

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

<p>IN RE:</p> <p>POSSIBLE EXTENSION OF BOARD JURISDICTION OVER SINGLE LINE FLAT-RATED RESIDENTIAL AND BUSINESS RATES FOR LOCAL EXCHANGE CARRIERS</p>	<p>DOCKET NO. INU-08-1</p>
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ORDER INITIATING NOTICE AND COMMENT PROCEEDING

(Issued February 11, 2008)

On July 1, 2005, Iowa Code §§ 476.1D and 476.55 were amended. The amended statutes deregulated retail rates for most local exchange communications services in Iowa except for single line flat-rated residential and business rates. Rates for these services were initially set at the corresponding rates charged by each rate-regulated local exchange carrier (LEC) as of January 31, 2005. Those monthly rates could then be increased by up to \$1 per year for residential service, or \$2 per year for business service, plus inflation, up to specified caps, beginning on July 1, 2005, through June 30, 2008. Effective July 1, 2008, these single-line services will also be deregulated unless the Utilities Board (Board) elects to extend its jurisdiction for a period of not more than two years, if such an action is necessary for the public interest.

Pursuant to Iowa Code § 476.1D(1)"c," the Board must determine whether the public interest requires extension of the Board's jurisdiction. Specifically, the statute provides that

[e]ffective July 1, 2008, the retail rate jurisdiction of the board shall not be applicable to single line flat-rated residential and business service rates unless the board during the first six calendar months of 2008 extends its retail rate jurisdiction over single line flat-rated residential and business service rates provided by a previously rate-regulated telephone utility. The board may extend its jurisdiction pursuant to this paragraph for not more than two years and may do so only after the board finds that such action is necessary for the public interest.

Iowa Code § 476.1D(1)"c."

In anticipation of the deadline for the Board to make its determination, the Board initiated an inquiry on July 2, 2007, in Docket No. NOI-07-3, in part for the purpose of surveying the level of local exchange service competition. The results of the survey indicate that Qwest Corporation (Qwest) and Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom (Iowa Telecom) have increased their rates for their single line flat-rated services since July 1, 2005, and Frontier Communications of Iowa (Frontier) imposed its first rate increase on February 1, 2008, as allowed by § 476.1D. The survey results also indicate that substantial numbers of Iowa customers subscribe to these services. Taken together, these facts might indicate that many customers do not have a real choice of desirable services and the companies have sufficient market power to raise prices. However, they could also mean that rates for these services are still below market levels, making these

services artificially attractive. The survey results, therefore, do not provide conclusive evidence as to whether it is in the public interest to extend the Board's jurisdiction over these rates for another two years, so the Board will open this proceeding to receive public comment on the question.

INITIATION OF FORMAL PROCEEDING

Pursuant to Iowa Code § 476.1D(1)"c," the Board will initiate a formal notice and comment proceeding, identified as Docket No. INU-08-1, to consider whether the Board should extend its jurisdiction over single line flat-rated residential and business local exchange service rates provided by certain telephone utilities.

The Board intends to develop a complete record concerning the public interest supporting either the extension or the elimination of the Board's jurisdiction over these rates. Participants in this docket will be permitted to file sworn statements of position and counterstatements and an oral presentation, at which all participants will be permitted to cross-examine other participants, will be held in the Board's hearing room on Wednesday, May 21, 2008. A procedural schedule will be established accordingly.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. A formal notice and comment proceeding, identified as Docket No. INU-08-1, is initiated proposing to consider whether it is in the public interest to

continue the Board's jurisdiction over the services described in this order, pursuant to Iowa Code § 476.1D(1)"c" (2007).

2. The following procedural schedule is established:

a. Any interested person may file, on or before March 17, 2008, a statement of position concerning whether the Board should extend its jurisdiction over the services described in this order pursuant to Iowa Code § 476.1D(1)"c." Statements of position must substantially comply with 199 IAC 2.2(2). Ten copies must be filed with the original.

b. Any person filing a statement of position may file a counterstatement replying to the comments of other participants no later than April 21, 2008. The original and ten copies must be filed with the Board and copies must be served upon all participants. Counterstatements must substantially comply with 199 IAC 2.2(3).

c. All statements and counterstatements shall be sworn and shall be directed to the Executive Secretary, Iowa Utilities Board, 350 Maple Street, Des Moines, Iowa 50319-0069.

d. An oral presentation is scheduled for the purpose of taking sworn testimony concerning the statements and counterstatements. The oral presentation shall be held May 21, 2008, beginning at 10 a.m. in the Board's hearing room at 350 Maple Street, Des Moines, Iowa. All persons filing written statements shall have at least one witness available at the oral presentation

who may be cross-examined on the subject matter of the written statement. Cross-examination may be by the Board, the Consumer Advocate Division of the Department of Justice, and other participants as the Board may deem appropriate to develop the record fully. Persons with disabilities requiring assistive services or devices to observe or participate should contact the Board at 515-281-5256 in advance of the scheduled date to request that appropriate arrangements be made.

UTILITIES BOARD

/s/ John R. Norris

/s/ Krista K. Tanner

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Darrell Hanson

Dated at Des Moines, Iowa, this 11th day of February, 2008.