	0
330 Central Office Equip-Trans	0	0	0	0	0	0	0
331 Subscriber Lines	0	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0	0
350 Info Olig/Term Equipment	0	0	0	0	0	0	0
360 Amortizable Assets	0	0	392,513	0	0	0	0
370 Total Plant in Service	0	0	12,030,068	0	0	0	0
Adjustments to TPIS							
380 Dep'r / Amor Reserve	0	0	7,285,675	0	0	0	0
390 Accum Deferred Income Tax	0	0	1,761,553	0	0	0	0
400 Other Rate Base Adjust	0	0	365,700	0	0	0	0
Return Data							
410 Average Rate Base	n/a	n/a	3,346,540	0	0	0	0
420 Return	n/a	n/a	376,711	0	0	0	0
430 Rate of Return	n/a	11.25%	11.25%	0.00%	0.00%	0.00%	0.00%

	Local Switching (M)	Equal Access (N)	SS7 (O)	Information (P)	Tandem Switching (C)	Local Transport (T)
Revenues						
100 Network Access	0	0	0	0	0	9,033,947
110 Uncollectibles	0	0	0	0	0	(95,220)
120 Common Line Support	0	n/a	n/a	n/a	n/a	n/a
130 Long Term	0	n/a	n/a	n/a	n/a	n/a
140 Transitional	0	n/a	n/a	n/a	0	31,965
150 Miscellaneous	0	0	0	0	0	8,970,683
160 Net Revenues	0	0	0	0	0	0
Expenses						
170 Plant Specific	0	0	0	0	0	6,283,613
171 Network Support	0	0	0	0	0	0
172 General Support	0	0	0	0	0	456,216
173 Central Office	0	0	0	0	0	405,573
174 Operator Systems	0	0	0	0	0	0
175 COE Switching	0	0	0	0	0	405,573
176 COE Transmission	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0
178 Cable & Wire Facilities	0	0	0	0	0	5,421,824
180 Plant Non-Sp. Leas Dep/Amor	0	0	0	0	0	333,894
190 Depreciation / Amortization	0	0	0	0	0	1,055,307
200 Customer Operations	0	0	0	0	0	76,914
201 Marketing	0	0	0	0	0	0
202 Local Business Office	0	0	0	0	0	40,440
203 Revenue Accounting	0	0	0	0	0	36,474
204 Other Billing & Collection	0	0	0	0	0	0
210 Access	n/a	n/a	n/a	n/a	n/a	n/a
220 Corporate Operations	0	0	0	0	0	734,130
230 AFUDC	0	0	0	0	0	0
240 Other Exp. & Adjustments	0	0	0	0	0	9,209
250 Taxes Other than FIT	0	0	0	0	0	72,503
260 Total Exp and Other Taxes	0	0	0	0	0	8,557,560
FIT Adjustments						
270 Adjustment for FIT	0	0	0	0	0	325,440
280 Amortized LTC	0	0	0	0	0	0
290 Federal Income Taxes	0	0	0	0	0	26,412
300 Total Expenses & Taxes	0	0	0	0	0	8,268,532
Telephone Plant in Service						
310 General Support	0	0	0	0	0	1,895,302
320 Central Office Equip-Switch	0	0	0	0	0	9,752,253
321 Operator Systems	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0
323 Local Switching Cat. 3	0	0	0	0	0	0
324 Equal Access	0	0	0	0	0	9,752,253
330 Central Office Equip-Trans	0	0	0	0	0	0
331 Subscriber Lines	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0
350 Info Orig/Term Equipment	0	0	0	0	0	0
360 Amortizable Assets	0	0	0	0	0	392,513
370 Total Plant in Service	0	0	0	0	0	12,030,068
Adjustments to TRIS						
380 Dep'r / Amor Reserve	0	0	0	0	0	7,265,675
390 Accum Deferred Income Tax	0	0	0	0	0	1,761,553
400 Other Rate Base Adjust	0	0	0	0	0	365,700
Return Data						
410 Average Rate Base	0	0	0	0	0	3,346,540
420 Return	0	0	0	0	0	376,711
430 Rate of Return	0.00%	0.00%	0.00%	0.00%	0.00%	11.25%

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COS-1(P)
 Filing Date: 6/24/2004
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	Host Remote (S)	Total Switched Traffic Sensitive (T)	Special Access (U)
Revenues			
100 Network Access	0	9,033,947	0
110 Uncollectibles	n/a	(96,230)	n/a
120 Common Line Support	n/a	n/a	n/a
130 Long Term	n/a	n/a	n/a
140 Transitional	0	31,966	0
150 Miscellaneous	0	8,970,683	0
160 Net Revenues	---	---	---
Expenses			
170 Plant Specific	0	6,283,613	0
171 Network Support	0	0	0
172 General Support	0	456,216	0
173 Central Office	0	405,573	0
174 Operator Systems	0	0	0
175 COE Switching	0	405,573	0
176 COE Transmission	0	0	0
177 IOT	0	0	0
178 Cable & Wire Facilities	0	5,421,824	0
180 Plant Non-Sp. Leas Dep./Amor	0	333,884	0
190 Depreciation / Amortization	0	1,059,307	0
200 Customer Operations	0	78,914	0
201 Marketing	0	0	0
202 Local Business Office	0	40,440	0
203 Revenue Accounting	0	36,474	0
204 Other Billing & Collection	0	0	n/a
210 Access	n/a	n/a	n/a
220 Corporate Operations	0	734,130	0
230 AFUDC	0	0	0
240 Other Exp. & Adjustments	0	9,209	0
250 Taxes Other than FIT	0	72,503	0
260 Total Exp and Other Taxes	---	8,567,560	---
FTT Adjustments			
270 Adjustment for FIT	0	325,440	0
280 Amortized ITC	0	0	0
290 Federal Income Taxes	0	26,412	0
300 Total Expenses & Taxes	---	8,268,532	---
Telephone Plant in Service			
310 General Support	---	1,865,302	---
320 Central Office Equip-Switch	0	9,752,253	0
321 Operator Systems	0	0	0
322 Tandem Switching	0	0	0
323 Local Switching Cbl. 3	0	0	0
324 Equal Access	0	9,752,253	0
330 Central Office Equip-Trans	0	0	0
331 Subscriber Lines	0	0	0
332 Exchange Circuit	0	0	0
333 Interexchange Circuit	0	0	0
334 Host Remote	0	0	0
340 Cable & Wire	0	0	0
341 Subscriber Lines	0	0	0
342 Exchange	0	0	0
343 Interexchange	0	0	0
344 Host Remote	0	0	0
350 Into Orig/Term Equipment	0	0	0
360 Amortizable Assets	0	392,513	0
370 Total Plant in Service	---	12,030,068	---
Adjustments to TPIs			
380 Dep'r / Amor Reserve	0	7,286,675	0
390 Accum Deferred Income Tax	0	1,761,553	0
400 Other Rate Base Adjust.	0	365,700	0
Return Data			
410 Average Rate Base	0	3,348,540	0
420 Return	0	376,711	0
430 Rate of Return	0.00%	11.25%	0.00%

COS-1(H)
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Rate-of Return TRP
 Cost Analysis Summary
 Historical, Calendar Year 2003

	Total Company (A)	Part 64 Adjustments (B)	Other Adjustments (C)	Subject to Separations (D)	Total Intertele (E)
Revenues					
100 Network Access	n/a	n/a	n/a	n/a	n/a
110 Unallocables	n/a	n/a	n/a	n/a	n/a
120 Common Line Support	n/a	n/a	n/a	n/a	n/a
130 Long Term	n/a	n/a	n/a	n/a	n/a
140 Transitional	n/a	n/a	n/a	n/a	n/a
150 Miscellaneous	n/a	n/a	n/a	n/a	n/a
160 Net Revenues	n/a	n/a	n/a	n/a	n/a
Expenses					
170 Plant Specific	n/a	n/a	n/a	n/a	5,914,794
171 Network Support	0	0	0	0	0
172 General Support	812,130	0	0	812,130	354,002
173 Central Office	855,120	0	0	855,120	372,741
174 Operator Systems	0	0	0	0	0
175 COE Switching	855,120	0	0	855,120	372,741
176 COE Transmission	0	0	0	0	0
177 IOT	0	0	0	0	0
178 Cable & Wire Facilities	11,740,832	0	0	11,740,832	5,188,051
180 Plant Non-Sp. Less Dep./Amor	n/a	n/a	n/a	n/a	318,900
190 Depreciation / Amortization	2,386,202	0	0	2,386,202	1,040,129
200 Customer Operations	n/a	n/a	n/a	n/a	76,385
201 Marketing	0	0	0	0	0
202 Local Business Office	112,031	0	0	112,031	39,011
203 Revenue Accounting	74,688	0	0	74,688	37,344
204 Other Billing & Collection	0	0	0	0	0
210 Access	n/a	n/a	n/a	n/a	0
220 Corporate Operations	n/a	n/a	n/a	n/a	684,349
230 AFUDC	n/a	n/a	n/a	n/a	n/a
240 Other Exp. & Adjustments	n/a	n/a	n/a	n/a	7,969
250 Taxes Other than FIT	n/a	n/a	n/a	n/a	112,029
260 Total Exp and Other Taxes	n/a	n/a	n/a	n/a	6,154,545
FTT Adjustments					
270 Adjustment for FIT	357,609	0	0	357,609	155,880
280 Amortized ITC	0	0	0	0	0
290 Federal Income Taxes	n/a	n/a	n/a	n/a	0
300 Total Expenses & Taxes	n/a	n/a	n/a	n/a	7,998,665
Telephone Plant In Service					
310 General Support	3,948,096	0	0	3,948,096	1,720,947
320 Central Office Equip-Switch	22,463,844	0	0	22,463,844	9,791,832
321 Operator Systems	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0
323 Local Switching Cat. 3	0	0	0	0	0
324 Equal Access	22,463,844	0	0	22,463,844	9,791,832
330 Central Office Equip-Trans	0	0	0	0	0
331 Subscriber Lines	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0
334 Host Remote	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0
342 Exchange	0	0	0	0	0
343 Interexchange	0	0	0	0	0
344 Host Remote	0	0	0	0	0
350 Info Chg/Term Equipment	0	0	0	0	0
360 Amortizable Assets	920,853	0	0	920,853	401,393
370 Total Plant In Service	27,332,793	0	0	27,332,793	11,914,172
Adjustments to TRPS					
380 Dep'r / Amor Reserve	15,271,452	0	0	15,271,452	6,696,716
390 Accum Deferred Income Tax	4,197,934	0	0	4,197,934	1,829,860
400 Other Rate Base Adjust.	n/a	n/a	n/a	n/a	337,873
Return Data					
410 Average Rate Base	n/a	n/a	n/a	n/a	3,765,477
420 Return	n/a	n/a	n/a	n/a	n/a
430 Rate of Return	n/a	n/a	n/a	n/a	n/a

	Billing & Collection (F)	Interstate Inter-exchange (G)	ROR Regulated IIS Access (H)	Pay Phone (I)	Inside Wire (J)	BFP (K)	Total Common Line (L)
Revenues							
100 Network Access	n/a	n/a	8,586,953	0	0	0	0
110 Uncollectibles	n/a	n/a	(406,788)	0	0	0	0
120 Common Line Support	n/a	n/a	0	0	0	0	0
130 Long Term	n/a	n/a	0	0	0	0	0
140 Transitional	n/a	n/a	34,213	0	0	0	0
150 Miscellaneous	n/a	n/a	8,314,378	0	0	0	0
160 Net Revenues	---	---	---	---	---	---	---
Expenses							
170 Plant Specific	0	0	5,814,794	0	0	0	0
171 Network Support	0	0	0	0	0	0	0
172 General Support	0	0	354,002	0	0	0	0
173 Central Office	0	0	372,741	0	0	0	0
174 Operator Systems	0	0	0	0	0	0	0
175 COE Switching	0	0	372,741	0	0	0	0
176 COE Transmission	0	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0	0
178 Cable & Wire Facilities	0	0	5,188,051	0	0	0	0
180 Plant Non-Sp. Less Dep./Amor	0	0	318,900	0	0	0	0
190 Depreciation / Amortization	0	0	1,040,129	0	0	0	0
200 Customer Operations	0	0	76,355	0	0	0	0
201 Marketing	0	0	0	0	0	0	0
202 Local Business Office	0	0	39,011	0	0	0	0
203 Revenue Accounting	0	0	37,344	0	0	0	0
204 Other Billing & Collection	0	0	0	0	0	0	0
210 Access	n/a	0	n/a	n/a	n/a	n/a	n/a
220 Corporate Operations	0	0	694,349	0	0	0	0
230 AFUDC	n/a	n/a	0	0	0	0	0
240 Other Exp. & Adjustments	0	0	7,989	0	0	0	0
250 Taxes Other than FIT	0	0	112,029	0	0	0	0
260 Total Exp and Other Taxes	---	---	8,154,545	---	---	---	---
FTT Adjustments							
270 Adjustment for FIT	0	0	155,890	0	0	0	0
280 Amortized ITC	0	n/a	0	0	0	0	0
290 Federal Income Taxes	n/a	---	1,344	0	0	0	0
300 Total Expenses & Taxes	n/a	---	8,000,009	---	---	---	---
Telephone Plant in Service							
310 General Support	0	0	1,720,947	0	0	0	0
320 Central Office Equip-Switch	0	0	9,791,832	0	0	0	0
321 Operator Systems	0	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0	0
323 Local Switching	0	0	0	0	0	0	0
324 Equal Access	0	0	9,791,832	0	0	0	0
330 Central Office Equip-Trunks	0	0	0	0	0	0	0
331 Subscriber Lines	0	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0	0
350 Into Org/Term Equipment	0	0	0	0	0	0	0
360 Amortizable Assets	0	0	401,383	0	0	0	0
370 Total Plant in Service	---	---	11,914,172	---	---	---	---
Adjustments to TRS							
380 Dep'r / Amor Reserve	0	0	6,656,718	0	0	0	0
390 Accum Deferred Income Tax	0	0	1,829,850	0	0	0	0
400 Other Rate Base Adjust.	0	0	337,873	0	0	0	0
Return Data							
410 Average Rate Base	n/a	n/a	3,765,477	0	0	0	0
420 Return	n/a	n/a	158,489	0	0	0	0
430 Rate of Return	n/a	0.00%	4.21%	0.00%	0.00%	0.00%	0.00%

PUBLIC VERSION

GOS-1(H)
 Filing Date: 6/24/2004
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	Local Switching (M)	Equal Access (N)	SS7 (C)	Information (P)	Tandem Switching (C)	Local Transport (R)
Revenues						
100 Network Access	0	0	0	0	0	8,636,953
110 Uncollectibles	0	0	0	0	0	(406,768)
120 Common Line Support	0	n/a	n/a	n/a	n/a	n/a
130 Long Term	0	n/a	n/a	n/a	n/a	n/a
140 Transitional	0	n/a	n/a	n/a	n/a	n/a
150 Miscellaneous	0	0	0	0	0	34,213
160 Net Revenues	0	0	0	0	0	8,314,378
Expenses						
170 Plant Specific	0	0	0	0	0	5,914,794
171 Network Support	0	0	0	0	0	0
172 General Support	0	0	0	0	0	354,002
173 Central Office	0	0	0	0	0	372,741
174 Operator Systems	0	0	0	0	0	0
175 COE Switching	0	0	0	0	0	372,741
176 COE Transmission	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0
178 Cable & Wire Facilities	0	0	0	0	0	5,188,051
180 Plant Non-Sp. Less Dep./Amor	0	0	0	0	0	318,990
190 Depreciation / Amortization	0	0	0	0	0	1,040,129
200 Customer Operations	0	0	0	0	0	76,355
201 Marketing	0	0	0	0	0	0
202 Local Business Office	0	0	0	0	0	39,011
203 Revenue Accounting	0	0	0	0	0	37,344
204 Other Billing & Collection	0	0	0	0	0	0
210 Access	n/a	n/a	n/a	n/a	n/a	n/a
220 Corporate Operations	0	0	0	0	0	694,349
230 AFUDC	0	0	0	0	0	0
240 Other Exp. & Adjustments	0	0	0	0	0	7,989
250 Taxes Other than FIT	0	0	0	0	0	112,029
260 Total Exp and Other Taxes	0	0	0	0	0	8,154,545
FIT Adjustments						
270 Adjustment for FIT	0	0	0	0	0	155,890
280 Amortized ITC	0	0	0	0	0	0
290 Federal Income Taxes	0	0	0	0	0	1,344
300 Total Expenses & Taxes	0	0	0	0	0	8,000,009
Telephone Plant in Service						
310 General Support	0	0	0	0	0	1,720,947
320 Central Office Equip-Switch	0	0	0	0	0	9,791,832
321 Operator Systems	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0
323 Local Switching Ckt. 3	0	0	0	0	0	0
324 Equal Access	0	0	0	0	0	9,791,832
330 Central Office Equip-Trans	0	0	0	0	0	0
331 Subscriber Lines	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0
333 Interchange Circuit	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0
350 Info Cntr/Term Equipment	0	0	0	0	0	401,383
360 Amortizable Assets	0	0	0	0	0	11,914,172
370 Total Plant in Service	0	0	0	0	0	---
Adjustments to TRS						
380 Dep't / Amor Reserve	0	0	0	0	0	6,686,718
390 Accum Deferred Income Tax	0	0	0	0	0	1,829,850
400 Other Rate Base Adjst.	0	0	0	0	0	337,873
Return Data						
410 Average Rate Base	0	0	0	0	0	3,785,477
420 Return	0.00%	0.00%	0.00%	0.00%	0.00%	158,489
430 Rate of Return	0.00%	0.00%	0.00%	0.00%	0.00%	4.21%

	Host Remote (S)	Total Switched Traffic Sensitive (T)	Special Access (U)
Revenues			
100 Network Access	0	6,595,953	0
110 Uncollectibles	0	(406,730)	0
120 Common Line Support	n/a	n/a	n/a
130 Long Term	n/a	n/a	n/a
140 Transitional	n/a	n/a	n/a
150 Miscellaneous	0	34,213	0
160 Net Revenues	0	8,314,378	0
Expenses			
170 Plant Specific	0	5,914,794	0
171 Network Support	0	0	0
172 General Support	0	354,002	0
173 Central Office	0	372,741	0
174 Operator Systems	0	0	0
175 COE Switching	0	372,741	0
176 COE Transmission	0	0	0
177 IOT	0	0	0
178 Cable & Wire Facilities	0	5,188,051	0
180 Plant Non-Sp. Less Dep/Amor	0	318,900	0
190 Depreciation / Amortization	0	1,040,129	0
200 Customer Operations	0	76,355	0
201 Marketing	0	39,011	0
202 Local Business Office	0	37,344	0
203 Revenue Accounting	0	0	0
204 Other Billing & Collection	0	0	0
210 Access	n/a	n/a	n/a
220 Corporate Operations	0	694,349	0
230 AFUDC	0	0	0
240 Other Exp. & Adjustments	0	7,989	0
250 Taxes Other than FIT	0	112,029	0
250 Total Exp and Other Taxes	0	8,154,545	0
FIT Adjustments			
270 Adjustment for FIT	0	155,890	0
280 Amortized ITC	0	0	0
290 Federal Income Taxes	0	1,344	0
300 Total Expenses & Taxes	0	8,000,009	0
Telephone Plant in Service			
310 General Support	0	1,720,947	0
320 Central Office Equip-Switch	0	9,791,832	0
321 Operator Systems	0	0	0
322 Tandem Switching	0	0	0
323 Local Switching	0	0	0
324 Equal Access	0	9,791,832	0
330 Central Office Equip-Trans	0	0	0
331 Subscriber Lines	0	0	0
332 Exchange Circuit	0	0	0
333 Interexchange Circuit	0	0	0
334 Host Remote	0	0	0
340 Cable & Wire	0	0	0
341 Subscriber Lines	0	0	0
342 Exchange	0	0	0
343 Interexchange	0	0	0
344 Host Remote	0	0	0
350 Info Ctg/Term Equipment	0	0	0
360 Amortizable Assets	0	401,383	0
370 Total Plant in Service	0	11,914,172	0
Adjustments to TPIIS			
380 Dep'r / Amor Reserve	0	6,656,718	0
390 Accum Deferred Income Tax	0	1,829,850	0
400 Other Rate Base Adjst.	0	337,873	0
Return Data			
410 Average Rate Base	0	3,765,477	0
420 Return	0	158,469	0
430 Rate of Return	0.00%	4.21%	0.00%

COS-2
 Filing Date: 6/24/2004
 Filing Entity: Iowa Network Access Division
 Transmittal Number: 22
 COSA: INIAAN03
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Rate-of-Return TRP
 7/04 - 6/05
 Versus 2003 Actual

	Common Line (A)	Traffic Sensitive Switched (B)	Traffic Sensitive Special (C)	Other Interstate (D)	Total Interstate (E)	Total Co. Subject to Separations (F)
Forecast, 7/04 - 6/05						
Revenue Requirement						
100 Depreciation/Amortization	0	1,055,307	0	0	1,055,307	2,506,669
105 Expense Less Dep & Amor	0	7,439,750	0	0	8,495,057	n/a
110 Taxes Less FIT	0	72,503	0	0	n/a	n/a
115 Return	0	376,711	0	n/a	n/a	n/a
120 FIT	0	26,412	0	n/a	n/a	n/a
125 Uncol., IDC & Other Adj.	0	0	0	n/a	n/a	n/a
130 Revenue Requirement	0	8,970,683	0	n/a	n/a	n/a
135 Access Service Revenue	0	8,970,683	0	n/a	n/a	n/a
Rate Base						
140 Telephone Plant in Service	0	12,030,068	0	0	12,030,068	28,574,982
145 Rate Base Adjustments	0	365,700	0	0	365,700	n/a
150 Depreciation Reserves	0	7,285,675	0	0	7,285,675	17,305,641
155 Accum Deferred Income Tax	0	1,761,553	0	0	1,761,553	4,184,212
160 Average Rate Base	0	3,348,540	0	0	3,348,540	n/a
Actual, 1/03 - 12/03						
Revenue Requirement						
200 Depreciation/Amortization	0	1,040,129	0	0	1,040,129	2,386,202
205 Expense Less Dep & Amor	0	7,002,387	0	0	7,002,387	n/a
210 Taxes Less FIT	0	112,029	0	0	n/a	n/a
215 Return	0	158,489	0	n/a	n/a	n/a
220 FIT	0	1,344	0	n/a	n/a	n/a
225 Uncol., IDC & Other Adj.	0	0	0	n/a	n/a	n/a
230 Revenue Requirement	0	8,314,378	0	n/a	n/a	n/a
235 Access Service Revenue	0	8,314,378	0	n/a	n/a	n/a
Rate Base						
240 Telephone Plant in Service	0	11,914,172	0	0	11,914,172	27,332,793
245 Rate Base Adjustments	0	337,873	0	0	337,873	n/a
250 Depreciation Reserves	0	6,656,718	0	0	6,656,718	15,271,452
255 Accum Deferred Income Tax	0	1,829,850	0	0	1,829,850	4,197,934
260 Average Rate Base	0	3,765,477	0	0	3,765,477	n/a

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Rate-of-Return TRP
7/04 - 6/05
Versus 2003 Actual

	Common Line (A)	Traffic Sensitive Switched (B)	Traffic Sensitive Special (C)	Other Interstate (D)	Total Interstate (E)	Total Co. Subject to Separations (F)
Forecast, 7/03 - 6/04						
Revenue Requirement						
100 Depreciation/Amortization	0	1,180,781	0	0	1,180,781	2,538,747
105 Expense Less Dep & Amor	0	6,943,150	0	0	6,943,150	n/a
110 Taxes Less FIT	0	124,767	0	0	n/a	n/a
115 Return	0	494,847	0	0	n/a	n/a
120 FIT	0	176,340	0	0	n/a	n/a
125 Uncol., IDC & Other Adj.	0	0	0	0	n/a	n/a
130 Revenue Requirement	0	8,919,885	0	0	n/a	n/a
135 Access Service Revenue	0	8,919,885	0	0	n/a	n/a
	---	---	---	---	---	---
Rate Base	---	---	---	---	---	---
140 Telephone Plant in Service	0	11,925,920	0	0	11,925,920	25,641,405
145 Rate Base Adjustments	0	362,533	0	0	362,533	n/a
150 Depreciation Reserves	0	6,798,044	0	0	6,798,044	14,616,181
155 Accum Deferred Income Tax	0	964,526	0	0	964,526	2,073,786
160 Average Rate Base	0	4,525,883	0	0	4,525,883	n/a
	---	---	---	---	---	---
Actual, 1/02 - 12/02						
Revenue Requirement						
200 Depreciation/Amortization	0	935,577	0	0	935,577	2,120,523
205 Expense Less Dep & Amor	0	6,377,747	0	0	6,377,747	n/a
210 Taxes Less FIT	0	132,582	0	0	132,582	n/a
215 Return	0	(76,523)	0	0	(76,523)	n/a
220 FIT	0	0	0	0	0	n/a
225 Uncol., IDC & Other Adj.	0	0	0	0	0	n/a
230 Revenue Requirement	0	7,369,383	0	0	7,369,383	n/a
235 Access Service Revenue	0	7,369,383	0	0	n/a	n/a
	---	---	---	---	---	---
Rate Base	---	---	---	---	---	---
240 Telephone Plant in Service	0	11,102,212	0	0	11,102,212	25,163,614
245 Rate Base Adjustments	0	317,433	0	0	317,433	n/a
250 Depreciation Reserves	0	5,303,941	0	0	5,303,941	12,021,597
255 Accum Deferred Income Tax	0	899,972	0	0	899,972	2,039,824
260 Average Rate Base	0	5,215,732	0	0	5,215,732	n/a

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Rate-of-Return TRP
7/04 - 6/05
Versus 2003 Actual

	Common Line (A)	Traffic Sensitive Switched (B)	Traffic Sensitive Special (C)	Other Interstate (D)	Total Interstate (E)	Total Co. Subject to Separations (F)
Forecast, 7/02 - 6/03						
Revenue Requirement						
100 Depreciation/Amortization	0	1,071,472	0	0	0	2,347,923
105 Expense Less Dep & Amor	0	6,152,131	0	0	0	n/a
110 Taxes Less FIT	0	141,675	0	0	n/a	n/a
115 Return	0	492,233	0	0	n/a	n/a
120 FIT	0	122,045	0	0	n/a	n/a
125 Uncol., IDC & Other Adj.	0	0	0	0	n/a	n/a
130 Revenue Requirement	0	7,979,556	0	0	n/a	n/a
135 Access Service Revenue	0	7,979,556	0	0	n/a	n/a
Rate Base						
140 Telephone Plant in Service	0	12,968,141	0	0	12,968,141	28,819,118
145 Rate Base Adjustments	0	324,654	0	0	324,654	n/a
150 Depreciation Reserves	0	6,217,468	0	0	6,217,468	13,817,089
155 Accum Deferred Income Tax	0	989,672	0	0	989,672	2,199,347
160 Average Rate Base	0	6,085,655	0	0	6,085,655	n/a
Actual, 1/01 - 12/01						
Revenue Requirement						
200 Depreciation/Amortization	0	928,569	0	0	928,569	1,931,796
205 Expense Less Dep & Amor	0	6,241,897	0	0	6,241,897	n/a
210 Taxes Less FIT	0	158,560	0	0	158,560	n/a
215 Return	0	528,277	0	0	528,277	n/a
220 FIT	0	122,464	0	0	122,464	n/a
225 Uncol., IDC & Other Adj.	0	0	0	0	0	n/a
230 Revenue Requirement	0	7,979,767	0	0	7,979,767	n/a
235 Access Service Revenue	0	7,979,767	0	n/a	n/a	n/a
Rate Base						
240 Telephone Plant in Service	0	13,231,902	0	0	13,231,902	28,360,802
245 Rate Base Adjustments	0	330,718	0	0	330,718	n/a
250 Depreciation Reserves	0	5,457,101	0	0	5,457,101	11,696,561
255 Accum Deferred Income Tax	0	1,067,857	0	0	1,067,857	2,288,806
260 Average Rate Base	0	7,037,662	0	0	7,037,662	n/a

PUBLIC VERSION

MAG-1
Filing Date: 6/24/2004
Filing Entity: Iowa Network Access Division
Transmittal Number : 22
COSA: INIAAN03

Rate-of Return TRP
MAG Adjustments
Test Year, 7/04 - 7/05

Access Element	Interstate Revenue Requirement Prior to Adjustments (A) Note 1	Local Switching Support (B) Note 2	Sub-Total (C) Cols. A-B	Line Port Transfer (D) Note 3	Universal Service Fund Contribution (E) Note 4	Frozen TIC Revenue (F) Note 5	Interstate Revenue Requirement Subject to TIC Re- allocation (G) Cols. C+D+E+F	Frozen TIC Re-allocation (G) Note 6	Interstate Revenue Requirement Subject to Rate Making
Carrier Common Line	\$0		\$0	\$0	\$0		\$0	\$0	\$0
Local Switching	\$0	\$0	\$0	\$0			\$0	\$0	\$0
Information	\$0		\$0				\$0	\$0	\$0
Transport	\$9,033,947		\$9,033,947			\$0	\$9,033,947	\$0	\$9,033,947
Special Access	<u>\$0</u>		<u>\$0</u>				<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$9,033,947	\$0	\$9,033,947	\$0	\$0	\$0	\$9,033,947	\$0	\$9,033,947

Note 1: Source of Revenue Requirements Column (A)
Carrier Common Line TRP COS-1(P) Line 100, Column L
Local Switching TRP COS-1(P) Line 100, Column M
Information TRP COS-1(P) Line 100, Column P
Transport TRP COS-1(P) Line 100, Column Q,R,S
Special Access TRP COS-1(P) Line 100, Column U

Note 2: Calculated using USAC Algorithm for Test Period
Note 3: Column C, Local Switching * Port Adjustment Factor
Note 4: Projected Amount per Account 6540
Note 5: From TRP Form MAG-2
Note 6: Distributed on Column G Totals

Factor Used for Line Port Adjustment: 0.0000%

MAG-2
Filing Date: 6/24/2004
Filing Entity: Iowa Network Access Division
Transmittal Number : 22
COSA: INIAAN03

Rate-of Return TRP
TIC Revenues
Test Year, 7/04 - 7/05

DEVELOPMENT FROZEN TIC REVENUE JULY 00 TO JUNE 01

Month	Transport Interconnection Charge Minutes Billed	Rate in Effect	Calculated Revenues
-------	--	----------------	------------------------

Jul-00	0	0.000000	\$0
Aug-00	0	0.000000	\$0
Sep-00	0	0.000000	\$0
Oct-00	0	0.000000	\$0
Nov-00	0	0.000000	\$0
Dec-00	0	0.000000	\$0
Jan-01	0	0.000000	\$0
Feb-01	0	0.000000	\$0
Mar-01	0	0.000000	\$0
Apr-01	0	0.000000	\$0
May-01	0	0.000000	\$0
Jun-01	0	0.000000	\$0

Total Frozen TIC Revenues
(Development based on FCC Order 01-304, Paragraph 103)

\$0

Or - Override (No Greater than Above):
(Actual TIC Revenue Used in December 17, 2001 Filing should be listed here)

\$0

Override = Actual TIC Revenues from Last Filing
(Development based on FCC Order 01-304, Paragraph 103)

Actual TIC Revenue Requirement from Filing Prior to MAG Filing in December 200

\$0

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Rate-of-Return TRP

Switched Access Revenue

Test Year, 7/04 - 7/05

	Minute or Message Rate (A)	Minute Miles Rate (B)	Line or Trunk Rate (C)	Minute or Message Demand (D)	Minute Miles Demand (E)	Line or Trunk Demand (F)	Access Revenue (G)	Revenue Requirement (H)
Common Line								
100 Multi-line Business EUCL	n/a	n/a	0.00	n/a	n/a	0	0	n/a
110 Single Line Business EUCL	n/a	n/a	0.00	n/a	n/a	0	0	n/a
120 Residential EUCL	n/a	n/a	0.00	n/a	n/a	0	0	n/a
130 Special Access Surcharge	n/a	n/a	0.00	n/a	n/a	12	0	n/a
140 Terminating CCL Premium	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
150 Terminating CCL Non-Prem.	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
160 Originating CCL Premium	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
170 Originating CCL Non-Prem.	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
180 Common Line - Total	n/a	n/a	n/a	n/a	n/a	n/a	0	0
Information								
190 Directory Assistance	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
200 White Page Surcharge Prem.	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
210 White Pg. Surcharge Non-Prem.	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
220 Other Information	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
230 Information - - Total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0
Local Switching								
240 Premium	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
250 Non-Premium	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
260 Equal Access	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
270 Switching - - Total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0
Local Transport								
280 Premium LT Term.	0.010310	n/a	n/a	876,231,538	n/a	n/a	9,033,947	n/a
290 Non-Prem. LT Term	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
300 Premium LT Facility	n/a	0.000000	n/a	n/a	0	n/a	0	n/a
310 Non-Prem. LT Facility	n/a	0.000000	n/a	n/a	0	n/a	0	n/a
320 Tandem Switching	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
330 TST Termination	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
340 TST Facility	n/a	0.000000	n/a	n/a	0	n/a	0	n/a
350 Premium Interconnection	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
360 Non-Prem. Interconnection	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
370 Installation NRC per Trunk	n/a	n/a	0.00	n/a	n/a	0	0	n/a

PUBLIC VERSION

REV-1
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Rate-of-Return TRP
 Switched Access Revenue
 Test Year, 7/04 - 7/05

	Termination Rate (A)	Circuit Rate (B)	Mileage Rate (C)	Termination Demand (D)	Circuit Demand (E)	Mileage Demand (F)	Access Revenue (G)	Revenue Requirement (H)
Local Transport (Cont.)								
380 DS3 Entrance Facility	n/a	0	n/a	n/a	0	n/a	0	n/a
390 DS3 Direct Term.	0.00	n/a	n/a	0	n/a	n/a	0	n/a
400 DS3 Direct Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
410 DS4 Entrance Facility	n/a	0	n/a	n/a	0	n/a	0	n/a
420 DS1 Direct Term.	0	n/a	n/a	0	n/a	n/a	0	n/a
430 DS1 Direct Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
440 VG Entrance Facility	0.00	0.00	n/a	n/a	0	n/a	0	n/a
450 VG Direct Term.	n/a	n/a	n/a	0	n/a	n/a	0	n/a
460 VG Direct Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
470 Other Transport	n/a	n/a	n/a	n/a	n/a	n/a	31,966	n/a
480 Local Transport -- Total	n/a	n/a	n/a	n/a	n/a	n/a	9,065,913	9,065,913
Special - - Voice Grade								
490 2-Wire Chan. Term.	n/a	0	n/a	n/a	0	n/a	0	n/a
500 4-Wire Chan. Term.	n/a	0	n/a	n/a	0	n/a	0	n/a
510 Channel Mileage Term.	0	n/a	n/a	0	n/a	n/a	0	n/a
520 Channel Mileage Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
530 Non-Recurring	n/a	0	n/a	n/a	0	n/a	0	n/a
Special - - High Capacity								
540 High Capacity Chan. Term.	n/a	0	n/a	n/a	0	n/a	0	n/a
550 Channel Mileage Term.	0	n/a	n/a	0	n/a	n/a	0	n/a
560 Channel Mileage Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
570 Non-Recurring	n/a	0	n/a	n/a	0	n/a	0	n/a
580 Special Access -- Total	n/a	n/a	n/a	n/a	n/a	n/a	0	0

Notes: A composite special access NRC should be used if the installation rates vary among the services. If the company does not file a particular rate, then the rate and demand = 0. Col. G equals Cols. (A x D) + (B x E) + (C x F).

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Rate-of-Return TRP
Revenues Summary
Test Year, 7/04 - 7/05

	Total Network Access (A)	Recurring without ICB (B)	Non-Recurring without ICB (C)	ICB (D)
100 Carrier Common Line	0	0	0	0
110 Special Access	0	0	0	0
120 Local Switching	0	0	0	0
130 Equal Access	0	0	0	0
140 Information	0	0	0	0
150 Local Transport	9,065,913	9,033,947	31,966	0
160 Total TS - Switched	9,065,913	9,033,947	31,966	0

Notes : Col. A = Cols. B + C + D. If a particular category is inapplicable, then that category equals 0.

RTE-1
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Rate-of-Return TRP
Percent Change in
Historical Rate Levels

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	7/1/2003 Rate (A)	Current Effective Rate (B)	Proposed 7/1/2004 Rate (C)	% Change 7/1/2003 7/1/2004 (D)	% Change Current 7/1/2004 (E)
Switched Access					
100 Premium CCL Term. (\$/MOU)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
110 N.P. CCL Term. (\$/MOU)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
120 Premium Switching (\$/MOU)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
130 N.P. Switching (\$/MOU)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
140 Equal Access	0.00000000	0.00000000	0.00000000	0.00%	0.00%
End User Common Line					
150 Multi-line Business (\$/Month)	0	0.00	0.00	0.00%	0.00%
160 Residential & Single Line Bus.	0	0.00	0.00	0.00%	0.00%

RTE-1
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Rate-of-Return TRP
 Percent Change in
 Historical Rate Levels

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18 of 31	7/1/2003 Rate (A)	Current Effective Rate (B)	Proposed 7/1/2004 Rate (C)	% Change 7/1/2003 7/1/2004 (D)	% Change Current 7/1/2004 (E)
Local Transport Rates					
170 Prem. LT (\$/MOU, Avg. Mileage)	0.01045000	0.01045000	0.01031000	-1.34%	-1.34%
180 N.P. LT (\$/MOU, Avg. Mileage)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
190 DS1 Entr. Facility (\$/Circuit)	0	0.00	0.00	0.00%	0.00%
200 DS1 Direct Trunk (\$/Circuit)	0	0.00	0.00	0.00%	0.00%
210 Tdm Sw. Transport ((\$/Circuit)	0	0.00	0.00	0.00%	0.00%
220 Tdm. Switching (\$/Tdm. MOU)	0.0000000	0.0000000	0.0000000	0.00%	0.00%
230 Prem. Interconnection (\$/MOU)	0.0000000	0.0000000	0.0000000	0.00%	0.00%
240 N.P. Interconnection (\$/MOU)	0.0000000	0.0000000	0.0000000	0.00%	0.00%
250 NRC (\$/Tk. Or Tks. Activated)	0.00	0.00	0.00	0.00%	0.00%
260 2-Wire VG (\$/Cir., Avg. Mileage)	0.00	0.00	0.00	0.00%	0.00%
270 4-Wire VG (\$/Cir., Avg. Mileage)	0.00	0.00	0.00	0.00%	0.00%

Notes: If Lines 170 & 180 or any other entry is inapplicable, then that rate = 0.

RTE-2
Filing Date: 6/24/2004
Filing Entity: Iowa Network Access Division
Transmittal Number: 22
COSA: INIAAN03

Rate-of-Return
Revenue Price-outs
Using 2001 Demand

Page 19 of 31

	Revenue at 7/1/2003 Rates (A)	Revenue at Current Rate (B)	Change in Revenue, Cols. B-A (C)	Revenue at 7/1/2004 Rates (D)	Change in Revenue, Cols. D-B (E)
Switched Access					
100 Multi-line Business	0	0	0	0	0
110 Residential & Single Line Bus.	0	0	0	0	0
120 Carrier Common Line	0	0	0	0	0
130 Special Access	0	0	0	0	0
140 Local Switching	0	0	0	0	0
150 Equal Access	0	0	0	0	0
160 Information	0	0	0	0	0
170 Local Transport	7,940,634	7,940,634	0	7,834,252	(106,382)

Notes: If company belongs to the NECA common line pool, then revenue = 0.

RTE-3

Filing Date: 6/24/2004

Filing Entity: Iowa Network Access Division

Transmittal Number: 22

COSA: INIAAN03

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Rate-of-Return TRP

COSA's for which Rates

are Averaged or Pooled

COSA	Multi-line Business (A)	Residential & Single Line Business (B)	Carrier Common Line (C)
100			
110			
120			
130			
140			
150			
160			
170			
180			
190			
200			
210			
220			
230			

Notes: Companies should list all COSA's for which rates are averages or pooled.

RTE-3
Filing Date: 6/24/2004
Filing Entity: Iowa Netw
Transmittal Number: 22
COSA: INIAAN03
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Rate-of-Return TRP
COSA's for Which Rates
are Averaged or Pooled

	Local Switching (D)	Local Transport (E)	Information (F)	Equal Access (G)	Special Access (H)
COSA					
100					
110					
120					
130					
140					
150					
160					
170					
180					
190					
200					
210					
220					
230					

Notes: Companies should list all

DMD-1
Filing Date: 6/24/2004
Filing Entity: Iowa Network Access Division
Transmittal Number: 22
COSA: INIAAN03
Page 1 of 3

Rate-of-Return TRP
Common Line
Minutes-of-Use

Historical	Premium Originating (A)	Premium Terminating (B)	Premium Total (C)	Non-Premium Originating (D)	Non-Premium Terminating (E)	Non-Premium Total (F)
100 1st Qtr. 2000	0	0	0	0	0	0
110 2nd Qtr. 2000	0	0	0	0	0	0
120 3rd Qtr. 2000	0	0	0	0	0	0
130 4th Qtr. 2000	0	0	0	0	0	0
140 1st Qtr. 2001	0	0	0	0	0	0
150 2nd Qtr. 2001	0	0	0	0	0	0
160 3rd Qtr. 2001	0	0	0	0	0	0
170 4th Qtr. 2001	0	0	0	0	0	0
180 1st Qtr. 2002	0	0	0	0	0	0
190 2nd Qtr. 2002	0	0	0	0	0	0
200 3rd Qtr. 2002	0	0	0	0	0	0
210 4th Qtr. 2002	0	0	0	0	0	0
220 Pycos Year, 1/03 - 12/03	0	0	0	0	0	0
230 Test Year, 7/04 - 6/05	0	0	0	0	0	0

DMD-1
Filing Date: 6/24/2004
Filing Entity: Iowa Network Access Division
Transmittal Number: 22
COSA: INIAAN03
Page 2 of 3

Rate-of-Return TRP
Common Line
Minutes-of-Use

	Total Originating (A)	Total Terminating (B)	Grand Total (C)	Chargeable Originating (D)	Chargeable Terminating (E)
Historical					
100 1st Qtr. 2000	0	0	0	0	0
110 2nd Qtr. 2000	0	0	0	0	0
120 3rd Qtr. 2000	0	0	0	0	0
130 4th Qtr. 2000	0	0	0	0	0
140 1st Qtr. 2001	0	0	0	0	0
150 2nd Qtr. 2001	0	0	0	0	0
160 3rd Qtr. 2001	0	0	0	0	0
170 4th Qtr. 2001	0	0	0	0	0
180 1st Qtr. 2002	0	0	0	0	0
190 2nd Qtr. 2002	0	0	0	0	0
200 3rd Qtr. 2002	0	0	0	0	0
210 4th Qtr. 2002	0	0	0	0	0
	----	----	----	----	----
220 Pycos Year, 1/03 - 12/03	0	0	0	0	0
	----	----	----	----	----
230 Test Year, 7/04 - 6/05	0	0	0	0	0

DMD-1
Filing Date: 6/24/2004
Filing Entity: Iowa Network Access Division
Transmittal Number: 22
COSA: INIAAN03
Page 30531

Rate-of-Return TRP
Traffic Sensitive
Minutes-of-Use

Historical	Premium Local Switching (A)	Non-Premium Local Switching (B)	Total Local Switching (C)	Total Chargeable Switching (D)	Total Tandem Switching* (E)	Tandem Switching Transport** (F)
100 1st Qtr. 2000	0	0	0	0	0	157,181,944
110 2nd Qtr. 2000	0	0	0	0	0	159,433,176
120 3rd Qtr. 2000	0	0	0	0	0	159,821,302
130 4th Qtr. 2000	0	0	0	0	0	170,843,879
140 1st Qtr. 2001	0	0	0	0	0	176,804,912
150 2nd Qtr. 2001	0	0	0	0	0	185,323,764
160 3rd Qtr. 2001	0	0	0	0	0	197,077,459
170 4th Qtr. 2001	0	0	0	0	0	200,663,107
180 1st Qtr. 2002	0	0	0	0	0	185,805,128
190 2nd Qtr. 2002	0	0	0	0	0	193,323,540
200 3rd Qtr. 2002	0	0	0	0	0	193,395,658
210 4th Qtr. 2002	0	0	0	0	0	198,382,304
220 Pycos Year, 1/03 - 12/03	0	0	0	0	0	831,287,417
230 Test Year, 7/04 - 6/05	0	0	0	0	0	876,231,538

Notes: Local switching MOU are the same as the billable units for the interconnection charge.

* Refers to the MOU switched at a company tandem, as discussed in Part 69, 11(f-g).

** Refers to the MOU carried over non-dedicated trunks; i.e., tandem switched transport or common trunks.

DMD-2
 Filing Date: 6/24/2004
 Filing Entity: Iowa Network Access Division
 Transmittal Number: 22
 COSA: INIAAN03
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Rate-of-Return TRP
 Special Access
 Demand

	1/03 - 12/03 Channel Terminations (A)	1/03 - 12/03 Number of Circuits (B)	1/03 - 12/03 Interoffice Miles (C)	7/04 - 6/05 Channel Terminations (D)	7/04 - 6/05 Number of Circuits (E)	7/04 - 6/05 Interoffice Miles (F)
100 Metallic	0	0	0	0	0	0
110 Telegraph	0	0	0	0	0	0
120 VG less WATS	0	0	0	0	0	0
130 WATS	0	0	0	0	0	0
140 full-time Audio	0	0	0	0	0	0
150 High Capacity	0	0	0	0	0	0

DMD-3
Filing Date: 6/24/2004
Filing Entity: Iowa Network Access Division
Transmittal Number: 22
COSA: INIAAN03
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**Rate-of-Return TRP
Common Line
Revenue and Demand**

	1/03 - 12/03 Historical Revenue (A)	1/03 - 12/03 Historical MOU or Lines (B)	7/04 - 6/05 Test Year Revenue (C)	7/04 - 6/05 Test Year MOU or Lines (D)
100 End User Common Line, Total	0	0	0	0
110 Residential	0	0	0	0
120 Single Line Business	0	0	0	0
130 Multi-line Business	0	0	0	0
140 Special Access Surcharge	0	0	0	0
150 Carrier Common Line	0	0	0	0
160 Total Common Line Revenue	0	n/a	0	n/a

DMD-4
Filing Date: 6/24/2004
Filing Entity: Iowa Network Access Division
Transmittal Number: 22
COSA: INIAAN03
Page 1 of 1

Rate-of-Return TRP
Minutes-of-Use
Historical vs. Forecast

		Common			Traffic	
		Line MOU (A)			Sensitive MOU (B)	
100 Test Year	7/04 - 6/05		0		876,231,538	
110 Pycos Year,	1/03 - 12/03	---	0		831,287,417	
120 Test Year	7/03 - 6/04		0		856,381,984	
130 Pycos Year,	1/02 - 12/02	---	0		770,906,630	
140 Test Year	7/02 - 6/03		0		760,682,181	
150 Pycos Year,	1/01 - 12/01	---	0		759,869,242	
160 Test Year	7/01 - 6/02		0		709,788,666	
170 Pycos Year,	1/00 - 12/00		0		647,280,301	

Notes: Actual operating statistics should be reported for the PYCOS years.
These data should be consistent with those in Chart DMD-4 in previous TRPs.
If a forecast was not reported for any particular test year, then enter 0.

DMD-5
Filing Date: 6/24/2004
Filing Entity: Iowa Network Access Division
Transmittal Number: 22
COSA: INIAAN03
Page 1 of 1

Rate-of-Return TRP
Minutes-of-Use
Direct Trunked Transport

	1/03 - 12/03 VG (A)	1/03 - 12/03 DS1 (B)	1/03 - 12/03 DS3 (C)	Test Year 7/04 - 6/05 VG (D)	Test Year 7/04 - 6/05 DS1 (E)	Test Year 7/04 - 6/05 DS3 (F)
100 Entrance Facility	0.00	0.00	0.00	0.00	0.00	0.00
110 Direct Trunked Transport	0.00	0.00	0.00	0.00	0.00	0.00

Notes: Demand should be annualized and reflect application of the percent interstate usage factor (PIU).

ERN-1
Filing Date: 6/24/2004
Filing Entity: Iowa Network Access Division
Transmittal Number: 22
COSA: INIAAN03
Page 1 of 1

Rate-of-Return TRP
Rate-of-Return
Summary

	2001/2002 FCC Monitoring Period (A)	2003 Calendar Year (B)	7/04 - 6/05 Test Year (C)
100 Interstate Access, Total	3.69%	4.21%	11.25%
110 Carrier Common Line	0.00%	0.00%	0.00%
120 Special Access	0.00%	0.00%	0.00%
130 Local Switching	0.00%	0.00%	0.00%
140 Information	0.00%	0.00%	0.00%
150 Local Transport	3.69%	4.21%	11.25%
160 Traffic Sensitive Switched, Total	3.69%	4.21%	11.25%

Filing Entity: Iowa Network Access Division
 Filing Date: 6/24/2004
 Transmittal Number: 22
 COSA: INIAAN03
 Page 1 of 1

Rate-of-Return TRP
 Base Study Factor

		Actual 1998 (A)	Actual 1999 (B)	Actual 2000 (C)	Actual 2001 (D)	Actual 2002 (E)	Prospective 2004 (F)
Relative MOU's - Tandem Switching							
100	Interstate	-	-	-	-	-	-
110	Total Company	-	-	-	-	-	-
120	IS Factor	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Host/Remote MOU's							
130	Interstate	-	-	-	-	-	-
140	Total Company	-	-	-	-	-	-
150	IS Factor	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Host/Remote MOU Miles							
160	Interstate	-	-	-	-	-	-
170	Total Company	-	-	-	-	-	-
180	IS Factor	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Conversation Minutes							
190	Interstate	536,750,284	589,038,932	647,280,301	759,869,242	770,906,630	856,381,984
200	Total Company	1,233,747,876	1,344,259,155	1,474,571,950	1,628,676,479	1,747,291,039	1,841,268,030
210	IS Factor	43.5057%	43.8189%	43.8961%	46.6556%	44.1201%	46.5104%
Conversation Minute Miles							
220	Interstate	64,301,364	70,745,279	75,432,646	90,866,718	92,716,700	102,603,639
230	Total Company	145,493,503	159,861,553	171,432,414	194,949,374	208,238,047	218,546,467
240	IS Factor	44.1954%	44.2541%	44.0014%	46.6104%	44.5244%	46.9482%

The above Base Study Factors apportion on the following Investment:

	Part 32 Account	Part 36 Category
Relative MOU's-Tandem Switching	2210	COE Cat. 3
Host/Remote MOU's	2230	COE Cat. 4.3
Host/Remote MOU Miles	2410	C&WF Cat. 4
Conversation Minutes	2230	COE Cat. 4.23
Conversation Minutes Miles	2410	C&WF Cat. 3

RORDEM-1
Filing Date: 6/24/2004
Filing Entity: Iowa Network Access Division
Transmittal Number: 22
COSA: INIAAN03
Page 1 of 1

Rate-of-Return TRP
Verification of WDEM

Year	Interstate DEM MOU (A)	Intrastate DEM MOU (B)	Local DEM MOU (C)	Total DEM MOU (D)	Interstate MDem Factor (E)	No. of Switched Access Lines (F)	Part 36.125(e) Historical Weighting (G)	Interstate WDEM Factor (H)
1996	-	-	-	-	0.0000%	-	0	0.0000%
1997	-	-	-	-	0.0000%	-	0	0.0000%
1998	-	-	-	-	0.0000%	-	0	0.0000%
1999	-	-	-	-	0.0000%	-	0	0.0000%
2000	-	-	-	-	0.0000%	-	0	0.0000%
2001	-	-	-	-	0.0000%	-	0	0.0000%
2002	-	-	-	-	0.0000%	-	0	0.0000%

61.38 ACR-1 Historical
 Filing Date: 6/24/2004
 Filing Entity: IOWA NETWORK SERVICES, INC.
 Transmittal Number : 22
 COSA: INIAAN03

Rate-of Return TRP
 ACR Adjustments
 Historical (Calendar Year 2003)

Section 61.38 carriers should ANNUALIZE their revenue requirement figures for this worksheet.

Access Category	Column	Interstate Revenue Requirement Prior to Adjustments	Local Switching Support	Sub-Total	Factor Used for Line Port Adjustment	Line Port Transfer	Universal Service Fund Contribution	JUL '00 - JUN '01 TIC Revenues	TIC Revenue Requirement for Historical Period	Interstate Revenue Requirement Used as Base for TIC Re-allocation	TIC Re-allocation	Interstate Revenue Requirement Subject to Rate Making
		Note 1 (A) Enter Data	Note 2 (B) Enter Data	(C) Calculated Fields	Note 3 (D) Enter Data	Note 4 (E) Calculated Fields	Note 5 (F) Enter Data	Note 6 (G) Enter Data	Note 7 (H) Enter Data	(I) Calculated Fields	(J) Calculated Fields	(K) Calculated Fields
Common Line		\$0		\$0		\$0	\$0			\$0	\$0	\$0
Local Switching		\$0	\$0	\$0		\$0				\$0	\$0	\$0
Information		\$0		\$0						\$0	\$0	\$0
Transport		\$8,716,083		\$8,716,083	0.00%			\$0	\$0	\$8,716,083	\$0	\$8,716,083
Special Access		\$0		\$0						\$0	\$0	\$0
TOTAL (Calculated Fields)		\$8,716,083		\$8,716,083						\$8,716,083	\$0	\$8,716,083

Note 1: Source: company workpapers - After reallocating General Support Facilities Investment, but before other part 69 adjustments as a result of the Rate-of-Return Access Charge Reform Order as reflected in this form. Express as ANNUAL amounts.

Note 2: USAC Allocation Amount

Note 3: Percentage factor based on carrier's cost study or 30%.

Note 4: Spreadsheet formula will calculate Local Switching Revenue Requirement multiplied by Line Port Adjustment Factor Input.

Note 5: Based on USF Contributions placed into self identified sub-accounts of expense Account 6540

Note 6: *The amount to be reallocated is limited to the total revenues recovered through the interconnection charge assessed pursuant to section 69.124 for the 12-month period ending June 30, 2001. * (C.F.R.S 69.415(b)).

Note 7: TIC Revenue Requirement for historical period based on carrier's July, 2002 annual access tariff filing.

61.38 ACR-1 Projected
 Filing Date:
 Filing Entity:
 Transmittal Number :
 COSA:

6/24/2004
 IOWA NETWORK SERVICES, INC.
 22
 INIAAN03

Section 61.38 carriers should ANNUALIZE their revenue requirement figures for this worksheet.

Rate-of Return TRP
 ACR Adjustments
 Test Year, 7/04-6/05

Access Category	Interstate Revenue Requirement Prior to Adjustments		Local Switching Support		Sub-Total for Line Port Adjustment		Factor Used for Line Port Transfer		Universal Service Fund Contribution		JUL '00 - JUN '01 TIC Revenues		Test Year TIC Revenue Requirement		Interstate Revenue Requirement Used as Base for TIC Re-allocation		TIC Re-allocation		Interstate Revenue Requirement Subject to Rate Making	
	Column (A)	Note 1 Enter Data	Column (B)	Note 2 Enter Data	Column (C)	Note 3 Enter Data	Column (D)	Note 4 Enter Data	Column (E)	Note 5 Enter Data	Column (F)	Note 6 Enter Data	Column (G)	Note 7 Enter Data	Column (H)	Note 8 Enter Data	Column (I)	Note 9 Enter Data	Column (J)	Note 10 Enter Data
Common Line		\$0			\$0				\$0								\$0			\$0
Local Switching		\$0		\$0	\$0				\$0								\$0			\$0
Information		\$0			\$0												\$0			\$0
Transport		\$8,970,683		\$8,970,683	0.00%							\$0		\$0			\$8,970,683		\$0	\$8,970,683
Special Access		\$0		\$0													\$0		\$0	\$0
TOTAL (Calculated Fields)		\$8,970,683		\$8,970,683					\$0								\$8,970,683		\$0	\$8,970,683

Note 1: Source: company workpapers - After reallocating General Support Facilities Investment, but before other part 69 adjustments as a result of the Rate-of-Return Access Charge Reform Order as reflected in this form. Express as ANNUAL amounts.
Note 2: USAC Allocation Amount
Note 3: Percentage factor based on carrier's cost study or 30%.
Note 4: Spreadsheet formula will calculate Local Switching Revenue Requirement multiplied by Line Port Adjustment Factor input.
Note 5: Based on projected USF Contributions.
Note 6: The amount to be reallocated is limited to the total revenues recovered through the interconnection charge assessed pursuant to section 69.124 for the 12-month period ending June 30, 2001. (C.F.R. § 69.415(b)).
Note 7: TIC Revenue Requirement for test period.

AT&T Exhibit 13

**Aureon 2006 Tariff Filing (filed June
26, 2006)**

[AT&T Exhibit 16 to Complaint Proceeding]

PUBLIC VERSION

McGuireWoods LLP
Washington Square
1050 Connecticut Ave N.W.
Suite 1200
Washington, DC 20036-5317
Phone: 202.857.1700
Fax: 202.857.1737
www.mcguirewoods.com

James U. Troup
Direct: 202.857.1702

McGUIREWOODS

jttroup@mcguirewoods.com

**Filed Pursuant to
§ 204(a)(3) of the
Communications Act
on 7 Days' Notice**

June 26, 2006

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Attention: Wireline Competition Bureau

Transmittal No. 25

FRN: 0002-5807-10
Iowa Network Services, Inc.

FRN: 0005-8579-17
McGuireWoods LLP

Dear Ms. Dortch:

The accompanying 2006 Annual Access Tariff Filing of Iowa Network Services, Inc. ("INS"), effective July 3, 2006, is sent to you for filing in compliance with the requirements of the Communications Act of 1934, as amended. This tariff filing consists of the following Check Sheets:

Tariff F.C.C. No.
1

Check Sheet Revision No.
21st Revised Page 1
7th Revised Page 1.1

This 2006 Annual Access Tariff Filing consists of the cost support material required by *In the Matter of July 2006 Annual Access Charge Tariff Filings*, Order, 21 FCC Rcd 3020 (2006) (the "Tariff Order"). Pursuant to the attached study for the test period ending June 30, 2007, INS is reducing its switched transport rate.

PUBLIC VERSION

June 26, 2006

Page 2

As required by the *Tariff Order*, INS is submitting its 2006 Annual Tariff Review Plan and associated tariff changes electronically, using the Commission's Electronic Tariff Filing System ("ETFS"). The statutory processing fee in the amount of \$720.00 is being hand-delivered today to the Federal Communications Commission (Tariff Filings, P.O. Box 358150, Pittsburgh, Pennsylvania 15251-5150) along with the original transmittal letter and FCC Form 159.

In addition to filing this letter with the ETFS, INS is sending separate courtesy copies of the TRP to Raj Kannan, Tamara Preiss and the Commission's duplication contractor, Best Copy and Printing, Inc.

Acknowledgement and date of receipt of this filing is requested. A duplicate copy of this letter is provided for this purpose.

Should you have any questions concerning this matter, please contact James U. Troup at 202-857-1700.

Sincerely,

/s/

James U. Troup

Counsel for
Iowa Network Services, Inc.

Attachments

cc: Raj Kannan, FCC Pricing Policy Division
FCC Reference Information Center
Best Copy and Printing, Inc.

IOWA NETWORK SERVICES, INC.

IOWA NETWORK ACCESS DIVISION

DESCRIPTION AND JUSTIFICATION

COST SUPPORT MATERIAL

TARIFF REVIEW PLAN

JULY 3, 2006 ANNUAL ACCESS CHARGE TARIFF FILING

JUNE 26, 2006

IOWA NETWORK ACCESS DIVISION

INTERSTATE ACCESS TARIFF FILING

**PROSPECTIVE PERIOD
JULY 3, 2006 - JUNE 30, 2007**

INDEX

Section	Description
	Transmittal Letter
1	Introduction, Overview and Rate Development
2	Development of Switched Transport Charge and Study Period Projected Access Minutes
3	Projected Revenue Requirement Summary - Total Interstate (Part 69)
4	Projected Part 36 Revenue Requirement Summary
5	Projected Part 64 Revenue Requirement Summary
6	Tariff Review Plan (TRP)

IOWA NETWORK ACCESS DIVISION

INTRODUCTION, OVERVIEW AND RATE DEVELOPMENT

INTRODUCTION

This filing supports revisions to Iowa Network Access Division Tariff F.C.C. No. 1 in accordance with the Federal Communications Commission's (FCC) Order, In the Matter of July 2006 Annual Access Charge Tariff Filings, WCB/Pricing File No. 06-15, DA 06-650, (released March 24, 2006). This Order establishes procedures for the 2006 filing of annual access charge tariffs and Tariff Review Plans (TRPs). The requirements for summary cost support material to support the annual access charge filings to be submitted on or before June 26, 2006 are presented in the Commission's Order, In the Matter of Material to be Filed in Support of 2006 Annual Access Tariff Filings, WCB/Pricing File No. 06-15, DA 06-650 (released March 24, 2006).

This 2006 Annual Access Charge Tariff Filing covers the scheduled effective period from July 3, 2006 through June 30, 2007. This documentation volume contains the introduction, overview, rate development narrative, access rate development and corresponding cost support material to be filed with the FCC on June 26, 2006.

OVERVIEW

Schedule A of Section 2 presents a summary of the proposed rate to be effective July 3, 2006. The Company proposes to implement a switched transport rate of \$0.00855 effective July 3, 2006 representing a reduction of \$0.00176 from its existing switched transport rate. The Company's proposed switched transport rate of \$0.00855 per access minute is projected to generate revenues of \$11,088,539 resulting in a return of 11.19% on interstate investments for the projected twelve-month period ending June 30, 2007.

For the year 2005, the interstate access billings of Iowa Network Access Division (INAD) amounted to \$9,838,276 which resulted in a return of 27.89% on its interstate investment. For the 2003/2004 monitoring period, INAD experienced a return of only 11.15%. During this period, the FCC authorized a maximum rate of return for interstate access operations of 11.50% with a target of 11.25%.

Interstate access minutes grew at a rate of 5.23% during 2005 to 954,245,936 from 906,820,518 in 2004. During the year 2004, INAD recorded interstate traffic growth of 9.09% over the year 2003. For the test period ending June 30, 2007, INAD is projecting interstate access minutes of 1,296,905,198, representing an increase of 31.83% over projected access

PUBLIC VERSION

minutes of 983,752,575 for the projected period ending June 30, 2006 and an increase of 35.91% compared with actual interstate access minutes for the year 2005. The higher than normal increase in interstate traffic for the projected test period results primarily from a significant increase in toll aggregator traffic which began to appear during the last quarter of 2005.

Since 2000, INS has been implementing planned stages of a network modernization program that provides full redundancy and protection for its centralized equal access network to carriers serving rural Iowa. During the years 2003 and 2004, the Company completed upgrades to its fiber ring network that connects all major traffic routes throughout Iowa and expanded the capacity of its existing equal access switches to handle greater peak traffic loads. During 2004, INAD updated its equal access switch to comply with the FCC's requirements for Local Number Portability (LNP). During 2005, INAD installed significant modifications to its accounting and billing applications and its computer systems and software for improved network monitoring and security. During the year 2006, INAD is planning additional investments of approximately \$3.0 million to upgrade its switching and network capabilities system wide. To date, INAD's efforts to operate and maintain its centralized equal access network more efficiently coupled with increases in interstate access minutes have enabled the Company to once again lower its centralized equal access rate, while enhancing its services provided to customers.

The proposed tariff rate of Iowa Network Access Division is targeted to generate a return of 11.19% on investment for the projected test period ended June 30, 2007. The cost support material of Iowa Network Access Division has been developed using procedures prescribed by the Federal Communications Commission as follows:

- A) Financial reporting is in accordance with the Uniform Systems of Accounts and Financial Reporting Requirements of Class A and Class B Telephone Companies, CC Docket 78-196 (Part 32 Order) and all subsequent revisions to the rules adopted through the period May 15, 2006.
- B) Jurisdictional allocation is in accordance with Federal Communications Commission's Rules adopted in CC Docket Nos. 78-72, 80-286, 86-297 and FCC Docket 87-134 released August 18, 1987 (Part 36 Order) and all subsequent revisions to the rules adopted through the period May 15, 2006.
- C) Access rate development is performed in accordance with CC Docket No. 87-113 released August 18, 1987 (Part 69 Conformance Notice) and subsequent modifications including CC Docket No. 00-256, Second Report and Order and Notice of Proposed Rulemaking, 16 FCC Rcd 19613 (2001), ("Rate-of-Return Access Charge Reform Order").

PUBLIC VERSION

The proposed access service tariff maintains the method of charging for interstate access by major rate element. Iowa Network Access Division proposes to reduce its current centralized equal access switched transport rate from \$0.01031 to \$0.00855 which is to remain in effect through June 30, 2007.

RATE DEVELOPMENT

Development of cost support as contained in the tariff filing was accomplished as follows:

- 1) Projection of test period investment, revenue and expense was determined based on the best estimates of management using fixed, known and measurable amounts from the Company's 2006 and 2007 operating budgets. Anticipated changes in investments and reserves were reflected in conjunction with the Company's ongoing construction and modernization programs. Revenues were increased to reflect the projected increase in access minutes during the test period over the year 2005.
- 2) Projection of the test period Access Division revenue requirement was accomplished using FCC Part 64 cost allocation procedures applied to total company projected investment and expense amounts determined in (1) above. The Access Division revenue requirement summary data is contained in Section 5 of the cost support material.
- 3) Projection of the test period interstate access revenue requirement was accomplished using Parts 36/69 separations procedures applied to projected total Access Division investment and expense amounts determined in (2) above. The summary Part 36 and Part 69 revenue requirements are contained in Sections 3 and 4 of the cost support material.
- 4) Projection of access minutes for the period from July 1, 2006 through June 30, 2007 was accomplished by applying an interstate annual growth rate of 31.83% to projected interstate access minutes for the period ending June 30, 2006. Projected access minutes for the period ending June 30, 2006 represent a 3.09% increase over interstate access minutes for the historical period January 1, 2005 through December 31, 2005. Access minutes for the period ending June 30, 2007 are projected to be 1,296,905,198 compared to 983,752,575 for the projected period ending June 30, 2006 and 954,245,936 for the actual period ended December 31, 2005. Projected access minutes for the test period ending June 30, 2007 are presented on Schedule B following. The increase in test period projected access minutes results primarily from additional terminating conference call minutes handled by call aggregators. For the test period ending June 30, 2007, INAD projects an additional 300 million interstate terminating conference call minutes generated by call aggregators. Without this additional aggregator traffic, the

PUBLIC VERSION

increase in interstate access minutes projected for the test period ending June 30, 2007 would have been consistent with prior years.

- 5) The interstate access revenue requirement of INAD determined in (3) above for the projected period ending June 30, 2007 amounts to \$11,088,539 and is presented in Section 3 of the cost support material.
- 6) The projected switched transport charge was determined by dividing the interstate revenue requirement of \$11,092,328 determined in (5) above by projected access minutes of 1,296,905,198 determined in (4) above resulting in a cost of \$0.00855 per access minute. An analysis of the development of the interstate switched transport rate is presented on Schedule A in Section 2.

SUMMARY

The 2006 annual access tariff filing is supplemented by the enclosed cost support material. Schedule A reflects the Company's existing switched transport charge of \$0.01031 compared with the authorized rate of \$0.00855. Through this filing, the Company proposes to reduce its switched transport charge from \$0.01031 to \$0.00855 for the test period ending June 30, 2007 resulting in a reduction of switched transport revenue of \$2,282,553 for the period ending June 30, 2007. The proposed switched transport charge will produce revenues that will generate a rate of return on investment of 11.19% for the test period ended June 30, 2007.

Included in the cost support material are schedules depicting projected investment and expense data, demand quantities, jurisdictional cost allocations and rate calculations for the twelve-month period ending June 30, 2007. Cost and revenue data for the historical period from January 1 through December 31, 2005 is contained in the Company's Tariff Review Plan (TRP) which has been filed under separate cover.

This filing is presented to comply with the Commission's July 3, 2006 annual access tariff filing requirements in Order, DA 06-649 and subsequent Order, DA 06-650 establishing the Tariff Review Plan (TRP) schedules to be filed in support of the annual access charge tariff filing. With this filing, the Company proposes to implement a switched transport charge of \$0.00855 effective July 3, 2006.

TARIFF REVIEW PLAN

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Certification

CERTIFICATION

I certify that I am a consultant authorized by Iowa Network Services, Inc. to deal with matters involving the interstate access tariff filing of Iowa Network Access Division; that I have examined the foregoing Tariff Review Plan; statements of fact contained in this Tariff Review Plan are true and this report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the period from July 3, 2006 to June 30, 2007.

A handwritten signature in black ink, reading "William J. Warinner", is positioned above a horizontal line.

William J. Warinner

WARINNER, GESINGER & ASSOCIATES, LLC

June 26, 2006

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION

TARIFF F.C.C. NO. 1
21st Revised Page 1
Cancels 20th Revised Page 1

CENTRALIZED EQUAL ACCESS SERVICE

Title Page 1 and Page 1 to 188 and Supplement No. 7, inclusive, of this tariff are effective as of the date shown. Original and revised pages as named below contain all changes from the original tariff that are in effect on the date hereof.

<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>
1*	21 st	28	1st	55	Original	80	Original
1.1*	7 th	29	1st	56	1st	81	Original
2	1st	30	Original	57	Original	82	Original
3	Original	31	Original	58	1st	83	2nd
4	1st	32	Original	59	Original	84	1st
5	3rd	33	1st	60	Original	85	1st
6	3rd	34	Original	61	2nd	86	2nd
7	1st	35	Original	61.1	Original	87	1st
8	1st	36	Original	62	1st	87.1	Original
9	Original	37	2nd	63	3rd	88	3rd
10	1st	38	1st	63.1	1st	89	3rd
11	2nd	39	2nd	64	1st	89.1	1st
12	1st	40	3rd	64.1	1st	89.2	1st
13	5th	40.1	Original	65	1st	89.3	1st
13.1	Original	41	Original	66	Original	89.4	1st
14	1st	42	1st	67	Original	90	2nd
15	1st	43	3rd	68	Original	91	Original
16	2nd	43.1	Original	69	1st	92	2nd
17	Original	44	Original	69.1	1st	93	2nd
18	Original	45	1st	70	Original	94	1st
19	1st	46	1st	71	Original	95	1st
20	1st	46.1	Original	72	3rd	96	1st
21	2 nd	47	Original	72.1	1st	97	1st
21.1	1 st	48	Original	73	1st	98	1st
22	Original	49	Original	74	Original		
23	Original	50	1st	75	Original		
24	Original	51	1st	76	1st		
25	Original	52	1st	77	Original		
26	Original	53	1st	78	1st		
27	Original	54	Original	79	Original		

* New or Revised page

Issued: June 26, 2006

Effective: July 3, 2006

4201 Corporate Drive
West Des Moines, Iowa 50266-5906

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION

TARIFF F.C.C. NO. 1
7th Revised Page 1.1
Cancels 6th Revised Page 1.1

CENTRALIZED EQUAL ACCESS SERVICE

CHECK SHEET

Title Page 1 and Page 1 to 188 and Supplement No. 7, inclusive, of this tariff are effective as of the date shown. Original and revised pages as named below contain all changes from the original tariff that are in effect on the date hereof.

Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated
99	1st	123	Original	147	1st	172	Original
100	1st	124	1st	147.1	Original	173	1st
101	1st	125	1st	148	2 nd	174	1st
102	Original	126	Original	14*	2 nd	175	Original
103	Original	127	Original	149.1	Original	176	Original
104	2 nd	128	Original	150	2 nd	177	1 st
105	1st	129	1st	151	2 nd	178	1 st
105.1	1st	129.1	1st	151.1	Original	179	Original
105.2	1 st	130	1st	152	2 nd	180	1 st
105.3	Original	131	Original	153	2 nd	181	1st
106	Original	132	2 nd	153.1	Original	182	Original
107	Original	133	Original	154	1st	183	Original
108	2 nd	134	1st	155	1st	184	Original
109	Original	135	1st	156	1st	185	Original
110	Original	136	2 nd	157	Original	186	Original
111	Original	136.1	2 nd	158	Original	187	Original
112	1st	136.1.1	Original	159	Original	188	Original
113	1st	136.2	1st	160	Original		
114	1st	137	1st	161	Original		
115	1st	138	2 nd	162	Original		
116	1st	139	1st	163	Original		
117	Original	140	2 nd	164	Original		
118	1st	140.1	Original	165	Original		
118.1	Original	141	1st	166	Original		
119	1st	142	3 rd	167	Original		
120	1st	143	Original	168	Original		
120.1	2 nd	144	Original	169	Original		
121	1st	145*	9 th	170	Original		
122	Original	146	Original	171	Original		

* New or Revised page

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IOWA NETWORK ACCESS DIVISION

TARIFF F.C.C. NO. 1
9th Revised Page 145
Cancels 8th Revised Page 145

CENTRALIZED EQUAL ACCESS SERVICE

6. Switched Access Service (Cont'd)

6.8 Rates and Charges

6.8.1 Switched Transport

(A) Rate

Rate
Per Access Minute

\$ 0.00855 (R)

Rate
Per Call Blocked

(B) Network Blocking Charge + \$ 0.0070

(C) Nonrecurring Charges

(1) Installation

Rate
Per Trunk

Activation of the first
trunk or SNAC contained
in the order \$ 514.68

Activation of each
additional trunk or SNAC
contained in an order \$ 12.55

(2) Interim NXX Translation

Rate
Per Order

Activation or deactivation
of the first NXX code
contained in an order \$ 213.70

Activation or deactivation
of each additional NXX code
contained in an order \$ 23.81

+Applies to FGD

Issued: June 26, 2006

Effective: July 3, 2006

4201 Corporate Drive
West Des Moines, Iowa 50266-5906

PUBLIC VERSION

IOWA NETWORK SERVICES, INC.
IOWA NETWORK ACCESS DIVISION
INTERSTATE ACCESS RATE DEVELOPMENT
TRANSMITTAL NO. 25
PROJECTED TEST PERIOD ENDED

6/30/2007

SECTION 2
SCHEDULE A

	SOURCE	CURRENT RATE	COST SUPPORT	DIFFERENCE
1 SWITCHED TRANSPORT RATE	(BELOW)	\$0.01031	\$0.00855	(\$0.00176)
2 STUDY PERIOD ACCESS MINUTES	SCHEDULE B	1,296,905,198	1,296,905,198	
3 STUDY PERIOD ACCESS REVENUE	LN 1*LN 2	<u>\$13,371,093</u>	<u>\$11,088,539</u>	<u>(\$2,282,553)</u>

ACCESS RATE DEVELOPMENT

	SOURCE	AMOUNT
4 PROJECTED REVENUE REQUIREMENT	SECTION 4	\$11,092,328
5 LESS: MISCELLANEOUS REVENUE	RECORDS	-
7 ACCESS REVENUE REQUIREMENT	LN 4-LN 5	\$11,092,328
8 PROJECTED ACCESS MINUTES	SCHEDULE B	1,296,905,198
9 PROJECTED ACCESS RATE PER MOU	LN 4/LN 5	<u>\$0.00855</u>

PUBLIC VERSION

SECTION 2
SCHEDULE B

IOWA NETWORK SERVICES, INC.
IOWA NETWORK ACCESS DIVISION
EQUAL ACCESS MOU SUMMARY
TRANSMITTAL NO. 25
PROJECTED TEST PERIOD ENDED

6/30/2007

PRO FORMA ALL CARRIERS	DAYS	INTERSTATE INTRALATA			INTERSTATE INTERLATA				
		ORIGINATING MINUTES	TERMINATING MINUTES	REVENUES	ORIGINATING MINUTES	TERMINATING MINUTES	REVENUES		
7/1/2006 - 7/31/2006	31	1,083,303	1,566,889	\$22,659.14	30,417,239	57,088,562	\$748,174.60	90,155,993	\$770,833.74
8/1/2006 - 8/31/2006	31	1,071,069	1,934,579	\$25,698.29	28,741,901	62,718,096	\$781,982.98	94,465,645	\$807,681.27
9/1/2006 - 9/30/2006	30	1,159,620	1,884,713	\$26,029.04	31,843,212	64,487,564	\$823,628.14	99,375,109	\$849,657.19
10/1/2006 - 10/31/2006	31	1,242,198	2,018,925	\$27,882.60	34,110,803	69,079,795	\$882,279.61	106,451,721	\$910,162.21
11/1/2006 - 11/30/2006	30	1,236,185	2,009,152	\$27,747.63	33,945,685	68,745,405	\$878,008.82	105,936,427	\$905,756.45
12/1/2006 - 12/31/2006	31	1,305,546	2,121,885	\$29,304.54	35,850,361	72,602,676	\$927,273.47	111,880,468	\$956,578.00
1/1/2007 - 1/31/2007	31	1,330,272	2,162,071	\$29,859.53	36,529,327	73,977,690	\$944,834.99	113,999,360	\$974,694.53
2/1/2007 - 2/28/2007	28	1,221,011	1,984,490	\$27,407.03	33,529,006	67,901,565	\$867,231.38	104,636,072	\$894,638.42
3/1/2007 - 3/31/2007	31	1,369,343	2,225,573	\$30,736.53	37,602,225	76,150,479	\$972,585.61	117,347,620	\$1,003,322.15
4/1/2007 - 4/30/2007	30	1,342,024	2,181,172	\$30,123.33	36,852,051	74,631,259	\$953,182.30	115,006,506	\$983,305.63
5/1/2007 - 5/31/2007	31	1,402,142	2,278,881	\$31,472.75	38,502,888	77,974,466	\$995,881.38	120,158,377	\$1,027,354.13
6/1/2007 - 6/30/2007	30	1,371,027	2,228,309	\$30,774.32	37,648,457	76,244,106	\$973,781.41	117,491,899	\$1,004,555.73
TOTAL		15,133,740	24,596,640	\$339,694.74	415,573,154	841,601,664	\$10,748,844.70	1,296,905,198	\$11,088,539.44

3rd QUARTER	3,313,992	5,386,181	\$74,386.47	91,002,353	184,294,223	\$2,353,785.72	283,996,748	\$2,428,172.19
4th QUARTER	3,783,929	6,149,963	\$84,934.77	103,906,848	210,427,877	\$2,687,561.90	324,268,616	\$2,772,496.67
1st QUARTER	3,920,626	6,372,134	\$88,003.10	107,660,557	218,029,734	\$2,784,651.99	335,983,052	\$2,872,655.09
2nd QUARTER	4,115,194	6,688,362	\$92,370.40	113,003,396	228,849,831	\$2,922,845.09	352,656,782	\$3,015,215.49
TOTAL COMPANY	15,133,740	24,596,640	\$339,694.74	415,573,154	841,601,664	\$10,748,844.70	1,296,905,198	\$11,088,539.44

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2007

COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-1,1of1

SUMMARY OF REVENUE REQUIREMENT BY ACCESS ELEMENT

A-1,1of1

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED TRANSPORT		NEL TERMINATION		SPECIAL ACCESS		CHANNEL MILEAGE		B&G	IX CATEGORY	
					LIMITED PAY	COMMON LINE			TERM	TERM	TERM	TERM	TERM	TERM	ALLOCATED	TERM	TERM	TERM	FACILITY	FACILITY		MSG	P.L.
1		NET INVESTMENT FOR SETTLEMENTS	4,097,388	(NOTE A)	0	0	2,688,346	0	1,409,042	0	11,2500%	11,2500%	0	11,2500%	0	11,2500%	0	11,2500%	0	11,2500%	0	0	0
2		RATE OF RETURN	11,2500%		11,2500%	11,2500%	11,2500%	11,2500%	11,2500%	0	11,2500%	11,2500%	0	11,2500%	0	11,2500%	0	11,2500%	0	11,2500%	0	11,2500%	0
3		RETURN ON INVESTMENT	460,956	LN 11*LN 2	0	0	302,439	0	158,517	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4		ALLOW FOR FUNDS USED DURING CONSTR	0	A-8 LN 28	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5		NET RETURN FOR SETTLEMENTS	460,956	LN 3 LN 4	0	0	302,439	0	158,517	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6		FEDERAL OPERATING INCOME TAX - ACTUAL	0	RECORDS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7		FEDERAL OPERATING INCOME TAX - OPTION	229,025	LN 36	0	0	150,266	0	78,759	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8		FEDERAL ITC AMORTIZATION	0	A-12 LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9		STATE OPERATING INCOME TAX - ACTUAL	0	RECORDS	0	0	0	0	26,218	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10		STATE OPERATING INCOME TAX - OPTION	76,240	LN 36	0	0	50,022	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11		STATE ITC AMORTIZATION	0	A-12 LN 23	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12		PROVISION FOR DEFERRED INCOME TAX	0	RECORDS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13		OPERATING EXPENSE & OTHER TAXES	10,244,918	A-8 LN 18	0	0	1,805,070	0	946,091	0	7,493,758	0	0	0	0	0	0	0	0	0	0	0	0
14		NONOPERATING EXP	1,496	A-8 LN 23	0	0	981	0	514	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15		UNCOLLECTIBLES	79,693	A-8 LN 28	0	0	52,288	0	27,406	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16		BASIS FOR GROSS RECEIPTS TAX	11,092,328		0	0	2,361,066	0	1,237,505	0	7,493,758	0	0	0	0	0	0	0	0	0	0	0	0
17		GROSS RECEIPTS TAX RATE	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
18		GROSS RECEIPTS TAX	0	LN16*LN17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19		TOTAL REVENUE REQUIREMENT	11,092,328	LN16+LN18	0	0	2,361,066	0	1,237,505	0	7,493,758	0	0	0	0	0	0	0	0	0	0	0	0

NOTE A: INCLUDES A-2 LN 31 LESS A/C 2004, TPUC - LONG TERM

OPTIONAL GROSS UP INCOME TAX CALCULATION																							
20		RETURN ON INVESTMENT	460,956	LN 3	0	0	302,439	0	158,517	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21		INTEREST AND RELATED ITEMS	16,378	A-12 LN 16	0	0	10,746	0	5,632	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22		OTHER INCOME ADJUSTMENTS	0	A-12 LN 20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23		TOTAL INCOME ADJUSTMENTS	16,378	LN21+LN22	0	0	10,746	0	5,632	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24		RETURN LESS INCOME ADJ.	444,578	LN20-LN23	0	0	291,693	0	152,885	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25		FEDERAL ITC AMORTIZATION	0	A-12 LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26		FIT BASE	444,578		0	0	291,693	0	152,885	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27		FEDERAL TAXABLE INCOME	673,603		0	0	441,959	0	231,644	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28		FEDERAL INCOME TAX	229,025	LN 27*FTR	0	0	150,266	0	78,759	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	34.00%	FEDERAL SURTAX ALLOCATION	0	/LN 26	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30		NET FEDERAL TAX BEFORE ITC AMORT	229,025	LN28-LN29	0	0	150,266	0	78,759	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31		STATE ITC AMORTIZATION	0	A-12 LN23	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32		SIT BASE	673,603		0	0	441,959	0	231,644	0	0	0	0	0	0	0	0	0	0	0	0	0	0
33		STATE TAXABLE INCOME	765,468		0	0	502,226	0	263,232	0	0	0	0	0	0	0	0	0	0	0	0	0	0
34	12.00%	STATE INCOME TAX	76,240	LN 33*STR	0	0	50,022	0	26,218	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35		STATE SURTAX ALLOCATION	0	/LN 32	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
36		NET STATE INCOME TAX BEFORE ITC AMORT	76,240	LN34-LN35	0	0	50,022	0	26,218	0	0	0	0	0	0	0	0	0	0	0	0	0	0
37		FEDERAL TAX AT MAXIMUM RATE	229,025		0	0	150,266	0	78,759	0	0	0	0	0	0	0	0	0	0	0	0	0	0
38		INCOME ADJUSTMENT FOR FIT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

PUBLIC VERSION

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SUMMARY OF TELEPHONE PLANT AND RESERVES

A-2,1of1

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED TRANSPORT		SPECIAL ACCESS		B&C	IX CATEGORY	
				LIMITED PAY	COMMON LINE		INFO	TERM	FACILITY	TRANSPORT	ALLOCATED	TERM	FACILITY	MSG		P.L.	
1		NET INVESTMENT SUMMARY	2,067,577	0	0	1,356,562	0	711,014	0	0	0	0	0	0	0	0	0
2		GENERAL SUPPORT FACILITIES	11,726,915	0	0	7,694,172	0	4,032,744	0	0	0	0	0	0	0	0	0
3		CENTRAL OFFICE SWITCHING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4		OPERATOR SYSTEMS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5		CENTRAL OFFICE TRANSMISSION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6		INFORMATION ORIG/TERM	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7		CABLE AND WIRE FACILITIES	264,891	0	0	173,798	0	91,093	0	0	0	0	0	0	0	0	0
8		TANGIBLE ASSETS	119,088	0	0	78,135	0	40,953	0	0	0	0	0	0	0	0	0
9		INTANGIBLE ASSETS	14,178,470	0	0	9,302,667	0	4,875,804	0	0,0000%	0.0000%	0.0000%	0.0000%	0.0000%	0	0.0000%	0.0000%
10		TOTAL PLANT IN SERVICE	100,00000%	0.00000%	0	65.6112%	0.00000%	34.3888%	0.00000%	0.00000%	0.0000%	0.0000%	0.0000%	0.0000%	0	0.0000%	0.0000%
11		% DISTRIBUTION															
12		PROPERTY HELD FOR FUTURE USE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13		PLANT UNDER CONSTRUCT. - SHORT TERM	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14		PLANT UNDER CONSTRUCT. - LONG TERM	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15		TELEPHONE PLANT ADJUSTMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16		TOTAL PROPERTY, PLANT & EQUIP.	14,178,470	0	0	9,302,667	0	4,875,804	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0	0.0000%	0.0000%
17		% DISTRIBUTION	100,00000%	0.00000%	0	65.6112%	0.00000%	34.3888%	0.00000%	0.00000%	0.0000%	0.0000%	0.0000%	0.0000%	0	0.0000%	0.0000%
18		ACCUM DEPRECIATION - PLANT IN SERVICE	8,496,624	0	0	5,574,739	0	2,921,886	0	0	0	0	0	0	0	0	0
19		ACCUM DEPRECIATION - FUTURE USE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20		ACCUM AMORTIZATION - TANGIBLE PROPERTY	241,871	0	0	158,695	0	83,177	0	0	0	0	0	0	0	0	0
21		ACCUM AMORTIZATION - INTANGIBLE PROP.	119,088	0	0	78,135	0	40,953	0	0	0	0	0	0	0	0	0
22		ACCUM AMORTIZATION - TEL PLANT ADJ.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23		OPERATING DEFERRED INCOME TAX	1,677,033	0	0	1,100,322	0	576,711	0	0	0	0	0	0	0	0	0
24		OTHER DEFERRED CREDITS - NET	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25		NET TELEPHONE PLANT	3,643,853	0	0	2,390,776	0	1,253,077	0	0	0	0	0	0	0	0	0
26		% DISTRIBUTION	100,00000%	0.00000%	0	65.6112%	0.00000%	34.3888%	0.00000%	0.00000%	0.0000%	0.0000%	0.0000%	0.0000%	0	0.0000%	0.0000%
27		MATERIALS AND SUPPLIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28		RTB STOCK	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29		EQUAL ACCESS EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30		OTHER JURISDICTIONAL ASSETS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31		CASH WORKING CAPITAL	453,535	0	0	297,570	0	155,965	0	0	0	0	0	0	0	0	0
32		NET TELEPHONE PLANT M&S AND CASH WORKING CAPITAL	4,097,388	0	0	2,688,346	0	1,409,042	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0	0.0000%	0.0000%
		% DISTRIBUTION	100,00000%	0.00000%	0	65.6112%	0.00000%	34.3888%	0.00000%	0.00000%	0.0000%	0.0000%	0.0000%	0.0000%	0	0.0000%	0.0000%

PUBLIC VERSION

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GENERAL SUPPORT FACILITIES AND MISCELLANEOUS PLANT ALLOCATION

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	LIMITED PAY	COMMON LINE	SWITCHING	INFO	COMMON TRANSPORT		DEDICATED TRANSPORT		NET TERMINATION		CHANNEL MILEAGE		IX CATEGORY	
									TERM	FACILITY	TRANSPORT	ALLOCATED	TERM	FACILITY	B&C	MSG	P.L.	
BASIS FOR GENERAL SUPPORT FACILITIES																		
1		CENTRAL OFFICE EQUIPMENT	11,726,915	A-4,LN 42	0	0	7,694,172	0	4,032,744	0	0	0	0	0	0	0	0	0
2		INFORMATION ORIG/TERM	0	A-5,LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3		CWF EXCL CAT 1,3	0	A-5,LN 23	0	0	7,694,172	0	4,032,744	0	0	0	0	0	0	0	0	0
4		TOTAL	11,726,915		0	0	7,694,172	0	4,032,744	0	0	0	0	0	0	0	0	0
5		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
GENERAL SUPPORT ASSETS																		
6a		ALLOCATED	2,067,577	LN 5	0	0	1,356,562	0	711,014	0	0	0	0	0	0	0	0	0
6b		DIRECT NON ACCESS	0	DIRECT	0	0	1,356,562	0	711,014	0	0	0	0	0	0	0	0	0
6c		TOTAL GENERAL SUPPORT ASSETS	2,067,577		0	0	1,356,562	0	711,014	0	0	0	0	0	0	0	0	0
7		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
8		EQUAL ACCESS EQUIPMENT	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9		COE,IOT,CWF,GENERAL SUPPORT	13,794,492		0	0	9,050,734	0	4,743,758	0	0	0	0	0	0	0	0	0
10		AND EQUAL ACCESS EQUIPMENT	100.0000%		0.0000%	0.0000%	65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TANGIBLE ASSETS																		
11		CAPITAL LEASES	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12		LEASEHOLD IMPROVEMENTS	264,891	LN 10	0	0	173,798	0	91,093	0	0	0	0	0	0	0	0	0
13		TOTAL	264,891		0	0	173,798	0	91,093	0	0	0	0	0	0	0	0	0
14																		
15		INTANGIBLE ASSETS	119,088	LN 10	0	0	78,135	0	40,953	0	0	0	0	0	0	0	0	0
16		MATERIALS AND SUPPLIES	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17		RTB STOCK	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18		OTHER JURISDICTIONAL ASSETS	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19		COE,IOT,CWF,GEN SUPP & EQUAL ACCESS	13,794,492		0	0	9,050,734	0	4,743,758	0	0	0	0	0	0	0	0	0
20		FOR APPORTIONING PRESUBSCRIPTION	100.0000%		0.0000%	0.0000%	65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
21		COE,IOT & CWF EXCL CCL FOR ASSIGNING	11,726,915		0	0	7,694,172	0	4,032,744	0	0	0	0	0	0	0	0	0
22		CARRIER ACCESS BILLING EXPENSES	100.0000%		0.0000%	0.0000%	65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

PUBLIC VERSION

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		TRAFFIC SENSITIVE			SPECIAL ACCESS				IX CATEGORY			
				LIMITED PAY	COMMON LINE	SWITCHING	INFO	COMMON TERM	TRANSPORT FACILITY	DEDICATED TRANSPORT	NEL TERMINATION ALLOCATED	TERM	CHANNEL MILEAGE FACILITY	B&C	MSG	P.L.
ALLOCATION FACTORS																
1		STANDARD WORK SECONDS														
2		- MANUAL BOARDS	100.0000%					0.0000%	0.0000%							100.0000%
3		- TSPS COMPLEX	100.0000%					0.0000%	0.0000%							100.0000%
4		EQUIVALENT ACCESS LINES - MSG COE	0.0000%													
5		IX CIRCUIT TERMINATIONS - MSG COE	100.0000%	0.0000%	0.0000%			100.0000%			0.0000%					
CENTRAL OFFICE EQUIPMENT																
6	2220	OPERATOR SYSTEMS														
7		MANUAL SWITCHBOARDS	0				0		0							0
8		AUXILIARY SWITCHBOARDS														
9		- DIRECTORY ASSISTANCE	0				0		0							
10		- INTERCEPT	0													
11		- OTHER	0													0
12		SERVICE OBSERVING BOARDS	0				0		0		0					0
13		TSPS														
14		- OPERATOR	0				0		0							0
15		- RTA	0				0		0		0					0
16		- OTHER	0				0		0		0					0
17		TOTAL OPERATOR SYSTEMS	0				0		0		0					0
18	2210	TANDEM SWITCHING EQUIPMENT														
19		ACCESS	4,032,744					4,032,744								0
20		NON ACCESS	0													0
21		TOTAL TANDEM SWITCH	4,032,744					4,032,744								0
22	2210	LOCAL SWITCHING EQUIPMENT														
23		ACCESS	7,694,172				7,694,172		7,694,172							0
24		DEDICATED	0													0
25		TOTAL LOCAL SWITCH	7,694,172				7,694,172		7,694,172							0
26		TOTAL CAT1 EXCL SVC OBS, CAT 2 AND 3	11,726,915				7,694,172		7,694,172		0	4,032,744				0
27		% DISTRIBUTION	100.0000%				65.6112%		65.6112%		0.0000%	34.3888%				0.0000%

PUBLIC VERSION

CENTRAL OFFICE EQUIPMENT ALLOCATION

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE			SPECIAL ACCESS				IX CATEGORY		
				LIMITED PAY	COMMON LINE		INFO	TERM	COMMON TRANSPORT FACILITY	DEDICATED TRANSPORT	NEL TERMINATION ALLOCATED	TERM	CHANNEL MILEAGE TERM	FACILITY	B&C	MSG
28	2230	CENTRAL OFFICE TRANSMISSION														
29		EXCHANGE WIDEBAND	0													
30		EXCHANGE TRUNK - BASIC	0													
31		EXCHANGE TRUNK - SPECIAL	0													
32		SUBSCRIBER LINE	0													
33		INTEREXCHANGE CIRCUIT	0	0												
34		FURNISHED OTHERS	0													
35		ACCESS - BASIC	0													
36		ACCESS - SPECIAL	0													
37		NON ACCESS	0													
38		TOTAL IX CIRCUIT	0													
39		HOST/REMOTE CIRCUIT	0													
40		EQUIPMENT RENTED OTHERS	0													
41		TOTAL CENTRAL OFFICE TRANSMISSION	0	0	0	7,694,172	0	4,032,744								
42		TOTAL CENTRAL OFFICE EQUIPMENT	11,726,915	0	0		0									
43		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	65.6112%	0.0000%	34.3888%								
COE RATIOS																
44		OPERATOR SYSTEMS	0.0000%			0.0000%	0.0000%									
45		TANDEM SWITCHING	100.0000%													
46		LOCAL SWITCHING	100.0000%			100.0000%										
47		CENTRAL OFFICE SWITCHING	100.0000%			65.6112%		34.3888%								
48		CENTRAL OFFICE TRANSMISSION	100.0000%	0.0000%	0.0000%			100.0000%								

PUBLIC VERSION

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INFORMATION ORIGINATION/TERMINATION AND CABLE AND WIRE FACILITIES

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	LIMITED PAY	COMMON LINE	SWITCHING	INFO	COMMON TRANSPORT		DEDICATED TRANSPORT		NEL TERMINATION		CHANNEL MILEAGE TERM	FACILITY	B&C	IX CATEGORY	
									TERM	FACILITY	TERM	FACILITY	ALLOCATED	TERM				MSG	P.L.
1		ALLOCATION FACTORS																	
2		EQUIVALENT ACCESS LINES- MSG CWF	0.0000%	AL-1,LN 4	0.0000%	0.0000%								0.0000%					
3	2310	IX CIRCUIT MILES - MSG CWF	100.0000%	AL-1,LN 8						100.0000%	0.0000%	0.0000%							
4		INFORMATION ORIG/TERM																	
5		OTHER IOT EQUIPMENT																	
6		COIN PUBLIC TELEPHONE	0	DIRECT	0	0													
7		COINLESS PUBLIC TELEPHONE	0	DIRECT	0	0													
8		OTHER	0	DIRECT	0	0									0				
9		SUBTOTAL	0		0	0								0					
10		NEW CUSTOMER PREMISE EQUIP	0	DIRECT	0	0								0					
11		TOTAL ORIG/TERM EQUIP	0		0	0								0					
		% DISTRIBUTION	0.0000%		0.0000%	0.0000%								0.0000%					
12	2410	CABLE AND WIRE FACILITIES																	
13		SUBSCRIBER LINE	0	LN 1/DIRECT	0	0								0					
14		EXCHANGE WIDEBAND	0	DIRECT									0			0			
15a		EXCHANGE TRUNK - BASIC	0	DIRECT								0				0			
15b		EXCHANGE TRUNK - SPECIAL	0	DIRECT								0				0			
16		INTEREXCHANGE WIDEBAND	0	DIRECT								0				0			
17a		IX TRUNK - ACCESS	0	LN 2/DIRECT								0				0			
17b		IX TRUNK - SPECIAL	0	DIRECT								0				0			
18		IX TRUNK - NON ACCESS	0	DIRECT								0				0			0
19		HOST/REMOTE	0	DIRECT								0				0			0
20		EQUIPMENT FURNISHED OTHERS	0	DIRECT		0						0				0			0
21		TOTAL CABLE AND WIRE FACILITIES	0		0.0000%	0.0000%				100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%			0.0000%
22		% DISTRIBUTION	100.0000%		0.0000%	0.0000%				100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%			0.0000%
23		TOTAL CWF EXCLUDING CAT 1.3	0		0	0				0	0	0	0	0	0	0			0
24		% DISTRIBUTION	100.0000%		0.0000%	0.0000%				100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%			0.0000%

PUBLIC VERSION

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OTHER TELECOMMUNICATIONS PLANT ALLOCATION

A-6.1 of1

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED TRANSPORT		NEL TERMINATION		SPECIAL ACCESS		B&C	IX CATEGORY		
				LIMITED PAY	COMMON LINE		INFO	TERM	FACILITY	TRANSPORT	ALLOCATED	TERM	TERM	CHANNEL	MILEAGE	FACILITY		MSG	P.L.	
OTHER TELECOMMUNICATIONS PLANT																				
1	2002	PROPERTY HELD FOR FUTURE USE																		
2		GENERAL SUPPORT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
3		A-4.LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
4		A-5.LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
5		A-3.LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
6		UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
7		TOTAL	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
% DISTRIBUTION																				
8	2003	PLANT UNDER CONSTR. - SHORT TERM																		
9		GENERAL SUPPORT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
10		A-4.LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
11		A-5.LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
12		A-3.LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
13		UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
14		TOTAL	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
% DISTRIBUTION																				
15	2004	PLANT UNDER CONSTR. - LONG TERM																		
16		GENERAL SUPPORT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
17		A-4.LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
18		A-5.LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
19		A-3.LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
20		UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
21		TOTAL	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
% DISTRIBUTION																				
22	2005	TELECOMMUNICATIONS PLANT ADJUST.																		
23		GENERAL SUPPORT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
24		A-4.LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25		A-5.LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
26		A-3.LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
27		UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
28		TOTAL	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
% DISTRIBUTION																				

PUBLIC VERSION

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		DEDICATED	SPECIAL ACCESS		B&C	IX CATEGORY	
				LIMITED PAY	COMMON LINE			TERM	FACILITY		TERM	CHANNEL MILEAGE		MSG	P.L.
1	3100	ACCUM DEPRECIATION - PLANT IN SERVICE													
2		GENERAL SUPPORT	1,268,621	0	0	0	832,358	0	436,263	0	0	0	0	0	0
3		CENTRAL OFFICE SWITCHING EQUIPMENT	7,228,004	0	0	0	4,742,381	0	2,485,623	0	0	0	0	0	0
4		OPERATOR SYSTEMS EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
5		CENTRAL OFFICE TRANSMISSION	0	0	0	0	0	0	0	0	0	0	0	0	0
6		UNDISTRIBUTED COE	0	0	0	0	0	0	0	0	0	0	0	0	0
7		INFORMATION ORIG/TERM	0	0	0	0	0	0	0	0	0	0	0	0	0
8		CABLE AND WIRE FACILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0
9		TOTAL ACCUM DEPR - TPIS	8,496,624	0	0	0	5,574,739	0	2,921,886	0	0	0	0	0	0
10	3200	ACCUM DEPRECIATION - FUTURE USE	0	0	0	0	0	0	2,921,886	0	0	0	0	0	0
11		TOTAL ACCUM DEPRECIATION	8,496,624	0	0	0	5,574,739	0	34,3888%	0	0	0	0	0	0
12		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	65.6112%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
ACCUMULATED AMORTIZATION															
13	3400	TANGIBLE ASSETS													
14		CAPITAL LEASES	0	0	0	0	0	0	0	0	0	0	0	0	0
15		LEASEHOLD IMPROVEMENTS	241,871	0	0	0	158,695	0	83,177	0	0	0	0	0	0
16		UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0
17		TOTAL ACCUM AMORT - TANGIBLE	241,871	0	0	0	158,695	0	83,177	0	0	0	0	0	0
18	3500	INTANGIBLE ASSETS	119,088	0	0	0	78,135	0	40,953	0	0	0	0	0	0
19	3600	TELEPHONE PLANT ADJUSTMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
20		TOTAL ACCUM AMORTIZATION	360,959	0	0	0	236,830	0	124,129	0	0	0	0	0	0
21		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	65.6112%	0.0000%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
NET OPERATING DEFERRED INC TAX															
22	4100x	GENERAL SUPPORT	0	0	0	0	0	0	0	0	0	0	0	0	0
23	4340	CENTRAL OFFICE EQUIP	0	0	0	0	0	0	0	0	0	0	0	0	0
24		INFORMATION ORIG/TERM	0	0	0	0	0	0	0	0	0	0	0	0	0
25		CABLE AND WIRE FACILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0
26		UNDISTRIBUTED	1,677,033	0	0	0	1,100,322	0	576,711	0	0	0	0	0	0
27		TOTAL NET DEFERRED INC TAX	1,677,033	0	0	0	1,100,322	0	576,711	0	0	0	0	0	0
28		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	65.6112%	0.0000%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
OTHER DEFERRED CREDITS - NET															
30	4360	GENERAL SUPPORT	0	0	0	0	0	0	0	0	0	0	0	0	0
31		CENTRAL OFFICE EQUIP	0	0	0	0	0	0	0	0	0	0	0	0	0
32		INFORMATION ORIG/TERM	0	0	0	0	0	0	0	0	0	0	0	0	0
33		CABLE AND WIRE FACILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0
34		UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0
35		TOTAL OTHER DEFERRED CREDITS	0	0	0	0	0	0	0	0	0	0	0	0	0
36		% DISTRIBUTION	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
37															

PUBLIC VERSION

SUMMARY OF OPERATING EXPENSE AND TAX AND MISCELLANEOUS TAX ITEMS

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		DEDICATED		SPECIAL ACCESS		B&C	IX CATEGORY	
				LIMITED PAY	COMMON LINE			COMMON TERM	COMMON INFO	TRANSPORT FACILITY	TRANSPORT TERM	CHANNEL MILEAGE TERM	FACILITY		MSG	P.L.
1	6110	OPERATING EXPENSE AND TAX	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	6120	NETWORK SUPPORT EXPENSE	389,536	0	0	0	255,579	0	133,957	0	0	0	0	0	0	0
3	6210	GENERAL OFFICE EXPENSE	448,741	0	0	0	294,425	0	154,317	0	0	0	0	0	0	0
4	6310	INFORMATION ORIGINATOR EXP	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	6410	CABLE AND WIRE FACILITIES EXP	6,891,903	0	0	0	0	0	0	6,891,903	0	0	0	0	0	0
6	6510	OTHER PLANT EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	6530	NETWORK OPERATIONS EXPENSE	405,808	0	0	0	266,256	0	139,553	0	0	0	0	0	0	0
8	6540	ACCESS CHARGE EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	6610	MARKETING EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	6620	SERVICES EXPENSE	198,013	0	0	0	129,918	0	68,094	0	0	0	0	0	0	0
11	6710	EXECUTIVE AND PLANNING EXP	173,571	0	0	0	19,706	0	10,328	143,537	0	0	0	0	0	0
12	6720	GENERAL AND ADMINISTRATIVE EXP	554,219	0	0	0	62,922	0	32,979	458,318	0	0	0	0	0	0
13	6730	SUBTOTAL OPERATING EXPENSE	9,061,792	0	0	0	1,028,806	0	539,228	7,493,758	0	0	0	0	0	0
14	6740	% DISTRIBUTION	100.0000%	0.0000%	0.0000%	11.3532%	0.0000%	0.0000%	0.0000%	82.6962%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
15	6560	DEPRECIATION AND AMORTIZATION	1,121,504	0	0	0	735,832	0	385,671	0	0	0	0	0	0	0
16	7200	OTHER OPERATING TAX	61,623	0	0	0	40,432	0	21,191	0	0	0	0	0	0	0
17		EQUAL ACCESS EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18		TOTAL OPERATING EXP & TAX	10,244,918	0	0	0	1,805,070	0	946,091	7,493,758	0	0	0	0	0	0
19		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	17.6192%	0.0000%	0.0000%	9.2347%	73.1461%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
20	7370	NON OPERATING EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21		ABANDONED CONSTRUCTION	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22		CONTRIBUTIONS	1,496	0	0	0	981	0	514	0	0	0	0	0	0	0
23		TOTAL NON OPERATING EXP	1,496	0	0	0	981	0	514	0	0	0	0	0	0	0
24		UNCOLLECTIBLES	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25	5310	END USER MSG TOLL	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26	5320	END USER COMMON LINE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27	5330	IX CARRIER	79,683	0	0	52,288	0	27,406	0	0	0	0	0	0	0	0
28		TOTAL UNCOLLECTIBLES	79,683	0	0	52,288	0	27,406	0	0	0	0	0	0	0	0
29	7340	ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	0	0	0	0	0	0	0	0	0	0	0	0	0	0

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2007

COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-9,1of1

PLANT SPECIFIC EXPENSE ALLOCATION

A-9,1of1

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE		SPECIAL ACCESS			IX CATEGORY			
				LIMITED PAY	COMMON LINE		COMMON TERM	TRANSPORT FACILITY	DEDICATED TRANSPORT	NEL TERMINATION ALLOCATED	CHANNEL MILEAGE TERM	FACILITY	B&C	MSG	P.L.
BASIS FOR NETWORK SUPPORT EXPENSE															
1		GEN SUPPORT, COE, IOT AND C&WF	13,794,492	0	0	9,050,734	0	4,743,758	0	0	0	0	0	0	0
2		EQUAL ACCESS EQUIPMENT	0	0	0	0	0	4,743,758	0	0	0	0	0	0	0
3		TOTAL	13,794,492	0	0	9,050,734	0	4,743,758	0	0	0	0	0	0	0
4		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
PLANT SPECIFIC EXPENSES															
5		GENERAL SUPPORT EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
6	6110	NETWORK SUPPORT	389,536	0	0	255,579	0	133,957	0	0	0	0	0	0	0
7	6120	GENERAL SUPPORT	389,536	0	0	255,579	0	133,957	0	0	0	0	0	0	0
8		TOTAL GENERAL SUPPORT EXP	779,072	0	0	511,158	0	267,914	0	0	0	0	0	0	0
9		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CENTRAL OFFICE EXPENSE															
10		CENTRAL OFFICE SWITCHING EXPENSE	448,741	0	0	294,425	0	154,317	0	0	0	0	0	0	0
11	6210	OPERATOR SYSTEMS EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
12	6220	CENTRAL OFFICE TRANSMISSION EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
13	6230	UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0
14		TOTAL CENTRAL OFFICE EXPENSE	448,741	0	0	294,425	0	154,317	0	0	0	0	0	0	0
15		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
INFORMATION ORIG/TERM EXPENSE															
17	6310	COIN PAY TELEPHONE	0	0	0	0	0	0	0	0	0	0	0	0	0
18	6320	COINLESS PAY TELEPHONE	0	0	0	0	0	0	0	0	0	0	0	0	0
19		OTHER	0	0	0	0	0	0	0	0	0	0	0	0	0
20		CPE	0	0	0	0	0	0	0	0	0	0	0	0	0
21		TOTAL INFORMATION ORIG/TERM EXP	0	0	0	0	0	0	0	0	0	0	0	0	0
22		% DISTRIBUTION	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CABLE AND WIRE FACILITIES EXPENSE															
24	6410	CABLE AND WIRE FACILITIES EXPENSE	6,891,903	0	0	550,004	0	288,274	6,891,903	0	0	0	0	0	0
25		TOTAL PLANT SPECIFIC EXPENSE	7,730,181	0	0	550,004	0	288,274	6,891,903	0	0	0	0	0	0
26		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	7.1150%	0.0000%	3.7292%	89.1558%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2007

COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-10.1d1

PLANT NON SPECIFIC EXPENSE ALLOCATION

A-10.1d1

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SOURCE	TRAFFIC SENSITIVE			SPECIAL ACCESS						IX CATEGORY	
				LIMITED PAY	COMMON LINE		SWITCHING	INFO	COMMON TERM	TRANSPORT FACILITY	DEDICATED TRANSPORT	NEL TERMINATION ALLOCATED	CHANNEL MILEAGE TERM	FACILITY TERM	B&C	MSG	P.L.
1		CENTRAL OFFICE EQUIPMENT	11,726,915	0	0	A-4.LN 38	0	7,694,172	0	4,032,744	0	0	0	0	0	0	0
2		INFORMATION ORIG/TERM	0	0	0	A-5.LN 10	0	0	0	0	0	0	0	0	0	0	0
3		CABLE AND WIRE FACILITIES	0	0	0	A-5.LN 21	0	0	0	0	0	0	0	0	0	0	0
4		TOTAL	11,726,915	0	0		7,694,172	0	4,032,744	0	0	0	0	0	0	0	0
5		% DISTRIBUTION	100.0000%	0.0000%	0.0000%		65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
PLANT NONSPECIFIC EXPENSE																	
6	6510	OTHER PROP PLANT & EQUIP EXPENSE	0	0	0	LN 5	0	0	0	0	0	0	0	0	0	0	0
7	6530	NETWORK OPERATIONS EXPENSE	405,808	0	0	LN 5	266,256	0	139,553	0	0	0	0	0	0	0	0
8	6540	ACCESS CHARGE EXPENSE	0	0	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0
DEPRECIATION EXPENSE																	
9	6560	GENERAL SUPPORT	195,909	0	0	A-3.LN 7	128,538	0	67,371	0	0	0	0	0	0	0	0
10		CENTRAL OFFICE SWITCHING EQUIPMENT	903,529	0	0	A-4.LN 47	592,817	0	310,713	0	0	0	0	0	0	0	0
11		OPERATOR SYSTEMS EQUIPMENT	0	0	0	A-4.LN 44	0	0	0	0	0	0	0	0	0	0	0
12		CENTRAL OFFICE TRANSMISSION	0	0	0	A-4.LN 48	0	0	0	0	0	0	0	0	0	0	0
13		UNDISTRIBUTED COE	0	0	0	A-4.LN 43	0	0	0	0	0	0	0	0	0	0	0
14		INFORMATION ORIG/TERM	0	0	0	A-5.LN 11	0	0	0	0	0	0	0	0	0	0	0
15		CABLE AND WIRE FACILITIES	0	0	0	A-5.LN 22	0	0	0	0	0	0	0	0	0	0	0
16		TOTAL DEP EXP - PLANT IN SERVICE	1,099,438	0	0		721,355	0	378,083	0	0	0	0	0	0	0	0
17		PROPERTY HELD FOR FUTURE USE	0	0	0	A-6.LN 7	0	0	0	0	0	0	0	0	0	0	0
18		TOTAL DEPRECIATION EXPENSE	1,099,438	0	0		721,355	0	378,083	0	0	0	0	0	0	0	0
19		% DISTRIBUTION	100.0000%	0.0000%	0.0000%		65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
AMORTIZATION EXPENSE																	
21	6563	CAPITAL LEASE	0	0	0	A-3.LN 10	0	0	0	0	0	0	0	0	0	0	0
22	6563	LEASEHOLD IMPROVEMNTS	22,065	0	0	A-3.LN 10	14,477	0	7,588	0	0	0	0	0	0	0	0
23	6563	UNDISTRIBUTED	0	0	0	A-3.LN 10	0	0	0	0	0	0	0	0	0	0	0
24		SUBTOTAL	22,065	0	0		14,477	0	7,588	0	0	0	0	0	0	0	0
25	6564	INTANGIBLE ASSETS	0	0	0	A-3.LN 10	0	0	0	0	0	0	0	0	0	0	0
26		OTHER - TEL PLANT ADJUSTMENT	0	0	0	A-6.LN 28	0	0	0	0	0	0	0	0	0	0	0
27	6565	TOTAL AMORTIZATION EXPENSE	22,065	0	0		14,477	0	7,588	0	0	0	0	0	0	0	0
28		% DISTRIBUTION	100.0000%	0.0000%	0.0000%		65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL PLANT NON SPECIFIC EXPENSE																	
29			1,527,312	0	0		1,002,088	0	525,224	0	0	0	0	0	0	0	0
30		% DISTRIBUTION	100.0000%	0.0000%	0.0000%		65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2007

COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-11, tof1

CUSTOMER OPERATIONS EXPENSE ALLOCATION

A-11, tof1

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE			DEDICATED			NET TERMINATION		B&C	IX CATEGORY	
				LIMITED PAY	COMMON LINE		INFO	TERM	FACILITY	TRANSPORT	ALLOCATED	TERM	FACILITY	MSG		P.L.	
1	6610	CUSTOMER OPERATIONS EXPENSES															
2		MARKETING		0	0	0	0	0	0	0	0	0	0	0	0	0	0
3		TELEPHONE OPERATOR SERVICES															
4	6621	- CALL COMPLETION INCL DA				0	0	0	0	0	0	0	0	0	0	0	0
5	6622	- OPERATOR SERVICES UNDER CONTRACT				0	0	0	0	0	0	0	0	0	0	0	0
6	6623	PUBLISHED DIRECTORY LISTINGS				0	0	0	0	0	0	0	0	0	0	0	0
7		ALL OTHER															
8	1.0	LOCAL BUSINESS OFFICE															
9		- END USER SVC ORDER PROCESSING				0	0	0	0	0	0	0	0	0	0	0	0
10		- PRESUBSCRIPTION															
11		- OTHER		0	0	0	0	0	0	0	0	0	0	0	0	0	0
12		- END USER PAYMENT & COLLECTION			0	0	0	0	0	0	0	0	0	0	0	0	0
13		- END USER BILLING INQUIRY			0	0	0	0	0	0	0	0	0	0	0	0	0
14		- IX CARRIER SVC ORDER PROCESSING			0	0	0	0	0	0	0	0	0	0	0	0	0
15		- IX CARRIER PAYMENT & COLLECTION	90,452	0	0	59,347	0	31,105	0	0	0	0	0	0	0	0	0
16		- IX CARRIER BILLING INQUIRY		0	0	0	0	0	0	0	0	0	0	0	0	0	0
17		- COIN COLLECT AND ADMINISTRATION		0	0	0	0	0	0	0	0	0	0	0	0	0	0
18		SUBTOTAL LOCAL BUSINESS OFFICE	90,452	0	0	59,347	0	31,105	0	0	0	0	0	0	0	0	0
19	2.0	CUSTOMER SERVICES (REV ACCTG)															
20		- MESSAGE PROCESSING															
21		- TOLL TICKET PROCESSING		0	0	0	0	0	0	0	0	0	0	0	0	0	0
22		- LOCAL MESSAGE PROCESSING		0	0	0	0	0	0	0	0	0	0	0	0	0	0
23		- OTHER BILLING & COLLECTION		0	0	0	0	0	0	0	0	0	0	0	0	0	0
24		- END USER COMMON LINE		0	0	0	0	0	0	0	0	0	0	0	0	0	0
25		- CARRIER ACCESS BILLING (CABS)	107,561	0	0	70,572	0	36,989	0	0	0	0	0	0	0	0	0
26		SUBTOTAL CUSTOMER SERVICES	107,561	0	0	70,572	0	36,989	0	0	0	0	0	0	0	0	0
27		TOTAL CAT 1 AND CAT 2	198,013	0	0	129,918	0	68,094	0	0	0	0	0	0	0	0	0
28		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
29	3.0	ALL OTHER CUSTOMER SERVICE		0	0	0	0	0	0	0	0	0	0	0	0	0	0
30		TOTAL SERVICES EXPENSE	198,013	0	0	129,918	0	68,094	0	0	0	0	0	0	0	0	0
31		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
32		TOTAL CUSTOMER OPERATIONS EXPENSE	198,013	0	0	129,918	0	68,094	0	0	0	0	0	0	0	0	0
33		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
34		CUSTOMER OPERATIONS EXCL MARKETING		0	0	129,918	0	68,094	0	0	0	0	0	0	0	0	0
35		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	65.6112%	0.0000%	34.3888%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2007

COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-12,1of1

CORPORATE OPERATIONS EXPENSE ALLOCATION

A-12,1of1

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED TRANSPORT		NET TERMINATION		SPECIAL ACCESS		IX CATEGORY	
				LIMITED PAY	COMMON LINE		INFO	TERM	FACILITY	TRANSPORT	ALLOCATED	TERM	FACILITY	TERM	FACILITY	B&C	MSG	P.L.
BIG THREE EXPENSES																		
1		PLANT SPECIFIC EXPENSE	7,730,181	0	0	550,004	0	288,274	6,891,903	0	0	0	0	0	0	0	0	0
2		OTHER PLANT EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3		NETWORK OPERATIONS EXPENSE	405,808	0	0	266,256	0	139,553	0	0	0	0	0	0	0	0	0	0
4		ACCESS CHARGE EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5		CUSTOMER OPERATIONS EXPENSE	198,013	0	0	129,918	0	68,094	6,891,903	0	0	0	0	0	0	0	0	0
6		TOTAL BIG THREE EXPENSES	8,334,002	0	0	946,178	0	495,920	82,6962%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0	0	0	0
7		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	11.3532%	0.0000%	5.9506%	82,6962%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CORPORATE OPERATING EXPENSE																		
8	6710	EXECUTIVE AND PLANNING	173,571	0	0	19,706	0	10,328	143,537	0	0	0	0	0	0	0	0	0
9	6720	GENERAL AND ADMINISTRATIVE	554,219	0	0	62,922	0	32,979	458,318	0	0	0	0	0	0	0	0	0
10		TOTAL CORPORATE OPERATIONS	727,790	0	0	82,628	0	43,308	601,855	0	0	0	0	0	0	0	0	0
11		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	11.3532%	0.0000%	5.9506%	82,6962%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
12		EQUAL ACCESS EXPENSE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST EXPENSE																		
13	7500	CAPITAL LEASE	0	A-3.LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14		OTHER	16,378	A-3.LN 10	0	10,746	0	5,632	0	0	0	0	0	0	0	0	0	0
15		TOTAL	16,378		0	10,746	0	5,632	0	0	0	0	0	0	0	0	0	0
OTHER INCOME ADJUSTMENTS																		
17		BASED ON PLANT	0	A-2.LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18		BASED ON EXPENSE	0	LN 7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19		TOTAL	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0
OPERATING TAXES																		
21	7210	FEDERAL ITC AMORTIZATION	0	A-3.LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	7210	STATE ITC AMORTIZATION	0	A-3.LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	7240	OTHER OPERATING TAXES	61,623	A-3.LN 10	0	40,432	0	21,191	0	0	0	0	0	0	0	0	0	0
24		TOTAL OPERATING TAXES	61,623		0	40,432	0	21,191	0	0	0	0	0	0	0	0	0	0

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2007

COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

AL-1,1of1

DEVELOPMENT OF JOINT USE FACILITIES ALLOCATION FACTORS

AL-1,1of1

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	LIMITED PAY	COMMON LINE	SWITCHING	INFO	COMMON TRANSPORT		DEDICATED NEL TERMINATION		CHANNEL MILEAGE		B&C	IX CATEGORY	
									TERM	FACILITY	TRANSPORT	ALLOCATED	TERM	FACILITY		MSG	P.L.
1		EQUIVALENT ACCESS LINES - MSG COE	0		0	0						0					
2		% DISTRIBUTION	0.0000%		0.0000%	0.0000%						0.0000%					
3		EQUIVALENT ACCESS LINES - MSG CWF	0		0	0						0					
4		% DISTRIBUTION	0.0000%		0.0000%	0.0000%						0.0000%					
5		IX CIRCUIT TERMINATIONS - MSG COE	888						888								
6		% DISTRIBUTION	100.0000%						100.0000%			0.0000%					
7		IX CIRCUIT MILES - MSG CWF	6,745,659						6745659.00			0.00					
8		% DISTRIBUTION	100.0000%						100.0000%			0.0000%					
DISTRIBUTION FACTORS																	
9		STD WORK SECONDS - MANUAL BOARDS	100.0000%				0.0000%	0.0000%									100.0000%
10		STD WORK SECONDS - TSPS	100.0000%				0.0000%	0.0000%									100.0000%
11		STD WORK SECONDS - OPERATORS	100.0000%				0.0000%	0.0000%									100.0000%
12		END USER SVC ORDER CONTACTS	0.0000%										0.0000%		0.0000%		0.0000%
13		END USER PAYMENT & COLLECTION	0.0000%			0.0000%							0.0000%		0.0000%		0.0000%
14		END USER BILLING INQUIRY CONTACTS	0.0000%			0.0000%							0.0000%		0.0000%		0.0000%
15		IX CARRIER SVC ORDER CONTACTS	100.0000%		0.0000%	0.0000%	65.6112%	0.0000%	34.3888%		0.0000%	0.0000%			0.0000%		0.0000%
16		IX CARRIER PAYMENT & COLLECTION	100.0000%		0.0000%	0.0000%	65.6112%	0.0000%	34.3888%		0.0000%	0.0000%			0.0000%		0.0000%
17		IX CARRIER BILLING INQUIRY CONTACTS	100.0000%		0.0000%	0.0000%	65.6112%	0.0000%	34.3888%		0.0000%	0.0000%			0.0000%		0.0000%
18		PUBLIC TELEPHONE REVENUE	0.0000%		0.0000%	0.0000%											
19		END USER BILLING & COLLECTION	0.0000%		0.0000%	0.0000%									0.0000%		0.0000%
20		OPERATOR SERVICES UNDER CONTRACT	0.0000%					0.0000%									

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2007

COST SUPPORT MATERIAL
PART 36 SEPARATIONS

SECTION 4

S-1,1of1

REVENUE REQUIREMENT SUMMARY

S-1,1of1

LN	ALLOCATION RATIOS	TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE MSG TOLL		OTHER
				INTRALATA	INTERLATA	
	REVENUE REQUIREMENT SUMMARY					
1	NET INVESTMENT FOR SETTLEMENTS	10,108,844	NOTE A	125,759	3,971,629	6,011,455
2	RATE OF RETURN			11.2500%	11.2500%	11.2500%
3	RETURN ON INVESTMENT	1,043,862	LN1*LN 2	14,148	446,808	582,906
4	ALLOWANCE FOR FUNDS USED DURING CONSTR	0	S-8,LN 29	0	-	0
5	NET RETURN FOR SETTLEMENTS	1,043,862	LN3-LN4	14,148	446,808	582,906
6	TOTAL ITC AMORTIZATION	0	S-12,LN 28+29	0	-	0
7	FEDERAL OPERATING INCOME TAX (ACTUAL)	0	S-12,LN 30	0	-	0
8	FEDERAL OPERATING INCOME TAX (OPTION)	517,027	LN28-LN11	7,030	221,995	288,003
9	STATE AND LOCAL INCOME TAX (ACTUAL)	0	S-12,LN 31	0	-	0
10	STATE AND LOCAL INCOME TAX (OPTION)	172,112	LN 33	2,340	73,899	95,873
11	PROVISION FOR DEFERRED INCOME TAX	0	S-12,LN 33	0	-	0
13	OPERATING EXPENSE AND TAX	26,053,818	S-8,LN 18	318,351	9,926,567	15,808,899
14	NONOPERATING EXPENSE	3,827	S-8,LN 23	47	1,449	2,332
15	UNCOLLECTIBLES	284,299	S-8,LN 28	2,441	77,252	204,606
16	BASIS FOR GROSS RECEIPTS TAX	28,074,946		344,357	10,747,971	16,982,618
17	GROSS RECEIPTS TAX RATE (GROSS UP)			0.0000%	0.0000%	0.0000%
18	GROSS RECEIPTS TAX	0		0	-	0
19	TOTAL REVENUE REQUIREMENT	28,074,946		344,357	10,747,971	16,982,618

NOTE A: INCLUDES NET TEL PLANT FROM SCH S-2, LN 33 LESS A/C's 2004 ,2006 ,2007 AND 1402 OTHER THAN RTB STOCK.

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OPTIONAL GROSS UP INCOME TAX CALCULATION						
20	RETURN ON INVESTMENT	1,043,862	LN 3	14,148	446,808	582,906
21	INTEREST AND RELATED ITEMS	40,221	S-12, LN 19	502	15,877	23,842
22	OTHER INCOME ADJUSTMENTS	0	S-12, LN 24+25	-	-	0
23	TOTAL INCOME ADJUSTMENTS	40,221	LN 21+22	502	15,877	23,842
24	FEDERAL ITC AMORTIZATION	0	S-12, LN 28	-	-	0
25	FEDERAL TAXABLE INCOME	1,520,669		20,676	652,927	847,066
26	FEDERAL INCOME TAX @ 34.00%	517,027	LN 25*FIT	7,030	221,995	288,003
27	FEDERAL SURTAX ALLOCATION	0	S-2, LN 34	-	-	0
28	NET FEDERAL INCOME TAX BEFORE ITC	517,027	LN26-LN27	7,030	221,995	288,003
29	STATE ITC AMORTIZATION	0	S-12, LN 29	-	-	0
30	STATE TAXABLE INCOME	1,434,267		19,501	615,829	798,938
31	STATE INCOME TAX @ 12.00%	172,112	LN 30*SIT	2,340	73,899	95,873
32	STATE SURTAX EXEMPTION	0	S-2, LN 34	-	-	0
33	NET STATE INCOME TAX BEFORE ITC	172,112		2,340	73,899	95,873

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2007

COST SUPPORT MATERIAL
PART 36 SEPARATIONS

SECTION 4

S-2,1of1

SUMMARY OF NET TELEPHONE PLANT, M&S AND WORKING CAPITAL

S-2,1of1

LN	ALLOCATION RATIOS		TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE MSG TOLL		OTHER
					INTRALATA	INTERLATA	
NET INVESTMENT SUMMARY							
1	GENERAL SUPPORT FACILITIES	2110	5,077,383	S-3,LN 10	63,340	2,004,236	3,009,807
2	CENTRAL OFFICE SWITCHING EQUIPMEN	2210	28,797,988	S-4,LN 52	359,255	11,367,660	17,071,073
3	OPERATOR SYSTEMS EQUIPMENT	2220	0	S-4,LN 41	-	-	0
4	CENTRAL OFFICE TRANSMISSION EQUIP	2230	0	S-4,LN 78	0	0	0
5	INFORMATION ORIG/TERM EQUIPMENT	2310	0	S-5,LN 17	-	-	0
6	CABLE AND WIRE FACILITIES	2410	0	S-5,LN 42	0	0	0
7	TANGIBLE ASSETS	2680	650,497	S-3,LN 29	8,115	256,776	385,606
8	INTANGIBLE ASSETS	2690	292,446	S-3,LN 36	3,648	115,440	173,358
9	TOTAL PLANT IN SERVICE A/C 2001		34,818,315		434,359	13,744,111	20,639,844
10	% DISTRIBUTION		100.0000%		1.2475%	39.4738%	59.2787%
11	PROPERTY HELD FOR FUTURE USE	2002	0	S-6,LN 9	-	-	0
12	PLANT UNDER CONSTR - SHORT TERM	2003	0	S-6,LN 15	-	-	0
13	PLANT UNDER CONSTR - LONG TERM	2004	0	S-6,LN 21	-	-	0
14	TELEPHONE PLANT ADJUSTMENT	2005	0	S-6,LN 27	-	-	0
15	NONOPERATING PLANT	2006	0	DIRECT			0
16	GOODWILL	2007	0	DIRECT			0
17	TOTAL PROPERTY, PLANT & EQUIPMENT		34,818,315		434,359	13,744,111	20,639,844
18	% DISTRIBUTION		100.0000%		1.2475%	39.4738%	59.2787%
19	ACCUM DEPRECIATION - PLANT IN SERV	3100	20,865,308	S-7,LN 18	260,295	8,236,330	12,368,683
20	ACCUM DEPRECIATION - FUTURE USE	3200	0	S-7,LN 19	-	-	0
21	ACCUM AMORTIZATION - TANGIBLE PROI	3400	593,968	S-7,LN 23	7,410	234,462	352,096
22	ACCUM AMORTIZATION - INTANGIBLE PR	3500	292,446	S-7,LN 24	3,648	115,440	173,358
23	ACCUM AMORTIZATION - TEL PLANT ADJ	3600	0	S-7,LN 25	-	-	0
24	OPERATING DEFERRED INCOME TAX - NI	VAR	4,118,320	S-7,LN 32	51,376	1,625,657	2,441,287
25	OTHER DEFERRED CREDITS - NET	4360	0	S-7,LN 38	-	-	0
26	NET TELEPHONE PLANT		8,948,273		111,630	3,532,223	5,304,420
27	% DISTRIBUTION		100.0000%		1.2475%	39.4738%	59.2787%
28	MATERIALS AND SUPPLIES	1220	0	S-6,LN 31	0	0	0
29	INVESTMENT IN NONAFFILIATED CO'S	1402	0	S-6,LN 35	-	-	0
30	EQUAL ACCESS EQUIPMENT	1439	0	S-6,LN 36	-	-	0
31	OTHER JURISDICTIONAL ASSETS	1500	0	S-6,LN 37	-	-	0
32	CASH WORKING CAPITAL	XXXX	1,160,571	S-3,LN 3	14,129	439,406	707,035
33	NET TEL PLANT, M&S AND CASH WORKING CAPITAL		10,108,844		125,759	3,971,629	6,011,455
34	% DISTRIBUTION		100.0000%		1.2441%	39.2887%	59.4673%

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2007

COST SUPPORT MATERIAL
PART 36 SEPARATIONS

SECTION 4

S-8,1of1

SUMMARY OF OPERATING EXPENSE AND TAX

S-8,1of1

LN	ALLOCATION RATIOS		TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE MSG TOLL		OTHER
					INTRALATA	INTERLATA	
OPERATING EXPENSE AND TAX SUMMARY							
1	NETWORK SUPPORT EXPENSE	6110	0	S-9,LN 7	0	0	0
2	GENERAL SUPPORT EXPENSE	6120	956,591	S-9,LN 8	11,933	377,603	567,055
3	CENTRAL OFFICE EXPENSE	6210	1,101,982	S-9,LN 15	13,747	434,994	653,241
4	INFORMATION ORIG/TERM EXPENSE	6310	0	S-9,LN 21	0	0	0
5	CABLE AND WIRE FACILITIES EXPENSE	6410	17,693,096	S-9,LN 25	215,254	6,676,649	10,801,193
6	OTHER PLANT EXPENSE	6510	0	S-10,LN 11	0	0	0
7	NETWORK OPERATIONS EXPENSE	6530	996,551	S-10,LN 13	12,432	393,376	590,742
8	ACCESS CHARGE EXPENSE	6540	0	S-10,LN 14	0	0	0
9	MARKETING EXPENSE	6610	0	S-11,LN 13	0	0	0
10	SERVICES EXPENSE	6620	537,801	S-11,LN 44	6,066	191,947	339,788
11	EXECUTIVE AND PLANNING EXPENSE	6710	444,159	S-12,LN 8+9	5,407	168,164	270,587
12	GENERAL AND ADMINISTRATIVE EXPENSE	6720	1,418,214	S-12,LN 11+12	17,266	536,953	863,995
13	SUBTOTAL OPERATING EXPENSES		23,148,393		282,106	8,779,686	14,086,602
14	% DISTRIBUTION		100.0000%		1.2187%	37.9278%	60.8535%
15	DEPRECIATION AND AMORTIZATION	6560	2,754,096	S-10,LN 22+29	34,357	1,087,146	1,632,592
16	OTHER OPERATING TAX	7240	151,329	S-12,LN 32	1,888	59,735	89,706
17	EQUAL ACCESS EXPENSE		0	S-12,LN 15	0	0	0
18	TOTAL OPERATING EXPENSE AND TAX		26,053,818		318,351	9,926,567	15,808,899
19	% DISTRIBUTION		100.0000%		1.2219%	38.1002%	60.6779%
NON OPERATING EXPENSE 7370							
20	ABANDONED CONSTRUCTION		0	S-2,LN 10	0	0	0
21	CONTRIBUTIONS		3,827	S-12,LN 14	47	1,449	2,332
22	OTHER NON OPERATING EXPENSE		0	DIRECT			0
23	TOTAL NON OPERATING EXPENSE		3,827		47	1,449	2,332
24	% DISTRIBUTION		100.0000%		1.2174%	37.8612%	60.9214%
UNCOLLECTIBLES							
25	END USER MSG TOLLS	5310	0	DIRECT	0	0	0
26	END USER COMMON LINE	5320	0	DIRECT	0	0	0
27	IX CARRIER	5330	284,299	S-11,LN 5	2,441	77,252	204,606
28	TOTAL UNCOLLECTIBLES		284,299		2,441	77,252	204,606
29	ALLOWANCE FOR FUNDS USED DURING (7340	0	S-12,LN 3	0	0	0

PUBLIC VERSION

IOWA NETWORK SERVICES, INC.
PROJECTED JUNE 30, 2007

COST SUPPORT MATERIAL
PART 64 SEPARATIONS

SECTION 5

S-1,1of1

REVENUE REQUIREMENT SUMMARY

S-1,1of1

LN	DESCRIPTION	A/C	CAT	TOTAL COMPANY	ALLOCATION BASIS	ACCESS DIVISION	OTHER
	REVENUE REQUIREMENT SUMMARY						
1	NET INVESTMENT FOR SETTLEMENTS			42,474,018	NOTE A	10,108,844	32,365,174
2	RATE OF RETURN					0	0
3	RETURN ON INVESTMENT			4,167,502	LN1*LN 2	1,043,862	3,123,640
4	ALLOWANCE FOR FUNDS USED DURING CONSTR			-	S-8, LN 30	-	-
5	NET RETURN FOR SETTLEMENTS			4,167,502	LN 3-LN 4	1,043,862	3,123,640
6	TOTAL ITC AMORTIZATION			-	S-12, LN 32	-	-
7	FEDERAL OPERATING INCOME TAX	(ACTUAL)		-		-	-
8	FEDERAL OPERATING INCOME TAX	(OPTION)		1,856,619	LN28-LN11	517,027	1,339,591
9	STATE AND LOCAL INCOME TAX	(ACTUAL)		-		-	-
10	STATE AND LOCAL INCOME TAX	(OPTION)		618,046	LN 32	172,112	445,933
11	PROVISION FOR DEFERRED INCOME TAX			-	S-12, LN 36	-	-
13	OPERATING EXPENSE AND TAX			87,519,255	S-8, LN 20	26,053,818	61,465,437
14	NONOPERATING EXPENSE			176,817	S-8, LN 25	3,827	172,990
15	UNCOLLECTIBLES			377,354	S-8, LN 29	284,299	93,055
16	BASIS FOR GROSS RECEIPTS TAX			94,715,593		28,074,945	66,640,647
17	GROSS RECEIPTS TAX RATE	(GROSS UP)		-		-	-
18	GROSS RECEIPTS TAX			-		-	-
19	TOTAL REVENUE REQUIREMENT			94,715,593		28,074,945	66,640,647

NOTE A: INCLUDES NET TEL PLANT FROM SCH S-2, LN 33 LESS A/C's 2004 ,2006 ,2007 AND 1402.

	OPTIONAL GROSS UP INCOME TAX CALCULATION						
20	RETURN ON INVESTMENT			4,167,502	LN 3	1,043,862	1,043,862
21	INTEREST AND RELATED ITEMS			563,478	S-12, LN 22	40,221	40,221
22	OTHER INCOME ADJUSTMENTS			-	S-12, LN 27+28	-	-
23	TOTAL INCOME ADJUSTMENTS			563,478	LN 21+22	40,221	40,221
24	FEDERAL ITC AMORTIZATION			-	S-12, LN 32	-	-
25	FEDERAL TAXABLE INCOME			5,460,643		1,520,668	1,520,668
26	FEDERAL INCOME TAX @	34%		1,856,619	LN 25*FIT	517,027	517,027
27	FEDERAL SURTAX ALLOCATION			-	S-2, LN 32	-	-
28	NET FEDERAL INCOME TAX BEFORE ITC			1,856,619	LN26-LN27	517,027	517,027
29	STATE TAXABLE INCOME			5,150,379		1,434,267	1,434,267
30	STATE INCOME TAX @	12%		618,046	LN 29*SIT	172,112	172,112
31	STATE SURTAX EXEMPTION			-	S-2, LN 32	-	-
32	NET STATE INCOME TAX BEFORE ITC			618,046	LN30-LN31	172,112	172,112

PUBLIC VERSION

IOWA NETWORK SERVICES, INC.
PROJECTED JUNE 30, 2007

COST SUPPORT MATERIAL
PART 64 SEPARATIONS

SECTION 5

S-2,1of1

SUMMARY OF NET TELEPHONE PLANT, M&S AND WORKING CAPITAL

S-2,1of1

LN	DESCRIPTION	A/C	CAT	TOTAL COMPANY	ALLOCATION BASIS	ACCESS DIVISION	OTHER
	NET INVESTMENT SUMMARY						
1	GENERAL SUPPORT FACILITIES	2110		15,656,955	S-3, LN 27	5,077,383	10,579,572
2	CENTRAL OFFICE SWITCHING EQUIPMEN	2210		46,821,529	S-4, LN 17	28,797,988	18,023,541
3	CENTRAL OFFICE TRANSMISSION EQUIP	2230		47,974,761	S-4, LN 31	0	47,974,761
4	CABLE AND WIRE FACILITIES	2410		21,721,264	S-5, LN 16	0	21,721,264
5	TANGIBLE ASSETS	2680		2,005,915	S-3, LN 54	650,497	1,355,418
6	INTANGIBLE ASSETS	2690		1,136,555	S-3, LN 61	292,446	844,109
7	TOTAL PLANT IN SERVICE A/C 2001			135,316,979		34,818,315	100,498,664
8	% DISTRIBUTION			100.0000%		25.7309%	74.2691%
9	PROPERTY HELD FOR FUTURE USE	2002		0	S-6, LN 9	0	0
10	PLANT UNDER CONSTR - SHORT TERM	2003		0	S-6, LN 15	0	0
11	PLANT UNDER CONSTR - LONG TERM	2004		0	S-6, LN 21	0	0
12	TELEPHONE PLANT ADJUSTMENT	2005		0	S-6, LN 27	0	0
13	NONOPERATING PLANT	2006		1,777,940	DIRECT		1,777,940
14	GOODWILL	2007		0	DIRECT		0
15	TOTAL PROPERTY, PLANT & EQUIPMENT			137,094,919		34,818,315	102,276,604
16	% DISTRIBUTION			100.0000%		25.3972%	74.6028%
17	ACCUM DEPRECIATION - PLANT IN SERV	3100		78,801,270	S-7, LN 30	20,865,308	57,935,962
18	ACCUM DEPRECIATION - FUTURE USE	3200		0	S-7, LN 31	0	0
19	ACCUM AMORTIZATION - TANGIBLE PROI	3400		1,831,598	S-7, LN 36	593,968	1,237,630
20	ACCUM AMORTIZATION - INTANGIBLE PR	3500		1,136,555	S-7, LN 37	292,446	844,109
21	ACCUM AMORTIZATION - TEL PLANT ADJ	3600		0	S-7, LN 38	0	0
22	OPERATING DEFERRED INCOME TAX - NI	VAR		16,068,811	S-7, LN 44	4,118,320	11,950,491
23	OTHER DEFERRED CREDITS - NET	4360		0	S-7, LN 49	0	0
24	NET TELEPHONE PLANT			39,256,685		8,948,273	30,308,412
25	% DISTRIBUTION			100.0000%		22.7943%	77.2057%
26	MATERIALS AND SUPPLIES	1220		1,296,273	S-6, LN 32	0	1,296,273
27	PREPAID EXPENSES	1300		0	S-6, LN 37	0	0
28	INVESTMENT IN NONAFFILIATED CO'S	1402		89,144,404	S-6, LN 38	0	89,144,404
29	OTHER JURISDICTIONAL ASSETS	1500		0	S-6, LN 39	0	0
30	CASH WORKING CAPITAL	XXXX		3,699,000	COMPUTED	1,160,571	2,538,429
31	NET TEL PLANT, M&S AND CASH WORKING CAPITAL			133,396,362		10,108,844	123,287,518
32	% DISTRIBUTION			100.0000%		7.5781%	92.4219%

PUBLIC VERSION

IOWA NETWORK SERVICES, INC.
PROJECTED JUNE 30, 2007

COST SUPPORT MATERIAL
PART 64 SEPARATIONS

SECTION 5

S-8,1of1

SUMMARY OF OPERATING EXPENSE AND TAX

S-8,1of1

LN	DESCRIPTION	A/C	CAT	TOTAL COMPANY	ALLOCATION BASIS	ACCESS DIVISION	OTHER
	OPERATING EXPENSE AND TAX SUMMARY						
1	NETWORK SUPPORT EXPENSE	6110		281,062	S-9,LN 13-23	92,851	188,211
2	GENERAL SUPPORT EXPENSE	6120		2,405,407	S-9,LN 24-27	863,740	1,541,667
3	CENTRAL OFFICE EXPENSE	6210		3,474,984	S-9,LN 33	1,101,982	2,373,002
4	CABLE AND WIRE FACILITIES EXPENSE	6410		39,072,861	S-9,LN 35	17,693,096	21,379,765
5	OTHER PLANT EXPENSE	6510		75,110	S-10,LN 6	0	75,110
6	NETWORK OPERATIONS EXPENSE	6530		4,214,236	S-10,LN 13	996,551	3,217,685
7	ACCESS CHARGE EXPENSE	6540		16,628,213	S-10,LN 15	0	16,628,213
8	MARKETING EXPENSE	6610		2,431,607	S-11,LN 15	0	2,431,607
9	SERVICES EXPENSE	6620		3,616,755	S-11,LN 39	537,801	3,078,954
10	EXECUTIVE AND PLANNING EXPENSE	6710		1,186,642	S-12,LN 7	444,159	742,483
11	GENERAL AND ADMINISTRATIVE EXPENSE	6720		3,503,678	S-12,LN 8-15	1,418,214	2,085,464
12	SUBTOTAL OPERATING EXPENSES			76,890,555		23,148,393	53,742,162
13	% DISTRIBUTION			100.0000%		30.1056%	69.8944%
14	DEPRECIATION - PLANT IN SERVICE	6561		9,873,487	S-10,LN 33	2,699,909	7,173,578
15	DEPRECIATION - FUTURE USE	6562		0	S-10,LN 34	0	0
16	AMORTIZATION - TANGIBLES	6563		167,093	S-3,LN42-44	54,186	112,907
17	AMORTIZATION - INTANGIBLES	6564		0	S-3,LN 45	0	0
18	AMORTIZATION - OTHER	6565		0	S-3,LN 46	0	0
19	OTHER OPERATING TAX	7240		588,120	S-12,LN 35	151,329	436,791
20	TOTAL OPERATING EXPENSE AND TAX			87,519,255		26,053,818	61,465,437
21	% DISTRIBUTION			100.0000%		29.7692%	70.2308%
	NON OPERATING EXPENSE						
22	ABANDONED CONSTRUCTION	7370		0	S-2,LN 8	0	0
23	CONTRIBUTIONS			10,000	S-12,LN 2	3,827	6,173
24	ALL OTHER			166,817	S-12,LN 2	0	166,817
25	TOTAL NON OPERATING EXPENSE			176,817		3,827	172,990
26	% DISTRIBUTION			100.0000%		2.1645%	97.8355%
	UNCOLLECTIBLES						
27	END USER MSG TOLLS	5310		27,588	DIRECT	XXX	XXX
28	IX CARRIER	5330		349,766	DIRECT	284,299	65,467
29	TOTAL UNCOLLECTIBLES			377,354		284,299	93,055
30	ALLOWANCE FOR FUNDS USED DURING (7340		0	S-12,LN 4	0	0

AT&T Exhibit 14

**Aureon 2008 Tariff Filing (filed June
24, 2008)**

[AT&T Exhibit 17 to Complaint Proceeding]

VENABLE[®] LLP



Filed Pursuant to
§ 204(a)(3) of the
Communications Act
on 7 Days' Notice

June 24, 2008

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Attention: Wireline Competition Bureau

Transmittal No. 26

FRN: 0002-5807-10
Iowa Network Services, Inc.

FRN: 0011-5755-03
Venable LLP

Dear Ms. Dortch:

The accompanying 2008 Annual Access Tariff Filing of Iowa Network Services, Inc. ("INS"), effective July 1, 2008, is sent to you for filing in compliance with the requirements of the Communications Act of 1934, as amended. This tariff filing consists of the following Check Sheets:

Tariff F.C.C. No.
1

Check Sheet Revision No.
22nd Revised Page 1
8th Revised Page 1.1

This 2008 Annual Access Tariff Filing is filed in accordance with the procedures set forth in *July 1, 2008 Annual Access Charge Tariff Filings, Order*, 23 FCC Rcd 5235 (2008) (the "Tariff Order") and includes cost support required by *Material to be Filed in Support of 2008 Annual Access Tariff Filings, Tariff Review Plans*, 23 FCC Rcd 5240 (2008). Pursuant to the attached study for the test period ending June 30, 2009, INS is reducing its switched transport rate.

VENABLE[®]_{LLP}

June 24, 2008


Page 2

As required by the *Tariff Order*, INS is submitting its 2008 Annual Tariff Review Plan and associated tariff changes electronically, using the Commission's Electronic Tariff Filing System ("ETFS"). The statutory processing fee in the amount of \$775.00 is being delivered via overnight mail to the Federal Communications Commission (Tariff Filings, P.O. Box 979091, St. Louis, MO 63197-9000) along with the original transmittal letter and FCC Form 159.

Acknowledgement and date of receipt of this filing is requested. A duplicate copy of this letter is provided for this purpose.

Should you have any questions concerning this matter, please contact James U. Troup at (202) 344-8066.

Sincerely,



James U. Troup

Counsel for
Iowa Network Services, Inc.

Attachments

IOWA NETWORK SERVICES, INC.

IOWA NETWORK ACCESS DIVISION

DESCRIPTION AND JUSTIFICATION

COST SUPPORT MATERIAL

TARIFF REVIEW PLAN

JULY 1, 2008 ANNUAL ACCESS CHARGE TARIFF FILING

JUNE 24, 2008

IOWA NETWORK ACCESS DIVISION

INTERSTATE ACCESS TARIFF FILING

**PROSPECTIVE PERIOD
JULY 1, 2008 - JUNE 30, 2009**

INDEX

Section	Description
	Transmittal Letter
1	Introduction, Overview and Rate Development
2	Development of Switched Transport Charge and Study Period Projected Access Minutes
3	Projected Revenue Requirement Summary - Total Interstate (Part 69)
4	Projected Part 36 Revenue Requirement Summary
5	Projected Part 64 Revenue Requirement Summary
6	Tariff Review Plan (TRP)

IOWA NETWORK ACCESS DIVISION

INTRODUCTION, OVERVIEW AND RATE DEVELOPMENT

INTRODUCTION

This filing supports revisions to Iowa Network Access Division Tariff F.C.C. No. 1 in accordance with the Federal Communications Commission's (FCC) Order, In the Matter of July 1, 2008 Annual Access Charge Tariff Filings, Order, 23 FCC Rcd 5235 (released March 28, 2008). This Order establishes procedures for the 2008 filing of annual access charge tariffs and Tariff Review Plans (TRPs). The requirements for summary cost support material to support the annual access charge filings to be submitted on or before June 24, 2008 are presented in the Commission's Order, In the Matter of Material to be Filed in Support of 2008 Annual Access Tariff Filings, Tariff Review Plans, 23 FCC Rcd 5240 (released March 28, 2008).

This 2008 Annual Access Charge Tariff Filing covers the scheduled effective period from July 1, 2008 through June 30, 2010. This documentation volume contains the introduction, overview, rate development narrative, access rate development and corresponding cost support material to be filed with the FCC on June 24, 2008.

OVERVIEW

Schedule A of Section 2 presents a summary of the proposed rate to be effective July 1, 2008. Iowa Network Access Division ("INAD") proposes to implement a switched transport rate of \$0.00819 effective July 1, 2008 representing a reduction of \$0.00036 from its existing switched transport rate. The Company's proposed switched transport rate of \$0.00819 per access minute is projected to generate switched transport revenues of \$19,214,471 and total revenues of \$19,258,225 resulting in a return of 11.13% on interstate investments for the projected twelve-month period ending June 30, 2009.

For the year 2007, INAD's interstate access revenues amounted to \$15,268,080 which resulted in a negative return of 5.71% on its interstate investment. For the 2005/2006 monitoring period, INAD experienced a return of 38.63%. During this period, the FCC authorized a maximum rate of return for interstate access operations of 11.50% with a target of 11.25%.

Interstate access minutes grew at a rate of 17.47% during 2007 to 1,844,725,157 from 1,570,363,583 in 2006. During the year 2006, INAD recorded interstate traffic growth of 64.56% over the year 2005. For the test period ending June 30, 2009, INAD is projecting interstate access minutes of 2,346,089,248, representing an increase of 26.86% over projected access minutes of 1,849,414,135 for the projected period ending June 30, 2008 and an increase of 27.18% compared with actual interstate access minutes for the year 2007. The higher than normal increase in interstate traffic for the projected test period results primarily from more

accurately classifying the jurisdiction of both call aggregator traffic¹ and Percent Interstate Use ("PIU") adjustments during the year 2008 based on new traffic recording equipment and procedures implemented by INAD.

Since 2000, INAD has been implementing planned stages of a network modernization program that provides full redundancy and protection for its equal access network to interexchange carriers serving rural Iowa. During the years 2003 and 2004, INAD completed upgrades to its fiber ring network that connects all major traffic routes throughout Iowa and expanded the capacity of its existing equal access switches to handle greater peak traffic loads. During 2004, INAD updated its equal access switch to comply with the FCC's requirements for Local Number Portability (LNP). During 2005, INAD installed significant modifications to its accounting and billing applications and its computer systems and software for improved network monitoring and security. During the years 2006 and 2007, INAD added additional investments of approximately \$16 million to upgrade its equal access switching and network capabilities system wide and another \$5 million is budgeted for 2008. To date, INAD's efforts to operate and maintain its centralized equal access network more efficiently combined with increases in interstate access minutes have enabled INAD to lower its existing centralized equal access rate, while enhancing its services provided to customers.

INAD's proposed tariff rate of \$0.00819 is targeted to generate a return of 11.13% on investment for the projected test period ended June 30, 2009. INAD's cost support material has been developed using procedures prescribed by the Federal Communications Commission as follows:

- A) Financial reporting is in accordance with the Uniform Systems of Accounts and Financial Reporting Requirements of Class A and Class B Telephone Companies, CC Docket 78-196 (Part 32 Order) and all subsequent revisions to the rules adopted through the period June 15, 2008.
- B) Jurisdictional allocation is in accordance with Federal Communications Commission's Rules adopted in CC Docket Nos. 78-72, 80-286, 86-297 and FCC Docket 87-134 released August 18, 1987 (Part 36 Order) and all subsequent revisions to the rules adopted through the period June 15, 2008.
- C) Access rate development is performed in accordance with CC Docket No. 87-113 released August 18, 1987 (Part 69 Conformance Notice) and subsequent modifications including CC Docket No. 00-256, Second Report and Order and Notice of Proposed Rulemaking, 16 FCC Rcd 19613 (2001), ("Rate-of-Return Access Charge Reform Order").

The proposed access service tariff maintains the method of charging for interstate access by major rate element. INAD proposes to reduce its current centralized equal access switched

¹ The term call aggregator refers to businesses that generate high-volume traffic, such as conference call companies, chat line providers, and fax broadcasters.

transport rate from \$0.00855 to \$0.00819 which INAD currently anticipates will remain in effect through June 30, 2010.

RATE DEVELOPMENT

Development of cost support as contained in the tariff filing was accomplished as follows:

- 1) Projection of test period investment, revenue and expense was determined based on the best estimates of management using fixed, known and measurable amounts from INAD's 2008 and 2009 operating budgets. Anticipated changes in investments and reserves were reflected in conjunction with INAD's ongoing construction and modernization programs. Revenues were increased to reflect the projected increase in access minutes during the test period over the year 2007.
- 2) Projection of the test period INAD revenue requirement was accomplished using FCC Part 64 cost allocation procedures applied to total company projected investment and expense amounts determined in (1) above. INAD's revenue requirement summary data is contained in Section 5 of the cost support material.
- 3) Projection of the test period interstate access revenue requirement was accomplished using Parts 36/69 separation procedures applied to projected total INAD investment and expense amounts determined in (2) above. The summary Part 36 and Part 69 revenue requirements are contained in Sections 3 and 4 of the cost support material.
- 4) Projected interstate access minutes for the period ending June 30, 2008 represent a .25% increase over interstate access minutes for the historical period January 1, 2007 through December 31, 2007. Interstate access minutes for the period ending June 30, 2009 are projected to be 2,346,089,248 compared to 1,849,414,135 for the projected period ending June 30, 2008 and 1,844,725,157 for the actual period ended December 31, 2007. Projected access minutes for the test period ending June 30, 2009 are presented on Schedule B following. The significant increase in test period projected interstate access minutes results primarily from a change in INAD's procedures for assignment of jurisdiction to interexchange traffic resulting from changes in INAD's traffic measurement procedures implemented in 2008² and from a similar change in the development of the PIU factor. For the test period ending June 30, 2009, INAD projects 1.6 billion terminating

² During 2007, INS acquired, developed and tested processes and procedures to identify the jurisdiction of traffic terminating to the subtending LECs. The new methodology utilizes the actual called and callingparty information provided on each call record to establish call jurisdiction. The result is that more calls are now identified as interstate than by using PIU factors provided by the interexchange carriers or in their absence, PIU factors calculated by INS. Projection of access minutes for the period from July 1, 2008 through June 30, 2009 was accomplished by applying a reasonable growth rate to the total traffic and applying an interstate factor based on the results of INAD's new traffic recording procedures. The new interstate factor is computed to be approximately 78% versus with the old factors of 48% for 2007 and 42% for 2006.

conference call minutes generated by call aggregators of which 78% is projected to represent interstate calling versus 48% in 2007. Without this additional interstate call aggregator traffic, the increase in interstate access minutes projected for the test period ending June 30, 2009 would have been consistent with prior years. Other access generating traffic is currently declining and is expected to continue declining slightly during the test period ending June 30, 2009.

- 5) INAD's interstate access revenue requirement determined in (3) above for the projected period ending June 30, 2009 amounts to \$19,270,037 and is presented in Section 3 of the cost support material. The interstate revenue requirement was reduced by the amount of projected interstate revenues from nonrecurring charges to arrive at the amount of \$19,226,283 representing the revenue requirement to be generated from the recurring centralized equal access switched transport rate.
- 6) The projected switched transport charge was determined by dividing the remaining interstate revenue requirement of \$19,226,283 determined in (5) above by projected access minutes of 2,346,089,248 determined in (4) above resulting in a cost of \$0.00819 per access minute. An analysis of the development of the interstate switched transport rate is presented on Schedule A in Section 2.

SUMMARY

The 2008 annual access tariff filing is supplemented by the enclosed cost support material. Schedule A reflects INAD's existing switched transport charge of \$0.00855 compared with the supported rate of \$0.00819. Through this filing, INAD proposes to reduce its switched transport charge from \$0.00855 to \$0.00819 for the test period ending June 30, 2009 resulting in a reduction of switched transport revenue of \$844,592 for the period ending June 30, 2009. The proposed switched transport charge will produce revenues that will generate a rate of return on investment of 11.13 % for the test period ended June 30, 2009.

Included in the cost support material are schedules depicting projected investment and expense data, demand quantities, jurisdictional cost allocations and rate calculations for the twelve-month period ending June 30, 2009. Cost and revenue data for the historical period from January 1 through December 31, 2007 is contained in the Company's Tariff Review Plan (TRP) which has been filed under separate cover.

This filing is presented to comply with the Commission's July 1, 2008 annual access tariff filing requirements in Order, 23 FCC Rcd 5235 and subsequent Tariff Review Plans, 23 FCC Rcd 5240 establishing the Tariff Review Plan (TRP) schedules to be filed in support of the annual access charge tariff filing. With this filing, INAD proposes to implement a switched transport charge of \$0.00819 effective July 1, 2008 through June 30, 2010.

TARIFF REVIEW PLAN

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Certification	

PUBLIC VERSION



4201 Corporate Drive
West Des Moines, IA
50266-5906

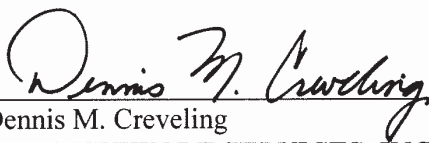
P 800.469.4000
F 515.830.0123

CERTIFICATION

I certify that I am the Chief Financial Officer of Iowa Network Services, Inc. and am authorized to deal with matters involving the interstate access tariff filing of Iowa Network Access Division; that I have examined the foregoing Tariff Review Plan; statements of fact contained in this Tariff Review Plan are true and this report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the period from July 1, 2008 to June 30, 2009.

June 24, 2008

Date


Dennis M. Creveling
IOWA NETWORK SERVICES, INC.

IOWA NETWORK SERVICES, INC.		SECTION 2	
IOWA NETWORK ACCESS DIVISION		SCHEDULE A	
INTERSTATE ACCESS RATE DEVELOPMENT			
TRANSMITTAL NO. 26			
PROJECTED TEST PERIOD ENDED		6/30/2009	
	SOURCE	CURRENT RATE	COST SUPPORT DIFFERENCE
1 SWITCHED TRANSPORT RATE	(BELOW)	\$0.00855	\$0.00819 (\$0.00036)
2 STUDY PERIOD ACCESS MINUTES	SCHEDULE B	2,346,089,248	2,346,089,248
3 STUDY PERIOD ACCESS REVENUE	LN 1*LN 2	<u>\$20,059,063</u>	<u>\$19,214,471 (\$844,592)</u>

ACCESS RATE DEVELOPMENT	
4 PROJECTED REVENUE REQUIREMENT	SECTION 4 \$19,270,037
5 LESS: MISCELLANEOUS REVENUE	RECORDS 43,754
7 ACCESS REVENUE REQUIREMENT	LN 4-LN 5 \$19,226,283
8 PROJECTED ACCESS MINUTES	SCHEDULE B 2,346,089,248
9 PROJECTED ACCESS RATE PER MOU	LN 4/LN 5 \$0.00819

SECTION 2
SCHEDULE B

IOWA NETWORK SERVICES, INC.
IOWA NETWORK ACCESS DIVISION
EQUAL ACCESS MOU SUMMARY
TRANSMITTAL NO. 26
PROJECTED TEST PERIOD ENDED

6/30/2009

PRO FORMA ALL CARRIERS	DAYS	INTERSTATE INTRALATA		INTERSTATE INTERLATA		TOTAL MINUTES	TOTAL REVENUES
		ORIGINATING MINUTES	TERMINATING MINUTES	ORIGINATING MINUTES	TERMINATING MINUTES		
7/1/2008 - 7/31/2008	31	1,602,881	14,945,931	42,288,239	140,590,853	199,427,904	\$1,633,314.53
8/1/2008 - 8/31/2008	31	1,897,759	22,369,290	40,836,308	134,212,226	199,315,584	\$1,632,394.63
9/1/2008 - 9/30/2008	30	1,736,481	18,331,299	41,586,827	137,548,657	199,203,264	\$1,631,474.73
10/1/2008 - 10/31/2008	31	1,735,502	18,320,963	41,563,378	137,471,101	199,090,944	\$1,630,554.83
11/1/2008 - 11/30/2008	30	1,734,523	18,310,627	41,539,929	137,393,545	198,978,624	\$1,629,634.93
12/1/2008 - 12/31/2008	31	1,733,544	18,300,291	41,516,481	137,315,988	198,866,304	\$1,628,715.03
1/1/2009 - 1/31/2009	31	1,676,723	17,700,456	40,155,682	132,815,139	192,348,000	\$1,575,330.12
2/1/2009 - 2/28/2009	28	1,675,046	17,682,756	40,115,526	132,682,323	192,155,652	\$1,573,754.79
3/1/2009 - 3/31/2009	31	1,673,371	17,665,073	40,075,411	132,549,641	191,963,496	\$1,572,181.03
4/1/2009 - 4/30/2009	30	1,671,698	17,647,408	40,035,335	132,417,092	191,771,533	\$1,570,608.86
5/1/2009 - 5/31/2009	31	1,670,026	17,629,761	39,995,300	132,284,674	191,579,761	\$1,569,038.24
6/1/2009 - 6/30/2009	30	1,668,356	17,612,131	39,955,305	132,152,390	191,388,182	\$1,567,469.21
TOTAL		20,475,912	216,515,985	489,663,721	1,619,433,629	2,346,089,248	\$19,214,470.94
=====							
3rd QUARTER		5,237,121	55,646,520	124,711,374	412,351,736	597,946,752	\$4,897,183.90
4th QUARTER		5,203,569	54,931,880	124,619,788	412,180,634	596,935,872	\$4,888,904.79
1st QUARTER		5,025,141	53,048,285	120,346,619	398,047,103	576,467,148	\$4,721,265.94
2nd QUARTER		5,010,080	52,889,299	119,985,940	396,854,156	574,739,476	\$4,707,116.31
TOTAL COMPANY		20,475,912	216,515,985	489,663,721	1,619,433,629	2,346,089,248	\$19,214,470.94

A-1.1a1f

A-1.1a1f

SUMMARY OF REVENUE REQUIREMENT BY ACCESS ELEMENT

LN	AC	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED		SPECIAL ACCESS		B&C	IX CATEGORY	
				LIMITED PAY	LINE			COMMON TERM	FACILITY	COMMON TERM	FACILITY	TRANSPORT ALLOCA	TRANSPORT ALLOCA	TERM	CHANNEL MILEAGE TERM		MSG	P.L.
1		NET INVESTMENT FOR SETTLEMENTS	6,682,758	0	0	4,241,197	0	0	2,451,561	0	0	0	0	0	0	0	0	0
2		RATE OF RETURN	11,250%	11,250%	11,250%	11,250%	11,250%	0	11,250%	0	11,250%	0	11,250%	0	11,250%	0	11,250%	11,250%
3		RETURN ON INVESTMENT	752,935	0	0	477,135	0	0	275,801	0	0	0	0	0	0	0	0	0
4		ALLOW FOR FUNDS USED DURING CONSTR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5		NET RETURN FOR SETTLEMENTS	752,935	0	0	477,135	0	0	275,801	0	0	0	0	0	0	0	0	0
6		FEDERAL OPERATING INCOME TAX - ACTUAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7		FEDERAL OPERATING INCOME TAX - OPTION	376,677	0	0	238,700	0	0	137,977	0	0	0	0	0	0	0	0	0
8		FEDERAL ITC AMORTIZATION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9		STATE OPERATING INCOME TAX - ACTUAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10		STATE OPERATING INCOME TAX - OPTION	125,391	0	0	78,460	0	0	45,931	0	0	0	0	0	0	0	0	0
11		STATE ITC AMORTIZATION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12		PROVISION FOR DEFERRED INCOME TAX	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13		OPERATING EXPENSE & OTHER TAXES	17,990,212	0	0	3,361,866	0	0	1,943,276	0	12,685,069	0	0	0	0	0	0	0
14		NONOPERATING EXP	24,823	0	0	15,730	0	0	9,093	0	0	0	0	0	0	0	0	0
15		UNCOLLECTIBLES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16		BASIS FOR GROSS RECEIPTS TAX	19,270,037	0	0	4,172,891	0	0	2,412,077	0	12,685,069	0	0	0	0	0	0	0
17		GROSS RECEIPTS TAX RATE	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
18		GROSS RECEIPTS TAX	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19		TOTAL REVENUE REQUIREMENT	19,270,037	0	0	4,172,891	0	0	2,412,077	0	12,685,069	0	0	0	0	0	0	0
NOTE A: INCLUDES A-2, LN 31 LESS AC 2004, TPUC - LONG TERM																		

OPTIONAL GROSS UP INCOME TAX CALCULATION																		
20		RETURN ON INVESTMENT	752,935	0	0	477,135	0	0	275,801	0	0	0	0	0	0	0	0	0
21		INTEREST AND RELATED ITEMS	21,740	0	0	13,776	0	0	7,963	0	0	0	0	0	0	0	0	0
22		OTHER INCOME ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23		TOTAL INCOME ADJUSTMENTS	21,740	0	0	13,776	0	0	7,963	0	0	0	0	0	0	0	0	0
24		RETURN LESS INCOME ADJ	731,196	0	0	463,358	0	0	267,837	0	0	0	0	0	0	0	0	0
25		FEDERAL ITC AMORTIZATION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26		FIT BASE	731,196	0	0	463,358	0	0	267,837	0	0	0	0	0	0	0	0	0
27		FEDERAL TAXABLE INCOME	1,107,872	0	0	702,058	0	0	405,814	0	0	0	0	0	0	0	0	0
28	34.00%	FEDERAL INCOME TAX	376,677	0	0	238,700	0	0	137,977	0	0	0	0	0	0	0	0	0
29		FEDERAL SURTAX ALLOCATION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30		NET FEDERAL TAX BEFORE ITC AMORT	376,677	0	0	238,700	0	0	137,977	0	0	0	0	0	0	0	0	0
31		STATE ITC AMORTIZATION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32		SIT BASE	1,107,872	0	0	702,058	0	0	405,814	0	0	0	0	0	0	0	0	0
33		STATE TAXABLE INCOME	1,256,946	0	0	797,783	0	0	461,152	0	0	0	0	0	0	0	0	0
34	12.00%	STATE INCOME TAX	125,391	0	0	78,460	0	0	45,931	0	0	0	0	0	0	0	0	0
35		STATE SURTAX ALLOCATION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
36		NET STATE INCOME TAX BEFORE ITC AMORT	125,391	0	0	78,460	0	0	45,931	0	0	0	0	0	0	0	0	0
37		FEDERAL TAX AT MAXIMUM RATE	376,677	0	0	238,700	0	0	137,977	0	0	0	0	0	0	0	0	0
38		INCOME ADJUSTMENT FOR FIT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2009COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-2.10f1

SUMMARY OF TELEPHONE PLANT AND RESERVES

A-2.10f1

LN	A/C	DESCRIPTION	COMMON LINE			TRAFFIC SENSITIVE			SPECIAL ACCESS			BAC	IX CATEGORY		
			TOTAL COMPANY	SOURCE	LIMITED PAY	COMMON LINE	SWITCHING	INFO	COMMON TERM	FACILITY	DEDICATED TRANSPORT		CHANNEL MILEAGE	FACILITY	MSG
NET INVESTMENT SUMMARY															
1		GENERAL SUPPORT FACILITIES	4,396,718	A-3/LN 6C	0	0	2,729,165	0	1,577,553	0	0	0	0	0	0
2		CENTRAL OFFICE SWITCHING	22,353,155	A-4/LN 21+25	0	0	14,165,183	0	8,187,972	0	0	0	0	0	0
3		OPERATOR SYSTEMS	0	A-4/LN 17	0	0	0	0	0	0	0	0	0	0	0
4		CENTRAL OFFICE TRANSMISSION	0	A-5/LN 4	0	0	0	0	0	0	0	0	0	0	0
5		INFORMATION ORIGIN/TERM	0	A-5/LN 10	0	0	0	0	0	0	0	0	0	0	0
6		CABLE AND WIRE FACILITIES	0	A-5/LN 21	0	0	0	0	0	0	0	0	0	0	0
7		TANGIBLE ASSETS	471,377	A-3/LN 14	0	0	298,712	0	172,666	0	0	0	0	0	0
8		TANGIBLE ASSETS	200,077	A-3/LN 15	0	0	126,788	0	73,288	0	0	0	0	0	0
9		TOTAL PLANT IN SERVICE	27,331,327		0	0	17,319,848	0	10,011,479	0	0	0	0	0	0
10		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
11		PROPERTY HELD FOR FUTURE USE	0	A-6/LN 6	0	0	0	0	0	0	0	0	0	0	0
12		PLANT UNDER CONSTRUCT - SHORT TERM	0	A-6/LN 13	0	0	0	0	0	0	0	0	0	0	0
13		PLANT UNDER CONSTRUCT - LONG TERM	0	A-6/LN 20	0	0	0	0	0	0	0	0	0	0	0
14		TELEPHONE PLANT ADJUSTMENT	0	A-6/LN 27	0	0	0	0	0	0	0	0	0	0	0
15		TOTAL PROPERTY PLANT & EQUIP.	27,331,327		0	0	17,319,848	0	10,011,479	0	0	0	0	0	0
16		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
17		ACCUM DEPRECIATION - PLANT IN SERVICE	18,433,721	A-7/LN 7	0	0	11,681,440	0	6,752,281	0	0	0	0	0	0
18		ACCUM DEPRECIATION - FUTURE USE	0	A-7/LN 8	0	0	0	0	0	0	0	0	0	0	0
19		ACCUM AMORTIZATION - TANGIBLE PROPERTY	457,392	A-7/LN 15	0	0	289,849	0	167,543	0	0	0	0	0	0
20		ACCUM AMORTIZATION - INTANGIBLE PROP.	200,077	A-7/LN 16	0	0	126,788	0	73,288	0	0	0	0	0	0
21		ACCUM AMORTIZATION - TEL PLANT ADJ.	0	A-7/LN 17	0	0	0	0	0	0	0	0	0	0	0
22		OPERATING DEFERRED INCOME TAX	2,249,468	A-7/LN 25	0	0	1,425,487	0	823,981	0	0	0	0	0	0
23		OTHER DEFERRED CREDITS - NET	0	A-7/LN 34	0	0	0	0	0	0	0	0	0	0	0
24		NET TELEPHONE PLANT	5,990,670		0	0	3,796,284	0	2,194,385	0	0	0	0	0	0
25		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
26		MATERIALS AND SUPPLIES	0	A-3/LN 16	0	0	0	0	0	0	0	0	0	0	0
27		RTB STOCK	0	A-3/LN 17	0	0	0	0	0	0	0	0	0	0	0
28		EQUAL ACCESS EQUIPMENT	0	A-3/LN 8	0	0	0	0	0	0	0	0	0	0	0
29		OTHER JURISDICTIONAL ASSETS	0	A-3/LN 18	0	0	0	0	0	0	0	0	0	0	0
30		CASH WORKING CAPITAL	702,069	A-3/LN 10	0	0	444,913	0	257,175	0	0	0	0	0	0
31		NET TELEPHONE PLANT M&S AND	0		0	0	0	0	0	0	0	0	0	0	0
32		CASH WORKING CAPITAL	6,692,758		0	0	4,241,197	0	2,451,561	0	0	0	0	0	0
		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

Projected Study 2006/07
6/7/2006

PROPRIETARY INFORMATION

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IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2009

A-3.1a1

COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

GENERAL SUPPORT FACILITIES AND MISCELLANEOUS PLANT ALLOCATION

A-3.1a1

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SOURCE	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED INEL TERMINATION		SPECIAL ACCESS		CHANNEL MILEAGE		IX CATEGORY	
				LIMITED PAY	COMMON LINE		SWITCHING	INFO	COMMON TERM	FACILITY	TRANSPORT ALLOCATED	INEL ALLOCATED	COMMON TERM	CHANNEL TERM	FACILITY	B&C	MSG	P.L
1		BASIS FOR GENERAL SUPPORT FACILITIES	22,353,155	0	0	A-4 LN 42	0	14,165,183	0	8,187,972	0	0	0	0	0	0	0	0
2		CENTRAL OFFICE EQUIPMENT	0	0	0	A-5 LN 10	0	0	0	0	0	0	0	0	0	0	0	0
3		INFORMATION SYSTEMS	0	0	0	A-5 LN 23	0	0	0	0	0	0	0	0	0	0	0	0
4		CMF EXCL CAT 1.3	22,353,155	0	0		14,165,183	0	8,187,972	0	0	0	0	0	0	0	0	0
5		TOTAL	22,353,155	0	0		14,165,183	0	8,187,972	0	0	0	0	0	0	0	0	0
		% DISTRIBUTION	100.0000%	0.0000%	0.0000%		63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
GENERAL SUPPORT ASSETS																		
6a		ALLOCATED	4,306,718	0	0	LN 5	0	2,729,185	0	1,577,553	0	0	0	0	0	0	0	0
6b		DIRECT NON ACCESS	0	0	0	DIRECT	0	2,729,185	0	1,577,553	0	0	0	0	0	0	0	0
6c		TOTAL GENERAL SUPPORT ASSETS	4,306,718	0	0		2,729,185	0	1,577,553	0	0	0	0	0	0	0	0	0
7		% DISTRIBUTION	100.0000%	0.0000%	0.0000%		63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
8		EQUAL ACCESS EQUIPMENT	0	0	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0
9		COE IOT CMF GENERAL SUPPORT	26,659,873	0	0		16,894,348	0	9,765,525	0	0	0	0	0	0	0	0	0
10		AND EQUAL ACCESS EQUIPMENT	26,659,873	0	0		16,894,348	0	9,765,525	0	0	0	0	0	0	0	0	0
		% DISTRIBUTION	100.0000%	0.0000%	0.0000%		63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
11		TANGIBLE ASSETS	0	0	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0
12		CAPITAL LEASES	0	0	0	LN 10	0	298,712	0	172,666	0	0	0	0	0	0	0	0
13		LEASEHOLD IMPROVEMENTS	471,377	0	0		298,712	0	172,666	0	0	0	0	0	0	0	0	0
14		TOTAL	471,377	0	0		298,712	0	172,666	0	0	0	0	0	0	0	0	0
15		INTANGIBLE ASSETS	200,077	0	0	LN 10	0	126,788	0	73,288	0	0	0	0	0	0	0	0
16		MATERIALS AND SUPPLIES	0	0	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0
17		RTB STOCK	0	0	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0
18		OTHER JURISDICTIONAL ASSETS	0	0	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0
19		COE IOT CMF GEN SUPP & EQUAL ACCESS	26,659,873	0	0		16,894,348	0	9,765,525	0	0	0	0	0	0	0	0	0
20		FOR APPORTIONING PRESUBSCRIPTION	26,659,873	0	0		16,894,348	0	9,765,525	0	0	0	0	0	0	0	0	0
		% DISTRIBUTION	100.0000%	0.0000%	0.0000%		63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
21		COE IOT & CMF EXCL CCL FOR ASSIGNING	22,353,155	0	0		14,165,183	0	8,187,972	0	0	0	0	0	0	0	0	0
22		CARRIER ACCESS BILLING EXPENSES	22,353,155	0	0		14,165,183	0	8,187,972	0	0	0	0	0	0	0	0	0
		% DISTRIBUTION	100.0000%	0.0000%	0.0000%		63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2009

COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-4.102

CENTRAL OFFICE EQUIPMENT ALLOCATION

A-4.102

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		SPECIAL ACCESS			IX CATEGORY		
					LIMITED PAY	COMMON LINE			COMMON TERM	FACILITY	NET TERMINATION TRANSPORT	CHANNEL MILEAGE TERM	FACILITY	B&C	MSG	P L
ALLOCATION FACTORS																
1		- STANDARD WORK SECONDS														
2		- MANUAL BOARDS	100.0000%	AL-1 LN 9			0.0000%	0.0000%							100.0000%	
3		- TSFS COMPLEX	100.0000%	AL-1 LN 10			0.0000%	0.0000%							100.0000%	
4		- EQUIVALENT ACCESS LINES - MSG COE	0.0000%	AL-1 LN 2												
5		IX CIRCUIT TERMINATIONS - MSG COE	100.0000%	AL-1 LN 6					100.0000%	0.0000%						
CENTRAL OFFICE EQUIPMENT																
6	2220	OPERATOR SYSTEMS														
7		MANUAL SWITCHBOARDS	0	LN 2			0	0							0	
8		AUXILIARY SWITCHBOARDS	0	DIRECT				0								
9		- DIRECTORY ASSISTANCE	0	DIRECT				0								
10		- INTERCEPT	0	DIRECT												
11		- OTHER	0	DIRECT												
12		SERVICE OBSERVING BOARDS	0	LN 27												
13		TSFS	0	LN 2			0	0							0	
14		- OPERATOR	0	LN 3				0							0	
15		- RTA	0	LN 27				0							0	
16		- OTHER	0	LN 27				0							0	
17		TOTAL OPERATOR SYSTEMS	0					0							0	
2210 TANDEM SWITCHING EQUIPMENT																
18		ACCESS	8,187,972	DIRECT					8,187,972							
19		NON ACCESS	0	DIRECT												
20		TOTAL TANDEM SWITCH	8,187,972						8,187,972							
21																
2210 LOCAL SWITCHING EQUIPMENT																
22		ACCESS	14,165,183	DIRECT												
23		DEDICATED	0	DIRECT												
24		TOTAL LOCAL SWITCH	14,165,183													
25																
26		TOTAL CAT1 EXCL SVC OBS CAT 2 AND 3	22,353,155	LN 26				0	8,187,972						0	
27		% DISTRIBUTION	100.0000%				63.3689%	0.0000%	36.6301%						0.0000%	

CENTRAL OFFICE EQUIPMENT ALLOCATION

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE			DEDICATED			SPECIAL ACCESS			B&C	IX CATEGORY	
				LIMITED PAY	COMMON LINE		INFO	COMMON TERM	FACILITY	TRANSPORT	TERMINATION	TERM	CHANNEL	MILEAGE	MSG		P.L	
28		2230 CENTRAL OFFICE TRANSMISSION																
29		EXCHANGE WIDEBAND	0						0						0			
30		EXCHANGE TRUNK - BASIC	0						0						0			
31		EXCHANGE TRUNK - SPECIAL	0												0			
32		SUBSCRIBER LINE	0		0							0		0				
33		INTEREXCHANGE CIRCUIT	0															
34		FURNISHED OTHERS	0															
35		ACCESS - BASIC	0						0						0			
36		ACCESS - SPECIAL	0						0						0			
37		NON ACCESS	0															
38		TOTAL IX CIRCUIT	0						0						0		0	
39		HOST/REMOTE CIRCUIT	0						0						0		0	
40		EQUIPMENT RENTED OTHERS	0															
41		TOTAL CENTRAL OFFICE TRANSMISSION	0		0				0			0		0	0		0	
42		TOTAL CENTRAL OFFICE EQUIPMENT	22,353,155	0	0	14,165,183	0	8,187,972	0	0	0	0	0	0	0		0	
43		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%		0.0000%	
COE RATIOS																		
44		OPERATOR SYSTEMS	0.0000%			0.0000%	0.0000%	0.0000%	0.0000%			0.0000%					0.0000%	
45		TANDEM SWITCHING	100.0000%					100.0000%									0.0000%	
46		LOCAL SWITCHING	100.0000%			100.0000%						0.0000%					0.0000%	
47		CENTRAL OFFICE SWITCHING	100.0000%			63.3699%		36.6301%				0.0000%					0.0000%	
48		CENTRAL OFFICE TRANSMISSION	100.0000%	0.0000%	0.0000%			100.0000%				0.0000%	0.0000%	0.0000%	0.0000%		0.0000%	

INFORMATION ORIGINATOR/TERMINATION AND CABLE AND WIRE FACILITIES

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE			SWITCHING	INFO	TRAFFIC SENSITIVE			SPECIAL ACCESS			B&C	IX CATEGORY	
				LIMITED PAY	COMMON LINE	0.0000%			COMMON TRANSPORT	FACILITY	TERMINATION TRANSPORT	ALLOCA	TERM	CHANNEL MILEAGE		MSG	P.L
1		EQUIVALENT ACCESS LINES - MSG CWF	0.0000%			0.0000%											
2		IX CIRCUIT MILES - MSG CWF	100.0000%														
3	2310	INFORMATION ORIGINATOR															
4		OTHER IOT EQUIPMENT															
5		COIN PUBLIC TELEPHONE															
6		COINLESS PUBLIC TELEPHONE															
7		OTHER															
8		SUBTOTAL															
9		NEW CUSTOMER PREMISE EQUIP															
10		TOTAL ORIGINATOR EQUIP															
11		% DISTRIBUTION	0.0000%			0.0000%											
12	2410	CABLE AND WIRE FACILITIES															
13		SUBSCRIBER LINE															
14		EXCHANGE WIDEBAND															
15a		EXCHANGE TRUNK - BASIC															
16		EXCHANGE TRUNK - SPECIAL															
17a		INTEREXCHANGE WIDEBAND															
17b		IX TRUNK - ACCESS															
18		IX TRUNK - SPECIAL															
19		IX TRUNK - NON ACCESS															
20		HOT/STATION															
21		EQUIPMENT FURNISHED OTHERS															
22		TOTAL CABLE AND WIRE FACILITIES	100.0000%			0.0000%											
23		% DISTRIBUTION															
24		TOTAL CWF EXCLUDING CAT 1.3	100.0000%														
		% DISTRIBUTION															

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED INEL TERMINATION		SPECIAL ACCESS		B&C	IX CATEGORY	
				LIMITED PAY	COMMON LINE		INFO	TERM	FACILITY	TRANSPORT	ALLOCA	TERM	CHANNEL MILEAGE	TERM		MSG	P.L.
OTHER TELECOMMUNICATIONS PLANT																	
1	2002	PROPERTY HELD FOR FUTURE USE															
2		GENERAL SUPPORT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3		CENTRAL OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4		CABLE AND WIRE FACILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5		UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6		TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7		% DISTRIBUTION	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
PLANT UNDER CONSTR. - SHORT TERM																	
8	2003	GENERAL SUPPORT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9		CENTRAL OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10		CABLE AND WIRE FACILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11		UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12		TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13		% DISTRIBUTION	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
PLANT UNDER CONSTR. - LONG TERM																	
15	2004	GENERAL SUPPORT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16		CENTRAL OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17		CABLE AND WIRE FACILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18		UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19		TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20		% DISTRIBUTION	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TELECOMMUNICATIONS PLANT ADJUST.																	
22	2005	GENERAL SUPPORT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23		CENTRAL OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24		CABLE AND WIRE FACILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25		UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26		TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27		% DISTRIBUTION	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
28																	

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2009COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-7.1a1

ACCUMULATED DEPRECIATION, AMORTIZATION AND DEFERRED INCOME TAXES

A-7.1a1

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED		SPECIAL ACCESS		B&C	IX CATEGORY	
				LIMITED PAY	COMMON LINE		INFO	TERM	FACILITY	TERM	TRANSPORT	NEL TERMINATION ALLOCATED	CHANNEL MILEAGE TERM	FACILITY		MSG	P.L.
1	3100	ACCUM DEPRECIATION - PLANT IN SERVICE															
2		GENERAL SUPPORT	3,096,269	0	0	1,962,104	0	1,134,165	0	0	0	0	0	0	0	0	0
3		CENTRAL OFFICE SWITCHING EQUIPMENT	15,337,452	0	0	9,719,336	0	5,618,116	0	0	0	0	0	0	0	0	0
4		OPERATOR SYSTEMS EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5		CENTRAL OFFICE TRANSMISSION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6		UNDISTRIBUTED COE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7		INFORMATION ORIG/TERM	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8		CABLE AND WRE FACILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9		TOTAL ACCUM DEPR - TPIS	18,433,721	0	0	11,681,440	0	6,752,281	0	0	0	0	0	0	0	0	0
10	3200	ACCUM DEPRECIATION - FUTURE USE															
11		TOTAL ACCUM DEPRECIATION	18,433,721	0	0	11,681,440	0	6,752,281	0	0	0	0	0	0	0	0	0
12		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	63.3695%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
13	3400	ACCUMULATED AMORTIZATION															
14		TANGIBLE ASSETS															
15		CAPITAL LEASES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16		LEASEHOLD IMPROVEMENTS	457,392	0	0	289,849	0	167,543	0	0	0	0	0	0	0	0	0
17		UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	3500	TOTAL ACCUM AMORT - TANGIBLE	457,392	0	0	289,849	0	167,543	0	0	0	0	0	0	0	0	0
19	3600	INTANGIBLE ASSETS	200,077	0	0	126,788	0	73,288	0	0	0	0	0	0	0	0	0
20		TELEPHONE PLANT ADJUSTMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21		TOTAL ACCUM AMORTIZATION	657,469	0	0	416,638	0	240,831	0	0	0	0	0	0	0	0	0
22	4100%	% DISTRIBUTION	100.0000%	0.0000%	0.0000%	63.3695%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
23	4100%	NET OPERATING DEFERRED INC TAX															
24	4340	GENERAL SUPPORT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25		CENTRAL OFFICE EQUIP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26		INFORMATION ORIG/TERM	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27		CABLE AND WRE FACILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28		UNDISTRIBUTED	2,249,468	0	0	1,425,487	0	823,981	0	0	0	0	0	0	0	0	0
29		TOTAL NET DEFERRED INC TAX	2,249,468	0	0	1,425,487	0	823,981	0	0	0	0	0	0	0	0	0
30		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	63.3695%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
31	4360	OTHER DEFERRED CREDITS - NET															
32		GENERAL SUPPORT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
33		CENTRAL OFFICE EQUIP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
34		INFORMATION ORIG/TERM	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35		CABLE AND WRE FACILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
36		UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
37		TOTAL OTHER DEFERRED CREDITS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
38		% DISTRIBUTION	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

Projected Study 2006/07
6/7/2006

PROPRIETARY INFORMATION

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SUMMARY OF OPERATING EXPENSE AND TAX AND MISCELLANEOUS TAX ITEMS

LN	AC	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED/INEL TERMINATION		SPECIAL ACCESS		B&C	IX CATEGORY	
				LIMITED PAY	COMMON LINE			TERM	FACILITY	TERM	FACILITY	TRANSPORT	ALLOTTED	TERM	CHANNEL MILEAGE TERM		MSG	P.L.
1	6110	OPERATING EXPENSE AND TAX	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	6120	NETWORK SUPPORT EXPENSE	791,595	0	0	501,634	0	0	295,962	0	0	0	0	0	0	0	0	0
3	6210	GENERAL SUPPORT EXPENSE	830,725	0	0	539,104	0	0	311,621	0	0	0	0	0	0	0	0	0
4	6310	CENTRAL OFFICE EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	6410	INFORMATION ORIGIN/TERM EXP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	6510	CABLE AND WIRE FACILITIES EXP	11,351,188	0	0	0	0	0	11,351,188	0	0	0	0	0	0	0	0	0
7	6530	OTHER PLANT EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	6540	NETWORK OPERATIONS EXPENSE	691,931	0	0	438,476	0	0	253,455	0	0	0	0	0	0	0	0	0
9	6610	ACCESS CHARGE EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	6620	MARKETING EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	6710	SERVICES EXPENSE	129,618	0	0	82,139	0	0	47,479	0	0	0	0	0	0	0	0	0
12	6720	EXECUTIVE AND PLANNING EXP	306,088	0	0	34,584	0	0	19,996	0	0	0	0	0	0	0	0	0
13	6730	GENERAL AND ADMINISTRATIVE EXP	1,317,323	0	0	148,881	0	0	86,059	0	0	0	0	0	0	0	0	0
14	6740	SUBTOTAL OPERATING EXPENSE	15,438,467	0	0	1,744,827	0	0	1,008,571	0	0	0	0	0	0	0	0	0
15	6800	% DISTRIBUTION	100.0000%	0.0000%	0.0000%	11,3016%	0.0000%	0.0000%	6,5528%	0.0000%	82,1653%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
16	6900	DEPRECIATION AND AMORTIZATION	2,428,854	0	0	1,537,896	0	0	885,958	0	0	0	0	0	0	0	0	0
17	7000	OTHER OPERATING TAX	124,890	0	0	79,143	0	0	45,747	0	0	0	0	0	0	0	0	0
18	7100	EQUAL ACCESS EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	7200	% DISTRIBUTION	17,990,212	0.0000%	0.0000%	3,361,866	0.0000%	10.8019%	12,685,069	0.0000%	70,5110%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
20	7370	NON OPERATING EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21	7400	ABANDONED CONSTRUCTION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	7410	CONTRIBUTIONS	24,823	0	0	15,730	0	0	9,093	0	0	0	0	0	0	0	0	0
23	7420	TOTAL NON OPERATING EXP	24,823	0	0	15,730	0	0	9,093	0	0	0	0	0	0	0	0	0
24	7430	UNCOLLECTIBLES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25	5310	END USER MSG TOLL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26	5320	END USER COMMON LINE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27	5330	IX CARRIER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28	5340	TOTAL UNCOLLECTIBLES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	7340	ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2009

COST SUPPORT MATERIAL
PART 68 COST ALLOCATION

SECTION 3

A-9,10f1

PLANT SPECIFIC EXPENSE ALLOCATION

A-9,10f1

LN		A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED INEL. TERMINATION		SPECIAL ACCESS		IX CATEGORY	
						LIMITED PAY	COMMON LINE		INFO	TERM	FACILITY	TRANSPORT	ALLOCAED	TERM	CHANNEL MILEAGE	B&C	MSG	P.L.
BASIS FOR NETWORK SUPPORT EXPENSE																		
1			GEN SUPPORT, COE, IOT AND C&WF	26,659,873	VARIOUS	0	0	16,894,348	0	0	9,765,525	0	0	0	0	0	0	0
2			EQUAL ACCESS EQUIPMENT	0	A-3 LN 8	0	0	16,894,348	0	0	9,765,525	0	0	0	0	0	0	0
3			TOTAL	26,659,873		0	0	16,894,348	0	0	9,765,525	0	0	0	0	0	0	0
4			% DISTRIBUTION	100.0000%		0.0000%	0.0000%	63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
PLANT SPECIFIC EXPENSES																		
GENERAL SUPPORT EXPENSE																		
5			NETWORK SUPPORT	0	LN 4	0	0	0	0	0	0	0	0	0	0	0	0	0
6	6110		GENERAL SUPPORT	791,595	A-3 LN 7	0	0	501,634	0	0	289,962	0	0	0	0	0	0	0
7	6120		TOTAL GENERAL SUPPORT EXP	791,595		0	0	501,634	0	0	289,962	0	0	0	0	0	0	0
8			% DISTRIBUTION	100.0000%		0.0000%	0.0000%	63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CENTRAL OFFICE EXPENSE																		
10			CENTRAL OFFICE SWITCHING EXPENSE	850,725	A-4 LN 43	0	0	539,104	0	0	311,621	0	0	0	0	0	0	0
11	6210		OPERATOR SYSTEMS EXPENSE	0	A-4 LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0
12	6220		CENTRAL OFFICE TRANSMISSION EXPENSE	0	A-4 LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0
13	6230		UNDISTRIBUTED	0	A-4 LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0
14			TOTAL CENTRAL OFFICE EXPENSE	850,725		0	0	539,104	0	0	311,621	0	0	0	0	0	0	0
15			% DISTRIBUTION	100.0000%		0.0000%	0.0000%	63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
16			INFORMATION ORIG/TERM EXPENSE	0		0	0	0	0	0	0	0	0	0	0	0	0	0
17	6310		COIN PAY TELEPHONE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
18			COINLESS PAY TELEPHONE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
19	20		OTHER	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
20			CPE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0
21			TOTAL INFORMATION ORIG/TERM EXP	0		0	0	0	0	0	0	0	0	0	0	0	0	0
22			% DISTRIBUTION	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
23			CABLE AND WIRE FACILITIES EXPENSE	11,351,188	A-5 LN 22	0	0	11,351,188	0	0	0	0	0	0	0	0	0	0
24	6410		TOTAL PLANT SPECIFIC EXPENSE	12,993,508		0	0	1,040,737	0	0	801,583	11,351,188	0	0	0	0	0	0
25			% DISTRIBUTION	100.0000%		0.0000%	0.0000%	8.0997%	0.0000%	4.6298%	87.3605%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
26																		

Projected Study 2006/07
6/17/2006

PROPRIETARY INFORMATION

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IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2009

COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-10, 1a1

PLANT NON SPECIFIC EXPENSE ALLOCATION

A-10, 1a1f

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		TRAFFIC SENSITIVE			COMMON TRANSPORT			DEDICATED NEL TERMINATION			SPECIAL ACCESS			B&C	IX CATEGORY	
					LIMITED PAY	COMMON LINE	SWITCHING	INFO	TERM	FACILITY	TRANSPORT	ALLOCAED	TERM	TERM	CHANNEL MILEAGE	TERM	TERM	TERM		MSG	P.L.
1		CENTRAL OFFICE EQUIPMENT	22,353,155	A-4 LN 38	0	0	14,165,183	0	8,187,972	0	0	0	0	0	0	0	0	0	0	0	0
2		INFORMATION ORIGINATOR	0	A-5 LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3		CABLE AND WIRE FACILITIES	22,353,155	A-5 LN 21	0	0	14,165,183	0	8,187,972	0	0	0	0	0	0	0	0	0	0	0	0
4		TOTAL	22,353,155		0	0	14,165,183	0	8,187,972	0	0	0	0	0	0	0	0	0	0	0	0
5		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
PLANT NONSPECIFIC EXPENSE																					
6	6510	OTHER PROP PLANT & EQUIP EXPENSE	0	LN 5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	6530	NETWORK OPERATIONS EXPENSE	691,931	LN 5	0	0	438,476	0	253,455	0	0	0	0	0	0	0	0	0	0	0	0
8	6540	ACCESS CHARGE EXPENSE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	6560	DEPRECIATION EXPENSE																			
10		GENERAL SUPPORT	429,900	A-3 LN 7	0	0	272,427	0	157,472	0	0	0	0	0	0	0	0	0	0	0	0
11		CENTRAL OFFICE SWITCHING EQUIPMENT	1,996,955	A-4 LN 47	0	0	1,265,469	0	731,486	0	0	0	0	0	0	0	0	0	0	0	0
12		OPERATOR SYSTEMS EQUIPMENT	0	A-4 LN 44	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13		CENTRAL OFFICE TRANSMISSION	0	A-4 LN 48	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14		UNDISTRIBUTED COE	0	A-4 LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15		INFORMATION ORIGINATOR	0	A-5 LN 11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16		CABLE AND WIRE FACILITIES	0	A-5 LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17		TOTAL DEP EXP - PLANT IN SERVICE	2,428,854		0	0	1,537,896	0	888,958	0	0	0	0	0	0	0	0	0	0	0	0
18		PROPERTY HELD FOR FUTURE USE	0	A-6 LN 7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19		TOTAL DEPRECIATION EXPENSE	2,428,854		0	0	1,537,896	0	888,958	0	0	0	0	0	0	0	0	0	0	0	0
20		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
AMORTIZATION EXPENSE																					
21	6563	CAPITAL LEASE	0	A-3 LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	6563	LEASEHOLD IMPROVEMENTS	0	A-3 LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	6563	UNDISTRIBUTED	0	A-3 LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24		SUBTOTAL	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25	6564	INTANGIBLE ASSETS	0	A-3 LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26		OTHER - TEL PLANT ADJUSTMENT	0	A-6 LN 28	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27	6565	TOTAL AMORTIZATION EXPENSE	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28		% DISTRIBUTION	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
29		TOTAL PLANT NON SPECIFIC EXPENSE	3,118,785		0	0	1,976,372	0	1,142,412	0	0	0	0	0	0	0	0	0	0	0	0
30		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	63.3699%	0.0000%	36.6301%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2009COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-11, 1of1

CUSTOMER OPERATIONS EXPENSE ALLOCATION

A-11, 1of1

LN	AC	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		INFO	TRAFFIC SENSITIVE			COMMON TRANSPORT			DEDICATED INEL TERMINATION			SPECIAL ACCESS			B&C	IX CATEGORY	
					LIMITED PAY	COMMON LINE		SWITCHING	TERM	FACILITY	TERM	FACILITY	TERM	ALLOCA	TRANSPORT	TRANSPORT	TERM	CHANNEL MILEAGE	TERM		MSG	P.L.
1	6610	CUSTOMER OPERATIONS EXPENSES			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2		MARKETING			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3		TELEPHONE OPERATOR SERVICES			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	6621	- CALL COMPLETION INCL DLA			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5		- OPERATOR SERVICES UNDER CONTRACT			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	6622	PUBLISHED DIRECTORY LISTINGS			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	6623	ALL OTHER			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	10	LOCAL BUSINESS OFFICE			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9		- END USER SVC ORDER PROCESSING			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10		- PRESUBSCRIPTION			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11		- OTHER			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12		- END USER PAYMENT & COLLECTION			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13		- END USER BILLING INQUIRY			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14		- IX CARRIER SVC ORDER PROCESSING			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15		- IX CARRIER PAYMENT & COLLECTION			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16		- IX CARRIER BILLING INQUIRY			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17		- COIN COLLECT AND ADMINISTRATION			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18		SUBTOTAL LOCAL BUSINESS OFFICE			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	2.0	CUSTOMER SERVICES (REV ACCTG)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20		- MESSAGE PROCESSING			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21		- TOLL TICKET PROCESSING			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22		- LOCAL MESSAGE PROCESSING			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23		- END USER BILLING & COLLECTION			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24		- END USER BILLING			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25		- CARRIER ACCESS BILLING (CABS)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26		SUBTOTAL CUSTOMER SERVICES			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27		TOTAL CAT 1 AND CAT 2			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28		% DISTRIBUTION			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	3.0	ALL OTHER CUSTOMER SERVICE			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30		% DISTRIBUTION			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31		TOTAL CUSTOMER OPERATIONS EXPENSE			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32		% DISTRIBUTION			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
33		CUSTOMER OPERATIONS EXCL MARKETING			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
34		% DISTRIBUTION			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Projected Study 2006/07
6/7/2006

PROPRIETARY INFORMATION

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CORPORATE OPERATIONS EXPENSE ALLOCATION

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		DEDICATED	SPECIAL ACCESS		BKG	IX CATEGORY	
				LIMITED PAY	COMMON LINE			COMMON TERM	FACILITY		TERM	CHANNEL MILEAGE		MSG	PL
1		BIG THREE EXPENSES	12,993,508	0	0	1,040,737	0	601,583	11,351,188	0	0	0	0	0	0
2		LINE SPECIFIC EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
3		OTHER PL EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
4		NETWORK OPERATIONS EXPENSE	691,931	0	0	438,476	0	253,455	0	0	0	0	0	0	0
5		ACCESS CHARGE EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
6		CUSTOMER OPERATIONS EXPENSE	128,618	0	0	82,139	0	47,479	0	0	0	0	0	0	0
7		TOTAL BIG THREE EXPENSES	13,814,058	0	0	1,561,352	0	902,516	11,351,188	0	0	0	0	0	0
		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	11.3016%	0.0000%	6.5328%	82.1653%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CORPORATE OPERATING EXPENSE															
8	6710	EXECUTIVE AND PLANNING	306,088	0	0	34,584	0	19,996	251,499	0	0	0	0	0	0
9	6720	GENERAL AND ADMINISTRATIVE	1,317,323	0	0	148,881	0	85,569	1,082,383	0	0	0	0	0	0
10		TOTAL CORPORATE OPERATIONS	1,623,411	0	0	183,475	0	106,055	1,334,861	0	0	0	0	0	0
11		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	11.3016%	0.0000%	6.5328%	82.1653%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
12		EQUAL ACCESS EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
13	7500	INTEREST EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
14		CAPITAL LEASE	0	0	0	0	0	0	0	0	0	0	0	0	0
15		OTHER	21,740	0	0	13,776	0	7,963	0	0	0	0	0	0	0
16		TOTAL	21,740	0	0	13,776	0	7,963	0	0	0	0	0	0	0
17		OTHER INCOME ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
18		BASED ON PL	0	0	0	0	0	0	0	0	0	0	0	0	0
19		BASED ON EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
20		TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0
21		OPERATING TAXES	0	0	0	0	0	0	0	0	0	0	0	0	0
22	7210	FEDERAL ITC AMORTIZATION	0	0	0	0	0	0	0	0	0	0	0	0	0
23	7210	STATE ITC AMORTIZATION	0	0	0	0	0	0	0	0	0	0	0	0	0
24	7240	OTHER OPERATING TAXES	124,890	0	0	79,143	0	45,747	0	0	0	0	0	0	0
25		TOTAL OPERATING TAXES	124,890	0	0	79,143	0	45,747	0	0	0	0	0	0	0

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2009

COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

AL-1.1of1

DEVELOPMENT OF JOINT USE FACILITIES ALLOCATION FACTORS

AL-1.1of1

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE			SPECIAL ACCESS			IX CATEGORY	
					LIMITED PAY	COMMON LINE			COMMON TERM	TRANSPORT FACILITY	DEDICATED TRANSPORT	NEL TERMINATION ALLOCATED	TERM	CHANNEL MILEAGE FACILITY	B&C	P.L.
1		EQUIVALENT ACCESS LINES - MSG COE	0		0	0						0				
2		% DISTRIBUTION	0.0000%		0.0000%	0.0000%						0.0000%				
3		EQUIVALENT ACCESS LINES - MSG CWF	0		0	0						0				
4		% DISTRIBUTION	0.0000%		0.0000%	0.0000%						0.0000%				
5		IX CIRCUIT TERMINATIONS - MSG COE	42,793						42,793							
6		% DISTRIBUTION	100.0000%						100.0000%			0				
7		IX CIRCUIT MILES - MSG CWF	20,748,455							207,484,55.00		0.00				
8		% DISTRIBUTION	100.0000%							100.0000%		0.0000%				
DISTRIBUTION FACTORS																
9		STD WORK SECONDS - MANUAL BOARDS	100.0000%				0.0000%	0.0000%								100.0000%
10		STD WORK SECONDS - TSPS	100.0000%				0.0000%	0.0000%								100.0000%
11		STD WORK SECONDS - OPERATORS	100.0000%				0.0000%	0.0000%								100.0000%
12		END USER SVC ORDER CONTACTS	0.0000%													
13		END USER PAYMENT & COLLECTION	0.0000%													
14		END USER BILLING INQUIRY CONTACTS	0.0000%													
15		IX CARRIER SVC ORDER CONTACTS	100.0000%				63.3699%	0.0000%		36.6301%		0.0000%				0.0000%
16		IX CARRIER PAYMENT & COLLECTION	100.0000%				0.0000%	0.0000%		0.0000%		0.0000%				0.0000%
17		IX CARRIER BILLING INQUIRY CONTACTS	100.0000%				63.3699%	0.0000%		36.6301%		0.0000%				0.0000%
18		PUBLIC UTILITY PHONE REVENUE	100.0000%				0.0000%	0.0000%		0.0000%		0.0000%				0.0000%
19		END USER BILLING COLLECTION	0.0000%													
20		OPERATOR SERVICES UNDER CONTRACT	0.0000%				0.0000%	0.0000%								0.0000%

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2009

COST SUPPORT MATERIAL
PART 36 SEPARATIONS

SECTION 4

S-1,1of1

REVENUE REQUIREMENT SUMMARY

S-1,1of1

LN	ALLOCATION RATIOS	TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE MSG TOLL		OTHER
				INTRALATA	INTERLATA	
	REVENUE REQUIREMENT SUMMARY					
1	NET INVESTMENT FOR SETTLEMENTS	9,518,371	NOTE A	674,515	6,018,243	2,825,612
2	RATE OF RETURN			11.2500%	11.2500%	9.5000%
3	RETURN ON INVESTMENT	1,021,368	LN1*LN 2	75,883	677,052	268,433
4	ALLOWANCE FOR FUNDS USED DURING CONSTR	0	S-8, LN 29	0	0	0
5	NET RETURN FOR SETTLEMENTS	1,021,368	LN3-LN4	75,883	677,052	268,433
6	TOTAL ITC AMORTIZATION	0	S-12, LN 28+29	0	0	0
7	FEDERAL OPERATING INCOME TAX (ACTUAL)	0	S-12, LN 30	0	0	0
8	FEDERAL OPERATING INCOME TAX (OPTION)	510,320	LN28-LN11	37,963	338,714	133,643
9	STATE AND LOCAL INCOME TAX (ACTUAL)	0	S-12, LN 31	0	0	0
10	STATE AND LOCAL INCOME TAX (OPTION)	169,879	LN 33	12,637	112,754	44,488
11	PROVISION FOR DEFERRED INCOME TAX	0	S-12, LN 33	0	0	0
13	OPERATING EXPENSE AND TAX	26,537,442	S-8, LN 18	1,818,265	16,171,947	8,547,230
14	NONOPERATING EXPENSE	36,960	S-8, LN 23	2,511	22,312	12,138
15	UNCOLLECTIBLES	3,369,633	S-8, LN 28	0	0	3,369,633
16	BASIS FOR GROSS RECEIPTS TAX	31,645,602		1,947,259	17,322,778	12,375,565
17	GROSS RECEIPTS TAX RATE (GROSS UP)			0.0000%	0.0000%	0.0000%
18	GROSS RECEIPTS TAX	0		0	0	0
19	TOTAL REVENUE REQUIREMENT	31,645,602		1,947,259	17,322,778	12,375,565

NOTE A: INCLUDES NET TEL PLANT FROM SCH S-2, LN 33 LESS A/C's 2004 ,2006 ,2007 AND 1402 OTHER THAN RTB STOCK.

***** **						
OPTIONAL GROSS UP INCOME TAX CALCULATION						
20	RETURN ON INVESTMENT	1,021,368	LN 3	75,883	677,052	268,433
21	INTEREST AND RELATED ITEMS	30,748	S-12, LN 19	2,190	19,550	9,008
22	OTHER INCOME ADJUSTMENTS	0	S-12, LN 24+25	0	0	0
23	TOTAL INCOME ADJUSTMENTS	30,748	LN 21+22	2,190	19,550	9,008
24	FEDERAL ITC AMORTIZATION	0	S-12, LN 28	0	0	0
25	FEDERAL TAXABLE INCOME	1,500,941		111,656	996,216	393,068
26	FEDERAL INCOME TAX @	34.00%	LN 25*FIT	37,963	338,714	133,643
27	FEDERAL SURTAX ALLOCATION	0	S-2, LN 34	0	0	0
28	NET FEDERAL INCOME TAX BEFORE ITC	510,320	LN26-LN27	37,963	338,714	133,643
29	STATE ITC AMORTIZATION	0	S-12, LN 29	0	0	0
30	STATE TAXABLE INCOME	1,415,660		105,312	939,613	370,735
31	STATE INCOME TAX @	12.00%	LN 30*SIT	12,637	112,754	44,488
32	STATE SURTAX EXEMPTION	0	S-2, LN 34	0	0	0
33	NET STATE INCOME TAX BEFORE ITC	169,879		12,637	112,754	44,488

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2009

COST SUPPORT MATERIAL
PART 36 SEPARATIONS

SECTION 4

S-2,1of1

SUMMARY OF NET TELEPHONE PLANT, M&S AND WORKING CAPITAL

S-2,1of1

LN	ALLOCATION RATIOS		TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE MSG TOLL		
					INTRALATA	INTERLATA	OTHER
	NET INVESTMENT SUMMARY						
1	GENERAL SUPPORT FACILITIES	2110	6,091,263	S-3,LN 10	433,861	3,872,857	1,784,545
2	CENTRAL OFFICE SWITCHING EQUIPMEI	2210	31,615,478	S-4,LN 52	2,251,866	20,101,289	9,262,323
3	OPERATOR SYSTEMS EQUIPMENT	2220	0	S-4,LN 41	0	0	0
4	CENTRAL OFFICE TRANSMISSION EQUIP	2230	0	S-4,LN 78	0	0	0
5	INFORMATION ORIG/TERM EQUIPMENT	2310	0	S-5,LN 17	0	0	0
6	CABLE AND WIRE FACILITIES	2410	0	S-5,LN 42	0	0	0
7	TANGIBLE ASSETS	2680	666,699	S-3,LN 29	47,487	423,891	195,321
8	INTANGIBLE ASSETS	2690	282,981	S-3,LN 36	20,156	179,921	82,904
9	TOTAL PLANT IN SERVICE A/C 2001		38,656,421		2,753,369	24,577,958	11,325,094
10	% DISTRIBUTION		100.0000%		7.1227%	63.5805%	29.2968%
11	PROPERTY HELD FOR FUTURE USE	2002	0	S-6,LN 9	0	0	0
12	PLANT UNDER CONSTR - SHORT TERM	2003	0	S-6,LN 15	0	0	0
13	PLANT UNDER CONSTR - LONG TERM	2004	0	S-6,LN 21	0	0	0
14	TELEPHONE PLANT ADJUSTMENT	2005	0	S-6,LN 27	0	0	0
15	NONOPERATING PLANT	2006	0	DIRECT			0
16	GOODWILL	2007	0	DIRECT			0
17	TOTAL PROPERTY, PLANT & EQUIPMENT		38,656,421		2,753,369	24,577,958	11,325,094
18	% DISTRIBUTION		100.0000%		7.1227%	63.5805%	29.2968%
19	ACCUM DEPRECIATION - PLANT IN SERV	3100	26,071,975	S-7,LN 18	1,857,021	16,576,700	7,638,254
20	ACCUM DEPRECIATION - FUTURE USE	3200	0	S-7,LN 19	0	0	0
21	ACCUM AMORTIZATION - TANGIBLE PRO	3400	646,918	S-7,LN 23	46,078	411,314	189,526
22	ACCUM AMORTIZATION - INTANGIBLE PF	3500	282,981	S-7,LN 24	20,156	179,921	82,904
23	ACCUM AMORTIZATION - TEL PLANT ADJ	3600	0	S-7,LN 25	0	0	0
24	OPERATING DEFERRED INCOME TAX - N	VAR	3,181,564	S-7,LN 32	226,612	2,022,856	932,097
25	OTHER DEFERRED CREDITS - NET	4360	0	S-7,LN 38	0	0	0
26	NET TELEPHONE PLANT		8,472,982		603,503	5,387,167	2,482,312
27	% DISTRIBUTION		100.0000%		7.1227%	63.5805%	29.2968%
28	MATERIALS AND SUPPLIES	1220	0	S-6,LN 31	0	0	0
29	INVESTMENT IN NONAFFILIATED CO'S	1402	0	S-6,LN 35	0	0	0
30	EQUAL ACCESS EQUIPMENT	1439	0	S-6,LN 36	0	0	0
31	OTHER JURISDICTIONAL ASSETS	1500	0	S-6,LN 37	0	0	0
32	CASH WORKING CAPITAL	XXXX	1,045,389	S-3,LN 3	71,013	631,076	343,300
33	NET TEL PLANT, M&S AND CASH WORKING CAPITAL		9,518,371		674,515	6,018,243	2,825,612
34	% DISTRIBUTION		100.0000%		7.0865%	63.2277%	29.6859%

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2009

COST SUPPORT MATERIAL
PART 36 SEPARATIONS

SECTION 4

S-8,1of1

SUMMARY OF OPERATING EXPENSE AND TAX

S-8,1of1

LN	ALLOCATION RATIOS		TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE MSG TOLL		
					INTRALATA	INTERLATA	OTHER
	OPERATING EXPENSE AND TAX SUMMARY						
1	NETWORK SUPPORT EXPENSE	6110	0	S-9,LN 7	0	0	0
2	GENERAL SUPPORT EXPENSE	6120	1,119,603	S-9,LN 8	79,746	711,850	328,008
3	CENTRAL OFFICE EXPENSE	6210	1,203,233	S-9,LN 15	85,702	765,022	352,509
4	INFORMATION ORIG/TERM EXPENSE	6310	0	S-9,LN 21	0	0	0
5	CABLE AND WIRE FACILITIES EXPENSE	6410	16,968,588	S-9,LN 25	1,148,790	10,202,397	5,617,400
6	OTHER PLANT EXPENSE	6510	0	S-10,LN 11	0	0	0
7	NETWORK OPERATIONS EXPENSE	6530	978,641	S-10,LN 13	69,705	622,225	286,711
8	ACCESS CHARGE EXPENSE	6540	0	S-10,LN 14	0	0	0
9	MARKETING EXPENSE	6610	0	S-11,LN 13	0	0	0
10	SERVICES EXPENSE	6620	241,073	S-11,LN 44	13,058	116,560	111,455
11	EXECUTIVE AND PLANNING EXPENSE	6710	455,756	S-12,LN 8+9	30,959	275,129	149,668
12	GENERAL AND ADMINISTRATIVE EXPENSE	6720	1,961,453	S-12,LN 11+12	133,240	1,184,082	644,131
13	SUBTOTAL OPERATING EXPENSES		22,928,349		1,561,201	13,877,266	7,489,881
14	% DISTRIBUTION		100.0000%		6.8090%	60.5245%	0.0000%
15	DEPRECIATION AND AMORTIZATION	6560	3,432,453	S-10,LN 22+29	244,482	2,182,372	1,005,599
16	OTHER OPERATING TAX	7240	176,640	S-12,LN 32	12,581	112,308	51,750
17	EQUAL ACCESS EXPENSE		0	S-12,LN 15	0	0	0
18	TOTAL OPERATING EXPENSE AND TAX		26,537,442		1,818,265	16,171,947	8,547,230
19	% DISTRIBUTION		100.0000%		6.8517%	60.9401%	32.2082%
	NON OPERATING EXPENSE						
20	ABANDONED CONSTRUCTION	7370	0	S-2,LN 10	0	0	0
21	CONTRIBUTIONS		36,960	S-12,LN 14	2,511	22,312	12,138
22	OTHER NON OPERATING EXPENSE		0	DIRECT			0
23	TOTAL NON OPERATING EXPENSE		36,960		2,511	22,312	12,138
24	% DISTRIBUTION		100.0000%		6.7929%	60.3676%	32.8395%
	UNCOLLECTIBLES						
25	END USER MSG TOLLS	5310	0	DIRECT	0	0	0
26	END USER COMMON LINE	5320	0	DIRECT	0	0	0
27	IX CARRIER	5330	3,369,633	S-11,LN 5	0	0	3,369,633
28	TOTAL UNCOLLECTIBLES		3,369,633		0	0	3,369,633
29	ALLOWANCE FOR FUNDS USED DURING	7340	0	S-12,LN 3	0	0	0

PUBLIC VERSION

IOWA NETWORK SERVICES, INC.
PROJECTED JUNE 30, 2009

COST SUPPORT MATERIAL
PART 64 SEPARATIONS

SECTION 5

S-1,1of1

REVENUE REQUIREMENT SUMMARY

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LN	DESCRIPTION	A/C	CAT	TOTAL COMPANY	ALLOCATION BASIS	ACCESS DIVISION	OTHER
	REVENUE REQUIREMENT SUMMARY						
1	NET INVESTMENT FOR SETTLEMENTS			40,433,518	NOTE A	9,518,371	30,915,148
2	RATE OF RETURN					10.7298%	9.7284%
3	RETURN ON INVESTMENT			4,028,861	LN1*LN 2	1,021,306	3,007,555
4	ALLOWANCE FOR FUNDS USED DURING CONSTR			0	S-8, LN 30	0	0
5	NET RETURN FOR SETTLEMENTS			4,028,861	LN 3-LN 4	1,021,306	3,007,555
6	TOTAL ITC AMORTIZATION			0	S-12, LN 32	0	0
7	FEDERAL OPERATING INCOME TAX	(ACTUAL)		0		0	0
8	FEDERAL OPERATING INCOME TAX	(OPTION)		2,006,664	LN28-LN11	510,288	1,496,376
9	STATE AND LOCAL INCOME TAX	(ACTUAL)		0		0	0
10	STATE AND LOCAL INCOME TAX	(OPTION)		667,994	LN 32	169,868	498,125
11	PROVISION FOR DEFERRED INCOME TAX			0	S-12, LN 36	0	0
13	OPERATING EXPENSE AND TAX			84,277,106	S-8, LN 20	26,537,442	57,739,664
14	NONOPERATING EXPENSE			558,328	S-8, LN 25	36,960	521,368
15	UNCOLLECTIBLES			3,736,000	S-8, LN 29	3,369,633	366,367
16	BASIS FOR GROSS RECEIPTS TAX			95,274,953		31,645,497	63,629,456
17	GROSS RECEIPTS TAX RATE	(GROSS UP)				0.0000%	0.0000%
18	GROSS RECEIPTS TAX			0		0	0
19	TOTAL REVENUE REQUIREMENT			95,274,953		31,645,497	63,629,456

NOTE A: INCLUDES NET TEL PLANT FROM SCH S-2, LN 33 LESS A/C's 2004 ,2006 ,2007 AND 1402.

OPTIONAL GROSS UP INCOME TAX CALCULATION							
20	RETURN ON INVESTMENT			4,028,861	LN 3	1,021,306	3,007,555
21	INTEREST AND RELATED ITEMS			133,572	S-12, LN 22	30,748	102,824
22	OTHER INCOME ADJUSTMENTS			0	S-12, LN 27+28	0	0
23	TOTAL INCOME ADJUSTMENTS			133,572	LN 21+22	30,748	102,824
24	FEDERAL ITC AMORTIZATION			0	S-12, LN 32	0	0
25	FEDERAL TAXABLE INCOME			5,901,953		1,500,846	4,401,107
26	FEDERAL INCOME TAX @	34.00%		2,006,664	LN 25*FIT	510,288	1,496,376
27	FEDERAL SURTAX ALLOCATION			0	S-2, LN 32	0	0
28	NET FEDERAL INCOME TAX BEFORE ITC			2,006,664	LN26-LN27	510,288	1,496,376
29	STATE TAXABLE INCOME			5,566,615		1,415,571	4,151,044
30	STATE INCOME TAX @	12.00%		667,994	LN 29*SIT	169,868	498,125
31	STATE SURTAX EXEMPTION			0	S-2, LN 32	0	0
32	NET STATE INCOME TAX BEFORE ITC			667,994	LN30-LN31	169,868	498,125

PUBLIC VERSION

IOWA NETWORK SERVICES, INC.
PROJECTED JUNE 30, 2009

COST SUPPORT MATERIAL
PART 64 SEPARATIONS

SECTION 5

S-2,1of1

SUMMARY OF NET TELEPHONE PLANT, M&S AND WORKING CAPITAL

S-2,1of1

LN	DESCRIPTION	A/C	CAT	TOTAL COMPANY	ALLOCATION BASIS	ACCESS DIVISION	OTHER
	NET INVESTMENT SUMMARY						
1	GENERAL SUPPORT FACILITIES	2110		18,334,666	S-3, LN 27	6,091,263	12,243,403
2	CENTRAL OFFICE SWITCHING EQUIPME	2210		56,398,286	S-4, LN 17	31,615,478	24,782,808
3	CENTRAL OFFICE TRANSMISSION EQUIF	2230		54,004,014	S-4, LN 31	0	54,004,014
4	CABLE AND WIRE FACILITIES	2410		23,377,974	S-5, LN 16	0	23,377,974
5	TANGIBLE ASSETS	2680		2,006,760	S-3, LN 54	666,699	1,340,061
6	INTANGIBLE ASSETS	2690		1,136,555	S-3, LN 61	282,981	853,574
7	TOTAL PLANT IN SERVICE A/C 2001			155,258,255		38,656,421	116,601,834
8	% DISTRIBUTION			100.0000%		24.8981%	75.1019%
9	PROPERTY HELD FOR FUTURE USE	2002		0	S-6, LN 9	0	0
10	PLANT UNDER CONSTR - SHORT TERM	2003		0	S-6, LN 15	0	0
11	PLANT UNDER CONSTR - LONG TERM	2004		0	S-6, LN 21	0	0
12	TELEPHONE PLANT ADJUSTMENT	2005		0	S-6, LN 27	0	0
13	NONOPERATING PLANT	2006		2,173,393	DIRECT		2,173,393
14	GOODWILL	2007		0	DIRECT		0
15	TOTAL PROPERTY, PLANT & EQUIPMENT			157,431,648		38,656,421	118,775,227
16	% DISTRIBUTION			100.0000%		24.5544%	75.4456%
17	ACCUM DEPRECIATION - PLANT IN SERV	3100		102,531,828	S-7, LN 30	26,071,975	76,459,853
18	ACCUM DEPRECIATION - FUTURE USE	3200		0	S-7, LN 31	0	0
19	ACCUM AMORTIZATION - TANGIBLE PRC	3400		1,947,221	S-7, LN 36	646,918	1,300,303
20	ACCUM AMORTIZATION - INTANGIBLE PF	3500		1,136,555	S-7, LN 37	282,981	853,574
21	ACCUM AMORTIZATION - TEL PLANT AD.	3600		0	S-7, LN 38	0	0
22	OPERATING DEFERRED INCOME TAX - N	VAR		12,834,933	S-7, LN 44	3,181,564	9,653,369
23	OTHER DEFERRED CREDITS - NET	4360		0	S-7, LN 49	0	0
24	NET TELEPHONE PLANT			38,981,111		8,472,982	30,508,129
25	% DISTRIBUTION			100.0000%		21.7361%	78.2639%
26	MATERIALS AND SUPPLIES	1220		261,546	S-6, LN 32	0	261,546
27	PREPAID EXPENSES	1300		0	S-6, LN 37	0	0
28	INVESTMENT IN NONAFFILIATED CO'S	1402		123,231,093	S-6, LN 38	0	123,231,093
29	OTHER JURISDICTIONAL ASSETS	1500		0	S-6, LN 39	0	0
30	CASH WORKING CAPITAL	XXXX		3,364,254	COMPUTED	1,045,389	2,318,866
31	NET TEL PLANT, M&S AND CASH WORKING CAPITAL			165,838,004		9,518,371	156,319,634
32	% DISTRIBUTION			100.0000%		5.7396%	94.2604%

PUBLIC VERSION

IOWA NETWORK SERVICES, INC.
PROJECTED JUNE 30, 2009

COST SUPPORT MATERIAL
PART 64 SEPARATIONS

SECTION 5

S-8,1of1

SUMMARY OF OPERATING EXPENSE AND TAX

S-8,1of1

LN	DESCRIPTION	A/C	CAT	TOTAL COMPANY	ALLOCATION BASIS	ACCESS DIVISION	OTHER
	OPERATING EXPENSE AND TAX SUMMARY						
1	NETWORK SUPPORT EXPENSE	6110		209,976	S-9,LN 13-23	45,116	164,860
2	GENERAL SUPPORT EXPENSE	6120		2,958,811	S-9,LN 24-27	1,074,487	1,884,324
3	CENTRAL OFFICE EXPENSE	6210		3,353,475	S-9,LN 33	1,203,233	2,150,242
4	CABLE AND WIRE FACILITIES EXPENSE	6410		35,307,201	S-9,LN 35	16,968,588	18,338,613
5	OTHER PLANT EXPENSE	6510		5,147,773	S-10,LN 6	0	5,147,773
6	NETWORK OPERATIONS EXPENSE	6530		4,912,429	S-10,LN 13	978,641	3,933,788
7	ACCESS CHARGE EXPENSE	6540		9,387,243	S-10,LN 15	0	9,387,243
8	MARKETING EXPENSE	6610		3,145,891	S-11,LN 15	0	3,145,891
9	SERVICES EXPENSE	6620		1,621,235	S-11,LN 39	241,073	1,380,162
10	EXECUTIVE AND PLANNING EXPENSE	6710		1,128,848	S-12,LN 7	455,756	673,092
11	GENERAL AND ADMINISTRATIVE EXPEN.	6720		3,810,973	S-12,LN 8-15	1,961,453	1,849,520
12	SUBTOTAL OPERATING EXPENSES			70,983,855		22,928,349	48,055,506
13	% DISTRIBUTION			100.0000%		32.3008%	67.6992%
14	DEPRECIATION - PLANT IN SERVICE	6561		12,606,651	S-10,LN 33	3,432,453	9,174,198
15	DEPRECIATION - FUTURE USE	6562		0	S-10,LN 34	0	0
16	AMORTIZATION - TANGIBLES	6563		0	S-3,LN42-44	0	0
17	AMORTIZATION - INTANGIBLES	6564		0	S-3,LN 45	0	0
18	AMORTIZATION - OTHER	6565		0	S-3,LN 46	0	0
19	OTHER OPERATING TAX	7240		686,600	S-12,LN 35	176,640	509,960
20	TOTAL OPERATING EXPENSE AND TAX			84,277,106		26,537,442	57,739,664
21	% DISTRIBUTION			100.0000%		31.4883%	68.5117%
	NON OPERATING EXPENSE						
22	ABANDONED CONSTRUCTION	7370		0	S-2,LN 8	0	0
23	CONTRIBUTIONS			101,000	S-12,LN 2	36,960	64,040
24	ALL OTHER			457,328	S-12,LN 2	0	457,328
25	TOTAL NON OPERATING EXPENSE			558,328		36,960	521,368
26	% DISTRIBUTION			100.0000%		6.6198%	93.3802%
	UNCOLLECTIBLES						
27	END USER MSG TOLLS	5310		366,367	DIRECT	XXX	366,367
28	IX CARRIER	5330		3,369,633	DIRECT	3,369,633	0
29	TOTAL UNCOLLECTIBLES			3,736,000		3,369,633	366,367
30	ALLOWANCE FOR FUNDS USED DURING	7340		0	S-12,LN 4	0	0

Rate-of Return TRP
Cost Analysis Summary
Test Year, 7/09 - 8/09

	Total Company (A)	Part 64 Adjustments (B)	Other Adjustments (C)	Subject to Separations (D)	Total Interstate (E)	Billing & Collection (F)
Revenues						
100 Network Access	n/a	n/a	n/a	n/a	n/a	n/a
110 Uncollectibles	n/a	n/a	n/a	n/a	n/a	n/a
120 Common Line Support	n/a	n/a	n/a	n/a	n/a	n/a
130 Long Term	n/a	n/a	n/a	n/a	n/a	n/a
140 Transitional	n/a	n/a	n/a	n/a	n/a	n/a
150 Miscellaneous	n/a	n/a	n/a	n/a	n/a	n/a
160 Net Revenues	---	---	---	---	---	---
Expenses						
170 Plant Specific	n/a	n/a	n/a	n/a	12,993,508	0
171 Network Support	0	0	0	0	0	0
172 General Support	1,119,603	0	0	1,119,603	791,595	0
173 Central Office	1,203,233	0	0	1,203,233	850,725	0
174 Operator Systems	0	0	0	0	0	0
175 COE Switching	1,203,233	0	0	1,203,233	850,725	0
176 COE Transmission	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0
178 Cable & Wire Facilities	16,968,588	0	0	16,968,588	11,351,188	0
180 Plant Non-Sp. Less Dep/Amor	n/a	n/a	n/a	n/a	691,931	0
190 Depreciation / Amortization	3,432,453	0	0	3,432,453	2,426,854	0
200 Customer Operations	n/a	n/a	n/a	n/a	129,618	0
201 Marketing	0	0	0	0	0	0
202 Local Business Office	144,643	0	0	144,643	81,403	0
203 Revenue Accounting	96,430	0	0	96,430	46,215	0
204 Other Billing & Collection	0	0	0	0	0	0
210 Access	n/a	n/a	n/a	n/a	0	n/a
220 Corporate Operations	n/a	n/a	n/a	n/a	1,623,411	0
230 AFUDC	n/a	n/a	n/a	n/a	n/a	n/a
240 Other Exp. & Adjustments	n/a	n/a	n/a	n/a	24,823	0
250 Taxes Other than FIT	n/a	n/a	n/a	n/a	250,281	0
260 Total Exp and Other Taxes	n/a	n/a	n/a	n/a	18,140,426	0
FIT Adjustments						
270 Adjustment for FIT	30,746	0	0	30,746	21,740	0
280 Amortized ITC	0	0	0	0	0	0
290 Federal Income Taxes	n/a	n/a	n/a	n/a	0	n/a
300 Total Expenses & Taxes	n/a	n/a	n/a	n/a	18,118,686	n/a
Telephone Plant in Service						
310 General Support	6,091,263	0	0	6,091,263	4,306,718	0
320 Central Office Equip-Switch	31,615,478	0	0	31,615,478	22,353,155	0
321 Operator Systems	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0
323 Local Switching Cat. 3	0	0	0	0	0	0
324 Equal Access	0	0	0	0	0	0
330 Central Office Equip-Trans	31,615,478	0	0	31,615,478	22,353,155	0
331 Subscriber Lines	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0
350 Info Orig/Term Equipment	0	0	0	0	0	0
360 Amortizable Assets	949,680	0	0	949,680	671,454	0
370 Total Plant in Service	38,656,421	0	0	38,656,421	27,331,327	0
Adjustments to TPIS						
380 Depr / Amor Reserve	27,001,874	0	0	27,001,874	19,091,190	0
390 Accum Deferred Income Tax	3,181,564	0	0	3,181,564	2,249,468	0
400 Other Rate Base Adjust.	n/a	n/a	n/a	n/a	702,069	0
Return Data						
410 Average Rate Base	n/a	n/a	n/a	n/a	6,692,758	n/a
420 Return	n/a	n/a	n/a	n/a	n/a	n/a
430 Rate of Return	n/a	n/a	n/a	n/a	n/a	n/a

COS-4(P)
 Filing Date: 6/24/2008
 Filing Entity: Iowa Network Access Division
 Transmittal Number : 26
 COSA: INJAN08
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	Interstate Inter- exchange (G)	ROR Regulated I/S Access (H)	Pay Phone (I)	Inside Wire (J)	BFP (K)	Total Common Line (L)
Revenues						
100 Network Access	n/a	19,214,471	0	0	0	0
110 Uncollectibles	n/a	0	0	0	0	0
120 Common Line Support	n/a	0	0	0	0	0
130 Long Term	n/a	0	0	0	0	0
140 Transitional	n/a	0	0	0	0	0
150 Miscellaneous	n/a	43,754	0	0	0	0
160 Net Revenues	n/a	19,258,225	0	0	0	0
Expenses						
170 Plant Specific	0	12,993,508	0	0	0	0
171 Network Support	0	0	0	0	0	0
172 General Support	0	791,595	0	0	0	0
173 Central Office	0	850,725	0	0	0	0
174 Operator Systems	0	0	0	0	0	0
175 COE Switching	0	850,725	0	0	0	0
176 COE Transmission	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0
178 Cable & Wire Facilities	0	11,351,188	0	0	0	0
180 Plant Non-Sp. Less Dep/Amor	0	691,931	0	0	0	0
190 Depreciation / Amortization	0	2,426,854	0	0	0	0
200 Customer Operations	0	129,618	0	0	0	0
201 Marketing	0	0	0	0	0	0
202 Local Business Office	0	81,403	0	0	0	0
203 Revenue Accounting	0	0	0	0	0	0
204 Other Billing & Collection	0	48,215	0	0	0	0
210 Access	0	0	0	0	0	0
220 Corporate Operations	0	n/a	n/a	n/a	n/a	n/a
230 AFUDC	0	1,623,411	0	0	0	0
240 Other Exp. & Adjustments	n/a	0	0	0	0	0
250 Taxes Other than FIT	0	24,823	0	0	0	0
260 Total Exp and Other Taxes	0	250,281	0	0	0	0
	0	18,140,426	0	0	0	0
FIT Adjustments						
270 Adjustment for FIT	0	0	0	0	0	0
280 Amortized ITC	0	0	0	0	0	0
290 Federal Income Taxes	n/a	372,660	0	0	0	0
300 Total Expenses & Taxes	n/a	18,491,346	0	0	0	0
Telephone Plant in Service						
310 General Support	0	0	0	0	0	0
320 Central Office Equip-Switch	0	4,306,718	0	0	0	0
321 Operator Systems	0	22,353,155	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0
323 Local Switching Cal. 3	0	0	0	0	0	0
324 Equal Access	0	0	0	0	0	0
330 Central Office Equip-Trans	0	22,353,155	0	0	0	0
331 Subscriber Lines	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0
350 Info Orig/Term Equipment	0	0	0	0	0	0
360 Amortizable Assets	0	671,454	0	0	0	0
370 Total Plant in Service	0	27,331,327	0	0	0	0
Adjustments to TPIS						
380 Depr / Amor Reserve	0	19,091,190	0	0	0	0
390 Accum Deferred Income Tax	0	2,249,468	0	0	0	0
400 Other Rate Base Adjust.	0	702,089	0	0	0	0
Return Data						
410 Average Rate Base	n/a	6,692,758	0	0	0	0
420 Return	n/a	745,139	0	0	0	0
430 Rate of Return	0.00%	11.13%	0.00%	0.00%	0.00%	0.00%

	Local Switching (M)	Equal Access (N)	SS7 (O)	Information (P)	Tandem Switching (Q)	Local Transport (R)	Host Remote (S)	Total Switched Traffic Sensitive (T)	Special Access (U)
Revenues									
100 Network Access	0	0	0	0	0	19,214,471	0	19,214,471	0
110 Uncollectibles	0	0	0	0	0	0	0	0	0
120 Common Line Support	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
130 Long Term	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
140 Transitional	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
150 Miscellaneous	0	0	0	0	0	43,754	0	43,754	0
160 Net Revenues	0	0	0	0	0	19,258,225	0	19,258,225	0
Expenses									
170 Plant Specific	0	0	0	0	0	12,993,508	0	12,993,508	0
171 Network Support	0	0	0	0	0	0	0	0	0
172 General Support	0	0	0	0	0	791,595	0	791,595	0
173 Central Office	0	0	0	0	0	850,725	0	850,725	0
174 Operator Systems	0	0	0	0	0	0	0	0	0
175 COE Switching	0	0	0	0	0	850,725	0	850,725	0
176 COE Transmission	0	0	0	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0	0	0	0
178 Cable & Wire Facilities	0	0	0	0	0	11,351,188	0	11,351,188	0
180 Plant Non-Sp. Less Dep&Amor	0	0	0	0	0	691,931	0	691,931	0
190 Depreciation / Amortization	0	0	0	0	0	2,426,854	0	2,426,854	0
200 Customer Operations	0	0	0	0	0	129,618	0	129,618	0
201 Marketing	0	0	0	0	0	0	0	0	0
202 Local Business Office	0	0	0	0	0	81,403	0	81,403	0
203 Revenue Accounting	0	0	0	0	0	48,215	0	48,215	0
204 Other Billing & Collection	0	0	0	0	0	0	0	0	0
210 Access	n/a	n/a	n/a	n/a	n/a	1,623,411	n/a	1,623,411	n/a
220 Corporate Operations	0	0	0	0	0	0	0	0	0
230 AFUDC	0	0	0	0	0	0	0	0	0
240 Other Exp. & Adjustments	0	0	0	0	0	24,823	0	24,823	0
250 Taxes Other than FIT	0	0	0	0	0	250,281	0	250,281	0
260 Total Exp and Other Taxes	0	0	0	0	0	18,140,426	0	18,140,426	0
FIT Adjustments									
270 Adjustment for FIT	0	0	0	0	0	21,740	0	21,740	0
280 Amortized ITC	0	0	0	0	0	0	0	0	0
290 Federal Income Taxes	0	0	0	0	0	372,660	0	372,660	0
300 Total Expenses & Taxes	0	0	0	0	0	18,491,346	0	18,491,346	0
Telephone Plant in Service									
310 General Support	0	0	0	0	0	4,306,718	0	4,306,718	0
320 Central Office Equip-Switch	0	0	0	0	0	22,353,155	0	22,353,155	0
321 Operator Systems	0	0	0	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0	0	0	0
323 Local Switching Cat. 3	0	0	0	0	0	0	0	0	0
324 Equal Access	0	0	0	0	0	0	0	0	0
330 Central Office Equip-Trans	0	0	0	0	0	22,353,155	0	22,353,155	0
331 Subscriber Lines	0	0	0	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0	0	0	0
350 Info Orig/Term Equipment	0	0	0	0	0	0	0	0	0
360 Amortizable Assets	0	0	0	0	0	671,454	0	671,454	0
370 Total Plant in Service	0	0	0	0	0	27,331,327	0	27,331,327	0
Adjustments to TPIS									
380 Depr / Amor Reserve	0	0	0	0	0	19,091,190	0	19,091,190	0
390 Accum Deferred Income Tax	0	0	0	0	0	2,249,468	0	2,249,468	0
400 Other Rate Base Adjust.	0	0	0	0	0	702,089	0	702,089	0
Return Data									
410 Average Rate Base	0	0	0	0	0	6,692,758	0	6,692,758	0
420 Return	0.00%	0.00%	0.00%	0.00%	0.00%	745,139	0	745,139	0
430 Rate of Return						11.13%	0.00%	11.13%	0.00%

COS-1(H)		6/24/2008		Filing Date:		Filing Entity:		Iowa Network Access Division		Transmittal Number : 25		INDIAN08		Rate-of Return TRP		Cost Analysis Summary		Historical, Calendar Year 2007	
		Total Company		Part 64		Other		Subject to		Total		Billing &							
		Company		Adjustments		Adjustments		Separations		Interstate		Collection							
		(A)		(B)		(C)		(D)		(E)		(F)							
Revenues																			
100	Network Access		n/a		n/a		n/a		n/a		n/a		n/a						
110	Uncollectibles		n/a		n/a		n/a		n/a		n/a		n/a						
120	Common Line Support		n/a		n/a		n/a		n/a		n/a		n/a						
130	Long Term		n/a		n/a		n/a		n/a		n/a		n/a						
140	Transitional		n/a		n/a		n/a		n/a		n/a		n/a						
150	Miscellaneous		n/a		n/a		n/a		n/a		n/a		n/a						
160	Net Revenues		---		---		---		---		---		---						
Expenses																			
170	Plant Specific		n/a		n/a		n/a		n/a		11,812,036		0						
171	Network Support		0		0		0		0		0		0						
172	General Support		873,027		0		0		873,027		441,396		0						
173	Central Office		748,408		0		0		748,408		378,390		0						
174	Operator Systems		0		0		0		0		0		0						
175	COE Switching		748,408		0		0		748,408		378,390		0						
176	COE Transmission		0		0		0		0		0		0						
177	IoT		0		0		0		0		0		0						
178	Cable & Wire Facilities		21,284,537		0		0		0		10,992,250		0						
180	Plant Non-Sp. Less Dep/Amor		n/a		n/a		n/a		21,284,537		511,705		0						
190	Depreciation / Amortization		3,242,907		0		0		3,242,907		1,670,562		0						
200	Customer Operations		n/a		n/a		n/a		n/a		100,536		0						
201	Marketing		0		0		0		0		0		0						
202	Local Business Office		207,391		0		0		207,391		72,436		0						
203	Revenue Accounting		56,199		0		0		56,199		28,100		0						
204	Other Billing & Collection		0		0		0		0		0		0						
210	Access		n/a		n/a		n/a		n/a		1,605,783		0						
220	Corporate Operations		n/a		n/a		n/a		n/a		0		0						
230	AFUDC		n/a		n/a		n/a		n/a		n/a		0						
240	Other Exp. & Adjustments		n/a		n/a		n/a		n/a		19,778		0						
250	Taxes Other than FIT		n/a		n/a		n/a		n/a		82,527		0						
260	Total Exp and Other Taxes		n/a		n/a		n/a		n/a		15,802,927		0						
FIT Adjustments																			
270	Adjustment for FIT		188,157		0		0		188,157		95,131		0						
280	Amortized ITC		0		0		0		0		0		0						
290	Federal Income Taxes		n/a		n/a		n/a		n/a		0		n/a						
300	Total Expenses & Taxes		n/a		n/a		n/a		n/a		15,707,796		n/a						
Telephone Plant in Service																			
310	General Support		5,872,067		0		0		5,872,067		2,988,879		0						
320	Central Office Equip-Switch		32,027,987		0		0		32,027,987		16,193,142		0						
321	Operator Systems		0		0		0		0		0		0						
322	Tandem Switching		0		0		0		0		0		0						
323	Local Switching Cat. 3		0		0		0		0		0		0						
324	Equal Access		0		0		0		0		0		0						
330	Central Office Equip-Trans		32,027,987		0		0		32,027,987		16,193,142		0						
331	Subscriber Lines		0		0		0		0		0		0						
332	Exchange Circuit		0		0		0		0		0		0						
333	Interexchange Circuit		0		0		0		0		0		0						
334	Host Remote		0		0		0		0		0		0						
340	Cable & Wire		0		0		0		0		0		0						
341	Subscriber Lines		0		0		0		0		0		0						
342	Exchange		0		0		0		0		0		0						
343	Interexchange		0		0		0		0		0		0						
344	Host Remote		0		0		0		0		0		0						
350	Info Orig/Term Equipment		1,067,005		0		0		1,067,005		539,471		0						
360	Amortizable Assets		38,967,059		0		0		38,967,059		19,721,492		0						
370	Total Plant In Service		---		---		---		---		---		---						
Adjustments to TPIS																			
380	Depr / Amor Reserve		25,461,847		0		0		25,461,847		12,873,344		0						
390	Accum Deferred Income Tax		3,457,772		0		0		3,457,772		1,748,227		0						
400	Other Rate Base Adjust.		n/a		n/a		n/a		n/a		519,616		0						
Return Data																			
410	Average Rate Base		n/a		n/a		n/a		n/a		5,619,537		n/a						
420	Return		n/a		n/a		n/a		n/a		n/a		n/a						
430	Rate of Return		n/a		n/a		n/a		n/a		n/a		n/a						

COS-1(H)
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	Interstate Inter- exchange (G)	ROR Regulated /S Access (H)	Pay Phone (I)	Inside Wire (J)	BFP (K)	Total Common Line (L)
Revenues						
100 Network Access	n/a	15,232,146	0	0	0	0
110 Uncollectibles	n/a	0	0	0	0	0
120 Common Line Support	n/a	0	0	0	0	0
130 Long Term	n/a	0	0	0	0	0
140 Transitional	n/a	0	0	0	0	0
150 Miscellaneous	n/a	35,934	0	0	0	0
160 Net Revenues	n/a	15,268,080	0	0	0	0
Expenses						
170 Plant Specific	0	11,812,036	0	0	0	0
171 Network Support	0	0	0	0	0	0
172 General Support	0	441,396	0	0	0	0
173 Central Office	0	378,390	0	0	0	0
174 Operator Systems	0	0	0	0	0	0
175 COE Switching	0	378,390	0	0	0	0
176 COE Transmission	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0
178 Cable & Wire Facilities	0	0	0	0	0	0
180 Plant Non-Sp. Less Dep/Amor	0	10,992,290	0	0	0	0
190 Depreciation / Amortization	0	511,705	0	0	0	0
200 Customer Operations	0	1,670,562	0	0	0	0
201 Marketing	0	100,536	0	0	0	0
202 Local Business Office	0	0	0	0	0	0
203 Revenue Accounting	0	72,436	0	0	0	0
204 Other Billing & Collection	0	28,100	0	0	0	0
210 Access	0	0	0	0	0	0
220 Corporate Operations	0	n/a	n/a	n/a	n/a	n/a
230 AFUDC	n/a	1,605,783	0	0	0	0
240 Other Exp. & Adjustments	0	0	0	0	0	0
250 Taxes Other than FIT	0	19,778	0	0	0	0
260 Total Exp and Other Taxes	0	82,527	0	0	0	0
		15,802,927				
FIT Adjustments						
270 Adjustment for FIT	0	95,131	0	0	0	0
280 Amortized ITC	0	0	0	0	0	0
290 Federal Income Taxes	n/a	(214,193)	0	0	0	0
300 Total Expenses & Taxes	n/a	15,493,603	0	0	0	0
Telephone Plant in Service						
310 General Support	0	2,988,879	0	0	0	0
320 Central Office Equip-Switch	0	16,193,142	0	0	0	0
321 Operator Systems	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0
323 Local Switching Cat. 3	0	0	0	0	0	0
324 Equal Access	0	0	0	0	0	0
330 Central Office Equip-Trans	0	16,193,142	0	0	0	0
331 Subscriber Lines	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0
350 Info Orig/Term Equipment	0	0	0	0	0	0
360 Amortizable Assets	0	539,471	0	0	0	0
370 Total Plant In Service	0	19,721,492	0	0	0	0
Adjustments to TPIS						
380 Depr / Amor Reserve	0	12,873,344	0	0	0	0
390 Accum Deferred Income Tax	0	1,748,227	0	0	0	0
400 Other Rate Base Adjust	0	519,616	0	0	0	0
Return Data						
410 Average Rate Base	n/a	5,619,537	0	0	0	0
420 Return	n/a	(320,684)	0	0	0	0
430 Rate of Return	0.00%	-5.71%	0.00%	0.00%	0.00%	0.00%

	Local Switching (M)	Equal Access (N)	SS7 (O)	Information (P)	Tandem Switching (Q)	Local Transport (R)	Host Remote (S)	Total Switched Traffic Sensitive (T)	Special Access (U)
Revenues									
100 Network Access	0	0	0	0	0	15,232,146	0	15,232,146	0
110 Uncollectibles	0	0	0	0	0	0	0	0	0
120 Common Line Support	0	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a
130 Long Term	0	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a
140 Transitional	0	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a
150 Miscellaneous	0	0	0	0	0	35,934	0	35,934	0
160 Net Revenues	0	0	0	0	0	15,268,080	0	15,268,080	0
Expenses									
170 Plant Specific	0	0	0	0	0	11,812,036	0	11,812,036	0
171 Network Support	0	0	0	0	0	0	0	0	0
172 General Support	0	0	0	0	0	441,396	0	441,396	0
173 Central Office	0	0	0	0	0	378,390	0	378,390	0
174 Operator Systems	0	0	0	0	0	0	0	0	0
175 COE Switching	0	0	0	0	0	378,390	0	378,390	0
176 COE Transmission	0	0	0	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0	0	0	0
178 Cable & Wire Facilities	0	0	0	0	0	0	0	0	0
180 Plant Non-Sp. Less Dep/Amor	0	0	0	0	0	10,992,250	0	10,992,250	0
190 Depreciation / Amortization	0	0	0	0	0	511,705	0	511,705	0
200 Customer Operations	0	0	0	0	0	1,670,562	0	1,670,562	0
201 Marketing	0	0	0	0	0	100,536	0	100,536	0
202 Local Business Office	0	0	0	0	0	72,436	0	72,436	0
203 Revenue Accounting	0	0	0	0	0	28,100	0	28,100	0
204 Other Billing & Collection	0	0	0	0	0	0	0	0	0
210 Access	n/a	n/a	n/a	n/a	n/a	n/a	0	0	n/a
220 Corporate Operations	0	0	0	0	0	1,605,783	0	1,605,783	0
230 AFUDC	0	0	0	0	0	0	0	0	0
240 Other Exp. & Adjustments	0	0	0	0	0	19,778	0	19,778	0
250 Taxes Other than FIT	0	0	0	0	0	82,527	0	82,527	0
260 Total Exp and Other Taxes	0	0	0	0	0	15,802,927	0	15,802,927	0
FIT Adjustments									
270 Adjustment for FIT	0	0	0	0	0	95,131	0	95,131	0
280 Amortized ITC	0	0	0	0	0	0	0	0	0
290 Federal Income Taxes	0	0	0	0	0	(214,193)	0	(214,193)	0
300 Total Expenses & Taxes	0	0	0	0	0	15,493,603	0	15,493,603	0
Telephone Plant in Service									
310 General Support	0	0	0	0	0	2,988,879	0	2,988,879	0
320 Central Office Equip-Switch	0	0	0	0	0	16,193,142	0	16,193,142	0
321 Operator Systems	0	0	0	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0	0	0	0
323 Local Switching Cat. 3	0	0	0	0	0	0	0	0	0
324 Equal Access	0	0	0	0	0	0	0	0	0
330 Central Office Equip-Trans	0	0	0	0	0	16,193,142	0	16,193,142	0
331 Subscriber Lines	0	0	0	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0	0	0	0
350 Info Orig/Term Equipment	0	0	0	0	0	539,471	0	539,471	0
360 Amortizable Assets	0	0	0	0	0	19,721,492	0	19,721,492	0
370 Total Plant in Service	0	0	0	0	0	12,873,344	0	12,873,344	0
Adjustments to TPIS									
380 Depr / Amor Reserve	0	0	0	0	0	1,748,227	0	1,748,227	0
390 Accum Deferred Income Tax	0	0	0	0	0	519,616	0	519,616	0
400 Other Rate Base Adjust	0	0	0	0	0	0	0	0	0
Return Data									
410 Average Rate Base	0	0	0	0	0	5,619,537	0	5,619,537	0
420 Return	0	0	0	0	0	(320,654)	0	(320,654)	0
430 Rate of Return	0.00%	0.00%	0.00%	0.00%	0.00%	-5.71%	0.00%	-5.71%	0.00%

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Rate-of-Return TRP
 7/08 - 6/09
 Versus 2007 Actual

Forecast, 7/08 - 6/09

Revenue Requirement

Common Line (A)	Traffic Sensitive Switched (B)	Traffic Sensitive Special (C)	Other Interstate (D)	Total Interstate (E)	Total Co. Subject to Separations (F)
100 Depreciation/Amortization	0	2,426,854	0	2,426,854	3,432,453
105 Expense Less Dep & Amor	0	15,463,291	0	17,890,145	n/a
110 Taxes Less FIT	0	250,281	0	n/a	n/a
115 Return	0	745,139	n/a	n/a	n/a
120 FIT	0	372,660	n/a	n/a	n/a
125 Uncol., IDC & Other Adj.	0	0	n/a	n/a	n/a
130 Revenue Requirement	0	19,258,225	0	n/a	n/a
135 Access Service Revenue	0	19,258,225	0	n/a	n/a

Rate Base

140 Telephone Plant in Service	27,331,327	0	0	27,331,327	38,656,421
145 Rate Base Adjustments	702,089	0	0	702,089	n/a
150 Depreciation Reserves	19,091,190	0	0	19,091,190	27,001,874
155 Accum Deferred Income Tax	2,249,468	0	0	2,249,468	3,181,564
160 Average Rate Base	6,692,758	0	0	6,692,758	n/a

Actual, 1/07 - 12/07

Revenue Requirement

200 Depreciation/Amortization	1,670,562	0	0	1,670,562	3,242,907
205 Expense Less Dep & Amor	14,049,838	0	0	14,049,838	n/a
210 Taxes Less FIT	82,527	0	0	n/a	n/a
215 Return	(320,654)	0	n/a	n/a	n/a
220 FIT	(214,193)	0	n/a	n/a	n/a
225 Uncol., IDC & Other Adj.	0	0	n/a	n/a	n/a
230 Revenue Requirement	15,268,080	0	n/a	n/a	n/a
235 Access Service Revenue	15,268,080	0	n/a	n/a	n/a

Rate Base

240 Telephone Plant in Service	19,721,492	0	0	19,721,492	38,967,059
245 Rate Base Adjustments	519,616	0	0	519,616	n/a
250 Depreciation Reserves	12,873,344	0	0	12,873,344	25,461,847
255 Accum Deferred Income Tax	1,748,227	0	0	1,748,227	3,457,772
260 Average Rate Base	5,619,537	0	0	5,619,537	n/a

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Rate-of-Return TRP
7/08 - 6/09
Versus 2007 Actual

Common Line (A)	Traffic Sensitive Switched (B)	Traffic Sensitive Special (C)	Other Interstate (D)	Total Interstate (E)	Total Co. Subject to Separations (F)
Forecast, 7/07 - 6/08					
Revenue Requirement					
100 Depreciation/Amortization	0	1,868,103	0	1,868,103	3,483,427
105 Expense Less Dep & Amor	0	12,981,231	0	12,981,231	n/a
110 Taxes Less FIT	0	197,556	0	0	n/a
115 Return	0	472,580	0	0	n/a
120 FIT	0	203,862	0	0	n/a
125 Uncol., IDC & Other Adj.	0	106,156	0	0	n/a
130 Revenue Requirement	0	15,829,488	0	0	n/a
135 Access Service Revenue	0	15,829,488	0	0	n/a
Rate Base					
140 Telephone Plant in Service	0	20,692,613	0	20,692,613	38,585,253
145 Rate Base Adjustments	0	627,370	0	627,370	n/a
150 Depreciation Reserves	0	13,498,865	0	13,498,865	25,171,163
155 Accum Deferred Income Tax	0	1,838,560	0	1,838,560	3,428,340
160 Average Rate Base	0	5,982,558	0	5,982,558	n/a
Actual, 1/06 - 12/06					
Revenue Requirement					
200 Depreciation/Amortization	0	1,326,410	0	1,326,410	10,075,712
205 Expense Less Dep & Amor	0	10,389,981	0	10,389,981	n/a
210 Taxes Less FIT	0	155,599	0	155,599	n/a
215 Return	0	2,329,488	0	2,329,488	n/a
220 FIT	0	1,200,040	0	1,200,040	n/a
225 Uncol., IDC & Other Adj.	0	58,722	0	58,722	n/a
230 Revenue Requirement	0	15,460,240	0	15,460,240	n/a
235 Access Service Revenue	0	15,460,240	0	n/a	n/a
Rate Base					
240 Telephone Plant in Service	0	16,223,815	0	16,223,815	37,221,763
245 Rate Base Adjustments	0	601,518	0	601,518	n/a
250 Depreciation Reserves	0	10,038,284	0	10,038,284	23,030,507
255 Accum Deferred Income Tax	0	1,684,515	0	1,684,515	3,864,729
260 Average Rate Base	0	5,102,534	0	5,102,534	n/a

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Filing Date: 6/24/2008

Filing Entity: Iowa Network Access Division

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Rate-of-Return TRP
7/08 - 6/09
Versus 2007 Actual

	Common Line (A)	Traffic Sensitive Switched (B)	Traffic Sensitive Special (C)	Other Interstate (D)	Total Interstate (E)	Total Co. Subject to Separations (F)
Forecast, 7/06 - 6/07						
Revenue Requirement						
100 Depreciation/Amortization	0	1,121,503	0	0	1,121,503	2,754,096
105 Expense Less Dep & Amor	0	9,063,287	0	0	9,063,287	n/a
110 Taxes Less FIT	0	137,863	0	0	n/a	n/a
115 Return	0	458,456	0	0	n/a	n/a
120 FIT	0	227,737	0	0	n/a	n/a
125 Uncol., IDC & Other Adj.	0	0	0	0	n/a	n/a
130 Revenue Requirement	0	11,008,846	0	0	n/a	n/a
135 Access Service Revenue	0	11,008,846	0	0	n/a	n/a
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Rate Base						
140 Telephone Plant in Service	0	14,178,471	0	0	14,178,471	34,818,314
145 Rate Base Adjustments	0	453,535	0	0	453,535	n/a
150 Depreciation Reserves	0	8,857,583	0	0	8,857,583	21,751,722
155 Accum Deferred Income Tax	0	1,677,033	0	0	1,677,033	4,118,320
160 Average Rate Base	0	4,097,390	0	0	4,097,390	n/a
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	---	---	---	---	---	---
	---	---	---	---	---	---
	---	---	---	---	---	---
	---	---	---	---	---	---
Actual, 1/05 - 12/05						
Revenue Requirement						
200 Depreciation/Amortization	0	1,015,563	0	0	1,015,563	2,586,936
205 Expense Less Dep & Amor	0	7,233,741	0	0	7,233,741	n/a
210 Taxes Less FIT	0	252,224	0	0	252,224	n/a
215 Return	0	931,202	0	0	931,202	n/a
220 FIT	0	445,026	0	0	445,026	n/a
225 Uncol., IDC & Other Adj.	0	0	0	0	0	n/a
230 Revenue Requirement	0	9,877,756	0	0	9,877,756	n/a
235 Access Service Revenue	0	9,877,756	0	n/a	n/a	n/a
	---	---	---	---	---	---
Rate Base						
240 Telephone Plant in Service	0	12,303,022	0	0	12,303,022	31,339,398
245 Rate Base Adjustments	0	367,890	0	0	367,890	n/a
250 Depreciation Reserves	0	7,735,884	0	0	7,735,884	19,705,559
255 Accum Deferred Income Tax	0	1,595,678	0	0	1,595,678	4,064,658
260 Average Rate Base	0	3,339,350	0	0	3,339,350	n/a

PUBLIC VERSION

MAG-1
Filing Date: 6/24/2008
Filing Entity: Iowa Network Access Division
Transmittal Number : 26
COSA: INIAAN08

Rate-of Return TRP
MAG Adjustments
Test Year, 7/08 - 6/09

Access Element	Interstate Revenue Requirement Prior to Adjustments	Local Switching Support	Sub-Total	Line Port Transfer	Universal Service Fund Contribution	Frozen TIC Revenue	Interstate Revenue Requirement Subject to TIC Re-allocation	Frozen TIC Re-allocation	Interstate Revenue Requirement Subject to Rate Making
	(A) Note 1	(B) Note 2	(C) Cols. A-B	(D) Note 3	(E) Note 4	(F) Note 5	(G) Cols. C+D+E+F	(G) Note 6	
Carrier Common Line	\$0		\$0	\$0	\$0		\$0	\$0	\$0
Local Switching	\$0	\$0	\$0	\$0			\$0	\$0	\$0
Information	\$0		\$0				\$0	\$0	\$0
Transport	\$19,214,471		\$19,214,471			\$0	\$19,214,471	\$0	\$19,214,471
Special Access	<u>\$0</u>		<u>\$0</u>				<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$19,214,471	\$0	\$19,214,471	\$0	\$0	\$0	\$19,214,471	\$0	\$19,214,471

Note 1: Source of Revenue Requirements Column (A)

Factor Used for Line Port Adjustment:

0.0000%

Carrier Common Line TRP COS-1(P) Line 100, Column L

Local Switching TRP COS-1(P) Line 100, Column M

Information TRP COS-1(P) Line 100, Column P

Transport TRP COS-1(P) Line 100, Column Q,R,S

Special Access TRP COS-1(P) Line 100, Column U

Note 2: Calculated using USAC Algorithm for Test Period

Note 3: Column C, Local Switching * Port Adjustment Factor

Note 4: Projected Amount per Account 6540

Note 5: From TRP Form MAG-2

Note 6: Distributed on Column G Totals

PUBLIC VERSION

MAG-2		Rate-of Return TRP
Filing Date:	6/24/2008	TIC Revenues
Filing Entity:	Iowa Network Access Division	Test Year, 7/08 - 6/09
Transmittal Number :	26	
COSA:	INIAAN08	

DEVELOPMENT FROZEN TIC REVENUE JULY 00 TO JUNE 01

Month	Transport Interconnection Charge Minutes Billed	Rate in Effect	Calculated Revenues
Jul-00	0	0.000000	\$0
Aug-00	0	0.000000	\$0
Sep-00	0	0.000000	\$0
Oct-00	0	0.000000	\$0
Nov-00	0	0.000000	\$0
Dec-00	0	0.000000	\$0
Jan-01	0	0.000000	\$0
Feb-01	0	0.000000	\$0
Mar-01	0	0.000000	\$0
Apr-01	0	0.000000	\$0
May-01	0	0.000000	\$0
Jun-01	0	0.000000	<u>\$0</u>

Total Frozen TIC Revenues	\$0
(Development based on FCC Order 01-304, Paragraph 103)	

Or - Override (No Greater than Above):	\$0
(Actual TIC Revenue Used in December 17, 2001 Filing should be listed here)	

Override = Actual TIC Revenues from Last Filing
 (Development based on FCC Order 01-304, Paragraph 103)

<i>Actual TIC Revenue Requirement from Filing Prior to MAG Filing in December 2001</i>	\$0
--	------------

REV-1

Filing Date:

Filing Entity:

Transmittal Number:

COSA:

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Rate-of-Return TRP
Switched Access Revenue
Test Year, 7/08 - 6/09

6/24/2008

Iowa Network Access Division

26

INIAAN08

	Minute or Message Rate (A)	Minute Miles Rate (B)	Line or Trunk Rate (C)	Minute or Message Demand (D)	Minute Miles Demand (E)	Line or Trunk Demand (F)	Access Revenue (G)	Revenue Requirement (H)
Common Line								
100 Multi-line Business EUCL	n/a	n/a	0.00	n/a	n/a	0	0	n/a
110 Single Line Business EUCL	n/a	n/a	0.00	n/a	n/a	0	0	n/a
120 Residential EUCL	n/a	n/a	0.00	n/a	n/a	0	0	n/a
130 Special Access Surcharge	n/a	n/a	0.00	n/a	n/a	12	0	n/a
140 Terminating CCL Premium	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
150 Terminating CCL Non-Prem.	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
160 Originating CCL Premium	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
170 Originating CCL Non-Prem.	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
180 Common Line - - Total	n/a	n/a	n/a	n/a	n/a	n/a	0	0
Information								
190 Directory Assistance	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
200 White Page Surcharge Prem.	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
210 White Pg. Surcharge Non-Prem.	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
220 Other Information	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
230 Information - - Total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0
Local Switching								
240 Premium	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
250 Non-Premium	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
260 Equal Access	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
270 Switching - - Total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0
Local Transport								
280 Premium LT Term.	0.008190	n/a	n/a	2,346,089,248	n/a	n/a	19,214,471	n/a
290 Non-Prem. LT Term	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
300 Premium LT Facility	n/a	0.000000	n/a	n/a	0	n/a	0	n/a
310 Non-Prem. LT Facility	n/a	0.000000	n/a	n/a	0	n/a	0	n/a
320 Tandem Switching	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
330 TST Termination	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
340 TST Facility	n/a	0.000000	n/a	n/a	0	n/a	0	n/a
350 Premium Interconnection	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
360 Non-Prem. Interconnection	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
370 Installation NRC per Trunk	n/a	n/a	0.00	n/a	n/a	0	0	n/a

REV-1

Filing Date:

6/24/2008

Rate-of-Return TRP

Filing Entity:

Iowa Network Access Division

Switched Access Revenue

Transmittal Number:

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Test Year, 7/08 - 6/09

COSA:

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	Termination Rate (A)	Circuit Rate (B)	Mileage Rate (C)	Termination Demand (D)	Circuit Demand (E)	Mileage Demand (F)	Access Revenue (G)	Revenue Requirement (H)
Local Transport (Cont.)								
380 DS3 Entrance Facility	n/a	0	n/a	n/a	0	n/a	0	n/a
390 DS3 Direct Term.	0.00	n/a	n/a	n/a	0	n/a	0	n/a
400 DS3 Direct Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
410 DS1 Entrance Facility	n/a	0	n/a	n/a	0	n/a	0	n/a
420 DS1 Direct Term.	0	n/a	n/a	0	n/a	n/a	0	n/a
430 DS1 Direct Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
440 VG Entrance Facility	n/a	0.00	n/a	n/a	0	n/a	0	n/a
450 VG Direct Term.	0.00	n/a	n/a	0	n/a	n/a	0	n/a
460 VG Direct Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
470 Other Transport	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
480 Local Transport - - Total	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Special - - Voice Grade								
490 2-Wire Chan. Term.	n/a	0	n/a	n/a	0	n/a	0	n/a
500 4-Wire Chan. Term.	n/a	0	n/a	n/a	0	n/a	0	n/a
510 Channel Mileage Term.	0	n/a	n/a	0	n/a	n/a	0	n/a
520 Channel Mileage Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
530 Non-Recurring	n/a	0	n/a	n/a	0	n/a	0	n/a
Special - - High Capacity								
540 High Capacity Chan. Term.	n/a	0	n/a	n/a	0	n/a	0	n/a
550 Channel Mileage Term.	0	n/a	n/a	0	n/a	n/a	0	n/a
560 Channel Mileage Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
570 Non-Recurring	n/a	0	n/a	n/a	0	n/a	0	n/a
580 Special Access - - Total	n/a	n/a	n/a	n/a	n/a	n/a	0	0
							19,214,471	19,270,037

Notes: A composite special access NRC should be used if the installation rates vary among the services. If the company does not file a particular rate, then the rate and demand = 0. Col. G equals Cols. (A x D) + (B x E) + (C x F).

REV-2

Filing Date: 6/24/2008

Filing Entity: Iowa Network Access Division

Transmittal Number: 26

COSA: INIAAN08

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Rate-of-Return TRP
Revenues Summary
Test Year, 7/08 - 6/09

	Total Network Access (A)	Recurring without ICB (B)	Non-Recurring without ICB (C)	ICB (D)
100 Carrier Common Line	0	0	0	0
110 Special Access	0	0	0	0
120 Local Switching	0	0	0	0
130 Equal Access	0	0	0	0
140 Information	0	0	0	0
150 Local Transport	19,214,471	19,214,471	0	0
160 Total TS - Switched	19,214,471	19,214,471	0	0

Notes : Col. A = Cols. B + C + D. If a particular category is inapplicable, then that category equals 0.

RTE-1

Filing Date:

6/24/2008

Filing Entity:

Iowa Network Access Division

Transmittal Number: 26

COSA:

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**Rate-of-Return TRP
Percent Change in
Historical Rate Levels**

	7/1/2007 Rate (A)	Current Effective Rate (B)	Proposed 7/1/2008 Rate (C)	% Change 7/1/2007 7/1/2008 (D)	% Change Current 7/1/2008 (E)
Switched Access					
100 Premium CCL Term. (\$/MOU)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
110 N.P. CCL Term. (\$/MOU)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
120 Premium Switching (\$/MOU)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
130 N.P. Switching (\$/MOU)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
140 Equal Access	0.00000000	0.00000000	0.00000000	0.00%	0.00%
End User Common Line					
150 Multi-line Business (\$/Month)	0	0.00	0.00	0.00%	0.00%
160 Residential & Single Line Bus.	0	0.00	0.00	0.00%	0.00%

RTE-1

Filing Date:

6/24/2008

Filing Entity:

Iowa Network Access Division

Transmittal Number: 26

COSA:

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**Rate-of-Return TRP
Percent Change in
Historical Rate Levels**

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Local Transport Rates

	7/1/2007 Rate (A)	Current Effective Rate (B)	Proposed 7/1/2008 Rate (C)	% Change 7/1/2007 7/1/2008 (D)	% Change Current 7/1/2008 (E)
170 Prem. LT (\$/MOU, Avg. Mileage)	0.00855000	0.00855000	0.00819000	-4.21%	-4.21%
180 N.P. LT (\$/MOU, Avg. Mileage)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
190 DS1 Entr. Facility (\$/Circuit)	0	0.00	0.00	0.00%	0.00%
200 DS1 Direct Trunk (\$/Circuit)	0	0.00	0.00	0.00%	0.00%
210 Tdm Sw. Transport ((\$/Circuit)	0	0.00	0.00	0.00%	0.00%
220 Tdm. Switching (\$/Tdm. MOU)	0.000000	0.000000	0.000000	0.00%	0.00%
230 Prem. Interconnection (\$/MOU)	0.000000	0.000000	0.000000	0.00%	0.00%
240 N.P. Interconnection (\$/MOU)	0.000000	0.000000	0.000000	0.00%	0.00%
250 NRC (\$/Tk. Or Tks. Activated)	0.00	0.00	0.00	0.00%	0.00%
260 2-Wire VG (\$/Cir., Avg. Mileage)	0.00	0.00	0.00	0.00%	0.00%
270 4-Wire VG (\$/Cir., Avg. Mileage)	0.00	0.00	0.00	0.00%	0.00%

Notes: If Lines 170 & 180 or any other entry is inapplicable, then that rate = 0.

RTE-2

Filing Date:

6/24/2008

Filing Entity:

Iowa Network Access Division

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Rate-of-Return
Revenue Price-outs
Using 2007 Demand

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	Revenue at 7/1/2007 Rates (A)	Revenue at Current Rate (B)	Change in Revenue, Cols. B-A (C)	Revenue at 7/1/2008 Rates (D)	Change in Revenue, Cols. D-B (E)
Switched Access					
100 Multi-line Business	0	0	0	0	0
110 Residential & Single Line Bus.	---	---	---	---	---
	0	0	0	0	0
120 Carrier Common Line	---	---	---	---	---
	0	0	0	0	0
130 Special Access	---	---	---	---	---
	0	0	0	0	0
140 Local Switching	---	---	---	---	---
	0	0	0	0	0
150 Equal Access	---	---	---	---	---
	0	0	0	0	0
160 Information	---	---	---	---	---
	0	0	0	0	0
170 Local Transport	---	---	---	---	---
	15,772,400	15,772,400	0	15,108,299	(664,101)

Notes: If company belongs to the NECA common line pool, then revenue = 0.

RTE-3

Filing Date:

6/24/2008

Filing Entity:

Iowa Network Access Division

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COSA:

INIAAN08

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Rate-of-Return TRP
COSA's for which Rates
are Averaged or Pooled

Multi-line
Business
(A)

Residential
& Single Line
Business
(B)

Carrier
Common
Line
(C)

COSA

100
110
120
130
140
150
160
170
180
190
200
210
220
230

Notes: Companies should list all COSA's for which rates are averages or pooled.

RTE-3
Filing Date: 6/24/2008
Filing Entity: Iowa Network A
Transmittal Number: 26
COSA: INIAAN08
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Rate-of-Return TRP
COSA's for Which Rates
are Averaged or Pooled

Local
Switching
(D)

Local
Transport
(E)

Information
(F)

Equal
Access
(G)

Special
Access
(H)

COSA

- 100
- 110
- 120
- 130
- 140
- 150
- 160
- 170
- 180
- 190
- 200
- 210
- 220
- 230

Notes: Companies should list all COSA

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Iowa Network Access Division

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COSA:

INIAAN08

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Rate-of-Return TRP
Common Line
Minutes-of-Use

	Premium Originating (A)	Premium Terminating (B)	Premium Total (C)	Non-Premium Originating (D)	Non-Premium Terminating (E)	Non-Premium Total (F)
Historical						
100 1st Qtr. 2004	0	0	0	0	0	0
110 2nd Qtr. 2004	0	0	0	0	0	0
120 3rd Qtr. 2004	0	0	0	0	0	0
130 4th Qtr. 2004	0	0	0	0	0	0
140 1st Qtr. 2005	0	0	0	0	0	0
150 2nd Qtr. 2005	0	0	0	0	0	0
160 3rd Qtr. 2005	0	0	0	0	0	0
170 4th Qtr. 2005	0	0	0	0	0	0
180 1st Qtr. 2006	0	0	0	0	0	0
190 2nd Qtr. 2006	0	0	0	0	0	0
200 3rd Qtr. 2006	0	0	0	0	0	0
210 4th Qtr. 2006	0	0	0	0	0	0
	----	----	----	----	----	----
220 Pycos Year, 1/07 - 12/07	0	0	0	0	0	0
	----	----	----	----	----	----
230 Test Year, 7/08 - 6/09	0	0	0	0	0	0

DMD-1

Filing Date:

6/24/2008

Filing Entity:

Iowa Network Access Division

Transmittal Number:

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COSA:

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Rate-of-Return TRP
Common Line
Minutes-of-Use

Historical	Total Originating (A)	Total Terminating (B)	Grand Total (C)	Chargeable Originating (D)	Chargeable Terminating (E)
100 1st Qtr. 2004	0	0	0	0	0
110 2nd Qtr. 2004	0	0	0	0	0
120 3rd Qtr. 2004	0	0	0	0	0
130 4th Qtr. 2004	0	0	0	0	0
140 1st Qtr. 2005	0	0	0	0	0
150 2nd Qtr. 2005	0	0	0	0	0
160 3rd Qtr. 2005	0	0	0	0	0
170 4th Qtr. 2005	0	0	0	0	0
180 1st Qtr. 2006	0	0	0	0	0
190 2nd Qtr. 2006	0	0	0	0	0
200 3rd Qtr. 2006	0	0	0	0	0
210 4th Qtr. 2006	0	0	0	0	0
	----	----	----	----	----
220 Pycos Year, 1/07 - 12/07	0	0	0	0	0
	----	----	----	----	----
230 Test Year, 7/08 - 6/09	0	0	0	0	0

DMD-1

Filing Date:

6/24/2008

Filing Entity:

Iowa Network Access Division

Transmittal Number:

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COSA:

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Rate-of-Return TRP

Traffic Sensitive

Minutes-of-Use

	Premium Local Switching (A)	Non-Premium Local Switching (B)	Total Local Switching (C)	Total Chargeable Switching (D)	Total Tandem Switching* (E)	Tandem Switching ** (F)
Historical						
100 1st Qtr. 2004	0	0	0	0	0	227,938,330
110 2nd Qtr. 2004	0	0	0	0	0	205,631,286
120 3rd Qtr. 2004	0	0	0	0	0	244,095,598
130 4th Qtr. 2004	0	0	0	0	0	229,155,304
140 1st Qtr. 2005	0	0	0	0	0	231,594,003
150 2nd Qtr. 2005	0	0	0	0	0	230,844,481
160 3rd Qtr. 2005	0	0	0	0	0	235,545,656
170 4th Qtr. 2005	0	0	0	0	0	256,261,796
180 1st Qtr. 2006	0	0	0	0	0	321,422,883
190 2nd Qtr. 2006	0	0	0	0	0	368,994,474
200 3rd Qtr. 2006	0	0	0	0	0	395,505,512
210 4th Qtr. 2006	0	0	0	0	0	484,440,714
220 Pycos Year, 1/07 - 12/07	0	0	0	0	0	1,844,725,157
230 Test Year, 7/08 - 6/09	0	0	0	0	0	2,346,089,248

Notes: Local switching MOU are the same as the billable units for the interconnection charge.

* Refers to the MOU switched at a company tandem, as discussed in Part 69. 11(f-g).

** Refers to the MOU carried over non-dedicated trunks; i.e., tandem switched transport or common trunks.

DMD-2

Filing Date:

6/24/2008

Filing Entity:

Iowa Network Access Division

Transmittal Number: 26

COSA:

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Rate-of-Return TRP
Special Access
Demand

	1/07 - 12/07 Channel Terminations (A)	1/07 - 12/07 Number of Circuits (B)	1/07 - 12/07 Interoffice Miles (C)	7/08 - 6/09 Channel Terminations (D)	7/08 - 6/09 Number of Circuits (E)	7/08 - 6/09 Interoffice Miles (F)	
100 Metallic	0	0	0	0	0	0	0
110 Telegraph	0	0	0	0	0	0	0
120 VG less WATS	0	0	0	0	0	0	0
130 WATS	0	0	0	0	0	0	0
140 full-time Audio	0	0	0	0	0	0	0
150 High Capacity	0	0	0	0	0	0	0

DMD-3

Filing Date: 6/24/2008

Filing Entity: Iowa Network Access Division

Transmittal Number: 26

COSA: INIAAN08

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Rate-of-Return TRP
Common Line
Revenue and Demand

	1/07 - 12/07 Historical Revenue (A)	1/07 - 12/07 Historical MOU or Lines (B)	7/08 - 6/09 Test Year Revenue (C)	7/08 - 6/09 Test Year MOU or Lines (D)	
100 End User Common Line, Total	0	0	0	0	0
110 Residential	0	0	0	0	0
120 Single Line Business	0	0	0	0	0
130 Multi-line Business	0	0	0	0	0
140 Special Access Surcharge	0	0	0	0	0
150 Carrier Common Line	0	0	0	0	0
160 Total Common Line Revenue	0	n/a	0	0	n/a

DMD-4**Filing Date:**

6/24/2008

Filing Entity:

Iowa Network Access Division

Transmittal Number:

26

COSA:

INIAAN08

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		Rate-of-Return TRP Minutes-of-Use Historical vs. Forecast	
		Common Line MOU (A)	Traffic Sensitive MOU (B)
100 Test Year	7/08 - 6/09		0
110 Pycos Year,	1/07 - 12/07		0
		---	2,346,089,248
			1,844,725,157

120 Test Year	7/07 - 6/08		0
130 Pycos Year,	1/06 - 12/06		0
		---	1,849,414,135
			1,570,363,583

140 Test Year	7/06 - 6/07		0
150 Pycos Year,	1/05 - 12/05		0
		---	1,296,905,198
			954,245,936

160 Test Year	7/05 - 6/06		0
170 Pycos Year,	1/04 - 12/04		0
			983,752,575
			906,820,518

Notes: Actual operating statistics should be reported for the PYCOS years.

These data should be consistent with those in Chart DMD-4 in previous TRPs.

If a forecast was not reported for any particular test year, then enter 0.

DMD-5

Filing Date: 6/24/2008

Filing Entity: Iowa Network Access Division

Transmittal Number: 26

COSA: INIAAN08

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Rate-of-Return TRP

Minutes-of-Use

Direct Trunked Transport

	1/07 - 12/07	1/07 - 12/07	1/07 - 12/07	Test Year	Test Year	Test Year
	VG	DSI	DS3	7/08 - 6/09	7/08 - 6/09	7/08 - 6/09
	(A)	(B)	(C)	(D)	(E)	(F)
100 Entrance Facility	0.00	0.00	0.00	0.00	0.00	0.00
110 Direct Trunked Transport	0.00	0.00	0.00	0.00	0.00	0.00

Notes: Demand should be annualized and reflect application of the percent interstate usage factor (PIU).

ERN-1
Filing Date: 6/24/2008
Filing Entity: Iowa Network Access Division
Transmittal Number: 26
COSA: INIAAN08
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Rate-of-Return TRP
Rate-of-Return
Summary

	2005/2006 FCC Monitoring Period (A)	2007 Calendar Year (B)	7/08 - 6/09 Test Year (C)
100 Interstate Access, Total	38.63%	-5.71%	11.13%
110 Carrier Common Line	0.00%	0.00%	0.00%
120 Special Access	0.00%	0.00%	0.00%
130 Local Switching	0.00%	0.00%	0.00%
140 Information	0.00%	0.00%	0.00%
150 Local Transport	38.63%	-5.71%	11.13%
160 Traffic Sensitive Switched, Total	38.63%	-5.71%	11.13%

Filing Entity: Iowa Network Access Division
 Filing Date: 6/24/2008
 Transmittal Number: 26
 COSA: INAA08
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Rate-of-Return TRP
 Base Study Factor

	Actual 2002 (A)	Actual 2003 (B)	Actual 2004 (C)	Actual 2005 (D)	Actual 2006 (E)	Prospective 2008 (F)
Relative MOU's - Tandem Switching						
100 Interstate	-	-	-	-	-	-
110 Total Company	-	-	-	-	-	-
120 IS Factor	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Host/Remote MOU's						
130 Interstate	-	-	-	-	-	-
140 Total Company	-	-	-	-	-	-
150 IS Factor	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Host/Remote MOU Miles						
160 Interstate	-	-	-	-	-	-
170 Total Company	-	-	-	-	-	-
180 IS Factor	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Conversation Minutes						
190 Interstate	770,906,630	831,287,417	906,820,518	954,245,936	1,570,363,583	2,346,089,248
200 Total Company	1,747,291,039	1,907,091,892	2,189,105,519	2,528,561,529	3,690,091,126	3,497,658,003
210 IS Factor	44.1201%	43.5893%	41.4242%	37.7387%	42.5562%	67.0760%
Conversation Minute Miles						
220 Interstate	92,716,700	103,506,673	119,778,486	128,384,484	223,742,058	298,410,479
230 Total Company	208,238,047	234,241,119	292,496,869	349,294,833	531,365,223	446,086,249
240 IS Factor	44.5244%	44.1881%	40.9503%	36.7553%	42.1070%	66.8952%

The above Base Study Factors apportion on the following investment:

	Part 32 Account	Part 36 Category
Relative MOU's-Tandem Switching	2210	COE Cat. 3
Host/Remote MOU's	2230	COE Cat. 4.3
Host/Remote MOU Miles	2410	C&WF Cat. 4
Conversation Minutes	2230	COE Cat. 4.23
Conversation Minutes Miles	2410	C&WF Cat. 3

RORDEM-1

Filing Date:

6/24/2008

Filing Entity:

Iowa Network Access Division

Transmittal Number:

26

COSA:

INIAAN08

Page 1 of 1

Rate-of-Return TRP
Verification of WDEM

Year	Interstate DEM MOU (A)	Interstate DEM MOU (B)	Local DEM MOU (C)	Total DEM MOU (D)	Interstate MDEM Factor (E)	No. of Switched Access Lines (F)	Part 36.125(e) Historical Weighting (G)	Interstate WDEM Factor (H)
2000	-	-	-	-	0.0000%	-	0	0.0000%
2001	-	-	-	-	0.0000%	-	0	0.0000%
2002	-	-	-	-	0.0000%	-	0	0.0000%
2003	-	-	-	-	0.0000%	-	0	0.0000%
2004	-	-	-	-	0.0000%	-	0	0.0000%
2005	-	-	-	-	0.0000%	-	0	0.0000%
2006	-	-	-	-	0.0000%	-	0	0.0000%

AT&T Exhibit 15

**Aureon 2010 Tariff Filing (filed June
16, 2010)**

[AT&T Exhibit 18 to Complaint Proceeding]



575 SEVENTH STREET NW WASHINGTON, DC 20004
T 202.344.4000 F 202.344.8300 www.Venable.com

**Filed Pursuant to
§ 204(a)(3) of the
Communications Act
on 15 Days' Notice**

June 16, 2010

SUBMITTED ELECTRONICALLY

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Attention: Wireline Competition Bureau

**Re: Iowa Network Services, Inc. FRN: 0002-5807-10
Tariff F.C.C. No. 1
July 1, 2010 Annual Access Charge Tariff Filing**

Dear Ms. Dortch:

The accompanying 2010 Annual Access Charge Tariff Filing of Iowa Network Services, Inc. ("INS") is sent to you for filing in compliance with the requirements of the Communications Act of 1934, as amended.

This 2010 Annual Access Tariff Filing is filed in accordance with the procedures set forth in *July 1, 2010 Annual Access Charge Tariff Filings, Order*, 25 FCC Rcd 2867 (2010) (the "*Tariff Order*") and includes cost support required by *Material to be Filed in Support of 2010 Annual Access Tariff Filings, Tariff Review Plans*, 25 FCC Rcd 2872 (2010). Pursuant to the attached study for the test period ending June 30, 2011, INS proposes to maintain its existing switched transport rate of \$0.00819 per access minute.

As required by the *Tariff Order*, INS is submitting its 2010 Annual Tariff Review Plan and associated documents electronically, using the Commission's Electronic Tariff Filing System ("ETFS"). Since INS is not proposing any new or revised rates or regulations at this time, no tariff pages are included with this filing. A filing fee is not required to be submitted with this submission, as set forth in Section 61.15(f) of the Commission's rules, 47 C.F.R. § 61.15(f).

AUREON_01278

VENABLE^{LLP}

June 16, 2010

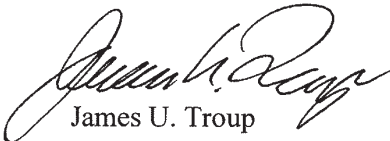
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All personal or facsimile correspondence and inquires in connection with this publication should be addressed to Mr. Aaron D. Beckerman, Manager of Rates & Tariffs, Iowa Network Services, Inc., 4201 Corporate Drive, West Des Moines, IA 50266-5906, Telephone: (800) 469-4000; Facsimile: (515) 830-0123. Additional copies should be directed to Iowa Network Services, Inc.'s counsel, James U. Troup, Venable LLP, 575 7th Street, N.W., Washington, DC 20004-1601, Telephone: (202) 344-8066; Facsimile: (202) 344-8300.

Acknowledgement and date of receipt of this filing is requested. A duplicate copy of this letter is provided for this purpose.

Should you have any questions concerning this matter, please contact James U. Troup at (202) 344-8066.

Sincerely,

A handwritten signature in black ink, appearing to read "James U. Troup", written over the printed name.

James U. Troup

Counsel for
Iowa Network Services, Inc.

Attachments

IOWA NETWORK SERVICES, INC.

IOWA NETWORK ACCESS DIVISION

DESCRIPTION AND JUSTIFICATION

COST SUPPORT MATERIAL

TARIFF REVIEW PLAN

JULY 1, 2010 ANNUAL ACCESS CHARGE TARIFF FILING

JUNE 16, 2010

IOWA NETWORK ACCESS DIVISION

INTERSTATE ACCESS TARIFF FILING

**PROSPECTIVE PERIOD
JULY 1, 2010 - JUNE 30, 2011**

INDEX

Section	Description
	Transmittal Letter
1	Introduction, Overview and Rate Development
2	Development of Switched Transport Charge and Study Period Projected Access Minutes
3	Projected Revenue Requirement Summary - Total Interstate (Part 69)
4	Projected Part 36 Revenue Requirement Summary
5	Projected Part 64 Revenue Requirement Summary
6	Tariff Review Plan (TRP)

IOWA NETWORK ACCESS DIVISION

INTRODUCTION, OVERVIEW AND RATE DEVELOPMENT

INTRODUCTION

This filing supports the Iowa Network Access Division Tariff F.C.C. No. 1 in accordance with , July 1, 2010 Annual Access Charge Tariff Filings, Order, 25 FCC Rcd 2867 (released Mar. 31, 2010). That Order establishes procedures for the 2010 filing of annual access charge tariffs and Tariff Review Plans (TRPs) for local exchange carriers (LECs) subject to price caps and those carriers subject to Section 61.38 of the Commission's rules. The requirements for summary cost support material to support the annual access charge filings to be submitted on or before June 16, 2010 are presented in Material to be Filed in Support of 2010 Annual Access Tariff Filings, Tariff Review Plans, 25 FCC Rcd 2872 (released Mar. 31, 2010).

This 2010 Annual Access Charge Tariff Filing covers the scheduled effective period from July 1, 2010 through June 30, 2012. This documentation volume contains the introduction, overview, rate development narrative, access rate development and corresponding cost support material to be filed with the FCC on June 16, 2010.

OVERVIEW

Schedule A of Section 2 presents a summary of the proposed rate to be effective July 1, 2010. Iowa Network Access Division ("INAD") proposes to maintain its existing switched transport rate of \$0.00819 per minute of use effective July 1, 2010 even though its costs support a higher rate of \$0.00822 per minute of use. The Company's proposed switched transport rate of \$0.00819 per access minute is projected to generate switched transport revenues of \$28,516,102. When combined with nonrecurring revenues of \$41,058, total revenues are projected in the amount of \$28,557,160 resulting in a return of 10.25% on interstate investments for the projected twelve-month period ending June 30, 2011.

For the year 2009, INAD's interstate access revenues amounted to \$24,465,095 which resulted in a negative return of 10.78% on its interstate investment. For the 2007/2008 monitoring period, INAD experienced a return of negative 5.75%. During this period, the FCC authorized a maximum rate of return for interstate access operations of 11.50% with a target of 11.25%.

Interstate access minutes grew at a rate of 37.37% during 2009 to 2,982,269,940 from 2,171,054,422 in 2008. During the year 2008, INAD recorded interstate traffic growth of 17.69% over the year 2007. For the test period ending June 30, 2011, INAD is projecting

interstate access minutes of 3,481,819,561, representing an increase of 17.21% over projected access minutes of 2,970,603,151 for the projected period ending June 30, 2010 and an increase of 16.75% compared with actual interstate access minutes for the year 2009. INAD changed its procedures for identifying Percent Interstate Use ("PIU") ratios during the year 2008 using enhanced switching and billing software. INAD's procedures for identifying interstate traffic terminating over its equal access network employ methods and procedures that conform with industry standards.

Since 2000, Iowa Network Services, Inc. ("INS") has implemented a state of the art fiber network throughout the state of Iowa that is being used to provide equal access services to interexchange carriers serving nearly all rural Independent Local Exchange Carriers (ILECs) in the state. This state of the art network provides full switching and transport redundancy for interexchange carriers serving rural Iowa. As this network ages, INS has plans to upgrade its fiber routes and electronics to bring newer technologies and increased capacity in areas where needed. Approximately \$20 million has been expended since 2006 and an additional \$4.5 million is planned for 2010.

During 2007, INAD began to experience an increase in its uncollectible revenues from an Interexchange Carrier ("IXC") as a result of billing disputes over the classification and quantification of interstate access minutes related to traffic terminated by the IXC to ILEC customer locations in Iowa. The disputed traffic is being terminated by the IXC to ILEC customer locations in Iowa using the equal access network of INAD. During the year 2009, INAD recorded a provision for uncollectibles relating to the interstate billing for this traffic in the amount of \$3,467,168. INAD continues to bill the IXC for all traffic terminated over its network and has included this disputed traffic in its minute of use and revenue projections for the twelve month period ending June 30, 2011. The interstate provision for uncollectibles related to this traffic is estimated to be \$2,893,575 and is reflected in INAD's cost of operations for the projected period ending June 30, 2011.

INAD's proposed tariff rate of \$0.00819 is targeted to generate a return of 10.25% on investment for the projected test period ended June 30, 2011. INAD's cost support material has been developed using procedures prescribed by the Federal Communications Commission as follows:

- A) Financial reporting is in accordance with the Uniform Systems of Accounts and Financial Reporting Requirements of Class A and Class B Telephone Companies, CC Docket 78-196 (Part 32 Order) and all subsequent revisions to the rules adopted through the period June 15, 2010.
- B) Jurisdictional allocation is in accordance with Federal Communications Commission's Rules adopted in CC Docket Nos. 78-72, 80-286, 86-297 and FCC Docket 87-134 released August 18, 1987 (Part 36 Order) and all subsequent revisions to the rules adopted through the period June 15, 2010.

- C) Access rate development is performed in accordance with CC Docket No. 87-113 released August 18, 1987 (Part 69 Conformance Notice) and subsequent modifications including CC Docket No. 00-256, Second Report and Order and Notice of Proposed Rulemaking, 16 FCC Rcd 19613 (2001), ("Rate-of-Return Access Charge Reform Order").

The proposed access service tariff maintains the method of charging for interstate access by major rate element. INAD proposes to maintain its current centralized equal access switched transport rate of \$0.00819 and anticipates this rate will remain in effect through June 30, 2012.

RATE DEVELOPMENT

Development of cost support as contained in the tariff filing was accomplished as follows:

- 1) Projection of test period investment, revenue and expense was determined based on the best estimates of management using fixed, known and measurable amounts from INAD's 2010 and 2011 operating budgets. Anticipated changes in investments and reserves were reflected in conjunction with INAD's ongoing construction and modernization programs. Revenues were increased to reflect the projected increase in access minutes during the test period over the year 2009.
- 2) Projection of the test period INAD revenue requirement was accomplished using FCC Part 64 cost allocation procedures applied to total company projected investment and expense amounts determined in (1) above. INAD's revenue requirement summary data is contained in Section 5 of the cost support material.
- 3) Projection of the test period interstate access revenue requirement was accomplished using Parts 36/69 separation procedures applied to projected total INAD investment and expense amounts determined in (2) above. INAD's interstate access revenue requirement was determined using a return on investment of 11.25% which reflects the rate of return currently authorized by the FCC for interstate ratemaking purposes. The summary Part 36 and Part 69 revenue requirements are contained in Sections 3 and 4 of the cost support material.
- 4) Projected interstate access minutes for the period ending June 30, 2010 reflect an increase of 16.75% over interstate access minutes for the historical period January 1, 2009 through December 31, 2009. Interstate access minutes for the period ending June 30, 2011 are projected to be 3,481,819,561 compared to 2,970,603,151 for the projected period ending June 30, 2010 and 2,982,269,940 for the actual period ended December 31, 2009. Projected access minutes for the test period ending June 30, 2011 are presented on Schedule B following. The

increase in projected access minutes for the test period ending June 30, 2011 appears to be consistent with increases in prior years.

- 5) INAD's interstate access revenue requirement determined in (3) above for the projected period ending June 30, 2011 amounts to \$28,671,481 and is presented in Section 3 of the cost support material. The interstate revenue requirement was reduced by the amount of projected interstate revenues from nonrecurring charges of \$41,058 to arrive at the amount of \$28,630,423 representing the target revenue requirement to be recovered from the recurring centralized equal access switched transport rate.
- 6) The allowable projected switched transport charge supported by the projected costs of INAD is determined by dividing the remaining interstate revenue requirement of \$28,630,423 determined in (5) above by projected access minutes of 3,481,819,561 determined in (4) above resulting in a cost of \$0.00822 per access minute. An analysis of the development of the allowable interstate switched transport rate is presented on Schedule A in Section 2. In lieu of implementing its supported rate of \$0.00822, INAD proposes to maintain its existing interstate switched transport rate of \$0.00819.

SUMMARY

The 2010 annual access tariff filing is supplemented by the enclosed cost support material. Schedule A reflects INAD's existing switched transport charge of \$0.00819 compared with the supported rate of \$0.00822. Through this filing, INAD proposes to maintain its existing switched transport charge of \$0.00819 until June 30, 2012. The proposed switched transport charge will produce revenues that will generate a rate of return on investment of 10.25 % for the test period ended June 30, 2011.

Included in the cost support material are schedules depicting projected investment and expense data, demand quantities, jurisdictional cost allocations and rate calculations for the twelve-month period ending June 30, 2011. Cost and revenue data for the historical period from January 1 through December 31, 2009 is contained in the Company's Tariff Review Plan (TRP) which has been filed under separate cover.

This filing is presented to comply with the Commission's Orders in July 1, 2010 Annual Access Tariff Filings, 25 FCC Rcd 2867 (Mar. 31, 2010) and Material to be Filed in Support of 2010 Annual Access Tariff Filings, 25 FCC Rcd 2872 (Mar. 31, 2010) establishing the TRP schedules to be filed in support of the annual access charge tariff filing. With this filing, INAD proposes to maintain its switched transport charge of \$0.00819 effective July 1, 2010 through June 30, 2012.

TARIFF REVIEW PLAN

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Certification

CERTIFICATION

I certify that I am the Vice President Finance of Iowa Network Services, Inc. and am authorized to deal with matters involving the interstate access tariff filing of Iowa Network Access Division; that I have examined the foregoing Tariff Review Plan; statements of fact contained in this Tariff Review Plan are true and this report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the period from July 1, 2010 to June 30, 2011.

June 16, 2010

Date


Dennis M. Creveling
IOWA NETWORK SERVICES, INC.

¹ The term call aggregator refers to businesses that generate high-volume traffic, such as conference call companies, chat line providers, and fax broadcasters.

SECTION 2
SCHEDULE AIOWA NETWORK SERVICES, INC.
IOWA NETWORK ACCESS DIVISION
INTERSTATE ACCESS RATE DEVELOPMENT

PROJECTED TEST PERIOD ENDED 6/30/2011

	SOURCE	CURRENT RATE	COST SUPPORT	DIFFERENCE
1 SWITCHED TRANSPORT RATE	(BELOW)	\$0.00819	\$0.00822	\$0.00003
2 STUDY PERIOD ACCESS MINUTES	SCHEDULE B	3,481,819,561	3,481,819,561	
3 STUDY PERIOD ACCESS REVENUE	LN 1*LN 2	\$28,516,102	\$28,620,557	\$104,455

ACCESS RATE DEVELOPMENT

	SOURCE	AMOUNT
4 PROJECTED REVENUE REQUIREMENT	SECTION 4	\$28,671,481
5 LESS: MISCELLANEOUS REVENUE	RECORDS	41,058
7 ACCESS REVENUE REQUIREMENT	LN 4-LN 5	\$28,630,423
8 PROJECTED ACCESS MINUTES	SCHEDULE B	3,481,819,561
9 PROJECTED ACCESS RATE PER MOU	LN 4/LN 5	\$0.00822

AUREON_01288

IOWA NETWORK SERVICES, INC.
IOWA NETWORK ACCESS DIVISION
EQUAL ACCESS MOU SUMMARY

PROJECTED TEST PERIOD ENDED 6/30/2011

PRO FORMA ALL CARRIERS	DAYS	INTERSTATE INTRALATA			INTERSTATE INTERLATA			TOTAL MINUTES	TOTAL REVENUES
		ORIGINATING MINUTES	TERMINATING MINUTES	REVENUES	ORIGINATING MINUTES	TERMINATING MINUTES	REVENUES		
10/1/2010 - 7/31/2010	31	385,882	1,123,513	\$12,361.95	33,473,303	228,690,817	\$2,147,124.15	263,673,516	\$2,159,486.09
8/1/2010 - 8/31/2010	31	366,400	1,204,908	\$12,869.01	43,199,447	245,836,204	\$2,367,201.98	290,606,958	\$2,380,070.99
9/1/2010 - 9/30/2010	30	378,932	1,172,848	\$12,709.07	38,620,806	239,023,853	\$2,273,909.76	279,196,439	\$2,286,618.83
10/1/2010 - 10/31/2010	31	396,798	1,228,146	\$13,308.29	40,441,722	250,293,481	\$2,381,121.31	292,360,146	\$2,394,429.60
11/1/2010 - 11/30/2010	30	387,966	1,200,810	\$13,012.07	39,541,567	244,722,432	\$2,328,122.16	287,852,775	\$2,341,134.23
12/1/2010 - 12/31/2010	31	404,121	1,250,812	\$13,553.90	41,188,099	254,912,802	\$2,425,066.38	295,755,834	\$2,438,620.28
1/1/2011 - 1/31/2011	31	406,912	1,259,452	\$13,647.53	41,472,610	256,673,640	\$2,441,817.79	299,812,615	\$2,455,463.32
2/1/2011 - 2/28/2011	28	369,706	1,144,295	\$12,399.67	37,680,576	233,204,774	\$2,218,551.01	272,399,351	\$2,230,950.68
3/1/2011 - 3/31/2011	31	411,252	1,272,883	\$13,793.06	41,914,867	259,410,766	\$2,467,856.93	303,009,767	\$2,481,650.00
4/1/2011 - 4/30/2011	30	399,832	1,237,536	\$13,410.04	40,760,933	252,207,185	\$2,399,326.98	294,595,485	\$2,412,737.02
5/1/2011 - 5/31/2011	31	414,831	1,283,961	\$13,913.11	42,279,673	261,668,549	\$2,489,335.94	305,847,015	\$2,503,249.05
6/1/2011 - 6/30/2011	30	402,972	1,247,258	\$13,515.38	41,071,049	254,188,382	\$2,418,174.73	296,909,660	\$2,431,690.12
TOTAL		4,725,603	14,626,422	\$158,493.08	481,634,652	2,980,832,885	\$28,357,609.12	3,481,819,561	\$28,516,102.21
3rd QUARTER		1,131,213	3,501,268	\$37,940.03	115,293,557	713,550,873	\$6,788,235.89	833,476,912	\$6,826,175.91
4th QUARTER		1,188,884	3,679,768	\$39,874.26	121,171,387	749,928,716	\$7,134,309.84	875,968,755	\$7,174,184.11
1st QUARTER		1,187,870	3,676,630	\$39,840.26	121,068,053	749,289,180	\$7,128,225.74	875,221,733	\$7,168,065.99
2nd QUARTER		1,217,635	3,768,755	\$40,838.54	124,101,655	768,064,116	\$7,306,837.66	897,152,161	\$7,347,676.20
TOTAL COMPANY		4,725,603	14,626,422	\$158,493.08	481,634,652	2,980,832,885	\$28,357,609.12	3,481,819,561	\$28,516,102.21

File: INS 2010 Cost Support (Revised cct lease).xls
Tab: Section 2

Proprietary Information

6/12/2010

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2011

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PROPRIETARY INFORMATION

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AUREON_01290

IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-1,10f1

SUMMARY OF REVENUE REQUIREMENT BY ACCESS ELEMENT

A-1,10f1

LN	AC	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE			INFO	TRAFFIC SENSITIVE			SPECIAL ACCESS			B&C	IX CATEGORY	
					LIMITED PAY	COMMON LINE	COMMON TERM		COMMON TERM	COMMON FACILITY	COMMON TERM	DEDICATED TRANSPORT	DEDICATED TERM	DEDICATED FACILITY		MSG	P.L.
1		NET INVESTMENT FOR SETTLEMENTS	7,534,959	(NOTE A)	0	0	0	0	0	2,495,042	0	0	0	0	0	0	0
2		RATE OF RETURN	11,250.0%	LN 1*LN 2	11,250.0%	11,250.0%	11,250.0%	11,250.0%	11,250.0%	11,250.0%	11,250.0%	11,250.0%	11,250.0%	11,250.0%	11,250.0%	11,250.0%	11,250.0%
3		ALLOW FOR FUNDS USED DURING CONSTR	847,683	LN 1*LN 2	0	0	0	0	0	280,805	0	0	0	0	0	0	0
4		NET RETURN FOR SETTLEMENTS	847,683	LN 1*LN 2	0	0	0	0	0	280,805	0	0	0	0	0	0	0
5		FEDERAL OPERATING INCOME TAX - ACTUAL	436,685	RECORDS	0	0	0	0	0	144,657	0	0	0	0	0	0	0
6		FEDERAL ITC AMORTIZATION	0	A-12, LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0
7		STATE OPERATING INCOME TAX - ACTUAL	145,367	RECORDS	0	0	0	0	0	48,155	0	0	0	0	0	0	0
8		STATE ITC AMORTIZATION	0	A-12, LN 23	0	0	0	0	0	0	0	0	0	0	0	0	0
9		PROVISION FOR DEFERRED INCOME TAX	24,229,425	A-8, LN 18	0	0	0	0	0	2,455,919	0	0	0	0	0	0	0
10		OPERATING EXPENSE & OTHER TAXES	118,746	A-8, LN 23	0	0	0	0	0	39,336	0	0	0	0	0	0	0
11		NONOPERATING EXP	2,893,575	A-8, LN 28	0	0	0	0	0	958,530	0	0	0	0	0	0	0
12		UNCOLLECTIBLES	28,671,481	0	0	0	0	0	0	3,967,401	0	0	0	0	0	0	0
13		BASES FOR GROSS RECEIPTS TAX	0	LN 16*LN 17	0	0	0	0	0	0	0	0	0	0	0	0	0
14		GROSS RECEIPTS TAX RATE	0.0000%	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
15		GROSS RECEIPTS TAX	28,671,481	LN 16*LN 17	0	0	0	0	0	3,967,401	0	0	0	0	0	0	0
16		TOTAL REVENUE REQUIREMENT	0	0	0	0	0	0	0	16,694,836	0	0	0	0	0	0	0
17																	
18																	
19																	
NOTE A: INCLUDES A-2, LN 31 LESS A/C 2004, TPUC - LONG TERM																	
20		OPTIONAL GROSS UP INCOME TAX CALCULATION															
21		RETURN ON INVESTMENT	847,683	LN 3	0	0	0	0	0	280,805	0	0	0	0	0	0	0
22		INTEREST AND RELATED ITEMS	0	A-12, LN 16	0	0	0	0	0	0	0	0	0	0	0	0	0
23		OTHER INCOME ADJUSTMENTS	0	A-12, LN 20	0	0	0	0	0	0	0	0	0	0	0	0	0
24		TOTAL INCOME ADJUSTMENTS	847,683	LN 21+LN 22	0	0	0	0	0	280,805	0	0	0	0	0	0	0
25		RETURN LESS INCOME ADJ	0	LN 20-LN 23	0	0	0	0	0	0	0	0	0	0	0	0	0
26		FEDERAL ITC AMORTIZATION	0	A-12, LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0
27		FIT BASE	847,683	LN 27*FTR	0	0	0	0	0	280,805	0	0	0	0	0	0	0
28	34.00%	FEDERAL TAXABLE INCOME	1,284,368	LN 26	0	0	0	0	0	425,462	0	0	0	0	0	0	0
29		FEDERAL SURTAX ALLOCATION	436,685	LN 28-LN 29	0	0	0	0	0	144,657	0	0	0	0	0	0	0
30		NET FEDERAL TAX BEFORE ITC AMORT	436,685	A-12, LN 23	0	0	0	0	0	0	0	0	0	0	0	0	0
31		STATE ITC AMORTIZATION	0	LN 26	0	0	0	0	0	0	0	0	0	0	0	0	0
32		SIT BASE	1,284,368	0	0	0	0	0	0	425,462	0	0	0	0	0	0	0
33		STATE TAXABLE INCOME	1,459,508	LN 33*STR	0	0	0	0	0	483,479	0	0	0	0	0	0	0
34	12.00%	STATE INCOME TAX	145,367	LN 32	0	0	0	0	0	48,155	0	0	0	0	0	0	0
35		STATE SURTAX ALLOCATION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
36		NET STATE INCOME TAX BEFORE ITC AMORT	145,367	LN 34-LN 35	0	0	0	0	0	48,155	0	0	0	0	0	0	0
37		FEDERAL TAX AT MAXIMUM RATE	436,685	0	0	0	0	0	0	144,657	0	0	0	0	0	0	0
38		INCOME ADJUSTMENT FOR FIT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 68 COST ALLOCATION

SECTION 3

A-2,101

SUMMARY OF TELEPHONE PLANT AND RESERVES

A-2,101

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED TRANSPORT		SPECIAL ACCESS		IX CATEGORY	
					LIMITED PAY	COMMON LINE			COMMON TERM	COMMON FACILITY	COMMON FACILITY	COMMON FACILITY	COMMON FACILITY	COMMON FACILITY	COMMON TERM	COMMON FACILITY	MSG	P.L.
1		NET INVESTMENT SUMMARY																
2		GENERAL SUPPORT FACILITIES	6,687,072	A-3, LN 6C	0	0	4,471,902	0	2,215,169	0	0	0	0	0	0	0	0	0
3		TELEPHONE PLANT	29,295,116	A-4, LN 21+25	0	0	19,920,697	0	9,372,421	0	0	0	0	0	0	0	0	0
4		OPERATOR SERVICE SWITCHING	0	A-4, LN 17	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5		CENTRAL OFFICE TRANSMISSION	0	A-4, LN 14	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6		INFORMATION ORIGIN/TERM	0	A-5, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7		CABLE AND WIRE FACILITIES	1,180,039	A-5, LN 21	0	0	795,825	0	394,214	0	0	0	0	0	0	0	0	0
8		TANGIBLE ASSETS	36,170,228	A-3, LN 14	0	0	24,188,424	0	11,981,804	0	0	0	0	0	0	0	0	0
9		INTANGIBLE ASSETS	100,000%	A-3, LN 15	0	0	66,8738%	0.0000%	33,1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
10		TOTAL PLANT IN SERVICE	100,000%	A-6, LN 6	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11		PROPERTY HELD FOR FUTURE USE	99,770	A-6, LN 13	0	0	66,720	0	33,050	0	0	0	0	0	0	0	0	0
12		PLANT UNDER CONSTRUCT. - SHORT TERM	0	A-6, LN 20	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13		PLANT UNDER CONSTRUCT. - LONG TERM	0	A-6, LN 27	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14		TELEPHONE PLANT ADJUSTMENT	36,269,998	A-6, LN 27	0	0	24,255,144	0	12,014,854	0	0	0	0	0	0	0	0	0
15		TOTAL PROPERTY PLANT & EQUIP.	100,000%	A-7, LN 7	0	0	66,8738%	0.0000%	33,1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
16		% DISTRIBUTION	100,000%	A-7, LN 8	0	0	17,930,537	0	8,881,843	0	0	0	0	0	0	0	0	0
17		ACCUM DEPRECIATION - PLANT IN SERVICE	26,912,480	A-7, LN 8	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18		ACCUM DEPRECIATION - FUTURE USE	780,444	A-7, LN 15	0	0	508,538	0	251,906	0	0	0	0	0	0	0	0	0
19		ACCUM AMORTIZATION - TANGIBLE PROPERTY	0	A-7, LN 16	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20		ACCUM AMORTIZATION - INTANGIBLE PROP.	0	A-7, LN 17	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21		ACCUM AMORTIZATION - TEL PLANT ADJ.	2,072,405	A-7, LN 26	0	0	1,385,897	0	686,508	0	0	0	0	0	0	0	0	0
22		OTHER DEFERRED INCOME TAX	0	A-7, LN 34	0	0	4,430,172	0	2,194,468	0	0	0	0	0	0	0	0	0
23		NET TELEPHONE PLANT	6,624,670	A-3, LN 16	0	0	66,8738%	0.0000%	33,1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
24		% DISTRIBUTION	100,000%	A-3, LN 17	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25		MATERIALS AND SUPPLIES	0	A-3, LN 17	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26		RTB STOCK	0	A-3, LN 17	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27		EQUAL ACCESS EQUIPMENT	0	A-3, LN 8	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28		OTHER JURISDICTIONAL ASSETS	0	A-3, LN 18	0	0	603,746	0	301,544	0	0	0	0	0	0	0	0	0
29		CASH WORKING CAPITAL	910,290	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30		NET TELEPHONE PLANT, M&S AND	7,534,959	A-3, LN 10	0	0	5,038,917	0	2,496,042	0	0	0	0	0	0	0	0	0
31		CASH WORKING CAPITAL	100,000%	A-3, LN 10	0	0	66,8738%	0.0000%	33,1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
32		% DISTRIBUTION	100,000%	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-3, 1 of 1

GENERAL SUPPORT FACILITIES AND MISCELLANEOUS PLANT ALLOCATION

A-3, 1 of 1

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		DEDICATED		SPECIAL ACCESS		BAC	IX CATEGORY		
					LIMITED PAY	COMMON LINE			COMMON TERM	TRANSPORT FACILITY	TRANSPORT TERM	CHANNEL MILEAGE FACILITY	MSG	P.L.				
BASIS FOR GENERAL SUPPORT FACILITIES																		
1		CENTRAL OFFICE EQUIPMENT	28,293,118	A-4, LN 42	0	0	18,920,697	0	9,372,421	0	0	0	0	0	0	0	0	
2		INFORMATION ORIGINATOR	0	A-5, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	
3		CMF EXCL CAT 1.3	0	A-5, LN 23	0	0	18,920,697	0	9,372,421	0	0	0	0	0	0	0	0	
4		TOTAL	28,293,118		0	0	18,920,697	0	9,372,421	0	0	0	0	0	0	0	0	
5		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
GENERAL SUPPORT ASSETS																		
6a		ALLOCATED	6,687,072	LN 5	0	0	4,471,902	0	2,215,169	0	0	0	0	0	0	0	0	
6b		DIRECT NON ACCESS	0	DIRECT	0	0	4,471,902	0	2,215,169	0	0	0	0	0	0	0	0	
7		TOTAL GENERAL SUPPORT ASSETS	6,687,072		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
8		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
EQUAL ACCESS EQUIPMENT																		
9		COE IOT, CMF, GENERAL SUPPORT	0		0	0	23,392,599	0	11,587,590	0	0	0	0	0	0	0	0	
10		AND EQUAL ACCESS EQUIPMENT	0		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
TANGIBLE ASSETS																		
11		CAPITAL LEASES	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	
12		LEASEHOLD IMPROVEMENTS	1,190,039	LN 10	0	0	795,825	0	394,214	0	0	0	0	0	0	0	0	
13		TOTAL	1,190,039		0	0	795,825	0	394,214	0	0	0	0	0	0	0	0	
14		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
INTANGIBLE ASSETS																		
15		MATERIALS AND SUPPLIES	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	
16		RTB STOCK	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	
17		OTHER JURISDICTIONAL ASSETS	0	LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	
COE IOT, CMF, GEN SUPP & EQUAL ACCESS																		
19		FOR APPORTIONING PRESUBSCRIPTION	0		0	0	23,392,599	0	11,587,590	0	0	0	0	0	0	0	0	
20		% DISTRIBUTION	0		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
COE IOT & CMF EXCL CCL FOR ASSIGNING																		
21		CARRIER ACCESS BILLING EXPENSES	0		0	0	18,920,697	0	9,372,421	0	0	0	0	0	0	0	0	
22		% DISTRIBUTION	0		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	

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CCST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-4.1a2

CENTRAL OFFICE EQUIPMENT ALLOCATION

A-4.1a2

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED INEL TERMINATION		SPECIAL ACCESS		B&C	IX CATEGORY	
					LIMITED PAY	COMMON LINE			TERM	FACILITY	TERM	FACILITY	TRANSPORT	ALLOCATED	TERM	FACILITY		MSG	P.L.
ALLOCATION FACTORS																			
1		STANDARD WORK SECONDS																	
2		- MANUAL BOARDS	100.0000%	AL-1, LN 9			0.0000%	0.0000%										100.0000%	
3		- TSPS COMPLEX	100.0000%	AL-1, LN 10			0.0000%	0.0000%										100.0000%	
4		- EQUIVALENT ACCESS LINES - MSG COE	0.0000%	AL-1, LN 2										0.0000%					
5		- IX CIRCUIT TERMINATIONS - MSG COE	100.0000%	AL-1, LN 6					100.0000%										
CENTRAL OFFICE EQUIPMENT																			
6	2220	OPERATOR SYSTEMS																	
7		MANUAL SWITCHBOARDS	0	LN 2			0	0										0	
8		AUXILIARY SWITCHBOARDS																	
9		- DIRECTORY ASSISTANCE	0	DIRECT			0	0										0	
10		- INTERCEPT	0	DIRECT			0	0										0	
11		- OTHER	0	DIRECT			0	0										0	
12		SERVICE OBSERVING BOARDS		LN 27			0	0	0				0					0	
13		TSPS																	
14		- OPERATOR	0	LN 3			0	0										0	
15		- RTA	0	LN 27			0	0	0				0					0	
16		- OTHER	0	LN 27			0	0	0				0					0	
17		TOTAL OPERATOR SYSTEMS	0				0	0	0				0					0	
18	2210	TANDEM SWITCHING EQUIPMENT																	
19		ACCESS	9,372,421	DIRECT					9,372,421										
20		NON ACCESS	0	DIRECT														0	
21		TOTAL TANDEM SWITCH	9,372,421						9,372,421									0	
22	2210	LOCAL SWITCHING EQUIPMENT																	
23		ACCESS	18,920,697	DIRECT			18,920,697						0					0	
24		DEDICATED	0	DIRECT			18,920,697						0					0	
25		TOTAL LOCAL SWITCH	18,920,697																
26		TOTAL CAT1 EXCL SVC OBS, CAT 2 AND 3	28,293,118				18,920,697	0	9,372,421				0					0	
27		% DISTRIBUTION	100.0000%	LN 26			66.8738%	0.0000%	33.1262%				0.0000%					0.0000%	

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PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-4.2012

CENTRAL OFFICE EQUIPMENT ALLOCATION

A-4.2012

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE			INFO	TRAFFIC SENSITIVE			SPECIAL ACCESS			IX CATEGORY	
				LIMITED PAY	COMMON LINE	COMMON LINE		COMMON TERM	TRANSPORT FACILITY	TRANSPORT FACILITY	DEDICATED TRANSPORT	INEL TERMINATION	CHANNEL MILEAGE	B&C	P.L.
28	2230	CENTRAL OFFICE TRANSMISSION													
29		EXCHANGE WIDEBAND	0												
30		EXCHANGE TRUNK - BASIC	0												
31		EXCHANGE TRUNK - SPECIAL	0												
32		SUBSCRIBER - BASIC	0												
33		INTEREXCHANGE CIRCUIT	0												
34		FURNISHED OTHERS	0												
35		ACCESS - BASIC	0												
36		ACCESS - SPECIAL	0												
37		NON ACCESS	0												
38		TOTAL IX CIRCUIT	0												
39		HOST REMOTE CIRCUIT	0												
40		EQUIPMENT RENTED OTHERS	0												
41		TOTAL CENTRAL OFFICE TRANSMISSION	0												
42		TOTAL CENTRAL OFFICE EQUIPMENT	28,293,118	0	0	18,920,597	0	9,372,421	0	0	0	0	0	0	0
43		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
44		COE RATIOS													
45		OPERATOR SYSTEMS	0.0000%			0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
46		TANDEN SWITCHING	100.0000%			100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%
47		LOCAL SWITCHING	100.0000%			100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%
48		CENTRAL OFFICE TRANSMISSION	100.0000%			66.8738%	66.8738%	33.1262%	33.1262%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%

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PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

INFORMATION ORIGINATOR/TERMINATION AND CABLE AND WIRE FACILITIES

SECTION 3

A-5,10f1

A-5,10f1

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED NEL TERMINATION		SPECIAL ACCESS		CHANNEL MILEAGE		IX CATEGORY	
					LIMITED PAY	COMMON LINE			TERM	INFO	TERM	FACILITY	TRANSPORT	ALLOCATED	TERM	FACILITY	TERM	B4C	MSG	P.L.
1		ALLOCATION FACTORS	0.0000%	AL-1 LN 4	0.0000%	0.0000%														
2		IX EQUIVALENT ACCESS LINES - MSG CWF	100.0000%	AL-1 LN 8																
3	2310	INFORMATION ORIGINATOR																		
4		OTHER IOT EQUIPMENT																		
5		COIN PUBLIC TELEPHONE		DIRECT																
6		COINLESS PUBLIC TELEPHONE		DIRECT																
7		OTHER		DIRECT																
8		SUBTOTAL																		
9		NEW CUSTOMER PREMISE EQUIP		DIRECT																
10		TOTAL ORIGINATOR EQUIP																		
11		% DISTRIBUTION	0.0000%			0.0000%									0.0000%					
12	2410	CABLE AND WIRE FACILITIES																		
13		SUBSCRIBER LINE		LN 1 DIRECT																
14		EXCHANGE WIDEBAND		DIRECT																
15a		EXCHANGE TRUNK - BASIC		DIRECT																
15b		EXCHANGE TRUNK - SPECIAL		DIRECT																
16		INTEREXCHANGE WIDEBAND		DIRECT																
17a		IX TRUNK - ACCESS		LN 2 DIRECT																
17b		IX TRUNK - SPECIAL		DIRECT																
18		IX TRUNK - WIDEBAND		DIRECT																
19		EQUIPMENT FURNISHED OTHERS		DIRECT																
20		EQUIPMENT FURNISHED OTHERS		DIRECT																
21		TOTAL CABLE AND WIRE FACILITIES																		
22		% DISTRIBUTION	100.0000%			0.0000%						100.0000%		0.0000%	0.0000%		0.0000%		0.0000%	0.0000%
23		TOTAL CWF EXCLUDING CAT 1.3																		
24		% DISTRIBUTION	100.0000%			0.0000%						100.0000%		0.0000%	0.0000%		0.0000%		0.0000%	0.0000%

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IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 89 COST ALLOCATION

SECTION 3

A-6, 1 of 1

OTHER TELECOMMUNICATIONS PLANT ALLOCATION

A-6, 1 of 1

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE			INFO	TRAFFIC SENSITIVE			SPECIAL ACCESS			B&C	TX CATEGORY	
					LIMITED PAY	COMMON LINE	SWITCHING		COMMON TERM	COMMON FACILITY	DEDICATED TRANSPORT	INEL TERMINATION TRANSPORT	CHANNEL MILEAGE TERM	FACILITY		MSG	P.L.
1	2002	OTHER TELECOMMUNICATIONS PLANT															
2		PROPERTY HELD FOR FUTURE USE															
3		GENERAL SUPPORT															
4		CABLE AND WIRE FACILITIES															
5		UNDISTRIBUTED															
6		TOTAL															
7		% DISTRIBUTION	0.0000%				0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
8	2003	PLANT UNDER CONSTR. - SHORT TERM															
9		GENERAL SUPPORT															
10		CABLE AND WIRE FACILITIES															
11		UNDISTRIBUTED															
12		TOTAL	99,770				66,720	0	33,050								
13		% DISTRIBUTION	99,770				66,720	0	33,050								
14			100.0000%				66.8738%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
15	2004	PLANT UNDER CONSTR. - LONG TERM															
16		GENERAL SUPPORT															
17		CABLE AND WIRE FACILITIES															
18		UNDISTRIBUTED															
19		TOTAL															
20		% DISTRIBUTION					0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
21			0.0000%				0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
22	2005	TELECOMMUNICATIONS PLANT ADJUST.															
23		GENERAL SUPPORT															
24		CABLE AND WIRE FACILITIES															
25		UNDISTRIBUTED															
26		TOTAL															
27		% DISTRIBUTION					0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
28			0.0000%				0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

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IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

ACCUMULATED DEPRECIATION, AMORTIZATION AND DEFERRED INCOME TAXES

SECTION 3

A-7.1of1

A-7.1of1

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		DEDICATED		SPECIAL ACCESS		B&C	IX CATEGORY	
					LIMITED PAY	COMMON LINE			COMMON TERM	FACILITY	TRANSPORT	NET TERMINATION ALLOCATED	CHANNEL MILEAGE TERM	MSG		P.L.	
1	3100	ACCUM DEPRECIATION - PLANT IN SERVICE															
2		GENERAL SUPPORT	5,006,510	A-3, LN 10	0	0	3,348,046	0	1,658,464	0	0	0	0	0	0	0	0
3		CENTRAL OFFICE SWITCHING EQUIPMENT	21,805,970	A-3, LN 10	0	0	14,562,492	0	7,223,479	0	0	0	0	0	0	0	0
4		OPERATOR SYSTEMS EQUIPMENT	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
5		CENTRAL OFFICE TRANSMISSION	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
6		UNDISTRIBUTED COE	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
7		INFORMATION ORIG/TERM	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
8		CABLE AND WIRE FACILITIES	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
9		TOTAL ACCUM DEPR - TPIS	26,812,480	0	0	0	17,930,537	0	8,881,943	0	0	0	0	0	0	0	0
10	3200	ACCUM DEPRECIATION - FUTURE USE	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
11		TOTAL ACCUM DEPRECIATION	26,812,480	0	0	0	17,930,537	0	8,881,943	0	0	0	0	0	0	0	0
12		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
13	3400	ACCUMULATED AMORTIZATION															
14		TANGIBLE ASSETS															
15		CAPITAL LEASES	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
16		LEASEHOLD IMPROVEMENTS	760,444	A-3, LN 10	0	0	508,538	0	251,906	0	0	0	0	0	0	0	0
17		UNDISTRIBUTED	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
18		TOTAL ACCUM AMORT - TANGIBLE	760,444	0	0	0	508,538	0	251,906	0	0	0	0	0	0	0	0
19	3500	INTANGIBLE ASSETS	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
20		TELEPHONE PLANT ADJUSTMENT	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
21		TOTAL ACCUM AMORTIZATION	760,444	0	0	0	508,538	0	251,906	0	0	0	0	0	0	0	0
22		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
23	4100L	NET OPERATING DEFERRED INC TAX															
24		GENERAL SUPPORT	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
25	4240	CENTRAL OFFICE EQUIP	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
26		INFORMATION ORIG/TERM	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
27		CABLE AND WIRE FACILITIES	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
28		UNDISTRIBUTED	2,072,405	0	0	0	1,385,897	0	686,508	0	0	0	0	0	0	0	0
29		TOTAL NET DEFERRED INC TAX	2,072,405	0	0	0	1,385,897	0	686,508	0	0	0	0	0	0	0	0
30		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
31	4350	OTHER DEFERRED CREDITS - NET															
32		GENERAL SUPPORT	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
33		CENTRAL OFFICE EQUIP	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
34		INFORMATION ORIG/TERM	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
35		CABLE AND WIRE FACILITIES	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
36		UNDISTRIBUTED	0	A-3, LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0
37		TOTAL OTHER DEFERRED CREDITS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
38		% DISTRIBUTION	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

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PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-8,1d1

SUMMARY OF OPERATING EXPENSE AND TAX AND MISCELLANEOUS TAX ITEMS

A-8,1d1

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		DEDICATED NEL TERMINATION		SPECIAL ACCESS		CHANNEL MILEAGE		IX CATEGORY	
					LIMITED PAY	COMMON LINE			TERM	FACILITY	TERM	FACILITY	TERM	FACILITY	MSG	P.L.		
1	6110	OPERATING EXPENSE AND TAX			0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	6120	NETWORK SUPPORT EXPENSE	903,520	A-9,1LN 6	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	6130	GENERAL SUPPORT EXPENSE	1,234,959	A-9,1LN 7	0	0	604,218	0	299,301	0	0	0	0	0	0	0	0	0
4	6210	CENTRAL OFFICE EXPENSE	825,865	A-9,1LN 15	0	0	825,865	0	409,094	0	0	0	0	0	0	0	0	0
5	6310	INFORMATION ORIGIN/TERM EXP	0	A-9,1LN 22	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	6410	CABLE AND WIRE FACILITIES EXP	14,478,572	A-9,1LN 24	0	0	0	0	0	14,478,572	0	0	0	0	0	0	0	0
7	6510	OTHER PLANT EXPENSE	0	A-9,1LN 24	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	6530	NETWORK OPERATIONS EXPENSE	1,027,226	A-10,1LN 6	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	6540	ACCESS CHARGE EXPENSE	0	A-10,1LN 7	0	0	686,945	0	340,280	0	0	0	0	0	0	0	0	0
10	6610	MARKETING EXPENSE	0	A-10,1LN 8	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	6620	SERVICES EXPENSE	155,507	A-11,1LN 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	6710	EXECUTIVE AND PLANNING EXP	458,166	A-11,1LN 29	0	0	103,993	0	51,513	0	0	0	0	0	0	0	0	0
13	6720	GENERAL AND ADMINISTRATIVE EXP	2,266,482	A-12,1LN 8	0	0	57,169	0	28,319	0	0	0	0	0	0	0	0	0
14	6800	SUBTOTAL OPERATING EXPENSE	20,524,431	A-12,1LN 9	0	0	282,807	0	140,089	0	0	0	0	0	0	0	0	0
15	6860	% DISTRIBUTION	100,000%	0.0000%	0	0	2,560,988	0.0000%	1,258,588	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
16	7200	DEPRECIATION AND AMORTIZATION	3,504,047	A-10,1LN 19-27	0	0	2,343,291	0	1,160,756	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
17		OTHER OPERATING TAX	200,946	A-12,1LN 24	0	0	134,381	0	66,566	0	0	0	0	0	0	0	0	0
18		EQUAL ACCESS EXPENSE	24,229,425	A-12,1LN 12	0	0	5,038,670	0	2,495,919	0	0	0	0	0	0	0	0	0
19		TOTAL OPERATING EXP & TAX	100,000%	0.0000%	0	0	20,795,77	0.0000%	10,391,2%	0	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
20	7370	% DISTRIBUTION																
21		NON OPERATING EXPENSE	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	21	ABANDONED CONSTRUCTION	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	22	CONTRIBUTIONS	118,746	A-3,1LN 10	0	0	79,410	0	39,336	0	0	0	0	0	0	0	0	0
24	23	TOTAL NON OPERATING EXP	118,746	A-3,1LN 10	0	0	79,410	0	39,336	0	0	0	0	0	0	0	0	0
25		UNCOLLECTIBLES	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26	5310	END USER MSG TOLL	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27	5320	END USER COMMON LINE	2,893,575	A-3,1LN 22	0	0	1,935,045	0	958,530	0	0	0	0	0	0	0	0	0
28	5330	IX CARRIER	2,893,575	A-3,1LN 22	0	0	1,935,045	0	958,530	0	0	0	0	0	0	0	0	0
29	7340	TOTAL UNCOLLECTIBLES	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30		ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	0	A-3,1LN 10	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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PART 69 COST ALLOCATION

SECTION 3

A-9, 1 of 1

PLANT SPECIFIC EXPENSE ALLOCATION

A-9, 1 of 1

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE		COMMON TRANSPORT		DEDICATED TRANSPORT		NEL TERMINATION		SPECIAL ACCESS		CHANNEL MILEAGE		BAC		IX CATEGORY	
					LIMITED PAY	COMMON LINE			COMMON TERM	SENSITIVE TERM	FACILITY	TRANSPORT FACILITY	TRANSPORT FACILITY	TRANSPORT FACILITY	TRANSPORT FACILITY	TRANSPORT FACILITY	TRANSPORT FACILITY	TRANSPORT FACILITY	TRANSPORT FACILITY	TRANSPORT FACILITY	TRANSPORT FACILITY	TRANSPORT FACILITY	TRANSPORT FACILITY	TRANSPORT FACILITY
1		BASIS FOR NETWORK SUPPORT EXPENSE	34,980,188	VARIOUS	0	0	23,392,559	0	0	11,587,590	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2		EXPENSE FOR DECK AND CAMP	0	A-3, LN 8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3		EQUAL ACCESS EQUIPMENT	34,980,188		0	0	23,392,559	0.0000%	0	11,587,590	0.0000%	0	0	0	0	0	0	0	0	0	0	0	0	0
4		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
PLANT SPECIFIC EXPENSES																								
5		GENERAL SUPPORT EXPENSE	0	LN 4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	6110	NETWORK SUPPORT	903,520	A-3, LN 7	0	0	604,218	0	0	299,301	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	8120	GENERAL SUPPORT	903,520		0	0	604,218	0	0	299,301	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8		TOTAL GENERAL SUPPORT EXP	1,807,040		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
9		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
10		CENTRAL OFFICE EXPENSE	1,234,959	A-4, LN 43	0	0	825,865	0	0	409,094	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	6210	CENTRAL OFFICE SWITCHING EXPENSE	0	A-4, LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	6220	OPERATOR SYSTEMS EXPENSE	0	A-4, LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	6230	CENTRAL OFFICE TRANSMISSION EXPENSE	0	A-4, LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14		UNDISTRIBUTED	0	A-4, LN 43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15		TOTAL CENTRAL OFFICE EXPENSE	1,234,959		0	0	825,865	0	0	409,094	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	66.8738%	0.0000%	33.1262%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
17	6310	INFORMATION ORIGIN/TERM EXPENSE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18		CON PAY TELEPHONE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19		CORP PAY TELEPHONE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20		OTHER	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21		CPE	0	DIRECT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22		TOTAL INFORMATION ORIGIN/TERM EXP	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23		% DISTRIBUTION	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
24	6410	CABLE AND WIRE FACILITIES EXPENSE	14,478,572	A-5, LN 22	0	0	14,478,572	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25		TOTAL PLANT SPECIFIC EXPENSE	16,617,051		0	0	14,30,083	0	0	706,396	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26		% DISTRIBUTION	100.0000%		0.0000%	0.0000%	8.5061%	0.0000%	4.2631%	4.2631%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

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PART 63 COST ALLOCATION

SECTION 3

A-10,10f1

PLANT NON SPECIFIC EXPENSE ALLOCATION

A-10,10f1

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		INFO	TRAFFIC SENSITIVE		COMMON TRANSPORT FACILITY	DEDICATED		SPECIAL ACCESS		B&C	IX CATEGORY	
				LIMITED PAY	COMMON LINE		SWITCHING	TERM		TRANSPORT FACILITY	TRANSPORT ALLOCAED	INEL TERMINATION	CHANNEL MILEAGE TERM		MSG	P.L.
1		CENTRAL OFFICE EQUIPMENT	28,293,118	0	0	0	18,920,697	0	9,372,421	0	0	0	0	0	0	0
2		INFORMATION ORIGIN TERM	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3		CABLE AND WIRE FACILITIES	0	0	0	0	18,920,697	0	9,372,421	0	0	0	0	0	0	0
4		TOTAL	28,293,118	0	0	0	36,873,395	0.0000%	33,1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
5		% DISTRIBUTION	100.0000%	0.0000%	0.0000%											
PLANT NONSPECIFIC EXPENSE																
6	6510	OTHER PROP PLANT & EQUIP EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	6530	NETWORK OPERATIONS EXPENSE	1,027,226	0	0	0	688,945	0	340,280	0	0	0	0	0	0	0
8	6540	ACCESS CHARGE EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DEPRECIATION EXPENSE																
9	6560	GENERAL SUPPORT	759,660	0	0	0	508,014	0	251,646	0	0	0	0	0	0	0
10		CENTRAL OFFICE SWITCHING EQUIPMENT	2,744,387	0	0	0	1,835,277	0	909,110	0	0	0	0	0	0	0
11		OPERATOR SYSTEMS EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12		CENTRAL OFFICE TRANSMISSION	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13		UNDISTRIBUTED CODE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14		INFORMATION ORIGIN TERM	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15		CABLE AND WIRE FACILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16		TOTAL DEP EXP - PLANT IN SERVICE	3,504,047	0	0	0	2,343,291	0	1,160,756	0	0	0	0	0	0	0
17		PROPERTY HELD FOR FUTURE USE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18		TOTAL DEPRECIATION EXPENSE	3,504,047	0	0	0	2,343,291	0	1,160,756	0	0	0	0	0	0	0
19		% DISTRIBUTION	100.0000%	0.0000%	0.0000%		66.8733%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
AMORTIZATION EXPENSE																
21	6563	CAPITAL LEASE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	6563	LEASEHOLD IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	6563	UNDISTRIBUTED	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24		SUBTOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25	6564	INTANGIBLE ASSETS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26	6565	OTHER - TEL PLANT ADJUSTMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27		TOTAL AMORTIZATION EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28		% DISTRIBUTION	0.0000%	0.0000%	0.0000%		0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
29		TOTAL PLANT NON SPECIFIC EXPENSE	4,531,273	0	0	0	3,030,236	0	1,501,036	0	0	0	0	0	0	0
30		% DISTRIBUTION	100.0000%	0.0000%	0.0000%		66.8739%	0.0000%	33.1262%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

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IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

A-11,1a1f

CUSTOMER OPERATIONS EXPENSE ALLOCATION

A-11,1a1f

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE		SWITCHING	INFO	TRAFFIC SENSITIVE			SPECIAL ACCESS			IX CATEGORY		
					LIMITED PAY	COMMON LINE			COMMON TERM	COMMON FACILITY	DEDICATED TRANSPORT	INEL TERMINATION TRANSPORT	CHANNEL MILEAGE TERM	FACILITY	BAC	MSG	P.L.
1	6610	CUSTOMER OPERATIONS EXPENSES															
2		MARKETING															
3	6621	TELEPHONE OPERATOR SERVICES															
4		- CALL COMPLETION INCL DA															
5	6622	OPERATOR SERVICES UNDER CONTRACT															
6	6623	PUBLISHED DIRECTORY LISTINGS															
7		ALL OTHER															
8	6623	LOCAL BUSINESS OFFICE															
9	1.0	- END USER SVC ORDER PROCESSING															
10		- PRESUBSCRIPTION															
11		- OTHER															
12		- END USER PAYMENT & COLLECTION															
13		- END USER BILLING INQUIRY															
14		- IX CARRIER SVC ORDER PROCESSING															
15		- IX CARRIER PAYMENT & COLLECTION	155,507														
16		- IX CARRIER BILLING INQUIRY						103,993		51,513							
17		- COIN COLLECT AND ADMINISTRATION															
18	2.0	SUBTOTAL LOCAL BUSINESS OFFICE	155,507					103,993		51,513							
19		CUSTOMER SERVICES (REV ACCTG)															
20		- MESSAGE PROCESSING															
21		- TOLL TICKET PROCESSING															
22		- LOCAL MESSAGE PROCESSING															
23		- OTHER BILLING & COLLECTION															
24		- END USER COMMON LINE															
25		- CARRIER ACCESS BILLING (CABS)															
26		- CARRIER CUSTOMER SERVICES															
27		- TOLL CALL 1 AND CAT 2															
28		SUBTOTAL CUSTOMER SERVICES	155,507														
29	3.0	% DISTRIBUTION	100.0000%														
30		ALL OTHER CUSTOMER SERVICE															
31		% DISTRIBUTION	155,507														
32		TOTAL CUSTOMER OPERATIONS EXPENSE	100.0000%														
33		% DISTRIBUTION	155,507														
34		CUSTOMER OPERATIONS EXCL MARKETING	155,507														
35		% DISTRIBUTION	100.0000%														

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IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 59 COST ALLOCATION

SECTION 3

A-12,1a1

CORPORATE OPERATIONS EXPENSE ALLOCATION

A-12,1a1

LN	A/C	DESCRIPTION	TOTAL COMPANY	COMMON LINE		SWITCHING	TRAFFIC SENSITIVE			SPECIAL ACCESS			IX CATEGORY		
				LIMITED PAY	COMMON LINE		INFO	COMMON TERM	TRANSPORT FACILITY	DEDICATED TRANSPORT	INEL TERMINATION TRANSPORT	CHANNEL MILEAGE TERM	B&C	MSG	P.L.
BIG THREE EXPENSES															
1		PLANT SPECIFIC EXPENSE	16,617,051	0	0	1,430,083	0	708,396	14,478,572	0	0	0	0	0	0
2		OTHER PLANT EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
3		NETWORK OPERATIONS EXPENSE	1,027,228	0	0	686,945	0	340,280	0	0	0	0	0	0	0
4		TRANSMISSION EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
5		CUSTOMER OPERATIONS EXPENSE	155,507	0	0	103,993	0	51,513	0	0	0	0	0	0	0
6		TOTAL BIG THREE EXPENSES	17,799,783	0	0	2,221,022	0	1,100,189	14,478,572	0	0	0	0	0	0
7		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	12.4778%	0.0000%	6.1809%	81.3413%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
CORPORATE OPERATING EXPENSE															
8	6710	EXECUTIVE AND PLANNING	458,166	0	0	57,169	0	28,319	372,678	0	0	0	0	0	0
9	6720	GENERAL AND ADMINISTRATIVE	2,266,482	0	0	282,807	0	140,089	1,843,585	0	0	0	0	0	0
10		TOTAL CORPORATE OPERATIONS	2,724,648	0	0	339,976	0	168,408	2,210,264	0	0	0	0	0	0
11		% DISTRIBUTION	100.0000%	0.0000%	0.0000%	12.4778%	0.0000%	6.1809%	81.3413%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
12		EQUAL ACCESS EXPENSE	0	0	0	0									
INTEREST EXPENSE															
13	7500	CAPITAL LEASE	0	0	0	0	0	0	0	0	0	0	0	0	0
14		OTHER	0	0	0	0	0	0	0	0	0	0	0	0	0
15		TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER INCOME ADJUSTMENTS															
17		BASED ON PLANT	0	0	0	0	0	0	0	0	0	0	0	0	0
18		BASED ON EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
19		TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0
20															
OPERATING TAXES															
21		FEDERAL ITC AMORTIZATION	0	0	0	0	0	0	0	0	0	0	0	0	0
22	7210	STATE ITC AMORTIZATION	0	0	0	0	0	0	0	0	0	0	0	0	0
23	7210	OTHER OPERATING TAXES	200,946	0	0	134,381	0	66,566	0	0	0	0	0	0	0
24	7240	TOTAL OPERATING TAXES	200,946	0	0	134,381	0	66,566	0	0	0	0	0	0	0
25															

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IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 69 COST ALLOCATION

SECTION 3

AL-1,1e1f

DEVELOPMENT OF JOINT USE FACILITIES ALLOCATION FACTORS

AL-1,1e1f

LN	A/C	DESCRIPTION	TOTAL COMPANY	SOURCE	COMMON LINE			SWITCHING	INFO	TRAFFIC SENSITIVE			SPECIAL ACCESS			IX CATEGORY	
					LIMITED PAY	COMMON LINE	COMMON TRANSPORT FACILITY			COMMON TERM	COMMON TRANSPORT FACILITY	DEDICATED TRANSPORT ALLOCATION	NET TERMINATION TRANSPORT ALLOCATION	CHANNEL MILEAGE TERM	CHANNEL MILEAGE FACILITY	B&C	P.L.
1		EQUIVALENT ACCESS LINES - MSG COE	0	0	0	0							0				
2		% DISTRIBUTION	0.0000%	0.0000%	0.0000%	0.0000%						0.0000%	0.0000%				
3		EQUIVALENT ACCESS LINES - MSG CWF	0	0	0	0						0	0				
4		% DISTRIBUTION	0.0000%	0.0000%	0.0000%	0.0000%						0.0000%	0.0000%				
5		IX CIRCUIT TERMINATIONS - MSG COE	1,984	1,984						1,984		0	0				
6		% DISTRIBUTION	100.0000%	100.0000%						100.0000%		0.0000%	0.0000%				
7		IX CIRCUIT MILES - MSG CWF	953,337	953,337							953,337.00	0.00	0				
8		% DISTRIBUTION	100.0000%	100.0000%							100.0000%	0.0000%	0.0000%				
DISTRIBUTION FACTORS																	
9		STD WORK SECONDS - MANUAL BOARDS	100.0000%					0.0000%	0.0000%								100.0000%
10		STD WORK SECONDS - TSPS	100.0000%					0.0000%	0.0000%								100.0000%
11		STD WORK SECONDS - OPERATORS	100.0000%					0.0000%	0.0000%								100.0000%
12		END USER SVC ORDER CONTACTS	0.0000%											0.0000%			0.0000%
13		END USER PAYMENT & COLLECTION	0.0000%											0.0000%			0.0000%
14		IX CARRIER BILLING INQUIRY CONTACTS	0.0000%					0.0000%						0.0000%			0.0000%
15		IX CARRIER SVC ORDER CONTACTS	100.0000%					0.0000%						0.0000%			0.0000%
16		IX CARRIER PAYMENT & COLLECTION	100.0000%					0.0000%						0.0000%			0.0000%
17		PUBLIC TELEPHONE REVENUE	100.0000%					66.8738%	0.0000%	33.1262%				0.0000%			0.0000%
18		END USER BILLING INQUIRY CONTACTS	0.0000%					66.8738%	0.0000%	33.1262%				0.0000%			0.0000%
19		END USER BILLING & COLLECTION	0.0000%					66.8738%	0.0000%	33.1262%				0.0000%			0.0000%
20		OPERATOR SERVICES UNDER CONTRACT	0.0000%					0.0000%	0.0000%								0.0000%

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IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 36 SEPARATIONS

SECTION 4

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REVENUE REQUIREMENT SUMMARY

S-1,1of1

LN	ALLOCATION RATIOS	TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE MSG TOLL		OTHER
				INTRALATA	INTERLATA	
REVENUE REQUIREMENT SUMMARY						
1	NET INVESTMENT FOR SETTLEMENTS	9,082,475	NOTE A	41,642	7,493,317	1,547,516
2	RATE OF RETURN			11.25%	11.25%	9.50%
3	RETURN ON INVESTMENT	994,697	LN1*LN 2	4,685	842,998	147,014
4	ALLOWANCE FOR FUNDS USED DURING CONSTR	0	S-8,LN 29	0	0	0
5	NET RETURN FOR SETTLEMENTS	994,697	LN3-LN4	4,685	842,998	147,014
6	TOTAL ITC AMORTIZATION	0	S-12,LN 28+29	0	0	0
7	FEDERAL OPERATING INCOME TAX (ACTUAL)	0	S-12,LN 30	0	0	0
8	FEDERAL OPERATING INCOME TAX (OPTION)	512,420	LN28-LN11	2,413	434,272	75,734
9	STATE AND LOCAL INCOME TAX (ACTUAL)	0	S-12,LN 31	0	0	0
10	STATE AND LOCAL INCOME TAX (OPTION)	170,578	LN 33	803	144,564	25,211
11	PROVISION FOR DEFERRED INCOME TAX	0	S-12,LN 33	0	0	0
13	OPERATING EXPENSE AND TAX	29,698,970	S-8,LN 18	129,517	24,099,908	5,469,545
14	NONOPERATING EXPENSE	146,219	S-8,LN 23	629	118,117	27,473
15	UNCOLLECTIBLES	3,120,000	S-8,LN 28	16,083	2,877,492	226,425
16	BASIS FOR GROSS RECEIPTS TAX	34,642,883		154,130	28,517,350	5,971,403
17	GROSS RECEIPTS TAX RATE (GROSS UP)			0	0	0
18	GROSS RECEIPTS TAX	0		0	0	0
19	TOTAL REVENUE REQUIREMENT	34,642,883		154,130	28,517,350	5,971,403

NOTE A: INCLUDES NET TEL PLANT FROM SCH S-2, LN 33 LESS A/C's 2004, 2006, 2007 AND 1402 OTHER THAN RTB STOCK.

OPTIONAL GROSS UP INCOME TAX CALCULATION						
20	RETURN ON INVESTMENT	994,697	LN 3	4,685	842,998	147,014
21	INTEREST AND RELATED ITEMS	0	S-12, LN 19	0	0	0
22	OTHER INCOME ADJUSTMENTS	0	S-12, LN 24+25	0	0	0
23	TOTAL INCOME ADJUSTMENTS	0	LN 21+22	0	0	0
24	FEDERAL ITC AMORTIZATION	0	S-12, LN 28	0	0	0
25	FEDERAL TAXABLE INCOME	1,507,117		7,098	1,277,270	222,748
26	FEDERAL INCOME TAX @ 34.00%	512,420	LN 25*FIT	2,413	434,272	75,734
27	FEDERAL SURTAX ALLOCATION	0	S-2, LN 34	0	0	0
28	NET FEDERAL INCOME TAX BEFORE ITC	512,420	LN26-LN27	2,413	434,272	75,734
29	STATE ITC AMORTIZATION	0	S-12, LN 29	0	0	0
30	STATE TAXABLE INCOME	1,421,485		6,695	1,204,698	210,092
31	STATE INCOME TAX @ 12.00%	170,578	LN 30*SIT	803	144,564	25,211
32	STATE SURTAX EXEMPTION	0	S-2, LN 34	0	0	0
33	NET STATE INCOME TAX BEFORE ITC	170,578		803	144,564	25,211

PUBLIC VERSION

IOWA NETWORK ACCESS DIVISION
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COST SUPPORT MATERIAL
PART 36 SEPARATIONS

SECTION 4

S-2,1of1

SUMMARY OF NET TELEPHONE PLANT, M&S AND WORKING CAPITAL

S-2,1of1

LN	ALLOCATION RATIOS	TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE MSG TOLL		OTHER
				INTRALATA	INTERLATA	
	NET INVESTMENT SUMMARY					
1	GENERAL SUPPORT FACILITIES 2110	8,036,575	S-3,LN 10	37,169	6,649,903	1,349,504
2	CENTRAL OFFICE SWITCHING EQUIPMEI 2210	34,002,891	S-4,LN 52	157,262	28,135,856	5,709,774
3	OPERATOR SYSTEMS EQUIPMENT 2220	0	S-4,LN 41	0	0	0
4	CENTRAL OFFICE TRANSMISSION EQUIP 2230	0	S-4,LN 78	0	0	0
5	INFORMATION ORIG/TERM EQUIPMENT 2310	0	S-5,LN 17	0	0	0
6	CABLE AND WIRE FACILITIES 2410	0	S-5,LN 42	0	0	0
7	TANGIBLE ASSETS 2680	1,430,198	S-3,LN 29	6,615	1,183,424	240,159
8	INTANGIBLE ASSETS 2690	0	S-3,LN 36	0	0	0
9	TOTAL PLANT IN SERVICE A/C 2001	43,469,665		201,045	35,969,183	7,299,436
10	% DISTRIBUTION	100.0000%		0.4625%	82.7455%	16.7920%
11	PROPERTY HELD FOR FUTURE USE 2002	0	S-6,LN 9	0	0	0
12	PLANT UNDER CONSTR - SHORT TERM 2003	119,905	S-6,LN 15	555	99,216	20,134
13	PLANT UNDER CONSTR - LONG TERM 2004	0	S-6,LN 21	0	0	0
14	TELEPHONE PLANT ADJUSTMENT 2005	0	S-6,LN 27	0	0	0
15	NONOPERATING PLANT 2006	0	DIRECT			
16	GOODWILL 2007	0	DIRECT			
17	TOTAL PROPERTY, PLANT & EQUIPMENT	43,589,569		201,600	36,068,399	7,319,571
18	% DISTRIBUTION	100.0000%		0.4625%	82.7455%	16.7920%
19	ACCUM DEPRECIATION - PLANT IN SERV 3100	32,223,449	S-7,LN 18	149,032	26,663,448	5,410,969
20	ACCUM DEPRECIATION - FUTURE USE 3200	0	S-7,LN 19	0	0	0
21	ACCUM AMORTIZATION - TANGIBLE PRO 3400	913,908	S-7,LN 23	4,227	756,217	153,464
22	ACCUM AMORTIZATION - INTANGIBLE PF 3500	0	S-7,LN 24	0	0	0
23	ACCUM AMORTIZATION - TEL PLANT ADJ 3600	0	S-7,LN 25	0	0	0
24	OPERATING DEFERRED INCOME TAX - N VAR	2,490,632	S-7,LN 32	11,519	2,060,886	418,228
25	OTHER DEFERRED CREDITS - NET 4360	0	S-7,LN 38	0	0	0
26	NET TELEPHONE PLANT	7,961,580		36,822	6,587,848	1,336,910
27	% DISTRIBUTION	100.0000%		0.4625%	82.7455%	16.7920%
28	MATERIALS AND SUPPLIES 1220	0	S-6,LN 31	0	0	0
29	INVESTMENT IN NONAFFILIATED CO'S 1402	0	S-6,LN 35	0	0	0
30	EQUAL ACCESS EQUIPMENT 1439	0	S-6,LN 36	0	0	0
31	OTHER JURISDICTIONAL ASSETS 1500	0	S-6,LN 37	0	0	0
32	CASH WORKING CAPITAL XXXX	1,120,895	S-3,LN 3	4,820	905,469	210,605
33	NET TEL PLANT, M&S AND CASH WORKING CAPITAL	9,082,475		41,642	7,493,317	1,547,516
34	% DISTRIBUTION	100.0000%		0.4585%	82.5030%	17.0385%

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IOWA NETWORK ACCESS DIVISION
PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 36 SEPARATIONS

SECTION 4

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SUMMARY OF OPERATING EXPENSE AND TAX

S-8,1of1

LN	ALLOCATION RATIOS	TOTAL COMPANY	ALLOCATION BASIS	INTERSTATE MSG TOLL		
				INTRALATA	INTERLATA	OTHER
	OPERATING EXPENSE AND TAX SUMMARY					
1	NETWORK SUPPORT EXPENSE 6110	0	S-9,LN 7	0	0	0
2	GENERAL SUPPORT EXPENSE 6120	1,085,857	S-9,LN 8	5,022	898,498	182,337
3	CENTRAL OFFICE EXPENSE 6210	1,484,184	S-9,LN 15	6,864	1,228,095	249,224
4	INFORMATION ORIG/TERM EXPENSE 6310	0	S-9,LN 21	0	0	0
5	CABLE AND WIRE FACILITIES EXPENSE 6410	17,882,154	S-9,LN 25	76,035	14,402,537	3,403,582
6	OTHER PLANT EXPENSE 6510	0	S-10,LN 11	0	0	0
7	NETWORK OPERATIONS EXPENSE 6530	1,234,528	S-10,LN 13	5,710	1,021,516	207,302
8	ACCESS CHARGE EXPENSE 6540	0	S-10,LN 14	0	0	0
9	MARKETING EXPENSE 6610	0	S-11,LN 13	0	0	0
10	SERVICES EXPENSE 6620	204,532	S-11,LN 44	864	154,642	49,025
11	EXECUTIVE AND PLANNING EXPENSE 6710	564,168	S-12,LN 8+9	2,426	455,740	106,002
12	GENERAL AND ADMINISTRATIVE EXPENSE 6720	2,790,857	S-12,LN 11+12	12,002	2,254,480	524,375
13	SUBTOTAL OPERATING EXPENSES	25,246,280		108,923	20,415,508	4,721,848
14	% DISTRIBUTION	100.0000%		0.4314%	80.8654%	18.7031%
15	DEPRECIATION AND AMORTIZATION 6560	4,211,191	S-10,LN 22+29	19,477	3,484,570	707,144
16	OTHER OPERATING TAX 7240	241,499	S-12,LN 32	1,117	199,829	40,553
17	EQUAL ACCESS EXPENSE	0	S-12,LN 15	0	0	0
18	TOTAL OPERATING EXPENSE AND TAX	29,698,970		129,517	24,099,908	5,469,545
19	% DISTRIBUTION	100.0000%		0.4361%	81.1473%	18.4166%
	NON OPERATING EXPENSE 7370					
20	ABANDONED CONSTRUCTION	0	S-2,LN 10	0	0	0
21	CONTRIBUTIONS	146,219	S-12,LN 14	629	118,117	27,473
22	OTHER NON OPERATING EXPENSE	0	DIRECT			
23	TOTAL NON OPERATING EXPENSE	146,219		629	118,117	27,473
24	% DISTRIBUTION	100.0000%		0.4300%	80.7809%	18.7890%
	UNCOLLECTIBLES					
25	END USER MSG TOLLS 5310	0	DIRECT	0	0	0
26	END USER COMMON LINE 5320	0	DIRECT	0	0	0
27	IX CARRIER 5330	3,120,000	S-11,LN 5	16,083	2,877,492	226,425
28	TOTAL UNCOLLECTIBLES	3,120,000		16,083	2,877,492	226,425
29	ALLOWANCE FOR FUNDS USED DURING 7340	0	S-12,LN 3	0	0	0

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IOWA NETWORK SERVICES, INC.
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PART 64 SEPARATIONS

SECTION 5

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REVENUE REQUIREMENT SUMMARY

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LN	DESCRIPTION	A/C	CAT	TOTAL COMPANY	ALLOCATION BASIS	ACCESS DIVISION	ALL OTHER
	REVENUE REQUIREMENT SUMMARY						
1	NET INVESTMENT FOR SETTLEMENTS			36,668,672	NOTE A	9,082,475	27,586,197
2	RATE OF RETURN					10.9518%	9.7076%
3	RETURN ON INVESTMENT			3,672,668	LN1*LN 2	994,697	2,677,971
4	ALLOWANCE FOR FUNDS USED DURING CONSTR			0	S-8, LN 30	-	-
5	NET RETURN FOR SETTLEMENTS			3,672,668	LN 3-LN 4	994,697	2,677,971
6	TOTAL ITC AMORTIZATION			0	S-12, LN 32	-	-
7	FEDERAL OPERATING INCOME TAX	(ACTUAL)		0		-	-
8	FEDERAL OPERATING INCOME TAX	(OPTION)		1,891,981	LN28-LN11	512,420	1,379,561
9	STATE AND LOCAL INCOME TAX	(ACTUAL)		0		-	-
10	STATE AND LOCAL INCOME TAX	(OPTION)		629,817	LN 32	170,578	459,239
11	PROVISION FOR DEFERRED INCOME TAX			0	S-12, LN 36	-	-
13	OPERATING EXPENSE AND TAX			96,257,517	S-8, LN 20	29,698,970	66,558,547
14	NONOPERATING EXPENSE			409,000	S-8, LN 25	146,219	262,781
15	UNCOLLECTIBLES			3,600,000	S-8, LN 29	3,120,000	480,000
16	BASIS FOR GROSS RECEIPTS TAX			106,460,983		34,642,883	71,818,100
17	GROSS RECEIPTS TAX RATE	(GROSS UP)				-	-
18	GROSS RECEIPTS TAX			0		-	-
19	TOTAL REVENUE REQUIREMENT			106,460,983		34,642,883	71,818,100

NOTE A: INCLUDES NET TEL PLANT FROM SCH S-2, LN 33 LESS A/C's 2004 ,2006 ,2007 AND 1402.

	OPTIONAL GROSS UP INCOME TAX CALCULATION						
20	RETURN ON INVESTMENT			3,672,668	LN 3	994,697	2,677,971
21	INTEREST AND RELATED ITEMS			0	S-12, LN 22	-	-
22	OTHER INCOME ADJUSTMENTS			0	S-12, LN 27+28	-	-
23	TOTAL INCOME ADJUSTMENTS			0	LN 21+22	-	-
24	FEDERAL ITC AMORTIZATION			0	S-12, LN 32	-	-
25	FEDERAL TAXABLE INCOME			5,564,649		1,507,117	4,057,532
26	FEDERAL INCOME TAX @	34.00%		1,891,981	LN 25*FIT	512,420	1,379,561
27	FEDERAL SURTAX ALLOCATION			0	S-2, LN 32	-	-
28	NET FEDERAL INCOME TAX BEFORE ITC			1,891,981	LN26-LN27	512,420	1,379,561
29	STATE TAXABLE INCOME			5,248,476		1,421,485	3,826,991
30	STATE INCOME TAX @	12.00%		629,817	LN 29*SIT	170,578	459,239
31	STATE SURTAX EXEMPTION			0	S-2, LN 32	-	-
32	NET STATE INCOME TAX BEFORE ITC			629,817	LN30-LN31	170,578	459,239

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IOWA NETWORK SERVICES, INC.
PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 64 SEPARATIONS

SECTION 5

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SUMMARY OF NET TELEPHONE PLANT, M&S AND WORKING CAPITAL

S-2,1of1

LN	DESCRIPTION	A/C	CAT	TOTAL COMPANY	ALLOCATION BASIS	ACCESS DIVISION	ALL OTHER
	NET INVESTMENT SUMMARY						
1	GENERAL SUPPORT FACILITIES	2110		20,164,542	S-3, LN 27	8,036,575	12,127,967
2	CENTRAL OFFICE SWITCHING EQUIPME	2210		54,493,426	S-4, LN 17	34,002,891	20,490,535
3	CENTRAL OFFICE TRANSMISSION EQUIF	2230		49,116,717	S-4, LN 31	0	49,116,717
4	CABLE AND WIRE FACILITIES	2410		26,818,101	S-5, LN 16	0	26,818,101
5	TANGIBLE ASSETS	2680		3,588,505	S-3, LN 54	1,430,198	2,158,307
6	INTANGIBLE ASSETS	2690		0	S-3, LN 61	0	0
7	TOTAL PLANT IN SERVICE A/C 2001			154,181,291		43,469,665	110,711,626
8	% DISTRIBUTION			100.0000%		28.1939%	71.8061%
9	PROPERTY HELD FOR FUTURE USE	2002		0	S-6, LN 9	0	0
10	PLANT UNDER CONSTR - SHORT TERM	2003		425,286	S-6, LN 15	119,905	305,381
11	PLANT UNDER CONSTR - LONG TERM	2004		0	S-6, LN 21	0	0
12	TELEPHONE PLANT ADJUSTMENT	2005		0	S-6, LN 27	0	0
13	NONOPERATING PLANT	2006		2,173,393	DIRECT		
14	GOODWILL	2007		0	DIRECT		
15	TOTAL PROPERTY, PLANT & EQUIPMENT			156,779,970		43,589,569	113,190,401
16	% DISTRIBUTION			100.0000%		27.8030%	72.1970%
17	ACCUM DEPRECIATION - PLANT IN SERV	3100		111,174,505	S-7, LN 30	32,223,449	78,951,056
18	ACCUM DEPRECIATION - FUTURE USE	3200		0	S-7, LN 31	0	0
19	ACCUM AMORTIZATION - TANGIBLE PRC	3400		2,293,083	S-7, LN 36	913,908	1,379,175
20	ACCUM AMORTIZATION - INTANGIBLE PF	3500		0	S-7, LN 37	0	0
21	ACCUM AMORTIZATION - TEL PLANT AD.	3600		0	S-7, LN 38	0	0
22	OPERATING DEFERRED INCOME TAX - N	VAR		8,921,884	S-7, LN 44	2,490,632	6,431,252
23	OTHER DEFERRED CREDITS - NET	4360		0	S-7, LN 49	0	0
24	NET TELEPHONE PLANT			34,390,498		7,961,580	26,428,918
25	% DISTRIBUTION			100.0000%		23.1505%	76.8495%
26	MATERIALS AND SUPPLIES	1220		757,115	S-6, LN 32	0	757,115
27	PREPAID EXPENSES	1300		0	S-6, LN 37	0	0
28	INVESTMENT IN NONAFFILIATED CO'S	1402		119,414,084	S-6, LN 38	0	119,414,084
29	OTHER JURISDICTIONAL ASSETS	1500		0	S-6, LN 39	0	0
30	CASH WORKING CAPITAL	XXXX		3,694,452	COMPUTED	1,120,895	2,573,557
31	NET TEL PLANT, M&S AND CASH WORKING CAPITAL			158,256,149		9,082,475	149,173,674
32	% DISTRIBUTION			100.0000%		5.7391%	94.2609%

PUBLIC VERSION

IOWA NETWORK SERVICES, INC.
PROJECTED JUNE 30, 2011COST SUPPORT MATERIAL
PART 64 SEPARATIONS

SECTION 5

S-8,1of1

SUMMARY OF OPERATING EXPENSE AND TAX

S-8,1of1

LN	DESCRIPTION	A/C	CAT	TOTAL COMPANY	ALLOCATION BASIS	ACCESS DIVISION	ALL OTHER
OPERATING EXPENSE AND TAX SUMMARY							
1	NETWORK SUPPORT EXPENSE	6110		211,817	S-9, LN 13-23	86,337	125,480
2	GENERAL SUPPORT EXPENSE	6120		2,750,855	S-9, LN 24-27	999,520	1,751,335
3	CENTRAL OFFICE EXPENSE	6210		4,024,913	S-9, LN 33	1,484,184	2,540,729
4	CABLE AND WIRE FACILITIES EXPENSE	6410		25,211,234	S-9, LN 35	17,882,154	7,329,080
5	OTHER PLANT EXPENSE	6510		16,593,538	S-10, LN 6	0	16,593,538
6	NETWORK OPERATIONS EXPENSE	6530		5,966,106	S-10, LN 13	1,234,528	4,731,578
7	ACCESS CHARGE EXPENSE	6540		10,850,430	S-10, LN 15	0	10,850,430
8	MARKETING EXPENSE	6610		4,132,682	S-11, LN 15	0	4,132,682
9	SERVICES EXPENSE	6620		3,215,883	S-11, LN 39	204,532	3,011,351
10	EXECUTIVE AND PLANNING EXPENSE	6710		1,303,905	S-12, LN 7	564,168	739,737
11	GENERAL AND ADMINISTRATIVE EXPENSE	6720		6,870,466	S-12, LN 8-15	2,790,857	4,079,609
12	SUBTOTAL OPERATING EXPENSES			81,131,829		25,246,280	55,885,549
13	% DISTRIBUTION			100.0000%		31.1176%	0.68882398
14	DEPRECIATION - PLANT IN SERVICE	6561		14,309,688	S-10, LN 33	4,211,191	10,098,497
15	DEPRECIATION - FUTURE USE	6562		0	S-10, LN 34	0	0
16	AMORTIZATION - TANGIBLES	6563		0	S-3, LN 42-44	0	0
17	AMORTIZATION - INTANGIBLES	6564		0	S-3, LN 45	0	0
18	AMORTIZATION - OTHER	6565		0	S-3, LN 46	0	0
19	OTHER OPERATING TAX	7240		816,000	S-12, LN 35	241,499	574,501
20	TOTAL OPERATING EXPENSE AND TAX			96,257,517		29,698,970	66,558,547
21	% DISTRIBUTION			100.0000%		30.8537%	69.1463%
NON OPERATING EXPENSE							
22	ABANDONED CONSTRUCTION	7370		0	S-2, LN 8	0	0
23	CONTRIBUTIONS			409,000	S-12, LN 2	146,219	262,781
24	ALL OTHER			0	S-12, LN 2	0	0
25	TOTAL NON OPERATING EXPENSE			409,000		146,219	262,781
26	% DISTRIBUTION			100.0000%		35.7503%	64.2497%
UNCOLLECTIBLES							
27	END USER MSG TOLLS	5310		480,000	DIRECT	XXX	480,000
28	IX CARRIER	5330		3,120,000	DIRECT	3,120,000	
29	TOTAL UNCOLLECTIBLES			3,600,000		3,120,000	480,000
30	ALLOWANCE FOR FUNDS USED DURING	7340		0	S-12, LN 4	0	0

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Rate-of Return TRP
Cost Analysis Summary
Test Year: 7/10 - 8/11

	Total Company (A)	Part 64 Adjustments (B)	Other Adjustments (C)	Subject to Separations (D)	Total Interstate (E)	Billing & Collection (F)
Revenues						
100 Network Access	n/a	n/a	n/a	n/a	n/a	n/a
110 Uncollectibles	n/a	n/a	n/a	n/a	n/a	n/a
120 Common Line Support	n/a	n/a	n/a	n/a	n/a	n/a
130 Long Term	n/a	n/a	n/a	n/a	n/a	n/a
140 Transitional	n/a	n/a	n/a	n/a	n/a	n/a
150 Miscellaneous	n/a	n/a	n/a	n/a	n/a	n/a
160 Net Revenues	---	---	---	---	---	---
Expenses						
170 Plant Specific	n/a	n/a	n/a	n/a	16,617,051	0
171 Network Support	0	0	0	0	0	0
172 General Support	1,085,857	0	0	1,085,857	903,520	0
173 Central Office	1,484,184	0	0	1,484,184	1,234,959	0
174 Operator Systems	0	0	0	0	0	0
175 COE Switching	1,484,184	0	0	1,484,184	1,234,959	0
176 COE Transmission	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0
178 Cable & Wire Facilities	17,882,154	0	0	17,882,154	14,478,572	0
180 Plant Non-Sp. Less Dep/Amor	n/a	n/a	n/a	n/a	1,027,225	0
190 Depreciation / Amortization	4,211,191	0	0	4,211,191	3,504,047	0
200 Customer Operations	n/a	n/a	n/a	n/a	155,507	0
201 Marketing	0	0	0	0	0	0
202 Local Business Office	204,532	0	0	204,532	155,507	0
203 Revenue Accounting	0	0	0	0	0	0
204 Other Billing & Collection	0	0	0	0	0	0
210 Access	n/a	n/a	n/a	n/a	0	n/a
220 Corporate Operations	n/a	n/a	n/a	n/a	2,724,648	0
230 AFUDC	n/a	n/a	n/a	n/a	n/a	n/a
240 Other Exp. & Adjustments	n/a	n/a	n/a	n/a	3,012,321	0
250 Taxes Other than FIT	n/a	n/a	n/a	n/a	346,313	0
260 Total Exp and Other Taxes	n/a	n/a	n/a	n/a	27,387,113	0
FIT Adjustments						
270 Adjustment for FIT	0	0	0	0	0	0
280 Amortized ITC	0	0	0	0	0	0
290 Federal Income Taxes	---	n/a	n/a	n/a	---	n/a
300 Total Expenses & Taxes	n/a	n/a	n/a	n/a	27,387,113	n/a
Telephone Plant In Service						
310 General Support	8,036,575	0	0	8,036,575	6,687,072	0
320 Central Office Equip-Switch	34,002,891	0	0	34,002,891	28,293,118	0
321 Operator Systems	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0
323 Local Switching Cat. 3	0	0	0	0	0	0
324 Equal Access	34,002,891	0	0	34,002,891	28,293,118	0
330 Central Office Equip-Trans	0	0	0	0	0	0
331 Subscriber Lines	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0
350 Info Orig/Term Equipment	1,430,198	0	0	1,430,198	1,190,039	0
360 Amortizable Assets	43,469,664	0	0	43,469,664	36,170,229	0
370 Total Plant In Service	---	---	---	---	---	---
Adjustments to TPIS						
380 Dep'r / Amor Reserve	33,137,357	0	0	33,137,357	27,572,924	0
390 Accum Deferred Income Tax	2,490,632	0	0	2,490,632	2,072,405	0
400 Other Rate Base Adjust	n/a	n/a	n/a	n/a	1,010,060	0
Return Data						
410 Average Rate Base	n/a	n/a	n/a	n/a	7,534,960	n/a
420 Return	n/a	n/a	n/a	n/a	n/a	n/a
430 Rate of Return	n/a	n/a	n/a	n/a	n/a	n/a

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	Interstate Inter- exchange (G)	ROR Regulated IS Access (H)	Pay Phone (I)	Inside Wire (J)	BFP (K)	Total Common Line (L)
Revenues						
100 Network Access	n/a	28,516,102	0	0	0	0
110 Uncollectibles	n/a	0	0	0	0	0
120 Common Line Support	n/a	0	0	0	0	0
130 Long Term	n/a	0	0	0	0	0
140 Transitional	n/a	0	0	0	0	0
150 Miscellaneous	n/a	41,058	0	0	0	0
160 Net Revenues	n/a	28,557,160	0	0	0	0
Expenses						
170 Plant Specific	0	16,617,051	0	0	0	0
171 Network Support	0	0	0	0	0	0
172 General Support	0	903,520	0	0	0	0
173 Central Office	0	1,234,959	0	0	0	0
174 Operator Systems	0	0	0	0	0	0
175 COE Switching	0	1,234,959	0	0	0	0
176 COE Transmission	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0
178 Cable & Wire Facilities	0	0	0	0	0	0
180 Plant Non-Sp. Less Dep/Amor	0	14,478,572	0	0	0	0
190 Depreciation / Amortization	0	1,027,226	0	0	0	0
200 Customer Operations	0	3,504,047	0	0	0	0
201 Marketing	0	155,507	0	0	0	0
202 Local Business Office	0	0	0	0	0	0
203 Revenue Accounting	0	155,507	0	0	0	0
204 Other Billing & Collection	0	0	0	0	0	0
210 Access	0	0	0	0	0	0
220 Corporate Operations	0	n/a	n/a	n/a	n/a	n/a
230 AFUDC	0	2,724,648	0	0	0	0
240 Other Exp. & Adjustments	0	3,012,321	0	0	0	0
250 Taxes Other than FIT	0	346,313	0	0	0	0
260 Total Exp and Other Taxes	0	27,387,113	0	0	0	0
FIT Adjustments						
270 Adjustment for FIT	0	0	0	0	0	0
280 Amortized ITC	0	0	0	0	0	0
290 Federal Income Taxes	n/a	397,816	0	0	0	0
300 Total Expenses & Taxes	n/a	27,784,929	0	0	0	0
Telephone Plant in Service						
310 General Support	0	6,687,072	0	0	0	0
320 Central Office Equip-Switch	0	28,293,118	0	0	0	0
321 Operator Systems	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0
323 Local Switching Cat. 3	0	0	0	0	0	0
324 Equal Access	0	0	0	0	0	0
330 Central Office Equip-Trans	0	28,293,118	0	0	0	0
331 Subscriber Lines	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0
350 Info Orig/Term Equipment	0	0	0	0	0	0
360 Amortizable Assets	0	1,190,039	0	0	0	0
370 Total Plant in Service	0	36,170,229	0	0	0	0
Adjustments to TPIs						
380 Depr / Amor Reserve	0	27,572,924	0	0	0	0
390 Accum Deferred Income Tax	0	2,072,405	0	0	0	0
400 Other Rate Base Adjust	0	1,010,060	0	0	0	0
Return Data						
410 Average Rate Base	n/a	7,534,960	0	0	0	0
420 Return	n/a	772,231	0	0	0	0
430 Rate of Return	11.25%	10.25%	0.00%	0.00%	0.00%	0.00%

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	Local Switching (M)	Equal Access (N)	SS7 (O)	Information (P)	Tandem Switching (Q)	Local Transport (R)
Revenues						
100 Network Access	0	0	0	0	0	28,516,102
110 Uncollectibles	0	0	0	0	0	0
120 Common Line Support	0	n/a	n/a	n/a	n/a	n/a
130 Long Term	0	n/a	n/a	n/a	n/a	n/a
140 Transitional	0	n/a	n/a	n/a	n/a	n/a
150 Miscellaneous	0	0	0	0	0	41,058
160 Net Revenues	0	0	0	0	0	28,557,160
Expenses						
170 Plant Specific	0	0	0	0	0	16,617,051
171 Network Support	0	0	0	0	0	0
172 General Support	0	0	0	0	0	903,520
173 Central Office	0	0	0	0	0	1,234,959
174 Operator Systems	0	0	0	0	0	0
175 COE Switching	0	0	0	0	0	1,234,959
176 COE Transmission	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0
178 Cable & Wire Facilities	0	0	0	0	0	0
180 Plant Non-Sp. Less Dep/Amor	0	0	0	0	0	14,478,572
190 Depreciation / Amortization	0	0	0	0	0	1,027,226
200 Customer Operations	0	0	0	0	0	3,504,047
201 Marketing	0	0	0	0	0	155,507
202 Local Business Office	0	0	0	0	0	0
203 Revenue Accounting	0	0	0	0	0	0
204 Other Billing & Collection	0	0	0	0	0	0
210 Access	n/a	n/a	n/a	n/a	n/a	n/a
220 Corporate Operations	0	0	0	0	0	2,724,648
230 AFUDC	0	0	0	0	0	0
240 Other Exp. & Adjustments	0	0	0	0	0	3,012,321
250 Texas Other than FIT	0	0	0	0	0	346,313
260 Total Exp and Other Taxes	0	0	0	0	0	27,387,113
FIT Adjustments						
270 Adjustment for FIT	0	0	0	0	0	0
280 Amortized ITC	0	0	0	0	0	0
290 Federal Income Taxes	0	0	0	0	0	397,816
300 Total Expenses & Taxes	0	0	0	0	0	27,784,929
Telephone Plant in Service						
310 General Support	0	0	0	0	0	6,687,072
320 Central Office Equip-Switch	0	0	0	0	0	28,293,118
321 Operator Systems	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0
323 Local Switching Cat. 3	0	0	0	0	0	0
324 Equal Access	0	0	0	0	0	0
330 Central Office Equip-Trans	0	0	0	0	0	28,293,118
331 Subscriber Lines	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0
350 Info Orig/Term Equipment	0	0	0	0	0	0
360 Amortizable Assets	0	0	0	0	0	1,190,039
370 Total Plant in Service	0	0	0	0	0	36,170,229
Adjustments to TPIS						
380 Depr / Amor Reserve	0	0	0	0	0	27,572,924
390 Accum Deferred Income Tax	0	0	0	0	0	2,072,405
400 Other Rate Base Adjust.	0	0	0	0	0	1,010,060
Return Data						
410 Average Rate Base	0	0	0	0	0	7,534,960
420 Return	0	0	0	0	0	772,231
430 Rate of Return	0.00%	0.00%	0.00%	0.00%	0.00%	10.25%

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	Host Remote (S)	Total Switched Traffic Sensitive (T)	Special Access (U)
Revenues			
100 Network Access	0	28,516,102	0
110 Uncollectibles	0	0	0
120 Common Line Support	n/a	n/a	n/a
130 Long Term	n/a	n/a	n/a
140 Transitional	n/a	n/a	n/a
150 Miscellaneous	0	41,058	0
160 Net Revenues	0	28,557,160	0
Expenses			
170 Plant Specific	0	16,617,051	0
171 Network Support	0	0	0
172 General Support	0	903,520	0
173 Central Office	0	1,234,959	0
174 Operator Systems	0	0	0
175 COE Switching	0	1,234,959	0
176 COE Transmission	0	0	0
177 IOT	0	0	0
178 Cable & Wire Facilities	0	14,478,572	0
180 Plant Non-Sp. Less Dep/Amor	0	1,027,226	0
190 Depreciation / Amortization	0	3,504,047	0
200 Customer Operations	0	155,507	0
201 Marketing	0	0	0
202 Local Business Office	0	0	0
203 Revenue Accounting	0	0	0
204 Other Billing & Collection	0	0	0
210 Access	n/a	n/a	n/a
220 Corporate Operations	0	2,724,648	0
230 AFUDC	0	0	0
240 Other Exp. & Adjustments	0	3,012,321	0
250 Taxes Other than FIT	0	346,313	0
260 Total Exp and Other Taxes	0	27,387,113	0
FIT Adjustments			
270 Adjustment for FIT	0	0	0
280 Amortized ITC	0	397,816	0
290 Federal Income Taxes	0	0	0
300 Total Expenses & Taxes	0	27,784,929	0
Telephone Plant in Service			
310 General Support	0	6,687,072	0
320 Central Office Equip-Switch	0	28,293,118	0
321 Operator Systems	0	0	0
322 Tandem Switching	0	0	0
323 Local Switching Cat. 3	0	0	0
324 Equal Access	0	0	0
330 Central Office Equip-Trans	0	28,293,118	0
331 Subscriber Lines	0	0	0
332 Exchange Circuit	0	0	0
333 Interexchange Circuit	0	0	0
334 Host Remote	0	0	0
340 Cable & Wire	0	0	0
341 Subscriber Lines	0	0	0
342 Exchange	0	0	0
343 Interexchange	0	0	0
344 Host Remote	0	0	0
350 Info Orig/Term Equipment	0	0	0
360 Amortizable Assets	0	1,190,039	0
370 Total Plant in Service	0	36,170,229	0
Adjustments to TPIS			
380 Dep'r / Amor Reserve	0	27,572,924	0
390 Accum Deferred Income Tax	0	2,072,405	0
400 Other Rate Base Adjust	0	1,010,060	0
Return Data			
410 Average Rate Base	0	7,534,960	0
420 Return	0	772,231	0
430 Rate of Return	0.00%	10.25%	0.00%

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Rate-of Return TRP
Cost Analysis Summary
Historical, Calendar Year 2009

	Total Company (A)	Part 64 Adjustments (B)	Other Adjustments (C)	Subject to Separations (D)	Total Interest (E)	Billing & Collection (F)
Revenues						
100 Network Access	n/a	n/a	n/a	n/a	n/a	n/a
110 Uncollectibles	n/a	n/a	n/a	n/a	n/a	n/a
120 Common Line Support	n/a	n/a	n/a	n/a	n/a	n/a
130 Long Term	n/a	n/a	n/a	n/a	n/a	n/a
140 Transitional	n/a	n/a	n/a	n/a	n/a	n/a
150 Miscellaneous	n/a	n/a	n/a	n/a	n/a	n/a
160 Net Revenues	---	---	---	---	---	---
Expenses						
170 Plant Specific	n/a	n/a	n/a	n/a	15,652,556	0
171 Network Support	0	0	0	0	0	0
172 General Support	986,088	0	0	986,088	789,423	0
173 Central Office	1,067,510	0	0	1,067,510	854,607	0
174 Operator Systems	0	0	0	0	0	0
175 COE Switching	1,067,510	0	0	1,067,510	854,607	0
176 COE Transmission	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0
178 Cable & Wire Facilities	17,982,228	0	0	17,982,228	14,008,526	0
180 Plant Non-Sp. Less Dep/Amor	n/a	n/a	n/a	n/a	972,824	0
190 Depreciation / Amortization	3,371,420	0	0	3,371,420	2,699,026	0
200 Customer Operations	n/a	n/a	n/a	n/a	139,904	0
201 Marketing	0	0	0	0	0	0
202 Local Business Office	200,029	0	0	200,029	139,904	0
203 Revenue Accounting	0	0	0	0	0	0
204 Other Billing & Collection	0	0	0	0	0	0
210 Access	n/a	n/a	n/a	n/a	0	n/a
220 Corporate Operations	n/a	n/a	n/a	n/a	2,493,829	0
230 AFUDC	n/a	n/a	n/a	n/a	n/a	n/a
240 Other Exp. & Adjustments	n/a	n/a	n/a	n/a	3,534,107	0
250 Taxes Other than FIT	n/a	n/a	n/a	n/a	343,469	0
260 Total Exp and Other Taxes	n/a	n/a	n/a	n/a	25,835,735	0
FIT Adjustments						
270 Adjustment for FIT	0	0	0	0	0	0
280 Amortized ITC	0	0	0	0	0	0
290 Federal Income Taxes	n/a	n/a	n/a	n/a	0	n/a
300 Total Expenses & Taxes	n/a	n/a	n/a	n/a	25,835,735	n/a
Telephone Plant in Service						
310 General Support	6,035,246	0	0	6,035,246	4,831,581	0
320 Central Office Equip-Switch	33,746,711	0	0	33,746,711	27,016,294	0
321 Operator Systems	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0
323 Local Switching Cat. 3	0	0	0	0	0	0
324 Equal Access	0	0	0	0	0	0
330 Central Office Equip-Trans	33,746,711	0	0	33,746,711	27,016,294	0
331 Subscriber Lines	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0
350 Info Orig/Term Equipment	1,300,186	0	0	1,300,186	1,040,877	0
360 Amortizable Assets	41,082,143	0	0	41,082,143	32,888,752	0
370 Total Plant in Service	---	---	---	---	---	---
Adjustments to TPIS						
380 Depr / Amor Reserve	29,207,811	0	0	29,207,811	23,382,628	0
390 Accum Deferred Income Tax	2,531,813	0	0	2,531,813	2,026,871	0
400 Other Rate Base Adjust.	n/a	n/a	n/a	n/a	912,095	0
Return Data						
410 Average Rate Base	n/a	n/a	n/a	n/a	8,391,349	n/a
420 Return	n/a	n/a	n/a	n/a	n/a	n/a
430 Rate of Return	n/a	n/a	n/a	n/a	n/a	n/a

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	Interstate Inter- exchange (G)	ROR Regulated IS Access (H)	Pay Phone (I)	Inside Wire (J)	BFP (K)	Total Common Line (L)
Revenues						
100 Network Access	n/a	24,424,831	0	0	0	0
110 Uncollectibles	n/a	0	0	0	0	0
120 Common Line Support	n/a	0	0	0	0	0
130 Long Term	n/a	0	0	0	0	0
140 Transitional	n/a	0	0	0	0	0
150 Miscellaneous	n/a	40,264	0	0	0	0
160 Net Revenues	n/a	24,465,095	0	0	0	0
Expenses						
170 Plant Specific	0	15,652,556	0	0	0	0
171 Network Support	0	0	0	0	0	0
172 General Support	0	789,423	0	0	0	0
173 Central Office	0	854,607	0	0	0	0
174 Operator Systems	0	0	0	0	0	0
175 COE Switching	0	854,607	0	0	0	0
176 COE Transmission	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0
178 Cable & Wire Facilities	0	14,008,526	0	0	0	0
180 Plant Non-Sp. Less Dep/Amor	0	972,824	0	0	0	0
190 Depreciation / Amortization	0	2,699,026	0	0	0	0
200 Customer Operations	0	139,904	0	0	0	0
201 Marketing	0	0	0	0	0	0
202 Local Business Office	0	139,904	0	0	0	0
203 Revenue Accounting	0	0	0	0	0	0
204 Other Billing & Collection	0	0	0	0	0	0
210 Access	0	n/a	n/a	n/a	n/a	n/a
220 Corporate Operations	0	2,493,829	0	0	0	0
230 AFUDC	n/a	0	0	0	0	0
240 Other Exp. & Adjustments	0	3,534,107	0	0	0	0
250 Taxes Other than FIT	0	343,489	0	0	0	0
260 Total Exp and Other Taxes	0	25,835,735	0	0	0	0
FIT Adjustments						
270 Adjustment for FIT	0	0	0	0	0	0
280 Amortized ITC	0	0	0	0	0	0
290 Federal Income Taxes	n/a	(466,018)	0	0	0	0
300 Total Expenses & Taxes	n/a	25,369,717	0	0	0	0
Telephone Plant in Service						
310 General Support	0	4,831,581	0	0	0	0
320 Central Office Equip-Switch	0	27,016,294	0	0	0	0
321 Operator Systems	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0
323 Local Switching Cat. 3	0	0	0	0	0	0
324 Equal Access	0	0	0	0	0	0
330 Central Office Equip-Trans	0	27,016,294	0	0	0	0
331 Subscriber Lines	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0
350 Info Orig/Term Equipment	0	0	0	0	0	0
360 Amortizable Assets	0	1,040,877	0	0	0	0
370 Total Plant in Service	0	32,888,752	0	0	0	0
Adjustments to TPIS						
380 Depr / Anior Reserve	0	23,392,628	0	0	0	0
390 Accum Deferred Income Tax	0	2,026,871	0	0	0	0
400 Other Rate Base Adjust.	0	912,056	0	0	0	0
Return Data						
410 Average Rate Base	n/a	8,391,349	0	0	0	0
420 Return	n/a	(904,622)	0	0	0	0
430 Rate of Return	0.00%	-10.76%	0.00%	0.00%	0.00%	0.00%

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	Local Switching (M)	Equal Access (N)	SS7 (O)	Information (P)	Tandem Switching (Q)	Local Transport (R)
Revenues						
100 Network Access	0	0	0	0	0	24,424,831
110 Uncollectibles	0	0	0	0	0	0
120 Common Line Support	0	n/a	n/a	n/a	n/a	n/a
130 Long Term	0	n/a	n/a	n/a	n/a	n/a
140 Transitional	0	n/a	n/a	n/a	n/a	n/a
150 Miscellaneous	0	0	0	0	0	40,284
160 Net Revenues	0	0	0	0	0	24,465,085
Expenses						
170 Plant Specific	0	0	0	0	0	15,652,556
171 Network Support	0	0	0	0	0	0
172 General Support	0	0	0	0	0	789,423
173 Central Office	0	0	0	0	0	854,607
174 Operator Systems	0	0	0	0	0	0
175 COE Switching	0	0	0	0	0	854,607
176 COE Transmission	0	0	0	0	0	0
177 IOT	0	0	0	0	0	0
178 Cable & Wire Facilities	0	0	0	0	0	0
180 Plant Non-Sp. Less Dep/Amor	0	0	0	0	0	14,008,526
190 Depreciation / Amortization	0	0	0	0	0	972,824
200 Customer Operations	0	0	0	0	0	2,699,026
201 Marketing	0	0	0	0	0	139,904
202 Local Business Office	0	0	0	0	0	139,904
203 Revenue Accounting	0	0	0	0	0	0
204 Other Billing & Collection	0	0	0	0	0	0
210 Access	n/a	n/a	n/a	n/a	n/a	n/a
220 Corporate Operations	0	0	0	0	0	2,493,529
230 AFUDC	0	0	0	0	0	0
240 Other Exp. & Adjustments	0	0	0	0	0	3,534,107
250 Taxes Other than FIT	0	0	0	0	0	343,489
260 Total Exp and Other Taxes	0	0	0	0	0	25,835,735
FIT Adjustments						
270 Adjustment for FIT	0	0	0	0	0	0
280 Amortized ITC	0	0	0	0	0	0
290 Federal Income Taxes	0	0	0	0	0	(466,018)
300 Total Expenses & Taxes	0	0	0	0	0	25,369,717
Telephone Plant in Service						
310 General Support	0	0	0	0	0	4,831,581
320 Central Office Equip-Switch	0	0	0	0	0	27,016,294
321 Operator Systems	0	0	0	0	0	0
322 Tandem Switching	0	0	0	0	0	0
323 Local Switching Cat. 3	0	0	0	0	0	0
324 Equal Access	0	0	0	0	0	27,016,294
330 Central Office Equip-Trans	0	0	0	0	0	0
331 Subscriber Lines	0	0	0	0	0	0
332 Exchange Circuit	0	0	0	0	0	0
333 Interexchange Circuit	0	0	0	0	0	0
334 Host Remote	0	0	0	0	0	0
340 Cable & Wire	0	0	0	0	0	0
341 Subscriber Lines	0	0	0	0	0	0
342 Exchange	0	0	0	0	0	0
343 Interexchange	0	0	0	0	0	0
344 Host Remote	0	0	0	0	0	0
350 Info Orig/Term Equipment	0	0	0	0	0	0
360 Amortizable Assets	0	0	0	0	0	1,040,877
370 Total Plant In Service	0	0	0	0	0	32,888,752
Adjustments to TPIS						
380 Dep'r / Amor Reserve	0	0	0	0	0	23,382,628
390 Accum Deferred Income Tax	0	0	0	0	0	2,026,871
400 Other Rate Base Adjust.	0	0	0	0	0	912,066
Return Data						
410 Average Rate Base	0	0	0	0	0	8,391,349
420 Return	0	0	0	0	0	(904,622)
430 Rate of Return	0.00%	0.00%	0.00%	0.00%	0.00%	-10.78%

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	Host Remote (S)	Total Switched Traffic Sensitive (T)	Special Access (U)
Revenues			
100 Network Access	0	24,424,831	0
110 Uncollectibles	0	0	0
120 Common Line Support	n/a	n/a	n/a
130 Long Term	n/a	n/a	n/a
140 Transitional	n/a	n/a	n/a
150 Miscellaneous	0	40,264	0
160 Net Revenues	0	24,465,095	0
Expenses			
170 Plant Specific	0	15,652,556	0
171 Network Support	0	0	0
172 General Support	0	789,423	0
173 Central Office	0	854,607	0
174 Operator Systems	0	0	0
175 COE Switching	0	854,607	0
176 COE Transmission	0	0	0
177 IOT	0	0	0
178 Cable & Wire Facilities	0	0	0
180 Plant Non-Sp. Less Dep/Amor	0	14,006,526	0
190 Depreciation / Amortization	0	972,824	0
200 Customer Operations	0	2,699,026	0
201 Marketing	0	139,904	0
202 Local Business Office	0	139,904	0
203 Revenue Accounting	0	0	0
204 Other Billing & Collection	0	0	0
210 Access	n/a	n/a	n/a
220 Corporate Operations	0	2,493,829	0
230 AFUDC	0	0	0
240 Other Exp. & Adjustments	0	3,534,107	0
250 Taxes Other than FIT	0	343,489	0
260 Total Exp and Other Taxes	0	25,855,735	0
FIT Adjustments			
270 Adjustment for FIT	0	0	0
280 Amortized ITC	0	0	0
290 Federal Income Taxes	0	(466,018)	0
300 Total Expenses & Taxes	0	25,389,717	0
Telephone Plant in Service			
310 General Support	0	4,831,581	0
320 Central Office Equip-Switch	0	27,016,294	0
321 Operator Systems	0	0	0
322 Tandem Switching	0	0	0
323 Local Switching Cal. 3	0	0	0
324 Equal Access	0	0	0
330 Central Office Equip-Trans	0	27,016,294	0
331 Subscriber Lines	0	0	0
332 Exchange Circuit	0	0	0
333 Interexchange Circuit	0	0	0
334 Host Remote	0	0	0
340 Cable & Wire	0	0	0
341 Subscriber Lines	0	0	0
342 Exchange	0	0	0
343 Interexchange	0	0	0
344 Host Remote	0	0	0
350 Info Orig/Term Equipment	0	0	0
360 Amortizable Assets	0	1,040,877	0
370 Total Plant in Service	0	32,888,752	0
Adjustments to TPIs			
380 Depr / Amor Reserve	0	23,382,628	0
390 Accum Deferred Income Tax	0	2,026,871	0
400 Other Rate Base Adjust.	0	912,096	0
Return Data			
410 Average Rate Base	0	8,391,249	0
420 Return	0	(904,622)	0
430 Rate of Return	0.00%	-10.76%	0.00%

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COS

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Rate-of-Return TRP
7/10 - 6/11
Versus 2009 Actual

Forecast, 7/10 - 6/11

Revenue Requirement

Common Line (A)	Traffic Sensitive Switched (B)	Traffic Sensitive Special (C)	Other Interstate (D)	Total Interstate (E)	Total Co. Subject to Separations (F)
100 Depreciation/Amortization	0	3,504,047	0	3,504,047	4,211,191
105 Expense Less Dep & Amor	0	23,536,753	0	27,040,800	n/a
110 Taxes Less FIT	0	346,313	0	n/a	n/a
115 Return	0	772,231	n/a	n/a	n/a
120 FIT	0	397,816	n/a	n/a	n/a
125 Uncol., IDC & Other Adj.	0	0	n/a	n/a	n/a
130 Revenue Requirement	0	28,557,160	n/a	n/a	n/a
135 Access Service Revenue	0	28,557,160	n/a	n/a	n/a

Rate Base

140 Telephone Plant in Service	0	36,170,229	0	36,170,229	43,469,664
145 Rate Base Adjustments	0	1,010,060	0	1,010,060	n/a
150 Depreciation Reserves	0	27,572,924	0	27,572,924	33,137,357
155 Accum Deferred Income Tax	0	2,072,405	0	2,072,405	2,490,632
160 Average Rate Base	0	7,534,960	0	7,534,960	n/a

Actual, 1/09- 12/09

Revenue Requirement

200 Depreciation/Amortization	0	2,699,026	0	2,699,026	3,371,420
205 Expense Less Dep & Amor	0	22,793,220	0	22,793,220	n/a
210 Taxes Less FIT	0	343,489	0	n/a	n/a
215 Return	0	(904,622)	n/a	n/a	n/a
220 FIT	0	(466,018)	n/a	n/a	n/a
225 Uncol., IDC & Other Adj.	0	0	n/a	n/a	n/a
230 Revenue Requirement	0	24,465,095	n/a	n/a	n/a
235 Access Service Revenue	0	24,465,095	n/a	n/a	n/a

Rate Base

240 Telephone Plant in Service	0	32,888,752	0	32,888,752	41,082,143
245 Rate Base Adjustments	0	912,096	0	912,096	n/a
250 Depreciation Reserves	0	23,382,628	0	23,382,628	29,207,811
255 Accum Deferred Income Tax	0	2,026,871	0	2,026,871	2,531,813
260 Average Rate Base	0	8,391,349	0	8,391,349	n/a

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Rate-of-Return TRP
7/10 - 6/11
Versus 2009 Actual

	Common Line (A)	Traffic Sensitive Switched (B)	Traffic Sensitive Special (C)	Other Interstate (D)	Total Interstate (E)	Total Co. Subject to Separations (F)
Forecast, 7/08 - 6/09						
Revenue Requirement						
100 Depreciation/Amortization	0	2,426,854	0	0	2,426,854	3,432,453
105 Expense Less Dep & Amor	0	15,463,291	0	0	15,463,291	n/a
110 Taxes Less FIT	0	250,281	0	0	n/a	n/a
115 Return	0	745,139	0	0	n/a	n/a
120 FIT	0	372,660	0	0	n/a	n/a
125 Uncol., IDC & Other Adj.	0	0	0	0	n/a	n/a
130 Revenue Requirement	0	19,258,225	0	0	n/a	n/a
135 Access Service Revenue	0	19,258,225	0	0	n/a	n/a
Rate Base						
140 Telephone Plant in Service	0	27,331,327	0	0	27,331,327	38,656,421
145 Rate Base Adjustments	0	702,089	0	0	702,089	n/a
150 Depreciation Reserves	0	19,091,190	0	0	19,091,190	27,001,874
155 Accum Deferred Income Tax	0	2,249,468	0	0	2,249,468	3,181,564
160 Average Rate Base	0	6,692,758	0	0	6,692,758	n/a
Actual, 1/08 - 12/08						
Revenue Requirement						
200 Depreciation/Amortization	0	2,128,253	0	0	2,128,253	3,303,218
205 Expense Less Dep & Amor	0	15,973,746	0	0	15,973,746	n/a
210 Taxes Less FIT	0	237,195	0	0	237,195	n/a
215 Return	0	(397,772)	0	0	(397,772)	n/a
220 FIT	0	(82,722)	0	0	(82,722)	n/a
225 Uncol., IDC & Other Adj.	0	0	0	0	0	n/a
230 Revenue Requirement	0	17,858,700	0	0	17,858,700	n/a
235 Access Service Revenue	0	17,858,700	0	0	n/a	n/a
Rate Base						
240 Telephone Plant in Service	0	25,949,646	0	0	25,949,646	40,275,906
245 Rate Base Adjustments	0	822,431	0	0	822,431	n/a
250 Depreciation Reserves	0	17,944,335	0	0	17,944,335	27,851,030
255 Accum Deferred Income Tax	0	1,960,297	0	0	1,960,297	3,042,537
260 Average Rate Base	0	6,867,445	0	0	6,867,445	n/a

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Rate-of-Retum TRP
7/10 - 6/11
Versus 2009 Actual

Common Line (A)	Traffic Switched (B)	Traffic Sensitive Special (C)	Other Interstate (D)	Total Interstate (E)	Total Co. Subject to Separations (F)
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Forecast, 7/07 - 6/08

Revenue Requirement
100 Depreciation/Amortization
105 Expense Less Dep & Amor
110 Taxes Less FIT
115 Return
120 FIT
125 Uncol., IDC & Other Adj.
130 Revenue Requirement
135 Access Service Revenue

Rate Base

140 Telephone Plant in Service
145 Rate Base Adjustments
150 Depreciation Reserves
155 Accum Deferred Income Tax
160 Average Rate Base

Actual, 1/07 - 12/07

Revenue Requirement
200 Depreciation/Amortization
205 Expense Less Dep & Amor
210 Taxes Less FIT
215 Return
220 FIT
225 Uncol., IDC & Other Adj.
230 Revenue Requirement
235 Access Service Revenue

Rate Base

240 Telephone Plant in Service
245 Rate Base Adjustments
250 Depreciation Reserves
255 Accum Deferred Income Tax
260 Average Rate Base

0	1,868,103	0	0	0	3,483,427
0	12,981,231	0	0	0	n/a
0	197,556	0	0	n/a	n/a
0	472,580	0	0	n/a	n/a
0	203,862	0	0	n/a	n/a
0	106,156	0	0	n/a	n/a
0	15,829,488	0	0	n/a	n/a
0	15,829,488	0	0	n/a	n/a
0	20,692,613	0	0	20,692,613	38,585,253
0	627,370	0	0	627,370	n/a
0	13,498,865	0	0	13,498,865	0
0	1,838,560	0	0	1,838,560	0
0	5,982,558	0	0	5,982,558	n/a
0	1,670,562	0	0	1,670,562	3,242,907
0	14,049,838	0	0	14,049,838	n/a
0	82,527	0	0	82,527	n/a
0	(320,654)	0	0	(320,654)	n/a
0	(214,193)	0	0	(214,193)	n/a
0	0	0	0	0	n/a
0	15,268,080	0	0	15,268,080	n/a
0	15,268,080	0	n/a	n/a	n/a
0	19,721,492	0	0	19,721,492	38,967,059
0	519,616	0	0	519,616	n/a
0	12,873,344	0	0	12,873,344	0
0	1,748,227	0	0	1,748,227	0
0	5,619,537	0	0	5,619,537	n/a

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MAG-1

Filing Date:

6/16/2010

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Iowa Network Access Division

Rate-of Return TRP

MAG Adjustments

Test Year, 7/10 - 6/11

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Access Element	Interstate Revenue Requirement Prior to Adjustments (A) Note 1	Local Switching Support (B) Note 2	Sub-Total (C) Cols. A-B	Line Port Transfer (D) Note 3	Universal Service Fund Contribution (E) Note 4	Frozen TIC Revenue (F) Note 5	Interstate Revenue Requirement Subject to TIC Re- allocation (G) Cols. C+D+E+F	Frozen TIC Re-allocation (G) Note 6	Interstate Revenue Requirement Subject to Rate Making
Carrier Common Line	\$0		\$0	\$0	\$0		\$0	\$0	\$0
Local Switching	\$0	\$0	\$0	\$0			\$0	\$0	\$0
Information	\$0		\$0				\$0	\$0	\$0
Transport	\$28,516,102		\$28,516,102			\$0	\$28,516,102	\$0	\$28,516,102
Special Access	<u>\$0</u>		<u>\$0</u>				<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$28,516,102	\$0	\$28,516,102	\$0	\$0	\$0	\$28,516,102	\$0	\$28,516,102

Note 1: Source of Revenue Requirements Column (A)

Factor Used for Line Port Adjustment:

0.0000%

Carrier Common Line TRP COS-1(P) Line 100, Column L

Local Switching TRP COS-1(P) Line 100, Column M

Information TRP COS-1(P) Line 100, Column P

Transport TRP COS-1(P) Line 100, Column Q,R,S

Special Access TRP COS-1(P) Line 100, Column U

Note 2: Calculated using USAC Algorithm for Test Period

Note 3: Column C, Local Switching * Port Adjustment Factor

Note 4: Projected Amount per Account 6540

Note 5: From TRP Form MAG-2

Note 6: Distributed on Column G Totals

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MAG-2
Filing Date: 6/16/2010
Filing Entity: Iowa Network Access Division
Rate-of Return TRP
TIC Revenues
Test Year, 7/10 - 6/11

COSA: INIAAN10 INIAAN10

DEVELOPMENT FROZEN TIC REVENUE JULY 00 TO JUNE 01

Month	Transport Interconnection Charge Minutes Billed	Rate in Effect	Calculated Revenues
Jul-00	0	0.000000	\$0
Aug-00	0	0.000000	\$0
Sep-00	0	0.000000	\$0
Oct-00	0	0.000000	\$0
Nov-00	0	0.000000	\$0
Dec-00	0	0.000000	\$0
Jan-01	0	0.000000	\$0
Feb-01	0	0.000000	\$0
Mar-01	0	0.000000	\$0
Apr-01	0	0.000000	\$0
May-01	0	0.000000	\$0
Jun-01	0	0.000000	<u>\$0</u>

Total Frozen TIC Revenues **\$0**
 (Development based on FCC Order 01-304, Paragraph 103)

Or - Override (No Greater than Above): **\$0**
 (Actual TIC Revenue Used in December 17, 2001 Filing should be listed here)

Override = Actual TIC Revenues from Last Filing
 (Development based on FCC Order 01-304, Paragraph 103)

Actual TIC Revenue Requirement from Filing Prior to MAG Filing in December 2001 **\$0**

REV-1
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Rate-of-Return TRP
Switched Access Revenue
Test Year, 7/10 - 6/11

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	Minute or Message Rate (A)	Minute Miles Rate (B)	Line or Trunk Rate (C)	Minute or Message Demand (D)	Minute Miles Demand (E)	Line or Trunk Demand (F)	Access Revenue (G)	Revenue Requirement (H)
Common Line								
100 Multi-line Business EUCL	n/a	n/a	0.00	n/a	n/a	0	0	n/a
110 Single Line Business EUCL	n/a	n/a	0.00	n/a	n/a	0	0	n/a
120 Residential EUCL	n/a	n/a	0.00	n/a	n/a	0	0	n/a
130 Special Access Surcharge	n/a	n/a	0.00	n/a	n/a	12	0	n/a
140 Terminating CCL Premium	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
150 Terminating CCL Non-Prem.	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
160 Originating CCL Premium	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
170 Originating CCL Non-Prem.	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
180 Common Line -- Total	n/a	n/a	n/a	n/a	n/a	n/a	0	0
Information								
190 Directory Assistance	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
200 White Page Surcharge Prem.	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
210 White Pg. Surcharge Non-Prem.	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
220 Other Information	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
230 Information -- Total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0
Local Switching								
240 Premium	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
250 Non-Premium	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
260 Equal Access	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
270 Switching -- Total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0
Local Transport								
280 Premium LT Term.	0.008190	n/a	n/a	3481819561	n/a	n/a	28,516,102	n/a
290 Non-Prem. LT Term	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
300 Premium LT Facility	n/a	0.000000	n/a	n/a	0	n/a	0	n/a
310 Non-Prem. LT Facility	n/a	0.000000	n/a	n/a	0	n/a	0	n/a
320 Tandem Switching	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
330 TST Termination	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
340 TST Facility	n/a	0.000000	n/a	n/a	0	n/a	0	n/a
350 Premium Interconnection	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
360 Non-Prem. Interconnection	0.000000	n/a	n/a	0	n/a	n/a	0	n/a
370 Installation NRC per Trunk	n/a	n/a	0.00	n/a	n/a	0	0	n/a

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Iowa Network Access DivisionRate-of-Return TRP
Switched Access Revenue
Test Year, 7/10 - 6/11COSA:
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	Termination Rate (A)	Circuit Rate (B)	Mileage Rate (C)	Termination Demand (D)	Circuit Demand (E)	Mileage Demand (F)	Access Revenue (G)	Revenue Requirement (H)
Local Transport (Cont.)								
380 DS3 Entrance Facility	n/a	0	n/a	n/a	0	n/a	0	n/a
390 DS3 Direct Term.	0.00	n/a	n/a	0	n/a	n/a	0	n/a
400 DS3 Direct Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
410 DS1 Entrance Facility	n/a	0	n/a	n/a	0	n/a	0	n/a
420 DS1 Direct Term.	0	n/a	n/a	0	n/a	n/a	0	n/a
430 DS1 Direct Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
440 VG Entrance Facility	n/a	0.00	n/a	n/a	0	n/a	0	n/a
450 VG Direct Term.	0.00	n/a	n/a	0	n/a	n/a	0	n/a
460 VG Direct Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
470 Other Transport	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
480 Local Transport -- Total	n/a	n/a	n/a	n/a	n/a	n/a	41,058	n/a
Special -- Voice Grade								
490 2-Wire Chan. Term.	n/a	0	n/a	n/a	0	n/a	0	n/a
500 4-Wire Chan. Term.	n/a	0	n/a	n/a	0	n/a	0	n/a
510 Channel Mileage Term.	0	n/a	n/a	0	n/a	n/a	0	n/a
520 Channel Mileage Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
530 Non-Recurring	n/a	0	n/a	n/a	0	n/a	0	n/a
Special -- High Capacity								
540 High Capacity Chan. Term.	n/a	0	n/a	n/a	0	n/a	0	n/a
550 Channel Mileage Term.	0	n/a	n/a	0	n/a	n/a	0	n/a
560 Channel Mileage Facility	n/a	n/a	0.00	n/a	n/a	0	0	n/a
570 Non-Recurring	n/a	0	n/a	n/a	0	n/a	0	n/a
580 Special Access -- Total	n/a	n/a	n/a	n/a	n/a	n/a	0	0
							28,557,160	28,671,481

Notes: A composite special access NRC should be used if the installation rates vary among the services. If the company does not file a particular rate, then the rate and demand = 0. Col. G equals Cols. (A x D) + (B x E) + (C x F).

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Iowa Network Access Division

Rate-of-Return TRP
Revenues Summary
Test Year, 7/10 - 6/11

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	Total Network Access (A)	Recurring without ICB (B)	Non-Recurring without ICB (C)	ICB (D)
100 Carrier Common Line	0	0	0	0
110 Special Access	0	0	0	0
120 Local Switching	0	0	0	0
130 Equal Access	0	0	0	0
140 Information	0	0	0	0
150 Local Transport	28,557,160	28,516,102	41,058	0
160 Total TS - Switched	28,557,160	28,516,102	41,058	0

Notes : Col. A = Cols. B + C + D. If a particular category is inapplicable, then that category equals 0.

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Rate-of-Return TRP
Percent Change in
Historical Rate Levels

	7/1/2009 Rate (A)	Current Effective Rate (B)	Proposed 7/1/2010 Rate (C)	% Change 7/1/2009 7/1/2010 (D)	% Change Current 7/1/2010 (E)
Switched Access					
100 Premium CCL Term. (\$/MOU)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
110 N.P. CCL Term. (\$/MOU)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
120 Premium Switching (\$/MOU)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
130 N.P. Switching (\$/MOU)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
140 Equal Access	0.00000000	0.00000000	0.00000000	0.00%	0.00%
End User Common Line					
150 Multi-line Business (\$/Month)	0	0.00	0.00	0.00%	0.00%
160 Residential & Single Line Bus.	0	0.00	0.00	0.00%	0.00%

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Rate-of-Return TRP
Percent Change in
Historical Rate Levels

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Local Transport Rates

	7/1/2009 Rate (A)	Current Effective Rate (B)	Proposed 7/1/2010 Rate (C)	% Change 7/1/2009 7/1/2010 (D)	% Change Current 7/1/2010 (E)
170 Prem. LT (\$/MOU, Avg. Mileage)	0.00819000	0.00819000	0.00819000	0.00%	0.00%
180 N.P. LT (\$/MOU, Avg. Mileage)	0.00000000	0.00000000	0.00000000	0.00%	0.00%
190 DS1 Entr. Facility (\$/Circuit)	0	0.00	0.00	0.00%	0.00%
200 DS1 Direct Trunk (\$/Circuit)	0	0.00	0.00	0.00%	0.00%
210 Tdm Sw. Transport (\$/Circuit)	0	0.00	0.00	0.00%	0.00%
220 Tdm. Switching (\$/Tdm. MOU)	0.000000	0.000000	0.000000	0.00%	0.00%
230 Prem. Interconnection (\$/MOU)	0.000000	0.000000	0.000000	0.00%	0.00%
240 N.P. Interconnection (\$/MOU)	0.000000	0.000000	0.000000	0.00%	0.00%
250 NRC (\$/Tk. Or Tks. Activated)	0.00	0.00	0.00	0.00%	0.00%
260 2-Wire VG (\$/Cir., Avg. Mileage)	0.00	0.00	0.00	0.00%	0.00%
270 4-Wire VG (\$/Cir., Avg. Mileage)	0.00	0.00	0.00	0.00%	0.00%

Notes: If Lines 170 & 180 or any other entry is inapplicable, then that rate = 0.

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Rate-of-Return

Revenue Price-outs
 Using 2009 Demand

COSA: INIAAN10

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	Revenue at 7/1/2009 Rates (A)	Revenue at Current Rate (B)	Change in Revenue, Cols. B-A (C)	Revenue at 7/1/2010 Rates (D)	Change in Revenue, Cols. D-B (E)
Switched Access	0	0	0	0	0
100 Multi-line Business	---	---	---	---	---
110 Residential & Single Line Bus.	0	0	0	0	0
120 Carrier Common Line	0	0	0	0	0
130 Special Access	0	0	0	0	0
140 Local Switching	0	0	0	0	0
150 Equal Access	0	0	0	0	0
160 Information	0	0	0	0	0
170 Local Transport	28,557,160	28,557,160	0	28,557,160	0

Notes: If company belongs to the NECA common line pool, then revenue = 0.

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Iowa Network Access Division

Rate-of-Return TRP
COSA's for which Rates
are Averaged or Pooled

COSA:

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Multi-line Business (A)	Residential & Single Line Business (B)	Carrier Common Line (C)
-------------------------------	---	----------------------------------

COSA

100
110
120
130
140
150
160
170
180
190
200
210
220
230

Notes: Companies should list all COSA's for which rates are averages or pooled.

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Rate-of-Return TRP
COSAs for Which Rates
are Averaged or Pooled

Local
Switching
(D)

Local
Transport
(E)

Information
(F)

Equal
Access
(G)

Special
Access
(H)

COSA

- 100
- 110
- 120
- 130
- 140
- 150
- 160
- 170
- 180
- 190
- 200
- 210
- 220
- 230

Notes: Companies should list all COS,

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Rate-of-Return TRP
Common Line
Minutes-of-Use

COSA: INIAAN10
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	Premium Originating (A)	Premium Terminating (B)	Premium Total (C)	Non-Premium Originating (D)	Non-Premium Terminating (E)	Non-Premium Total (F)
Historical						
100 1st Qtr. 2006	0	0	0	0	0	0
110 2nd Qtr. 2006	0	0	0	0	0	0
120 3rd Qtr. 2006	0	0	0	0	0	0
130 4th Qtr. 2006	0	0	0	0	0	0
140 1st Qtr. 2007	0	0	0	0	0	0
150 2nd Qtr. 2007	0	0	0	0	0	0
160 3rd Qtr. 2007	0	0	0	0	0	0
170 4th Qtr. 2007	0	0	0	0	0	0
180 1st Qtr. 2008	0	0	0	0	0	0
190 2nd Qtr. 2008	0	0	0	0	0	0
200 3rd Qtr. 2008	0	0	0	0	0	0
210 4th Qtr. 2008	0	0	0	0	0	0
220 Pycos Year, 1/09 - 12/09	0	0	0	0	0	0
230 Test Year, 7/10 - 6/11	0	0	0	0	0	0

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Rate-of-Return TRP
Common Line
Minutes-of-Use

COSA:

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	Total Originating (A)	Total Terminating (B)	Grand Total (C)	Chargeable Originating (D)	Chargeable Terminating (E)
Historical					
100 1st Qtr. 2006	0	0	0	0	0
110 2nd Qtr. 2006	0	0	0	0	0
120 3rd Qtr. 2006	0	0	0	0	0
130 4th Qtr. 2006	0	0	0	0	0
140 1st Qtr. 2007	0	0	0	0	0
150 2nd Qtr. 2007	0	0	0	0	0
160 3rd Qtr. 2007	0	0	0	0	0
170 4th Qtr. 2007	0	0	0	0	0
180 1st Qtr. 2008	0	0	0	0	0
190 2nd Qtr. 2008	0	0	0	0	0
200 3rd Qtr. 2008	0	0	0	0	0
210 4th Qtr. 2008	0	0	0	0	0
220 Pycos Year, 1/09 - 12/09	0	0	0	0	0
230 Test Year, 7/10 - 6/11	0	0	0	0	0

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Rate-of-Return TRP
Traffic Sensitive
Minutes-of-Use

COSA:

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	Premium Local Switching (A)	Non-Premium Local Switching (B)	Total Local Switching (C)	Total Chargeable Switching (D)	Total Tandem Switching* (E)	Tandem Switching** Transport** (F)
Historical						
100 1st Qtr. 2006	0	0	0	0	0	321,422,883
110 2nd Qtr. 2006	0	0	0	0	0	368,994,474
120 3rd Qtr. 2006	0	0	0	0	0	395,505,512
130 4th Qtr. 2006	0	0	0	0	0	484,440,714
140 1st Qtr. 2007	0	0	0	0	0	549,205,122
150 2nd Qtr. 2007	0	0	0	0	0	471,235,020
160 3rd Qtr. 2007	0	0	0	0	0	410,482,287
170 4th Qtr. 2007	0	0	0	0	0	413,802,728
180 1st Qtr. 2008	0	0	0	0	0	462,642,762
190 2nd Qtr. 2008	0	0	0	0	0	494,506,220
200 3rd Qtr. 2008	0	0	0	0	0	587,375,504
210 4th Qtr. 2008	0	0	0	0	0	626,529,936
220 Pycos Year, 1/09 - 12/09	0	0	0	0	0	2,982,269,940
230 Test Year, 7/10 - 6/11	0	0	0	0	0	3,481,819,561

Notes: Local switching MOU are the same as the billable units for the interconnection charge.

* Refers to the MOU switched at a company tandem, as discussed in Part 69. 11(f-g).

** Refers to the MOU carried over non-dedicated trunks; i.e., tandem switched transport or common trunks.

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	1/09 - 12/09 Channel Terminations (A)	1/09 - 12/09 Number of Circuits (B)	1/09 - 12/09 Interoffice Miles (C)	7/10 - 6/11 Channel Terminations (D)	7/10 - 6/11 Number of Circuits (E)	7/10 - 6/11 Interoffice Miles (F)
100 Metallic	0	0	0	0	0	0
110 Telegraph	0	0	0	0	0	0
120 VG less WATS	0	0	0	0	0	0
130 WATS	0	0	0	0	0	0
140 full-time Audio	0	0	0	0	0	0
150 High Capacity	0	0	0	0	0	0

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Rate-of-Return TRP
 Common Line
 Revenue and Demand

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	1/09 - 12/09 Historical Revenue (A)	1/09 - 12/09 Historical MOU or Lines (B)	7/10 - 6/11 Test Year Revenue (C)	7/10 - 6/11 Test Year MOU or Lines (D)
100 End User Common Line, Total	0	0	0	0
110 Residential	0	0	0	0
120 Single Line Business	0	0	0	0
130 Multi-line Business	0	0	0	0
140 Special Access Surcharge	0	0	0	0
150 Carrier Common Line	0	0	0	0
160 Total Common Line Revenue	0	n/a	0	n/a

DMD-4**Filing Date:****Filing Entity:**

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Iowa Network Access Division

Rate-of-Return TRP**Minutes-of-Use****Historical vs. Forecast****COSA:****Page 1 of 1****INIAAN10****Common****Line****MOU****(A)****Traffic****Sensitive****MOU****(B)**

100 Test Year	7/10 - 6/11	0	0	3,481,819,561
110 Pycos Year,	1/09 - 12/09	0	0	2,982,269,940
120 Test Year	7/09 - 6/10	0	0	2,970,603,151
130 Pycos Year,	1/08 - 12/08	0	0	2,171,054,422
140 Test Year	7/08 - 6/09	0	0	2,346,089,248
150 Pycos Year,	1/07 - 12/07	0	0	1,844,725,157
160 Test Year	7/07 - 6/08	0	0	1,849,414,135
170 Pycos Year,	1/06 - 12/06	0	0	1,570,363,583

Notes: Actual operating statistics should be reported for the PYCOS years.

These data should be consistent with those in Chart DMD-4 in previous TRPs.

If a forecast was not reported for any particular test year, then enter 0.

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Rate-of-Return TRP

Minutes-of-Use

Direct Trunked Transport

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	1/09 - 12/09	1/09 - 12/09	1/09 - 12/09	Test Year	Test Year	Test Year
	VG	DSI	DS3	7/10 - 6/11	7/10 - 6/11	7/10 - 6/11
	(A)	(B)	(C)	(D)	(E)	(F)
100 Entrance Facility	0.00	0.00	0.00	0.00	0.00	0.00
110 Direct Trunked Transport	0.00	0.00	0.00	0.00	0.00	0.00

Notes: Demand should be annualized and reflect application of the percent interstate usage factor (PIU).

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Rate-of-Return TRP
Rate-of-Return
Summary

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	2007/2008 FCC Monitoring Period (A)	2009 Calendar Year (B)	7/10 - 6/11 Test Year (C)
100 Interstate Access, Total	-5.75%	-10.78%	10.25%
110 Carrier Common Line	0.00%	0.00%	0.00%
120 Special Access	0.00%	0.00%	0.00%
130 Local Switching	0.00%	0.00%	0.00%
140 Information	0.00%	0.00%	0.00%
150 Local Transport	-5.75%	-10.78%	10.25%
160 Traffic Sensitive Switched, Total	-5.75%	-10.78%	10.25%

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Rate-of-Return TRP
Base Study Factor

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Relative MOU's - Tandem Switching

100 Interstate	-	-	-	-	-	-	-	-	-
110 Total Company	-	-	-	-	-	-	-	-	-
120 IS Factor	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

Host/Remote MOU's

130 Interstate	-	-	-	-	-	-	-	-	-
140 Total Company	-	-	-	-	-	-	-	-	-
150 IS Factor	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

Host/Remote MOU Miles

160 Interstate	-	-	-	-	-	-	-	-	-
170 Total Company	-	-	-	-	-	-	-	-	-
180 IS Factor	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

Conversation Minutes

190 Interstate	906,820,518	954,245,936	1,570,363,583	1,844,725,157	2,171,054,422	3,481,819,561
200 Total Company	2,189,105,519	2,528,561,529	3,690,091,126	3,769,513,569	3,511,079,888	4,325,674,539
210 IS Factor	41.4242%	37.7387%	42.5562%	48.9380%	61.8344%	80.4919%

Conversation Minute Miles (000s)

220 Interstate	119,778,486	128,384,484	223,742,058	237,595,577	252,814,009	142,332,174
230 Total Company	292,496,869	349,294,833	531,365,223	488,553,782	376,460,878	175,791,372
240 IS Factor	40.9503%	36.7553%	42.1070%	48.6324%	67.1555%	80.9665%

The above Base Study Factors apportion on the following investment:

	Part 32 Account	Part 36 Category
Relative MOU's-Tandem Switching	2210	COE Cat. 3
Host/Remote MOU's	2230	COE Cat. 4.3
Host/Remote MOU Miles	2410	C&WF Cat. 4
Conversation Minutes	2230	COE Cat. 4.23
Conversation Minutes Miles	2410	C&WF Cat. 3

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Filing Date:

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Rate-of-Return TRP
Verification of WDEM

Year	Interstate DEM MOU (A)	Intrastate DEM MOU (B)	Local DEM MOU (C)	Total DEM MOU (D)	Interstate MDEM Factor (E)	No. of Switched Access Lines (F)	Part 36.125(e) Historical Weighting (G)	Interstate WDEM Factor (H)
2002	-	-	-	-	0.0000%	-	0	0.0000%
2003	-	-	-	-	0.0000%	-	0	0.0000%
2004	-	-	-	-	0.0000%	-	0	0.0000%
2005	-	-	-	-	0.0000%	-	0	0.0000%
2006	-	-	-	-	0.0000%	-	0	0.0000%
2007	-	-	-	-	0.0000%	-	0	0.0000%
2008	-	-	-	-	0.0000%	-	0	0.0000%

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