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Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

**Re: Ex Parte Presentation in WC Docket No. 03-135**

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's rules, Iowa Telecommunications Services, Inc. ("Iowa Telecom") hereby files this notice of ex parte meeting. On July 25, 2003, David Porter, Director, External Affairs for Iowa Telecom, Harold Ware, Vice President of National Economic Research Associates ("NERA"), Jaime D'Almeida, a NERA Consultant, John Erwin, a NERA Analyst, Derek Yeo and I held a meeting with Tamara Preiss, Aaron Goldschmidt, Julie Saulnier, Alvaro Gonzalez, Cathy Zima, Michael Goldstein and Jonathan Kraushaar of the Commission's Wireline Competition Bureau ("Bureau") to discuss issues relating to Iowa Telecom's Direct Case in the above-captioned proceeding. Mr. Erwin participated in the meeting via telephone. In accordance with the Commission's rules, Iowa Telecom is filing this ex parte notice electronically and requests that a copy be placed in the public file in this proceeding. Because this letter contains Iowa Telecom confidential information that is subject to protection under the terms and conditions of the Commission's Protective Order in this proceeding,[1] this letter should not be made available for public inspection. Iowa Telecom is filing a redacted version of this letter on the Commission's Electronic Comment Filing System for public review.

This letter summarizes information provided during the meeting. This letter will address: (1) the allocation of transport costs between switched and non-switched services; (2) questions relating to the "Mileage Work" tab of the "Cost Calculator –

[1] Iowa Telecommunications Service, Inc. Tariff FCC No. 1, Transmittal No. 31, WC Docket No. 03-135, Protective Order, DA 03-1953 (rel. June 13, 2003).

Usage.xls" file;[2] (3) the selection of Nortel Star remote switches for Iowa Telecom's smaller remote offices; (4) the justification for the "backup" OC-48 fiber ring; and (5) the calculation of spare capacity for Iowa Telecom's switching and transport facilities.

**(1) Allocation of Transport Costs Between Switched and Non-Switched Services**

The Bureau staff asked for a more detailed explanation of the cost calculator's allocation of transport costs between switched and non-switched services. The cost calculator determines ATS transport costs as follows:

1. The cost calculator determines the shares of "common transport" and "dedicated transport" circuits. For this purpose, "dedicated transport" circuits equal the sum of "dedicated switched" circuits and "non-switched" circuits. "Dedicated switched" circuits include trunks dedicated to carry interexchange carrier ("IXC") switched traffic directly to IXC locations and circuits used to carry Extended Area Service ("EAS") traffic. "Non-switched" circuits include digital subscriber line ("DSL"), private line and special access circuits. "Common transport" circuits are switched circuits that carry common traffic—*i.e.*, carrier access traffic,[3] Iowa Telecom's own toll traffic, emergency services traffic, Iowa Telecom Official Company ("ITOC") traffic, and traffic along host/remote circuits.[4] Specifically:

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[2] *See* Confidential Exhibit 15b. The data used throughout this letter are taken from Confidential Exhibits 15a and 15b, which are the revised versions of the "Cost Calculator.xls" and "Cost Calculator –Usage.xls" files that Iowa Telecom submitted with its July 21, 2003 Rebuttal in this proceeding, and which include two minor mathematical adjustments identified by AT&T. *See* Iowa Telecom Rebuttal, July 21, 2003, at 40-41 ("Rebuttal").

[3] Circuits that carry IXC traffic directly to IXC locations are counted as dedicated switched circuits.

[4] *See* Iowa Telecom ATS Cost Study, Mar. 25, 2003, at 19-21 ("Cost Study"). ISP, customer PBX, cellular, and DLC trunks are not included in the circuit count because these circuits are used only for local connections. *See id*. at 21.

- Common transport circuits account for [redacted]% of total transport circuits.[5]

- Dedicated transport accounts for [redacted]% of total transport circuits (100% – [redacted]%).

These percentages are used to determine the percentage of both terminal and fiber investment allocated to common and dedicated transport. As explained below, these percentages are used to calculate ATS rates. Notably, the [redacted]% figure to which AT&T refers in its Opposition[6] is not used in the cost calculator.

2. Common fiber costs are calculated as follows:

- The cost calculator allocates fiber investment to common circuits by multiplying total transport (fiber) investment by the [redacted]% common circuit fraction derived in 1. above. This yields common fiber investment of $[redacted].[7]

- The cost calculator then annualizes common transport investment[8] and divides by total common minute miles ("Unit Calcs" tab, cell H65) to obtain a cost per minute mile of common transport, to which is added an overhead factor of [redacted]%. The result is a cost per minute mile for common transport of $[redacted].[9]

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[5] *See* Confidential Exhibit 15a, "Circuits" tab, cell W7 ([redacted] common switched circuits / ([redacted] common switched circuits + [redacted] dedicated switched circuits + [redacted] non-switched circuits) = [redacted]%).

[6] *See* Corrected AT&T Opposition, July 18, 2003, at 34 ("AT&T Corrected Opposition").

[7] *See* Confidential Exhibit 15a, "Unit Calcs" tab, cell C65 ($[redacted] (cell C60) x [redacted] = $[redacted]).

[8] The methodology used for annualizing investments is described in the Cost Study. *See* Cost Study at 10-15.

[9] *See* Confidential Exhibit 15a, "Unit Calcs" tab, cell J65. The minute mile calculations are described below.

- The cost calculator then multiplies the $[redacted] unit cost by the number of ATS units ([redacted] minute miles for "Tandem Transport")[10] to arrive at the interstate cost of common transport, which is $[redacted].[11]

Note that dividing the annual interstate cost of common transport by the total annual cost of common transport (intrastate & interstate) demonstrates that [redacted]% of common transport cost is allocated to interstate traffic.[12]

3. Dedicated fiber costs are calculated as follows:

- The cost calculator allocates fiber investment to dedicated circuits by multiplying total transport (fiber) investment by the [redacted]% dedicated transport circuit fraction derived in 1. above. This yields dedicated fiber investment of $[redacted].[13]
- The cost calculator then annualizes dedicated transport investment and divides by total dedicated trunk miles to obtain a cost per trunk mile per month of dedicated transport, to which is added an overhead factor of [redacted]%. The result is a cost per trunk mile per month of $[redacted].[14]
- The cost calculator then multiplies the $[redacted] unit cost by the number of ATS units ([redacted] for "Direct Transport DS1")[15] to arrive at the interstate cost of direct transport, which is $[redacted].[16]

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10 *See* Confidential Exhibit 15a, "ATS Calc" tab, cell M28.

11 *See id*., cell N28.

12 $[redacted] / ([redacted] ("Unit Calcs" tab, cell G65) + [redacted]% overhead factor ($[redacted])) = $[redacted] / $[redacted] = [redacted]%.

13 *See* Confidential Exhibit 15a, "Unit Calcs" tab, cell C68 ($[redacted] (cell C60) x [redacted] = $[redacted]).

14 *See* Confidential Exhibit 15a, "Unit Calcs" tab, cell J68.

15 *See* Confidential Exhibit 15a, "ATS Calc" tab, cell M37.

16 *See id*., cell N37.

Dividing this number by the total annual cost of dedicated transport demonstrates that [redacted]% of dedicated transport cost is allocated to interstate traffic.[17]

4. Common terminal costs are calculated as follows:

- The cost calculator allocates common terminal investment by multiplying total terminal investment by the [redacted]% common circuit fraction from 1 above. This yields common terminal investment of $[redacted].[18]
- The cost calculator annualizes common terminal investment and divides by total common minutes to obtain a cost per minute, and then adds the [redacted]% overhead factor. The result is a cost per minute of common terminal of $[redacted].[19]
- The cost calculator then multiplies the $[redacted] unit cost by the number of ATS units ([redacted] for "Tandem Termination")[20] to determine the interstate cost for common terminals, which is $[redacted].[21]

Dividing the interstate common terminal cost by the total annual cost of common terminals demonstrates that [redacted]% of common transport circuit cost is allocated to interstate traffic.[22]

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17 $[redacted] / ($[redacted] ("Unit Calcs" tab, cell G68) + [redacted]% overhead factor ($[redacted])) = $[redacted] / $[redacted] = [redacted]%.

18 *See* Confidential Exhibit 15a, Unit Calcs" tab, cell C72.

19 *See id*., cell J72.

20 *See* Confidential Exhibit 15a, "ATS Calc" tab, cell M27.

21 *See id*., cell N27.

22 $[redacted] / ($[redacted] ("Unit Calcs" tab, cell G72) + [redacted]% overhead factor ($[redacted])) = $[redacted] / $[redacted] = [redacted]%.

5. Dedicated terminal costs are calculated as follows:

   - The cost calculator allocates dedicated terminal costs by multiplying total terminal investment by the [redacted]% dedicated transport fraction derived in 1. above. This yields a dedicated terminal investment of $[redacted].[23]
   - The cost calculator annualizes dedicated terminal investment and divides by total dedicated trunks to obtain a cost per trunk per month, and then adds the [redacted]% overhead factor. The result is a cost per trunk per month of $[redacted].[24]
   - The cost calculator then multiplies the unit cost by the number of annual ATS units ([redacted] for "Direct Transport Termination DS1")[25] to arrive at the interstate cost of common terminals, which is $[redacted].[26]

   Dividing the interstate dedicated terminal cost by the total annual cost of dedicated terminals demonstrates that [redacted]% of dedicated terminal cost is allocated to interstate traffic.[27]

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[23] *See* Confidential Exhibit 15a, Unit Calcs" tab, cell C75.

[24] *See id*., cell J75.

[25] *See* Confidential Exhibit 15a, "ATS Calc" tab, cell M38.

[26] *See id*., cell N38.

[27] $[redacted] / $[redacted] ("Unit Calcs" tab, cell G75) + [redacted]% overhead factor ($[redacted]) = $[redacted] / $[redacted] = [redacted]%.

Overall, the cost study allocates only about [redacted]% of transport costs to interstate ATS elements. This percentage equals the sum of the ATS costs summarized above divided by the total transport costs described above—*i.e.*, $[redacted] / $[redacted] = [redacted]%.[28]

Based on the explanation above, AT&T's assertion that "Iowa Telecom appears to be allocating at least [redacted]% of transport costs to interstate traffic"[29] is clearly incorrect. The assertion reflects a fundamental misunderstanding of how the cost calculator computes transport costs and assigns them to specific ATS rate elements. As explained above, the cost calculator utilizes the common transport and dedicated transport circuit percentages ([redacted]% and [redacted]%, respectively) to derive common and dedicated transport costs – it does not utilize the [redacted]% figure that AT&T cites.[30]

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[28] The calculation is: [(interstate common fiber cost) + (interstate dedicated fiber cost) + (interstate common terminal cost) + (interstate dedicated terminal cost)] / {[(total common fiber cost) +(total dedicated fiber cost) + (total common terminal cost) + (total dedicated terminal cost)] x [redacted]% overhead factor} = ["ATS Calc" tab, cells N28 + N37 + N27 + N38] / {["Unit Calcs" tab, cells G65 + G68 + G72 + G75] x [redacted]} = [$[redacted] + $[redacted] + $[redacted] + $[redacted]] / [($[redacted] + $[redacted] + $[redacted] + $[redacted]) x [redacted]] = $[redacted] / $[redacted] = [redacted]%. In its Rebuttal, Iowa Telecom used a different approach to estimate the percentage of transport costs associated with interstate ATS tariff elements. We divided the switched transport revenue of $[redacted] million (cell N43 of the "ATS Calcs" tab) by total transport costs (the sum of cells G65, G68, G72 and G75 of the "Unit Calcs" tab) to obtain an estimate of [redacted]%. *See* Rebuttal at 33. This approach included tandem-switching costs, which can be thought of as part of tandem transport charges. However, on closer inspection, we believe that the method described in the text above provides a more precise calculation of the share of total transport costs—*i.e.*, fiber and terminal costs alone—that is allocated to interstate ATS transport rate elements.

[29] AT&T Corrected Opposition at 34.

[30] AT&T mischaracterizes what the [redacted]% represents. It is not the percentage of transport costs that is allocated to interstate traffic. The [redacted]% figure is merely the fraction of total circuits that are switched. This percentage includes all types of switched circuits—including those used for Iowa Telecom retail services and for "dedicated switched" services, *i.e.*, EAS circuits, and trunks purchased from Iowa Telecom by IXCs to route switched traffic directly to their own network locations.

**(2) Explanation of the Remote Switch Minutes Included in the "Mileage Work" Tab of the "Cost Calculator – Usage.xls" File**

The Bureau staff have asked whether remote minutes are included in the minute mile and average distance calculations of the "Mileage Work" tab of the "Cost Calculator – Usage.xls" file.[31] This tab deals exclusively with tandem-routed and IXC direct traffic. As explained below, remote minutes are included in both the minute mile and average distance calculations.

The average distance calculation in cell Q301is determined as follow:

1. The cost calculator calculates minute miles from each remote to the associated host:
   - The minutes routed from a remote to its host are calculated in Column K. This traffic includes both tandem traffic and IXC traffic.
     - "IXC traffic" is traffic that IXCs route to their networks from dedicated trunks at an Iowa Telecom host switch. IXCs cannot pick up this traffic at a remote switch; therefore, the IXC traffic is transported over common transport facilities from a remote to a host. This traffic may be interstate or intrastate.
     - "Tandem traffic" is any other traffic that uses the common facilities. This traffic includes both intrastate and interstate traffic.
   - Minute miles from a remote to its host are calculated in Column L by multiplying the minutes from a remote to its host (Column K) by the remote's distance to its host (Column J).
2. The cost calculator calculates the minutes and minute miles from hosts to tandems.
   - Traffic routed from a host to a tandem includes traffic that originates at: (a) any of the remotes that home on the host, and (b) the host itself. In this part of the calculation, the minutes in Column N equal the minutes that originate from the remote in Column A that are

[31] *See* Confidential Exhibit 15b, "Mileage Work" tab, cells Q299 and Q301.

routed from the associated host (identified in Column F) to the tandem.[32] The percentage shown in Column M is the tandem-routed fraction, *i.e.*, the percentage of traffic (tandem traffic + IXC traffic) at a host that continues on to a tandem.

- The total minutes from a host to the tandem is shown in Column O, and is the sum of the minutes from Column N and the tandem minutes that originate at the host.
- Multiplying the minutes in Column O by the miles to each tandem from each host yields minute miles.

3. The minute miles identified by the two steps above are then summed to obtain the total common facility minute miles for IXC traffic and tandem traffic (cell Q299).

4. The total number of minutes associated with these minute miles consists of: (1) the total number of minutes at the hosts, which includes all the minutes originated at remotes homing off of the host plus the minutes originated at the host (cell O296); plus (2) the IXC traffic minutes that route from the remotes to their hosts (cell K298).

5. The average distance for tandem-routed or IXC calls shown in cell Q301 is then obtained by dividing the total minute miles (cell Q 299) by the total minutes (cell Q300).

**(3) Selection of Nortel Star Remote Switches for Smaller Remote Offices**

Iowa Telecom's forward-looking cost study appropriately utilizes newer Star remote switches rather than dated Remote Line Concentrating Module ("RLCM") remotes. According to information provided by Nortel's DMS Product Line Manager, Nortel introduced the RLCM switch eighteen years ago, in mid 1985. The Star remote is a considerably newer product – Nortel introduced its Star remote

[32] The number of minutes in Column N is less than the number of minutes in Column K because IXCs pick up a substantial percentage of traffic at hosts using dedicated transport. The percentage of traffic that IXCs pick up using dedicated transport at a host is equal to (1 – tandem-routed fraction (shown in Column M)).

switch in the fourth quarter of 1999. Although Nortel has not announced an official phase out date for the RLCM product line, the age of the technology indicates that this product's remaining lifespan is probably limited. In contrast, the Star remote is a new product in the early stages of its lifecycle and thus is more representative of "the most efficient telecommunications technology currently available"[33] for a smaller remote switch. Accordingly, Iowa Telecom's decision to utilize Star remotes in its forward-looking network instead of RLCMs is justified.

As originally conceived, Nortel's Star remote system consisted of two products: a "Star Remote Hub" – a fully functional remote switch capable of serving from 20 to 1,152 lines[34] – and a "Star Remote Module," which could be "subtended off the hub in a 'star' formation."[35] The Star Remote Module was intended to be considerably smaller than the Hub, using only up to 64 line cards (*i.e.*, serving up to 256 lines).[36] In March 2001 Nortel elected not to introduce its Star Remote Module as a generally available product and ceased accepting any orders for this product in June 2001.[37] However, Nortel's Star Remote Hub remote remains generally available.[38] Iowa Telecom's cost study utilizes the Star Remote Hub product – the only Star product that was made generally available – and this switch remains available today.

Furthermore, according to Nortel, the per-line costs of the Star and RLCM switches would be the same for switches serving the same number of lines. For example, a fully equipped RLCM with 640 lines would cost $[redacted]; a fully equipped Star remote with 640 lines would also cost $[redacted]. Therefore, Iowa Telecom's decision to utilize the more modern Star remote switch instead of the RLCM remote has no impact on the FLEC ATS target rate.

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33 47 C.F.R. § 51.505(b)(1).

34 *See* http://www.nortelnetworks.com/products/01/dms100/remotes/star_benefits.html.

35 http://www.nortelnetworks.com/products/01/dms100/remotes/star_remote.html.

36 *See id.*

37 *See* http://www.nortelnetworks.com/products/01/dms100/remotes/star_library.html ("Manufacture Discontinue Notice: Star Module").

38 *See* http://www.nortelnetworks.com/products/01/dms100/remotes/star_remote.html.

**(4) Justification for the Washington South OC-48 Fiber Ring**

The Bureau staff asked Iowa Telecom to explain the need for a "backup" OC-48 ring in Iowa Telecom's planned transport network. The OC-48 ring in question is the Washington South ring, which would connect five of Iowa Telecom's OC-48 nodes in southeastern Iowa, including Washington, Ainsworth, Brighton, Hedrick and Sigourney.[39] In fact, this ring would be more than a backup ring once Iowa Telecom has completed the re-homing of its remote switches called for in its Network Improvement Plan. The Washington South ring would then provide the primary connection between five remote exchanges (Delta, Harper, Keota, Sigourney and What Cheer) and their host (Fairfield).[40]

The Washington South ring would also provide a number of other important benefits, including balancing of traffic in the most heavily utilized region of Iowa Telecom's network and providing additional redundancy in the event of a catastrophic failure in this area of the network. The Washington South ring would connect three planned OC-48 rings: (1) the Washington North ring (which would connect more than two dozen exchanges in east central Iowa, including Washington and Grinnell); (2) the Fairfield ring (which connects exchanges in the southeastern part of the state, including Fairfield and Mount Pleasant); and (3) the Mount Pleasant ring (which would link exchanges in the far southeastern corner of Iowa).[41] The Washington South ring would create an important second point of connection between the Fairfield and Washington North rings, which would otherwise be interconnected only via the Ainsworth exchange and the Mount Pleasant ring. This additional connectivity would provide enhanced redundancy for traffic on the Washington South ring and traffic between the Fairfield and Washington North

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[39] The Washington South ring is represented by a turquoise line on the confidential fiber rings network map that Iowa Telecom submitted with its May 1, 2003 filing in this tariff proceeding. *See* Letter from Gregory J. Vogt to Aaron Goldschmidt, Iowa Telecom FCC Tariff No. 1, Tariff Transmittal No. 31, May 1, 2003, Enclosure.

[40] These five remotes will home on the Fairfield exchange rather than Washington in order to avoid crossing both an NPA and LATA boundary that separates the Keota and West Chester exchanges.

[41] The Washington North and Fairfield rings are represented by purple lines on Iowa Telecom's fiber rings network map; the Mount Pleasant ring is shown as an orange line. *See id*.

rings in the event of a catastrophic failure at any point on the Washington South ring (*i.e.*, at any of the exchanges on the ring or a fiber cut along its route). For example, if a failure were to occur at any point between the Sigourney and Ainsworth exchanges, traffic would automatically be redirected around the Washington South ring due to its SONET architecture. This would facilitate not only traffic between exchanges located on the ring, but also traffic between, for example, Fairfield and Grinnell. Instead of having to be re-routed around the northern part of the Washington North ring and the Mount Pleasant ring (or alternatively via the Knoxville and Chariton rings), traffic could be re-routed far more directly to its destination via the Washington South ring. The same would be true regarding a failure at any other point on the Washington South ring.

Even in the absence of any catastrophic failure, the Washington South ring would also provide the significant benefit of improving load balancing in the most heavily trafficked region of Iowa Telecom's network. Establishing this ring would enable traffic to flow between the Fairfield and Washington North rings without utilizing the Mount Pleasant ring. Absent the Washington South ring, all traffic between the Fairfield and Washington North rings would have to be routed through the Mount Pleasant ring via Ainsworth. The addition of the Washington South ring would allow traffic flow between the two rings to be spread over several routes and to bypass the Mount Pleasant ring altogether, if necessary. The Washington South ring would also enhance load balancing of the heavy traffic from the Fairfield and Washington North rings to Des Moines (via Iowa Telecom's Knoxville and Grinnell exchanges) without utilizing capacity on the Mount Pleasant ring.

In sum, the Washington South ring would provide significant benefits in the form of host/remote links and increased reliability and load balancing at a key location in Iowa Telecom's forward-looking transport network. Furthermore, these benefits would be achieved at minimal incremental cost. Because OC-48 capacity fiber cable already passes through each of the exchanges on the ring, no additional fiber cable would need to be laid – the ring could be established by lighting an additional pair of fiber strands along its route. The only additional material costs would be for five additional OC-48 terminals that would be required to provide interconnect traffic between this ring and the three surrounding OC-48 rings.[42] These terminals

[42] Only three terminals would be required to provide points of interconnection between the Washington South ring and the three adjoining OC-48 rings, but two additional terminals would be needed to repeat the signal along the Washington South ring because of

would be located at the Washington, Ainsworth, Brighton, Hedrick and Sigourney exchanges (as shown by the black circles with red concentric rings). As shown in the cost study, the forward-looking cost of each of these terminals would be approximately $[redacted].[43] Therefore, the entire incremental material cost for establishing the Washington South ring would be approximately $[redacted]. This additional cost represents only about [redacted]% of the $[redacted] million total forward-looking terminal investment calculated in the cost study.[44] If this additional $[redacted] cost were removed, the FLEC ATS target rate would decline by approximately 0.12%, from 1.4297 to 1.4280 cents per minute.[45] Therefore, the incremental forward-looking cost of the addition of the Washington South ring would be minimal.

**(5) Spare Capacity**

The Bureau staff asked for further explanation regarding what is included in spare capacity costs. In particular, the staff inquired whether Iowa Telecom's cost study: (a) includes the costs of line cards and trunk cards that are needed to provide spare capacity; and (b) includes spare DS-3 cards on transport rings and, if so, whether they are included in the terminal sizing factor.

Iowa Telecom's calculation of spare capacity for switches includes line and trunk cards, and the cost study includes the costs of these "spare" materials. The cost study does not include any cost for spare DS-3 cards. Instead, the cost calculator, as revised in Section V of Iowa Telecom's Direct Case,[46] applies an [redacted]% sizing factor to only the OC-48 circuits for which the regression equation was applied to calculate forward-looking costs (*i.e.*, the sizing factor was not applied to OC-48

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(Continued . . .)
the distances between the Sigourney and Ainsworth exchanges (on the northern side of the ring) and the Hedrick and Olds exchanges (on the southern side of the ring).

43 *See* Cost Study at 9; Iowa Telecom Direct Case at 42.

44 *See* Confidential Exhibit 15a, "other inputs" tab, cell D34.

45 This revised ATS target rate is derived by reducing the "Terminal Investment" in cell D34 of the "other inputs" tab by $[redacted]. The ATS target rate is shown in cell K50 of the "ATS Calc" tab. *See* Confidential Exhibit 15a.

46 *See* Direct Case at 59.

circuits in the three rings for which Iowa Telecom provided detailed investment data to NERA).[47] The need for spare capacity has only a modest impact on equipment costs because the inclusion of spare capacity would generally not cause any increase in equipment costs for transport facilities — increased costs would be incurred only in the rare instances where the addition of spare capacity would be sufficient to require higher capacity transport facilities. This would occur only rarely for Iowa Telecom because most terminals serve small offices in which even the smallest terminals available are still large relative to the volume of traffic.

Moreover, the [redacted]% sizing factor has only a very modest impact on Iowa Telecom's forward-looking transport costs and the FLEC ATS target rate. The cost calculator applies the sizing factor only to determine the investment for OC-48 terminals, not for any other transport facilities (OC-3 terminals, fiber, etc.). Furthermore, application of the sizing increases the forward-looking terminal investment by only approximately $[redacted].[48] If this investment were removed, the FLEC ATS target rate would decline from 1.4297 to 1.4293 cents per minute, a change of less than 0.03%.[49]

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[47] *See* Cost Study at 9.

[48] If the terminal sizing factor in cell D5 of the "other inputs" tab of the cost calculator is reduced to 100% (*i.e.*, no additional investment for spare capacity), the "Terminal Investment" (cell D34) is reduced from $[redacted] to $[redacted] – a change of $[redacted]. *See* Confidential Exhibit 15a, "other inputs" tab.

[49] This revised ATS target rate is derived by reducing the terminal sizing factor in cell D5 of the "other inputs" tab to 100%, as described above. The ATS target rate is shown in cell K50 of the "ATS Calc" tab. *See* Confidential Exhibit 15a.

If you have any questions regarding this letter, please contact me by telephone at (202) 719-3240.

Sincerely,

_____/s/_____
Gregory J. Vogt
Derek A. Yeo
Counsel for Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom

cc: Tamara Preiss
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