

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: SOUTH SLOPE COOPERATIVE TELEPHONE COMPANY	DOCKET NO. RPU-07-1
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FINAL ORDER

(Issued February 13, 2008)

BACKGROUND AND PROCEDURAL HISTORY

A. Background

On February 1, 2006, Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom (Iowa Telecom), filed a complaint with the Utilities Board (Board) against South Slope Cooperative Telephone Company (South Slope), identified as Docket No. FCU-06-25, which included allegations that South Slope improperly assessed a three-cent per minute carrier common line charge (CCLC) for certain calls in violation of 199 IAC 22.14(2)"d"(1)"2."¹ Board rule 199 IAC 22.14(2)"d"(1)"2" provides that competitive local exchange carriers (CLECs) that concur in the Iowa Telecommunications Association (ITA) access tariff and offer service in exchanges where the intrastate access rate of the incumbent local exchange carrier (ILEC) is lower than the ITA access rate must deduct the CCLC from their intrastate access service rates. In its complaint, Iowa Telecom asserted that South Slope incorrectly

¹ See In re: Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom, v. South Slope Cooperative Telephone Company, "Final Order," Docket No. FCU-06-25 (January 23, 2007).

claimed that it was an ILEC, rather than a CLEC, in the Oxford, Solon, and Tiffin, Iowa, exchanges. Iowa Telecom claimed, among other things, that because South Slope concurred with the ITA tariff and because Iowa Telecom was the proper ILEC in those exchanges with intrastate access rates lower than the ITA tariff rate, South Slope's collection of the CCLC was in violation of 199 IAC 22.14(2)"d"(1)"2" and South Slope should be directed to deduct the CCLC from its intrastate access service rates in the named exchanges.

On January 23, 2007, the Board issued its final order in Docket No. FCU-06-25 and determined that South Slope was offering local exchange service as a CLEC in the Oxford, Solon, and Tiffin exchanges, rather than as an ILEC. Therefore, the Board determined that South Slope's assessment of a CCLC in those exchanges for originating and terminating intrastate interexchange traffic violated 199 IAC 22.14(2)"d"(1)"2." In Ordering Clause No. 2 of its order, the Board directed South Slope to stop its assessment of the CCLC within 30 days of the issuance of the January 23 order on calls originating or terminating in the Oxford, Solon, and Tiffin exchanges. Also as part of the January 23 order, the Board noted that South Slope did not provide evidence in that docket to support its ability to assess the higher access charge rates. The Board noted that if South Slope had provided such

evidence, the Board could have allowed South Slope to continue its assessment of the CCLC in those exchanges.²

B. Procedural History

On February 6, 2007, South Slope filed an application for a new intrastate access services rate in the subject exchanges including the CCLC rate element, pursuant to Iowa Code §§ 476.6 and 476.7. South Slope's application was identified as Docket No. RPU-07-1. South Slope stated that it intended to provide the requisite cost support for Board approval of its continued assessment of the three-cent per minute CCLC in those exchanges and that it wanted to make the cost-supported CCLC effective on an interim basis as of February 21, 2007, subject to refund.

On February 16, 2007, the Board docketed South Slope's application pursuant to Iowa Code § 476.7 and granted South Slope an interim stay of the enforcement of Ordering Clause No. 2 in the Board's January 23, 2007, order in Docket No. FCU-06-25. Pursuant to its February 16 order and Iowa Code § 476.7, the Board allowed South Slope to continue assessing the three-cent per minute CCLC during the course of this proceeding, subject to refund.

On February 26, 2007, Iowa Telecom filed an objection to South Slope's application and to the Board's decision to stay enforcement of Ordering Clause No. 2

² The Board understands that South Slope also offers local exchange service in other exchanges where another carrier is the original incumbent, including parts of the Cedar Rapids and Iowa City exchanges. The Board's decision in Docket No. FCU-06-25 did not address South Slope's status in those exchanges. However, if the relevant circumstances in those exchanges are similar to the circumstances in Oxford, Solon, and Tiffin, the Board would expect the analysis and the results to be similar.

from the order in Docket No. FCU-06-25. Iowa Telecom stated that the Board already determined in Docket No. FCU-06-25 that South Slope's assessment of the CCLC in the named exchanges was unlawful and that South Slope should not be able to continue to assess the CCLC during these proceedings.

Also on February 26, 2007, AT&T Communications of the Midwest, Inc., and TCG Omaha (collectively "AT&T") filed an objection to South Slope's application and a petition to intervene in the proceeding.

On May 2, 2007, the Board issued an order affirming its earlier decision expressing its intent to not enforce the terms of the January 23, 2007, order in Docket No. FCU-06-25 while this matter is pending. The Board also granted AT&T intervenor status and established a procedural schedule.

A hearing was held on August 27, 2007, for the purpose of receiving testimony and cross-examining all witnesses. The parties submitted initial briefs on October 29, 2007, and reply briefs on November 13, 2007.

JURISDICTION

AT&T and Iowa Telecom argue that South Slope's assessment of a CCLC is a continuing violation of 199 IAC 22.14(2)"d"(1)"2," which provides that:

[a] competitive local exchange carrier that concurs with the Iowa Telephone Association (ITA) Access Service Tariff No. 1 and that offers service in exchanges where the incumbent local exchange carrier's intrastate access rate is lower than the ITA access rate shall deduct the carrier common line charge from its intrastate access service tariff.

AT&T argues that this rule is applicable to all ITA-concurring CLECs offering service in exchanges where the ILEC's access rate is lower than the ITA rate, without exception. (AT&T Initial Brief, p. 1).

The Board determined in Docket No. FCU-06-25 that South Slope is operating as a CLEC in the Oxford, Solon, and Tiffin exchanges. Further, because South Slope concurs in ITA Access Service Tariff No. 1, South Slope's CLEC operations in the Oxford, Solon, and Tiffin exchanges are subject to the requirements of 199 IAC 22.14.(2)"d"(1)"2."³

In 2001, the Board determined that it has jurisdiction over the access charges of CLECs pursuant to Iowa Code § 476.101(1),⁴ which provides in relevant part that

[i]f, after notice and opportunity for hearing, the board determines that a competitive local exchange service provider possesses market power in its local exchange market or markets, the board may apply such other provisions of this chapter to a competitive local exchange service provider as it deems appropriate.

Iowa Code § 476.101(1) (2007). (While the statute is phrased in terms of a "competitive local exchange service provider," that term is generally synonymous with the more commonly used term "CLEC," which the Board is using in this order.)

The Board determined that CLECs have market power with respect to the provision of access services to their end-users and, as a result, the Board has the

³ See In re: Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom, vs. South Slope Cooperative Telephone Company, "Final Order," Docket No. FCU-06-25 (January 23, 2007).

⁴ See In re: FiberComm, L.C., et al. v. AT&T Communications of the Midwest, Inc., "Final Decision and Order," Docket No. FCU-00-3 (October 25, 2001) (hereinafter referred to as "*FiberComm*").

authority to apply its authority under Iowa Code § 476.3 to CLECs and their access tariffs to "determine just, reasonable, and nondiscriminatory rates, charges, schedules, service, or regulations to be observed and enforced."⁵ Iowa Code § 476.3. Since the Board determined in Docket No. FCU-06-25 that South Slope is operating as a CLEC in the Oxford, Solon, and Tiffin, Iowa, exchanges and since it has been established that CLECs have market power in the provision of access services, the Board finds that it has jurisdiction to investigate the appropriateness of South Slope's intrastate access service charges, including the CCLC charge, in those exchanges, pursuant to § 476.101(1).

The Board's finding under § 476.101(1) of CLEC market power with respect to intrastate interexchange access permits the Board to apply other provisions of chapter 476 to CLEC access service, as the Board deems appropriate. In this case, the Board finds it appropriate to apply its rate authority under § 476.7 to South Slope's access tariff, permitting the Board to "determine just, reasonable, sufficient, and nondiscriminatory rates, charges, schedules, services or regulations to be thereafter observed and enforced." Iowa Code § 476.7 (2007).

STANDARD OF REVIEW

Having found jurisdiction to consider South Slope's access charges in its CLEC exchanges, the Board must now determine an appropriate standard to apply to those charges. On its face, 199 IAC 22.14(2)"d"(1)"2" does not provide an exception

⁵ Id.

for CLECs that concur in the ITA Access Service Tariff No. 1 and offer service in exchanges where the ILEC's access rate is lower than the ITA rate to assess a CCLC. However, there is nothing in the rule that requires CLECs to concur in the ITA access tariff. It appears CLECs may file their own access tariffs if they are able to prove the rates they propose are just, reasonable, and non-discriminatory. The standard for evaluating any such justification is, at least in part, a policy issue. There are two previous Board proceedings that shed light upon the policies that guide the Board in this area. Those proceedings are the *FiberComm* decision and the subsequent *Intrastate Access Service Charges* rule making proceeding.⁶

A. The *FiberComm* Decision

In August 2000, a group of CLECs (FiberComm, L.C.; Forest City Telecom, Inc.; Heart of Iowa Communications, Inc.; Independent Networks, L.C.; and Lost Nation – Elwood Telephone Company, collectively referred to as "the complainants") jointly filed a complaint against AT&T alleging, among other things, that AT&T refused to pay the access charges billed to it by the complainants.

As background, many of the complainants provided intrastate access services to interexchange carriers (IXCs) such as AT&T, in part through Iowa Network Services (INS), which operates a centralized equal access tandem. IXCs purchase access services from a LEC in order to originate long distance calls from, and

⁶ In re: Intrastate Access Service Charges [199 IAC 22.14(2)"d"(1)], "Order Adopting Amendments," Docket No. RMU-03-11 (March 18, 2004).

terminate long distance calls to, the LEC's customers in a particular exchange. INS coordinates the CLEC's provision of intrastate access services to IXCs.

In the *FiberComm* proceeding, the CLEC complainants adopted and filed an intrastate access tariff with the Board that concurred in the access tariff filed by the ITA, which in turn is based upon the interstate access tariff filed by the National Exchange Carrier Association (NECA) with the Federal Communications Commission (FCC), and included a three-cent per minute CCLC. The CLECs' rates for intrastate access service were significantly more than the rates charged by the ILECs in those exchanges for similar access services.

AT&T argued that it should not be required to pay for access services from the complainants at rates that AT&T deemed to be non-competitive. AT&T refused the CLECs' access services and charges in several exchanges because each CLEC's access charges were higher than the ILEC's access charges in the same exchange.

In reaching its decision in *FiberComm*, the Board considered a 2001 proceeding before the FCC regarding CLEC access reform.⁷ In that proceeding, the FCC was concerned that CLEC access rates varied dramatically and on average were well above the rates that ILECs charged for similar services in the same exchanges. The FCC also expressed concern that permitting CLECs to tariff any rate that they chose for originating and terminating access service may allow some

⁷ *In the Matter of Access Charge Reform; Reform of Access Charges Imposed by Competitive Local Exchange Carriers*, "Seventh Report and Order and Further NPRM," FCC 01-146, CC Docket No. 96-262 (Released April 27, 2001) (hereinafter *Seventh Report and Order*).

CLECs to inappropriately shift a substantial portion of their start-up and network build-out costs onto the long distance market in general.⁸ The FCC determined that such cost shifting would be inconsistent with the competitive market that it sought to encourage for access service and it might promote economically inefficient entry into the local markets and distort the long distance market.⁹ The FCC held that while it sought to promote competition among local service providers, it also sought to eliminate from its rules opportunities for uneconomic arbitrage and incentives for inefficient market entry.¹⁰ Therefore, the FCC determined that the CCLC was no longer a supportable element of access charges and was unreasonable. Consequently, the FCC set a benchmark level for CLEC access rates of 2.5 cents per minute or the competing ILEC rate in the same exchange.¹¹

In the *FiberComm* decision, the Board noted that the record before it supported the same conclusion as that reached by the FCC in its *Seventh Report and Order*. In *FiberComm*, the Board determined that permitting CLECs to continue to collect access charges that included the CCLC would be discriminatory and would violate the principles of competitive neutrality¹² because ILECs would not have the opportunity to obtain the same revenues through access charges.¹³ Instead, ILECs typically use a subscriber line charge (SLC), or other element of local rates, and

⁸ *Id.*, at ¶¶ 33-44.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*, at ¶¶ 44-45.

¹² See, Iowa Code § 476.95.

¹³ *In re: FiberComm, et al.*, "Final Order," at p. 22.

collect directly from the end-user, which tends to make the ILEC's customer bill higher and puts the ILEC at a competitive disadvantage.¹⁴ The Board ordered the CLECs involved in the *FiberComm* case to file new access tariffs with the CCLC removed.¹⁵ However, the Board also stated that each CLEC was free to propose higher access charges, if it believed it could support them, and that each IXC was free to challenge the CLEC access charges if it believed the appropriate level was even lower.¹⁶

B. The *Intrastate Access Service Charges* Rule Making

On July 18, 2003, the Board issued an order commencing a rule making that proposed to amend 199 IAC 22.14(2)"d"(1), relating to intrastate access charges. The proposed amendments reflected the application of the CCLC by rate-regulated ILECs and proposed to require CLECs to remove the CCLC rate element if they concur in the ITA Access Service Tariff No. 1 and offer service in exchanges where the ILEC access rate is lower than the ITA access tariff rate.

In the March 18, 2004, "Order Adopting Amendments," the Board noted that the amendments extended the effect of the *FiberComm* decision to every CLEC that chooses to concur in the ITA access tariff.¹⁷ The Board also noted that a CLEC could file a separate access tariff of its own and could try to continue to include the CCLC in its access rates, but to do so would then allow any IXC to file an objection or

¹⁴ Id.

¹⁵ Id.

¹⁶ Id.

¹⁷ In re: Intrastate Access Service Charges, "Order Adopting Amendments," p. 6.

complaint seeking to have the *FiberComm* analysis extended to the CLEC.¹⁸ The Board clarified that the burden would be on the CLEC to demonstrate why it should not be subject to the same analysis.¹⁹

C. Discussion

Based on the Board's analysis in *FiberComm* and the *Intrastate Access Service Charges* rule making, it is evident that while the Board had sufficient policy reasons to order CLECs to remove the CCLC from their tariffs when concurring in the ITA tariff, the Board also intended to create an avenue whereby CLECs could seek permission to continue to assess access charges that include the CCLC.

In response to the Board's January 23, 2007, decision in Docket No. FCU-06-25, and in compliance with the Board's decisions in *FiberComm* and the *Intrastate Access Service Charges* rule making, South Slope submitted a cost study along with its application to support the continued assessment of its CCLC in the Oxford, Solon, and Tiffin exchanges. The model used by South Slope is based on a separations model traditionally used by ILECs to establish interstate and intrastate jurisdictional allocations. In the development of intrastate access charges, South Slope has the burden to overcome a general presumption against the use of a CCLC in competitive exchanges. AT&T did not submit an alternative study methodology, but rather argued for purposes of the hearing that there were errors in South Slope's study inputs. (South Slope's cost study model was not directly disputed at the

¹⁸ Id.

¹⁹ Id.

hearing in this proceeding although AT&T argued against it in its reply brief.) AT&T asserted that if the correct inputs were used, the model showed that including the CCLC would not result in just and reasonable rates. The Board will consider South Slope's cost study and AT&T's proposed corrections as part of its review of South Slope's application. The Board will also consider the potential effect of its decision in this docket on competition as required by Iowa Code § 476.95(3).

ANALYSIS

The cost model used by South Slope is based on a separations model traditionally used by ILECs to establish interstate access charges. Part of that process includes the separation of costs between the interstate and intrastate jurisdictions. In the development of interstate access charges, the interstate costs are the only costs traditionally used to establish these rates. Intrastate costs are not used or evaluated in this process. However, since the rate elements between interstate and intrastate costs are substantially similar, South Slope applied the same methodology using intrastate factors, investments, and expenses to produce intrastate rates.

AT&T alleges that there are several errors in South Slope's cost study.²⁰ (AT&T Initial Brief, p. 8). AT&T asserts that when these errors are corrected, South Slope's cost study proves that South Slope is recovering more than a fair return on its

²⁰ These alleged errors include the rate of return used and the number of access minutes used, among other things.

CLEC access service and as a result, South Slope has failed to meet its burden to overcome the presumption against the imposition of the CCLC. (Id.) AT&T identified several alleged errors in the cost study inputs; many of the corrections proposed by AT&T during the course of this proceeding were subsequently accepted by South Slope, although the rate of return and the number of access minutes were not.

South Slope asserts that the result of its cost study, with the agreed-upon corrections, supports a CCLC in excess of the three cents per minute that South Slope requested in its application. South Slope indicates, however, that it intends to charge only three cents per minute for the CCLC and to keep the other access rate elements the same as they are currently tarified. (Tr. 108). AT&T asserts that by using different inputs in the cost study, the results demonstrate a CCLC that is lower than the requested three cents per minute, with a composite access rate significantly less than the composite rate requested by South Slope. (Tr. 365).

With respect to the rate of return issue, the Board finds South Slope's proposed rate of return (11.25 percent) is more reasonable than AT&T's proposal that South Slope's return on equity should be a rate of zero percent and that its overall rate of return should be 2.88 percent. AT&T's proposal ignores the fact that South Slope has a continuing need for capital, which has a reasonable cost. South Slope's status as a non-profit organization does not mean that South Slope has the ability to raise capital at little or no cost, but this would be the logical conclusion of AT&T's argument.

With respect to the number of access minutes used in the model, AT&T proposes to include traffic associated with the Iowa City and Cedar Rapids exchanges. However, it does not include any of South Slope's investments in those exchanges. Including the usage without the investment would create an inappropriate mis-match and the Board rejects AT&T's proposal.

In its reply brief, AT&T questioned whether the use of the separations-based cost study was appropriate to support South Slope's proposed CCLC. AT&T argued that the application of the separations rules is counter to the policies that the Board adopted in *FiberComm*, where the Board echoed the FCC's concerns set forth in its *Seventh Report and Order* regarding the CCLC, cost causation, and subsidization. AT&T argued that the FCC raised similar questions in other proceedings regarding whether the application of traditional ILEC separations rules would frustrate, rather than promote, competitive and efficient pricing. Specifically, the FCC noted that "additional subsidies and distortions may be due, not only to the rate structure, but to the separations rules that divide costs between the interstate and intrastate jurisdictions."²¹

²¹ *Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure and Pricing, End User Common Line Charges*, "First Report and Order," CC Docket Nos. 96-262, 94-1, 91-213, 95-72, FCC 97-158 (Rel. May 16, 1997) at ¶ 29; See also *Multi-Association Group (MAG) Plan for Regulations of Interstate Services of Non-price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Second Report and Order and NPRM*, CC Docket No. 96-45, et al., FCC 01-304 (Rel. Nov. 8, 2001) at ¶ 17 (Part 69 Rules are inconsistent with goal of recovering non-traffic sensitive costs through fixed, flat charges and recovering traffic sensitive costs through per-minute charges).

The Board agrees that reliance on cost studies based on traditional ILEC separations rules may frustrate the policies set forth by the Board in *FiberComm*. As previously discussed, in *FiberComm*, the Board adopted a presumption against the CCLC based, in part, on the Board's concerns that the CLECs were subsidizing their build-out costs with access revenues. Given these concerns, it seems incongruous to allow South Slope to support its continued use of the CCLC based on a separations study that, by itself, may reinforce improper subsidization.

Despite the Board's concerns with the use of South Slope's separations-based cost study, the Board recognizes that such studies have been commonly used within the telecommunications industry. The Board further recognizes that AT&T first questioned the applicability of the separations study in its reply brief, leaving South Slope with no opportunity to respond to AT&T's arguments. For these reasons and other factors unique to this case, the Board will consider the merits of South Slope's cost study for the purposes of this case only. The Board remains concerned that the separations rules contribute to the improper subsidization that the Board sought to eliminate in *FiberComm* and would caution parties against relying on such studies in future proceedings where competitive and efficient pricing may be at issue.

While the Board recognizes that some of South Slope's inputs to its cost study reflect annualized figures, the Board finds that South Slope's cost study is sufficient in this case to support South Slope's implementation of a three-cent per minute CCLC. In this situation, however, the Board will not rely solely on the cost study to

determine whether South Slope should be allowed to continue to assess a CCLC in the subject exchanges.

In the 2001 *FiberComm* decision, the Board directed the CLECs that were parties to that case to remove the CCLC from their access charges. In the 2004 *Intrastate Access Service Charges* rule making, the Board extended the same requirement to all CLECs that concur in the ITA access tariff and serve a qualifying exchange. The policy considerations that went into the *FiberComm* decision (specifically the captive market power by CLECs over IXCs with respect to access service and related charges, the FCC's determination that a CCLC is no longer a supportable element of access charges, and the impact that the assessment of a CCLC by a CLEC would have on the principles of competitive neutrality because the competing ILEC would not have the opportunity to obtain the same revenues through access charges) are still relevant today. The Board made it clear in those two proceedings that CLECs should not be allowed to charge a CCLC where it causes harm to competition. This policy, by itself, would support a Board decision to deny South Slope's proposal to include the CCLC in its access charges in its CLEC exchanges, despite the presence of the cost study.

However, the Board notes that there are unusual circumstances in this particular situation. In 1996 and 1997, South Slope was allowed to amend its ILEC certificate of public convenience and necessity and extend its service territory to include the Oxford, Solon, and Tiffin exchanges. The Board incorporated South

Slope's service in those exchanges into the North Liberty exchange, where South Slope served customers as an ILEC. South Slope asserts that it was providing service to customers in the Oxford, Solon, and Tiffin exchanges as an ILEC. Based on that interpretation of the facts, South Slope developed a business plan that included investments to update its facilities in those exchanges and planned to recover those investments, at least in part, through the assessment of a CCLC as part of its access charges.

A proceeding before the Board,²² initiated by Iowa Telecom in 2006, resulted in the Board's determination that South Slope was operating as a CLEC in the Oxford, Solon, and Tiffin exchanges, rather than as an ILEC as South Slope believed. As a result of that order, South Slope was no longer allowed to continue to assess the CCLC in those exchanges, pursuant to 199 IAC 22.14(2)"d"(1)"2."

The Board is sympathetic to the unusual changes to South Slope's status and its business plan when it was ordered to stop assessing the CCLC. The Board believes that South Slope had a good faith belief that it was entitled to collect the full ITA access charge in Oxford, Solon, and Tiffin and South Slope made its investment decisions in those exchanges based, in part, on that good-faith belief. Further, South Slope has shown in this proceeding that it has a reasonable cost basis for collecting the CCLC in these exchanges, although some aspects of that cost support are disputed and the model itself raises serious issues.

²² In re: Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom, vs. South Slope Cooperative Telephone Company, "Final Order," Docket No. FCU-06-25 (January 23, 2007).

Offsetting these considerations is the competitive harm that is likely to result if South Slope is permitted to charge higher access charges in these exchanges than the incumbent carrier, Iowa Telecom, is allowed to charge. When making decisions involving telecommunications companies, the Board is required to consider the effect of these decisions on competition and, to the extent reasonable and lawful, to decide cases in a manner that advances the development of competition. Iowa Code § 476.95(3). In this case, allowing South Slope to continue to collect the CCLC in perpetuity would run counter to the state's pro-competition policy.

Balancing all of these considerations, the Board will continue to follow the trend it started in 2001 with the *FiberComm* decision, that being to move toward the reduction of access charges where they adversely affect competition. The Board recognizes that there are reasons why South Slope may have assumed it would be able to continue to assess the CCLC, despite the clear language of 199 IAC 22.14(2)"d"(1)"2." However, the Board's decisions regarding access charges over the past few years, as well as the FCC's recent decisions in this area, should have put South Slope on notice that the access charge environment is changing.

Based on the record before the Board in this proceeding and the unusual circumstances that involve South Slope's provision of service in the Oxford, Solon, and Tiffin exchanges, the Board will allow South Slope to continue to assess its three-cent per minute CCLC as a part of intrastate access charges in those specific exchanges in the short term, but directs South Slope to adjust the CCLC downward

over a three-year period, beginning February 22, 2007, the date South Slope was required to eliminate the CCLC as directed by the Board's order issued on January 23, 2007, in Docket No. FCU-06-25. This phase-out will achieve the Board's long-term goal of eliminating the assessment of a CCLC altogether in competitive environments.

Disallowing the assessment of the CCLC will not prevent South Slope from recovering its costs. It appears from the record that South Slope can raise its end-user rates to recover costs and still remain competitive with Iowa Telecom in these exchanges, if it chooses to. The Board also finds that this potential end-user revenue source makes the CCLC unnecessary and inappropriate for South Slope in the long term in these exchanges and continued collection of the CCLC would give South Slope a competitive advantage over Iowa Telecom, which cannot bill the same access charge element. While South Slope provided cost-support information in this docket, the Board reaches the same conclusion it reached in *FiberComm* that the CCLC is no longer a supportable element of access charges in a competitive marketplace and it should be, and must be, phased out over a reasonable time.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The application for a new rate for a three-cent per minute carrier common line charge in the Oxford, Solon, and Tiffin, Iowa, exchanges filed by South

Slope Cooperative Telephone Company on February 6, 2007, is conditionally approved, as described in the body of this order.

2. South Slope Cooperative Telephone Company is allowed to assess a three-cent per minute carrier common line charge in the Oxford, Solon, and Tiffin, Iowa, exchanges for three years beginning February 22, 2007. The charge shall start at three cents per minute and shall be phased out in equal steps. At the conclusion of the three-year period, South Slope shall cease the assessment of the carrier common line charge and remove the charge from its tariff for these exchanges.

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 13th day of February, 2008.