

**Iowa Telecommunications & Technology Commission
Grimes State Office Building, 1st Floor
400 E. 14th Street, Des Moines, IA 50319**

FINAL

July 16, 2009

To ensure the most efficient use of State resources, the July 16, 2009, ITTC meeting was held via a video conference pursuant to Iowa Code section 21.8. A video conference call also ensured more Commissioners were able to participate in the meeting and reduced the risk of delays caused by weather or other impediments to travel. The meeting was accessible to members of the public through attendance at the Grimes State Office Building.

Commissioners Present

Betsy Brandsgard, Chairperson
Robert R. Hardman, Member
Timothy L. Lapointe, Member
Pamela A. Duffy, Member
Michael W. Mahaffey, Member
David A. Vaudt, Ex-Officio Member

Iowa Communications Network Staff Present

John Gillispie, Executive Director
Joseph Cassis, Deputy Director
Phil Groner, Senior Account Consultant
David Marley, Operations Administrator
Kevin Heinzeroth, Finance Director
Vicki Wallis, Engineering Administrator
Tami Fujinaka, Government Relations Manager
Lori Larsen, Administrative Assistant (Recorder)

Guests

Mark Johnson, ICN's Legislative Liaison
Terry Rinehart, IPTV
Adam Humes, Attorney General's Office
Kyle Holmgren, Qwest
Marcia Tannian, LSA

Call to Order

Commissioner Brandsgard called the meeting to order at 9:09 A.M. It was noted that a quorum of members were present for the meeting.

Approval of 5/21/09 and 6/17/09 Meeting Minutes

Commissioner Lapointe moved for approval of the May 21, and June 17, meeting minutes; Commissioner Duffy seconded the motion. An oral vote was taken.

Commissioner Duffy – yes
Commissioner Lapointe – yes
Commissioner Hardman – yes
Commissioner Mahaffey – no response
Commissioner Brandsgard – yes

Old Business

Federal Economic Stimulus Bill Update – John Gillispie

Around July 1 the federal government released the notice of funding availability (NOFA) for the dollars that were contained in the stimulus bill for the first round of telecommunication money. NTIA (National Telecommunications and Information Administration) and RUS (Rural Utilities Services) received funding. The NTIA received money for the Broadband Data Improvement Act, which was to improve the viability of mapping data for the US. The mapping will show availability of broadband across the nation. RUS issued the NOFA for all their money. Applicants apply to the combined programs; first to the RUS loan program, and then to the NTIA (if turned down for a loan by RUS).

From the state of Iowa's perspective, the way the NOFAs were written changed the original perception of how the process was going to work. They have definitions on who will qualify for the money. Seventy-five percent of the money has to go to underserved and unserved rural areas. The definition of a rural area is based upon the Department of Agriculture current explanation. There is also a program for middle mile, which is targeted at organizations that move the data from the point of consumption to the aggregation point. ICN is working on preparing an application. There are 309 individual elements on the application. The probability of receiving funding from the program is estimated to be less than 50 percent.

There are four ICN individuals attending a training session in Minnesota on Tuesday, July 21. The team completing the writing and gathering the submission will be trained.

There are a lot of controversies over the programs and what the NTIA and RUS did. There will be two more rounds of funding from the NTIA. The NTIA has said that the second and third funding rounds will be different from the first. All applications are due August 14.

Executive Director Gillispie said based upon the rules of the RUS the ICN will not qualify for a loan. The RUS said that if you don't qualify for a loan, they will reject the application to the NTIA.

Q - If the ICN obtains a grant, when will this enter ICN's revenue?

Executive Director Gillispie said the soonest the applicant can expect the dollars would be the end of November.

State Broadband Deployment Governance Project – John Gillispie

Thursday, July 9, the ICN met with IUB (Iowa Utilities Board), IDED (Iowa Department of Economic Development) and the Governor's office, to select the seven members to the Iowa Broadband Deployment Governance Board. Letters were sent out Friday, July 10. The first meeting is scheduled for July 24. The committee is still missing one member from the Senate Democratic Caucus. The administrative rules associated with that program are in the beginning stages of draft format; since this is a grant program the rules will be extensive. The committee met Thursday, July 16 to write the agenda. Most of the materials will go out Friday, July 17. The first meeting will be introductions and setting ground rules. The second meeting will be working on the administrative rules.

One key element is that the committee will need to decide if it will attempt to make matching money available in advance of the federal program or after the federal program has selected the first round applications. Executive Director Gillispie's recommendation is to indicate that there is a state program, but applicants won't know if they will be selected, and the state make the money available after the first federal

round. If the Board doesn't pass the rules as emergency rules, they won't be authorized until the second round.

This is a very diverse board, representatives are from the: cable industry, wireline, wireless, education, city, county, and two public members. The committee tried to balance the board. The committee has received clarification from the treasurer's office and IFA (Iowa Finance Authority) that any bond proceeds that is used with the telecom grant program will need to be invested in capital equipment or installation expenses associated with capital equipment, no miscellaneous expenditures, which different than the federal program. The committee has drafted an initial grant application. The committee needs to decide if the money will be divided into three rounds (matching the federal program), or if they will grant all the money in the first round.

Q - Is there any sense of the grant sizes applicants may seek?

Executive Director Gillispie said the Board may place a definition in the administrative rules. The committee could clearly cap the amount or there can be a project so large that could consume the complete \$25 million. It is hard to know until you see the federal applications. The NTIA and RUS said that they will publish, on their website, soon after the closing date of August 14: the applicant, brief description of the program, and the dollar amount the applicant is seeking.

The federal government program said that they will have an expert's review, then an internal review, then all states will be given a list of projects that qualify and submit a ranking, and finally the due diligence on all the applications will begin.

Q - How does the definition of rural impact the possibilities for the state of Iowa?

Executive Director Gillispie said Tami Fujinaka has applied the definition of rural to Iowa. Fifty percent of Iowa's geography will qualify under the rural definition.

New Business

Review FY 09 ICN Budget to Actual Financials – Kevin Heinzeroth

June ended on a positive note for the ICN. Revenues from Operation were \$273,748 of which ICN spent \$219,329 on equipment for a gain of \$54,000 for June. For the year, the ICN generated cash from operations of \$3,083,984, ICN spent just over \$1 million on equipment, leaving the ICN with \$2,078,676 cash for the year (number has been adjusted with appropriations money and equipment removed). ICN spent \$3,130,000 on equipment from appropriations. The equipment that was purchased this year included \$750,000 of equipment from prior years' appropriations. Cash from Operations was slightly down, but overall this year ended positively compared to last year. Although customers are reviewing their telephone bills; ICN has not seen a lot of movement in reductions of services.

VIDEO SERVICES Billings for video services for June 2009 are below billings for June 2008 by \$386,422 and are 14.75% below the June budgeted amount. The ICN has produced 209,470 hours through June 2009, down from the 217,584 hours produced through June 2008. Higher education and K-12, users comprised the majority of the usage.

VOICE SERVICES FY 2009 year-to-date voice service revenues for June 2009 are below June 2008 revenues by \$437,394 and are 4.48% ahead of 2009 budget figures. Largest sources of revenue continue to be toll free usage, local access, and inmate calling.

DATA SERVICES Gross revenues from data services for June 2009 are ahead of June 2008 year-to-date revenues by **\$1,009,616** and are ahead of the current fiscal year budgeted figures by 0.52%. **LARGEST THIS YEAR.**

INSTALLATION REVENUES Installation revenues for June 2009 are behind June 2008 by **\$190,672** and are ahead of the June budget by 32.21%. Installation revenues fluctuate greatly depending upon current spending abilities of our customers. Budgeting is based upon prior year activity and can vary widely from actual.

INDIRECT and G & A EXPENSES Indirect expenses for June 2009 are below budget projections for June 2009 by 8.25% and are \$243,050 above June 2008 expenditures. Increased indirect expenses are due to increased fiber relocate costs. General and administrative expenses for June 2009 are above June 2008 by \$120,323 and 13.97% below June budget projections.

EQUIPMENT and EQUIPMENT APPROPRIATION For June, the ICN paid \$204,828 for equipment on approved appropriation project expenditures. Ward/Davis at 96,320, Hubill at \$50,779 and Lucent at \$38,117 were the major vendor. In addition \$14,501 was paid to various vendors for approved minor equipment purchases.

Kevin Heinzeroth added that this is a preliminary financial report. The state books remain open until the end of August. There will be a final fiscal year 2009 report in September.

Legislative Update/Appropriations – John Gillispie / Mark Johnson

There was no statutory language adopted during this past session. The appropriation did move through the process, which included \$2.7 million for the Part III leases to the Department of Education; \$2.2 million for replacement of equipment; \$2.75 million for generator replacement; and \$2.3 million for network redundancy. ICN will continue to look towards next session to allow the Commission to make decisions based upon good business practices. Another issue would be the authorized users' language, to see if, cities and counties might be an option to add as authorized users next year.

Executive Director Gillispie said his intention concerning Part III is to remove the language that forces the ICN in DS3 and dark fiber; this would allow the ICN to make technology choices based upon the needs of the customer. ICN's barrier is that customers are changing their endpoint.

K12 Connections Update – Terry Rinehart

IPTV and the ICN have been working collaboratively to promote and market services for K-12 students and school personnel. The target for this year was to generate a minimum of 7,000 ICN hours as a result of K-12 Connections projects. A total of 8,217.93 video hours were produced (second best year in a five year period). In comparison, last year K-12 Connections produced 9,264.25 hours. New programs have been identified and pursued with vigor. K-12 Connections is seeing growth in professional development and training. Another area of success to report on is the receipt of an estimated \$37,500 in grant revenue. Besides the hours, it is the opportunities that are being available for students and teachers. ICN Activities of Interest: *Journey around the Americas, STEM Career Day 2, Job Trends, Careers, and Resources for Students, HyperStream: Leading Web Development Firm Talks to Students; BIZ KID\$: What Can You Do With Money.*

The heaviest use of the K-12 Connections program is the elementary grade levels, the second largest users are junior high schools, and the third level of users are high schools.

Rural Health Initiative Update – Phil Groner

Fiber Optic Construction Program: Contracts are signed by vendors, except for one vendor. Deadline for signature is noon Thursday, July 16; if that contract is not signed, IHA (Iowa Hospital Association) will move to the next qualified vendor. IHA is waiting for funding commitment letters from USAC. The funding commitment letters for the fiber construction are the green lights to begin installation of the fiber.

Network: Alcatel-Lucent is the contracted vendor. Equipment is scheduled to begin shipping on July 31. There will be a training program for ICN technical staff scheduled on August 24. ETA for core network turn-up will be on or about October 1 for the network components.

Quality Assurance: Quality Assurance will be a spot check of fiber optic installations that are going to hospitals. Bids are due back on August 6; 66 of 85 sites are actual construction projects.

Action on Certified User Waiver Requests – Phil Groner

A waiver request was received from the following authorized users:

1. Board of Regents –request for waiver of ICN long distance and toll-free voice services for:
 - State University of Iowa
 - Iowa State University
 - University of Northern Iowa
 - Iowa School for the Deaf
 - Iowa Braille and Sight Saving School

ICN has reviewed the waiver request and it is estimated to save the Regents \$212,000 annually. ICN staff recommends approval of this wavier.

Commissioner Mahaffey moved approval of the waiver request; Commissioner Hardman seconded the motion.

Q - Since there has been consideration of waiver discussion to include the complete impact state-wide on other agencies, is the Commission able to take that into consideration at this time?

Executive Director Gillispie said under the Commission's current administrative rules the Commission can only take into account the economic case presented by the end users.

A roll call vote was taken, unanimously approving the waiver request as recommended.

- Commissioner Duffy – yes
- Commissioner Lapointe – yes
- Commissioner Hardman – yes
- Commissioner Mahaffey – yes
- Commissioner Brandsgard – yes

Implementation of ICN Phone Services – Vicki Wallis / Phil Groner

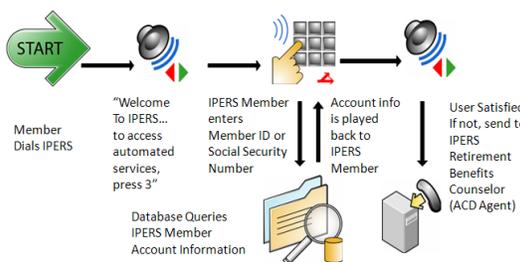
The below discussion is describing how ICN’s services work.

Voice – the ICN way

- How does an ICN customer use an IVR (Interactive Voice Response) system?
- How does an ICN customer use an ACD (Automatic Call Distribution)?
- What does the voice network look like?
- What is the old “legacy” PBX (Private Branch Exchange) equipment?
- Where is the new PBX equipment?
- What does the long distance network look like?

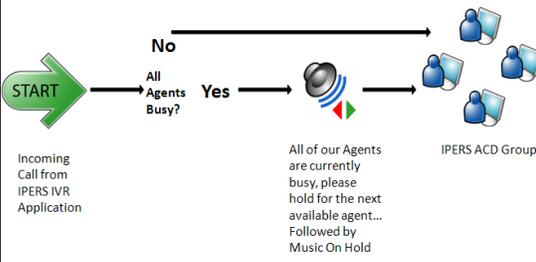


IPERS IVR (800-622-3849 & 515-281-0020)



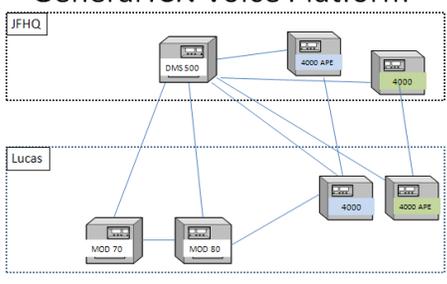
START → Member Dials IPERS → “Welcome To IPERS... to access automated services, press 3” → IPERS Member enters Member ID or Social Security Number → Account info is played back to IPERS Member → User Satisfied? If not, send to IPERS Retirement Benefits Counselor (ACD Agent) → Database Queries IPERS Member Account Information

IPERS ACD (Members’ Retirement Benefits Counselors)



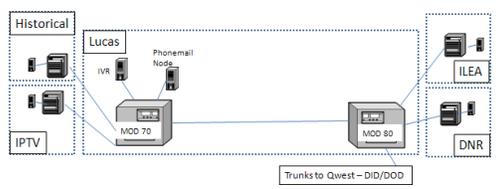
START → Incoming Call from IPERS IVR Application → All Agents Busy? → No → IPERS ACD Group → Yes → All of our Agents are currently busy, please hold for the next available agent... Followed by Music On Hold

General ICN Voice Platform



Legend: Server = [Icon], Switch = [Icon], Remote Shelf & Phonemail = [Icon]

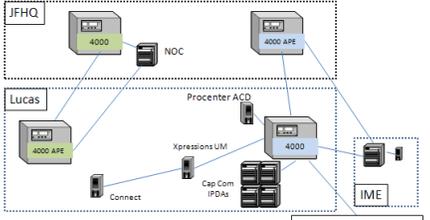
Legacy PBX Platform



- Both the MOD 70 and 80 have remote shelves.
- The MOD 70 can be removed when the last of the Capitol Complex phones are migrated, and the remote shelves moved to the MOD 80.

Legend: Server = [Icon], Switch = [Icon], Remote Shelf & Phonemail = [Icon]

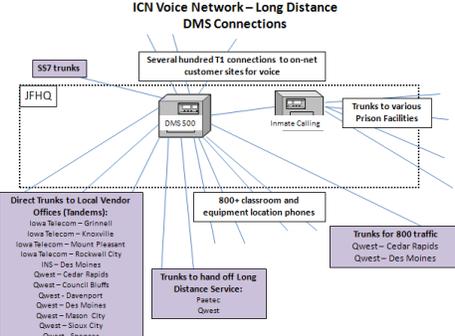
New PBX Platform



- Currently three remote shelves connect to the HiPath 4000.
- Ten locations are IP connected to the HiPath 4000.
- Today, the IPDA (Internet Protocol Distributed Architecture) shelves are all in Lucas for the Capitol Complex.

Legend: Server = [Icon], Switch = [Icon], Remote Shelf & Phonemail = [Icon]

ICN Voice Network – Long Distance DMS Connections



Action on Administrative Rules Regulatory Plan – Tami Fujinaka

Brief reminder on why this regulatory plan is required each year. During Governor Vilsack's administration executive order 9 was created. This requires agencies to inform the executive branch on what plans the agency has as far as changes in rules and laws coming up, or where rules and laws have been made that impact the agency. The report is completed annually, and informs about changes that occur in the administrative rules.

The report as it is written, currently discusses making a change to administrative rules, discussed previously, regarding the certified users' waiver requests. Taking a more holistic approach in how waivers are judged and how the Commission approves/disapproves them. The Commission would look not only at the specific agency or specific certified users that are impacted by the waiver, but look at how the waiver impacts all of ICN's users.

Adam Humes said under the current administrative rules, the considerations are about competitiveness and indirect/direct cost to the users. That has a strong base in the statute. Under the statute there is only two items that the authorized user has to do to be relieved from its obligation to get all voice, data, and video from the ICN: 1) submit a petition for waiver, and 2) satisfy one of three grounds (most relevant is competitiveness). The wording of the code requires that the certified authorized user demonstrates that the cost to the authorized user for the services provided by the ICN is not competitive. Humes says, that is very strong; the focus is on the user, it doesn't include language to focus on other users or on ICN as a whole. A couple subsections later the code says; the ITTC has express grant authority to adopt rules regarding the waiver process. In the expression authority given to ITTC, it states the Commission should adopt rules to determine if the statutory grounds are satisfied. Humes conclusion says if a rule explicitly stated that an additional factor shall have an impact on the ICN or other ICN users, it would conflict with the statute and ultimately be an invalid rule that could be subject to overturn on judicial review.

Commissioner Lapointe commented that he went through the regulatory plan and liked the concept. For many years the Commissioners' hands were tied, many times waiver requests are becoming routine. The Commission needs to go back to the mission and consider the holistic approach, the impact of the ICN, and the State in general.

Commissioner Duffy said Humes, does not advise this language.

Humes said that is correct, in the current statute it is proper to adopt a rule that focuses on the impact to the ICN or to the authorized users. The current rules have a complete host of non-cost factors that could be waived. In the statute they go with competitiveness/cost. Any rule that would add "not burden other users" or "not burden the network as a whole" would conflict with the statute that is currently written.

Commissioner Duffy said in the draft that is circulated it says, "That the ITTC Commission is reviewing the rules regarding the process", therefore what is proposed in the draft is not an exact rule, and those are yet to be drafted. With that said, Duffy supports the draft the way it is written.

Humes added there are different grounds listed that provide ITTC authority of the rules in the circulating draft. The most specific point in the statute Iowa code 8D.9 states, the Commission shall establish by rule a review process for determining upon application of an authorized user whether the statutory requirements are met. That provision needs to be inserted before final approval of the draft.

Commissioner Mahaffey said given the history of the waiver requests, the history of the statues, and given the climate (economic challenges the State and users of the ICN face), do you have any thoughts of the political and public relations aspects of adopting a rule such as this?

Executive Director Gillispie said it is appropriate that the rules be reviewed to ensure that they are appropriate and within the law. As long as the rules are within the law, there may be complaints, but those can't be predicted.

Commissioner Duffy agrees with Humes that an insertion of 8D.9 is appropriate. Will the Commission see another draft or does the Commission need to make a motion?

Executive Director Gillispie said this particular document is due to the Governor's office on August 1. If the rules would be revised, a telephonic meeting will be needed or an amendment of the current draft, to insert the revision and approve the inserted comment into the draft.

Duffy moved to insert, in the draft, the reference to the statue Chapter 8AD.9. Commissioner Lapointe seconded the motion. Motion passed.

A roll call vote was taken, as follows:

- Commissioner Duffy – yes
- Commissioner Lapointe – yes
- Commissioner Hardman – yes
- Commissioner Mahaffey – yes
- Commissioner Brandsgard – yes

Commissioner Mahaffey said if the Commission approves the draft, it is not the approval of the rule.

Humes said it is not approval of the rule, there is no draft language currently; this is complying with the Executive Order. The next step would be to look at proposed language.

Q - Does the ICN get any feedback from the regulatory plan?

Tami Fujinaka said this information goes to the Administrative Rules Staff at the Governor's office. The Governor's office will contact us if they have any questions. This does not go to legislature.

Commissioner Duffy moved to adopt the ITTC regulatory plan as amended; Commissioner Lapointe seconded the motion.

A roll call vote was taken, to approve the adopted ITTC regulatory plan as amended, as follows:

- Commissioner Duffy – yes
- Commissioner Lapointe – yes
- Commissioner Hardman – yes
- Commissioner Mahaffey – yes
- Commissioner Brandsgard – yes

Motion approved to adopt the ITTC regulatory plan document as amended.

Other Business

Deputy Director Cassis informed the Commission concerning a personnel issue. Gail McMahon has resigned; her last day was July 8. The ICN is considering a few options for the future: Tami Fujinaka, Lori Larsen, and Deputy Director Cassis are absorbing McMahon's duties until then. The team released a Corporate Marketing and Communication plan a few weeks ago for FY 2010. The team will need to reconsider the possibilities. On July 15, the team launched a new communications tool called a Wiki, which permits the staff to communicate and have dialog within the department. It is similar to a blog, but will have an oversight by designated individuals within each of the divisions. It coincides with the ITTC's envision of having internal and external communications.

Q - Where does the ICN stand with FTEs?

Kevin Heinzeroth said, the ICN currently has 84 positions that are full time equivalents. The ICN has two retirements in July, one in Operations and one in Finance. The ICN has another retirement projected in Operations in December, and possibly a couple other retirements within the next fiscal year.

Executive Director Gillispie said there is a good possibility that the ICN will be below 80 FTEs sometime this fiscal year. The ICN is required to seek approval to fill any positions by the Department of Management regardless of the funding source. The ICN is authorized for 111 FTEs. The ICN is operating with about 70 percent of the staff.

Tami Fujinaka reminded that there was a request for the September meeting to start at 10 AM since the Commissioners will be attending in person.

Adjournment

Commissioners Duffy and Lapointe made motions to adjourn the meeting. There being no further business, the meeting adjourned at 10:33 A.M.

ATTESTED TO:



Betsy Brandsgard, Chair, Iowa Telecommunications and Technology Commission