



**Iowa
Telecommunications
Association**

***Notice of Ex Parte
Presentation***

May 17, 2011

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Portals II, Room TW-A325
Washington, DC 20554

Re: *Connect America Fund*, WC Docket No. 10-90, *A National Broadband Plan for Our Future*, GN Docket No. 09-51, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, *High-Cost Universal Service Support*, WC Docket No. 05-337, *Developing an Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link-Up*, WC Docket No. 03-109, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, FCC 11-13 (rel. Feb. 9, 2011)

Dear Ms. Dortch:

On May 16, 2011, representatives of the Iowa Telecommunications Association (the "ITA Delegation") conducted two separate meetings with the following individuals:

- **Angela Kronenberg** - *Wireline Legal Advisor* for Commissioner Mignon Clyburn; and
- **Rebekah Goodheart, Trent Harkrader, Kevin King, Doug Slotten, Rohit Dixit, Jay Atkinson** and **Patrick Halley** from the Wireline Competition Bureau.

The members of ITA Delegation included: Roxanne White, EverTek; Joe Snyder, Citizen's Mutual Telephone Cooperative; Todd Thorson, Kiesling Associates; Jerry Melick, Liberty Communications; ITA Director of Government Affairs Joseph Hrdlicka and ITA President Dave Duncan.

The purpose of this meeting was to discuss the impact of the proposed NPRM on Iowa rural rate-of-return incumbent local exchange carriers ("RLECs") and their customers.

The ITA Delegation discussed regulatory developments in Iowa and their impact on rural consumers. It also discussed the need for a consistent and sustainable level of high cost support to invest and to maintain and operate broadband networks. To show that most Iowa RLECs cannot withstand significant revenue reductions without adverse customer impact, the ITA Delegation presented 2010 data relating to consolidated rate of returns for 108 Iowa RLECs along with specific company data. The attached spreadsheet prepared by Kiesling Associates, LLC was presented during these meetings and it shows that the average rate of

return for the consolidated operations (interstate and intrastate regulated operations and all operating activity of the company and subsidiaries including cable television, internet and wireless) of those 108 companies in 2010 was 2.63%. The ITA delegation also referred to the Iowa data in the submission by the National Exchange Carriers Association (“NECA”) on April 11, 2011 summarizing state-by-state data that was provided to consultants representing State Members of the Federal-State Joint Board on USF.

The ITA Delegation stated their support for the universal service fund (“USF”) and intercarrier compensation reform proposals for RLECs included in the joint comments filed by dozens of national, regional and state RLEC associations including NECA, the National Telecommunications Cooperative Association, Organization for the Promotion and Advancement of Small Telecommunications Companies, Western Telecommunications Alliance on April 18, 2011.

Consistent with the Commission’s rules, this letter is being filed electronically with your office in the above captioned dockets. Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "David C. Duncan". The signature is fluid and cursive, with the first name "David" being the most prominent.

David C. Duncan
President, Iowa Telecommunications Association

cc: Angela Kronenberg
Rebekah Goodheart
Trent Harkrader
Kevin King
Doug Slotten
Rohit Dixit
Jay Atkinson
Patrick Halley

Analysis of Iowa Only Companies

	Regulated	Consolidated
	Operations Only	Operations
Companies	108	108
Average ROR	2.29%	2.63%
Have Negative ROR	43	45
Companies with Long-term Debt(Est.)		60
RUS Rate of Borrowing		3.14%
Annual return per \$100,000 investment		\$ 2,630
Annual cost of financing per \$100,000		3,140

	Cashflow After Debt Service	
	Payments	ROR
Effect of 10% decrease in interstate support per \$100,000 investment	\$ 1,118	1.72%
Effect of 20% decrease in interstate support per \$100,000 investment	\$ 209	0.81%
Effect of 30% decrease in interstate support per \$100,000 investment	\$ (699)	-0.10%

Analysis Notes

- The average ROR being earned by Iowa companies is on average less than the cost of borrowing, limiting the financing available to upgrade facilities.
- Access revenues have almost no direct operating costs. Any decrease in access revenues results in close to a dollar for dollar reduction in operating income.
- Loss of interstate support will impair ability to meet debt service requirements.

Iowa only information taken from database of telecom companies served by Kiesling Associates LLP, a regional CPA firm specializing in the communications industry.

Regulated operations include the stand-alone communications provider operating activities. Both interstate and intrastate revenues are included.

Consolidated operations include all operating activity of the company and subsidiaries including cable television, internet, and wireless.

Rate of Return(ROR) is operating income divided by net operating plant in service.

Rural Utilities Service(RUS) is based on published 10 year rates as of May 9, 2011.

Cashflow After Debt Service Payments assumes 50% of investment funded by long-term debt at a rate of 4.8%.