

**2007 TELECOMMUNICATIONS  
MARKET MONITORING SURVEY FOR  
RETAIL LOCAL VOICE SERVICES IN IOWA**

**A Report of the  
Iowa Utilities Board**

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**January 2008**

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## EXECUTIVE SUMMARY

On July 2, 2007, the Iowa Utilities Board (Board) initiated a Notice of Inquiry, In Re: 2007 Telecommunications Market Monitoring Survey for Retail Local Voice Services and High-Speed Internet Access Survey, Docket No. NOI-07-3, for the purpose of evaluating the level of retail local voice service competition and the availability of broadband access in Iowa.

This is the Board's third request for information on local voice services and the sixth survey on the availability of high-speed Internet access in Iowa. However, this is the first time information for both voice services and Internet access has been requested at the same time. This report details only the results of the market monitoring of retail local voice services. A separate report titled "Assessing High-Speed Internet Access in the State of Iowa: Sixth Assessment" provides a compilation of high-speed Internet access information obtained in this inquiry. All current and prior reports can be found on the Board's Web site at [www.state.ia.us/iub](http://www.state.ia.us/iub).

In this Notice of Inquiry (NOI-07-3), the Board requested survey responses from all known local service providers having wireline, wireless, cable telephony, and voice over Internet protocol (VoIP) voice services. Service providers with a potential for providing high-speed Internet access were also included. A total of 353 survey responses were received as of October 1, 2007, providing a response rate of 98.3 percent.

The survey of local voice service connection counts only include connections being billed as a retail service with the capability of accessing the public switched network. Reported connections are also required to utilize telephone numbers included in the Numbering Plan Areas (NPA) assigned to Iowa and monitored by the North American Numbering Plan Administrator (NANPA). Carriers were also requested to identify customer connections by community, service area, and numbering plan area.

### **Statewide Observations:**

1. The number of statewide retail local voice service connections has decreased:
  - Incumbent local exchange carrier (ILEC) connection counts declined roughly 7.7 percent from 2003 to 2005, and 6.6 percent from 2005 to 2007. As of June 30, 2007, ILEC connection counts are 1,237,889.
  - Competitive local exchange carrier (CLEC) service connection counts showed an 18.7 percent increase from 2003 to 2005, but a 2.5 percent decrease from 2005 to 2007. As of June 30, 2007, CLEC connection counts are 245,925.

- Total statewide connections (ILEC and CLEC) decreased 4.3 percent from 2003 to 2005 and 5.9 percent from 2005 to 2007.
  - The Federal Communications Commission reports that ILEC lines have decreased by more than 20 percent nationally from June 2000 through June 2006. CLEC lines increased almost 184 percent from June 2000 through December 2004, then declined by nearly 9 percent through June of 2006.
2. The number of statewide wireless service connections continues to increase:
- The total number of wireless connections in Iowa as of June 30, 2007, is 1,943,334.
  - Wireless carriers are serving at least 97 percent of all Iowa communities.
  - Wireless numbers reported as part of NANPA numbering resource data for Iowa indicate that the number of wireless numbers in the state increased 28 percent from 2003 to 2005 and 23 percent from 2005 to 2007. The growth in number utilization from 2003 to 2007 is 57 percent.
  - Nationally, the number of households with only a wireless telephone continues to increase. The National Center for Health Statistics reports that approximately 13.6 percent of households during the January to June 2007 time period had at least one wireless telephone, but did not have a traditional landline telephone. This percentage may be high for Iowa, because of quality of reception in rural areas where, presumably, there are fewer cell towers.
3. The number of companies providing telephone service over cable is increasing:
- Cox Iowa Telecom, LLC (Cox), and MCC Telephony of Iowa, Inc. (Mediacom), provide the greatest number of cable telephony local voice service connections in the state.
  - Cox provides local voice service in Council Bluffs, Carter Lake, Crescent, and Underwood. Cox's subscribership tripled between 2003 and 2005 with connection counts growing less than 1 percent between 2005 and 2007.
  - Mediacom began to provide cable telephone service near the end of 2005. Mediacom intends to provide competitive telephone service in 178 Iowa exchanges where Qwest, Iowa Telecom, Frontier, and numerous independent telephone companies are the ILECs.
  - In addition to Cox and Mediacom, there are nine other Iowa carriers reporting 9,600 cable telephone connections. Cable telephony represents more than 17 percent of the CLEC connections or slightly less than 3 percent of total wireline connections used to provide local retail voice services in Iowa.

4. Voice over Internet protocol (VoIP) service:
  - Reliable market share data for VoIP services is not available. Most VoIP service providers are not certificated and few VoIP service providers responded to the survey.
  - Only five carriers indicated they were providing only VoIP services with a combined connection count of less than 100. Three other companies responded as providing VoIP services, but connection counts were commingled with traditional wireline counts.

#### **Company Specific Observations:**

1. Qwest Corporation (Qwest):
  - Based on the 2007 survey response, Qwest provides service in 187 communities.<sup>1</sup>
  - Qwest's local service connections have decreased by almost 15 percent since the 2003 survey. However, Qwest serves 78 percent of all wireline connections in its territory and has a market share of at least 90 percent in over 100 communities.
  - The number of competitors in Qwest's exchanges continues to rise, while at the same time, the number of CLEC connections has fallen about 30 percent from the 2005 study.
  - The number of Qwest communities with a CLEC has declined from 93 percent in 2005 to 80 percent in 2007. Fifty-seven percent of Qwest communities have competitors with cable telephony connections, 9 percent have VoIP connections, and at least 98 percent have wireless connections.
  - Qwest's single line flat-rated residential and business service connections are 42 percent of all retail local voice service connections reported by Qwest. Monthly rate increases for these services were implemented in 2005, 2006, and 2007. Statewide monthly residential rates increased \$3.80. Monthly business rates have increased \$6.40 in rate zones one and two, and \$3.68 in rate zone three.
2. Iowa Telecommunications Services, Inc. (Iowa Telecom):
  - The 2007 survey shows Iowa Telecom providing service to 290 communities.<sup>2</sup>
  - Iowa Telecom's local service connections have decreased by more than 15 percent since the 2003 survey. Iowa Telecom serves 89

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<sup>1</sup> The actual number of communities served by Qwest is greater than the number identified in the survey since several communities can be included within an exchange or serving area. Qwest provides local service in 124 exchanges in Iowa.

<sup>2</sup> The actual number of communities served by Iowa Telecom is greater than the number identified in the survey since several communities can be included within an exchange or serving area. Iowa Telecom provides local service in 286 exchanges in Iowa.

percent of all wireline connections and continues to have 100 percent of the market share in 75 percent of communities served.

- The number of competitors providing service in Iowa Telecom's exchanges has declined and CLEC connections have decreased by 11 percent from 2005.
- Cable telephone connections provided by competitors are reported in 21 percent of Iowa Telecom's communities and wireless connections are present in nearly all areas.
- Iowa Telecom's single line flat-rated residential and business service connections are nearly 57 percent of all retail local voice service connections reported by Qwest. Monthly rate increases for these services were implemented in 2006 and 2007. Monthly residential rates have increased \$2.39 and monthly business rates have increased \$5.96.

3. Frontier Communications of Iowa (Frontier):

- The 2007 survey shows that Frontier is providing local voice services in 37 communities.<sup>3</sup>
- Frontier has seen a 24 percent decline in its Iowa local voice connections since the 2003 survey. The current survey indicates there are five CLECs serving four communities in Frontier's service territory. The CLEC market share of total wireline connections in Frontier's territory is about 8 percent.
- Wireless connections are present in all communities served by Frontier.
- Frontier's single line flat-rated residential and business service connections represent over 78 percent of all retail local voice service connections reported by Frontier. A rate increase for these services is scheduled to be effective on February 1, 2008. Monthly rates for single line flat-rated business and residential services will increase \$1 in most of Frontier's three rate zones. The only rate group to not receive the \$1 increase is residential group 3 and this rate will be set at the cap of \$19, amounting to an \$.86 increase.

4. Independent telephone companies:

- There are 154 nonrate-regulated independent telephone companies providing local telephone service in Iowa. The independent telephone companies as a group serve about 221,000 connections in 390 Iowa communities. Connection counts have decreased by nearly 7 percent since the 2003 survey.
- Eight CLECs provide services in 24 communities served by the independent telephone companies. The independent telephone

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<sup>3</sup> The actual number of communities served by Frontier is greater than the number identified in the survey since several communities can be included within an exchange or serving area. Frontier provides local service in 37 exchanges.

companies provide about 97 percent of the landline connections in the communities they serve. This compares to 99 percent of the connections as reported in both the 2005 and 2003 surveys.

- Ninety-five percent or 371 of the communities in the independent service areas currently have at least one wireless service provider.

5. Municipal telephone companies:

- The growth in municipal telecommunications utilities has slowed. There are currently 15 municipal telecommunications utilities, but only one additional utility was formed since the 2005 survey.
- Fourteen of the 15 municipal telecommunications utilities provide service in only one community, although one provides service in four different communities.
- The municipals have seen continued success in retaining their wireline customer base. The current survey shows market shares to be slightly more than 40 percent to almost 75 percent of customers within the associated communities.

**Conclusions:**

- The number of ILEC retail local voice service connections continues to decline in Iowa.
- The total number of CLEC retail local voice service connections and number of communities with CLEC voice connections have declined since the 2005 survey.
- ILECs continue to maintain a significant market share over CLECs in most communities.
- Significant percentages of Qwest, Iowa Telecom, and Frontier customers remain subscribed to services that are currently rate-regulated – those that are single line flat-rated.
- Wireless services are the fastest growing voice service in Iowa. Statewide there are more wireless voice service connections (1.9 million) than ILEC voice connections (1.2 million) and in many communities wireless voice connections exceed ILEC voice connections.
- The growth in municipal telecommunications utilities has slowed.
- The availability of cable telephony has grown substantially since 2005 with most of the growth attributable to Mediacom.
- Reliable market share data for VoIP services is not available.

## Acronyms and Definitions

1996 ACT – The Telecommunications Act of 1996. Federal legislation that opened the local exchange telecommunications marketplace to competition on a nationwide basis.

Board – Iowa Utilities Board

CLEC – Competitive Local Exchange Carrier. A company that offers local exchange services in competition with the ILEC, or incumbent local exchange carrier, in a particular area or telephone exchange.

EAS – Extended Area Service. An expansion of the local calling area for a community to include one or more adjoining exchanges, usually for an additional charge.

FCC – Federal Communications Commission.

Iowa Code § 476.1D(1)"c" (f/k/a HF 277). The 2005 amendments to Iowa law that deregulated retail rates for most local exchange communications services provided by ILECs except for single line flat-rated residential and business rates. Among other things, the amended statute also requires that when markets are considered for deregulation, the Board must weigh factors that include the presence or absence of: wireless communications services, cable telephony services, Voice over Internet Protocol (VoIP) services, and economic barriers to the entry of competitors or potential competitors in that market.

ILEC – Incumbent Local Exchange Carrier. The telecommunications company, or its successor, that offered local exchange service in a particular community prior to passage of the 1996 Act.

IUB – Iowa Utilities Board.

LEC – Local Exchange Carrier. Any telecommunications company that offers local telephone service.

Local exchange service - Telephone service furnished between customers or users located within an exchange area.

NANP - North American Numbering Plan. The NANP is the numbering plan for the Public Switched Telephone Network for Canada, the U.S. and its territories, and the Caribbean.

NANPA – North American Numbering Plan Administrator. NANPA holds overall responsibility for the neutral administration of NANP numbering resources, subject to directives from various regulatory authorities. NANPA's responsibilities include the assignment of full codes (10,000 numbers) of telephone numbers, the coordination of area code relief planning, and collection of utilization and forecast data. Currently, Neustar, Inc., serves as the NANPA.

NPA – Numbering Plan Area. The term is synonymous with “area code.” In Iowa there are currently five NPAs: 319, 515, 563, 641, and 712.

NRUF – Number Resource Utilization/Forecast. Twice per year the NANPA requires ILECs, CLECs, paging companies, and wireless carriers to submit detailed information on telephone number usage for each block of telephone numbers previously assigned. NRUF data is used to develop forecasts for the exhaust dates for each NPA as well as the exhaust date for the entire NANP.

NXX – In a seven-digit local phone number, the first three digits identify the specific central office or switching center that serves the telephone number.

PA – Pooling Administrator. The PA is responsible for the assignment of thousands-blocks (1,000 numbers) of telephone numbers in areas where pooling occurs. Currently, Neustar, Inc., serves as the Pooling Administrator.

ROR – Rate of return. The percentage of net profit that a telephone company is authorized to earn on its rate base.

UNE – Unbundled Network Element. Each of the various services and facilities that goes into providing local telephone service, including the wire loop that serves the customer and switching services.

UNE-P – Unbundled Network Element-Platform. The combination of all of the UNEs necessary to provide local telephone service. This typically includes the loop, port, switching, and local transport.

VoIP – Voice over Internet Protocol. A method of changing voice calls into data packets and sending them on the Internet or a similar network. Near the destination, they are reassembled and delivered like traditional calls.

## **I. INTRODUCTION**

### **A. Purpose and Design of the Study**

On July 2, 2007, the Iowa Utilities Board (Board) initiated a Notice of Inquiry, In Re: 2007 Telecommunications Market Monitoring Survey for Retail Local Voice Services and High-Speed Internet Access Survey, Docket No. NOI-07-3, for the purpose of surveying the level of local exchange service competition and the availability of broadband access in Iowa.

This is the first time that the Board has requested both local service and broadband information in a single data request. Prior information requests have been separate with surveys for retail local voice service occurring every two years and high-speed Internet access assessments occurring approximately every 18 months.

Prior retail local service information surveys were initiated on August 4, 2003, and September 21, 2005. The results of earlier surveys are discussed in reports released by the Board. The first report was released in January 2004 and is titled "Telecommunications Competition Survey For Retail Local Voice Services In Iowa" (2003 Survey). The second report was released in March of 2006 and is titled "Second Statewide Telecommunications Competition Survey For Retail Local Voice Services In Iowa" (2005 Survey).

Data requests used to determine the availability of high-speed Internet access within the state began with the initial assessment in July of 2000 as directed by Senate File 2433. Follow-up assessments were conducted in September 2001, January 2003, July 2004, and January 2006. All current and prior reports dealing with information obtained in surveys for retail local voice services or on the availability of high-speed Internet access can be found on the Board's Web site at [www.state.ia.us/iub](http://www.state.ia.us/iub).

This report only addresses information gathered as part of the market monitoring for retail local voice services. Information gathered under this docket related to high-speed Internet is addressed in a separate report titled "Assessing High-Speed Internet Access In The State of Iowa: Sixth Assessment."

#### **1. The Survey Instrument and Process**

The July 2, 2007, Notice of Inquiry (NOI-07-3) contained two attachments, the survey instructions and guidelines, and the survey instrument. The survey was identified as the "2007 Telecommunications Market Monitoring Survey for Retail Local Voice Services and High-Speed Internet Access Survey." The survey instrument was developed with four sections: Section I requested company information, Section II requested customer connections for retail local voice service, Section III requested connection counts on retail single line flat-rated

residential and business services from the price-regulated carriers (Frontier Communications of Iowa, Iowa Telecommunications Services, Inc., and Qwest Corporation), and Section IV requested information on high-speed Internet customer data by community, information on prospective high-speed Internet communities, and pricing information for high-speed Internet services. A copy of the Board's order, survey instructions and guidelines, and the survey instrument are included as Attachment A to this report.

The survey instrument requested information as of June 30, 2007, and was directed to all known local service providers utilizing wireline, wireless, cable telephony, and Voice over Internet Protocol (VoIP) for the provision of local voice services. Organizations or service providers with a potential of providing high-speed Internet access were also included in the data collection process.

The Board made every effort to contact companies to obtain responses to the survey. Initially, more than 459 e-mails containing information about the inquiry were sent to service providers. Several service providers received more than a single e-mail due to multiple contact names and addresses for individual organizations. Survey responses were to be returned on or before August 20, 2007. By that date, however, the Board had received only 222 responses from various service providers. A calling campaign was initiated to obtain additional responses. After numerous e-mails and telephone calls, it was determined that the number of potential responders would be 359. A total of 353 survey responses were received as of October 1, 2007, to provide a response rate of 98.3 percent. The service providers not responding or refusing to provide information consisted of six small companies providing Internet services.

## **2. Confidential Information**

In this Notice of Inquiry (NOI-07-3), the Board requested survey responses from all local voice and Internet service providers in Iowa. These responses included information that may be considered trade secrets or otherwise entitled to confidential treatment under Iowa law. Therefore, the Board granted confidential treatment for the individual company information submitted in the survey responses pursuant to Iowa Code §§ 22.7(3) and 22.7(6).

Iowa Code § 22.7(3) provides confidential treatment for trade secrets, which are recognized and protected as such by law. The material requested of the carriers includes specific line count information. The Board found that line count information constituted a trade secret under Iowa Code § 550.2(4) as it derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means, by a person able to obtain economic value from its disclosure. The Board found that this information, if released, would provide an advantage to competitors.

Iowa Code § 22.7(6) provides confidential treatment to public records that are reports to government agencies and which, if released, would give advantage to competitors and serve no public purpose. The Board found that the responses to the updated survey constitute a report to a government agency and the release of the information would serve no public purpose.

As a result, this report does not discuss or include confidential information from individual companies. It includes only publicly available information, aggregated information, and other information in a format such that it would not be possible to reconstruct company-specific confidential information.

### **3. Retail Local Voice Service Connections**

For the purpose of this data collection effort, local service connection counts provided by the service providers were to only include those connections that were being billed as a retail service with the capability of accessing the public switched network. Counts included in the connections were also required to utilize telephone numbers included in the Numbering Plan Areas (NPA) assigned to Iowa and monitored by the North American Numbering Plan Administrator (NANPA).

Information obtained from service providers included customer connections by community, service area, and NPA-NXX. Responders were asked to identify their role as either an incumbent or competitor in the areas where they provide service. Local voice service connection counts were also provided on the basis of residential or business if the carriers furnished services with these classifications. Local retail service connections without residential or business classifications were to be reported as combination counts. Service providers also provided information on how services were provisioned based on facilities based, furnished with Unbundled Network Elements (UNEs) or furnished through resale.

#### **B. Background of Telecommunications Regulation in Iowa**

##### **1. Different Carriers Are Subject to Different Regulation**

There are several types of telephone companies that provide local service in Iowa today. These include large Incumbent Local Exchange Carriers (ILECs), small ILECs, Competitive Local Exchange Carriers (CLECs), and wireless carriers. ILECs are telephone companies, or their successors, that were providing local exchange service when the Telecommunications Act of 1996 (1996 Act) was enacted. Generally speaking, ILECs do not compete in each other's service territory, although there are exceptions.

Iowa has more ILECs than any other state.<sup>4</sup> In the 2007 survey, there are 157 different ILECs providing local exchange service. Of these, 154 are comparatively small, independent carriers. The remaining three are the large incumbent carriers: Qwest Corporation (Qwest), Iowa Telecommunications Services, Inc. (Iowa Telecom), and Frontier Communications of Iowa (Frontier).

Large ILECs, small ILECs, and CLECs are subject to different forms of regulation. All incumbent and competitive carriers are subject to service quality regulations, but only the three large ILECs are subject to rate regulation by the Board. Wireless telephone companies are not subject to rate or service quality regulation, as the Board deregulated that market in 1986. However, wireless carriers that have elected to receive federal universal service support are subject to a limited amount of service quality regulation by the Board, specifically over those services that are supported by the federal universal service fund.

The regulation of an incumbent carrier's local service rates is determined by its size, as measured in access lines. Telephone companies serving 15,000 or more access lines are subject to rate regulation under the authority granted to the Board. Only Qwest, Iowa Telecom, and Frontier currently exceed this threshold and are subject to rate regulation. Until 1995, the Board established the rates for these companies using the traditional "rate of return" (ROR) form of regulation setting rates based on each company's cost of providing regulated services, including an opportunity to earn a reasonable return on the company's investment in Iowa.

In 1995, the Iowa General Assembly passed legislation to allow large ILECs to base their rates on general economic conditions rather than costs. This form of regulation, known as price regulation, sets price caps for basic communications services. Those prices are periodically adjusted based on an inflation index and, originally, a productivity factor. The productivity factor was repealed in two steps in 2002 and 2003. In Iowa, two different price regulation plans were established based on the size of the company. In 1995, Frontier and GTE (now known as Iowa Telecom) opted into price regulation. In 1998, U S West Communications (now known as Qwest) also opted into price regulation. The price regulation plans were supervised by the Board and were updated periodically to meet current economic conditions. For example, in the last few years each of the price regulation plans was modified by the Board to include a provision that allowed the carrier to reduce its rates in selected communities in order to meet competition.

Iowa's regulation of CLECs is minimal. Under Iowa Code § 476.29, a CLEC must receive a certificate of public convenience and necessity and file a tariff and service territory maps before it is authorized to offer local service in Iowa. Applications for certificates are typically granted very quickly. However, the

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<sup>4</sup> The next state is Minnesota, with slightly more than 100 total telephone companies.

granting of a certificate does not mean a CLEC is actually providing service in Iowa.

The local service rates offered by competitive carriers generally are not subject to rate regulation by the Board. They are free to charge market-based rates for their services. If, however, a CLEC displaces the incumbent and becomes a new monopoly, it can be regulated, but only to the degree necessary to restrain the company's market power.<sup>5</sup>

## **2. Iowa Code § 476.1D(1)"c" (f/k/a HF 277)**

Effective July 1, 2005, the Legislature passed HF 277, now codified as Iowa Code § 476.1D(1)"c," which deregulates retail rates for most local exchange communications services in Iowa except for single line flat-rated business and residential rates. Rates for these services are initially set at the corresponding rates charged by each rate-regulated utility as of January 31, 2005. These monthly rates may be increased by up to \$1 per year for residential service, or \$2 per year for business service, beginning July 1, 2005, until June 30, 2008. There is also a provision to adjust the rates for inflation. However, the residential rate cannot exceed \$19 per month and the rate for single line business service may not exceed \$38 per month during that time period. On June 30, 2008, all rates may be deregulated, but if the Board finds that competition has not sufficiently developed during this time, it may extend the basic service rate for two more years until 2010.

Section 476.1D(1)"c" also provides that if a company chooses to increase basic rates, it must offer digital subscriber line (DSL) in all of its exchanges within 18 months. The deployment timeframe for DSL may be extended up to an additional nine months if deemed necessary by the Board.

Qwest raised its single line flat-rated service rates on August 1, 2005. Iowa Telecom filed tariffs to initially raise its monthly single line flat-rated business rates on January 1, 2006 and its single line flat-rated residential service rates on February 1, 2006. To date, Frontier has not raised their rates as a result of the changes made to § 476.1D(1)"c." However, Frontier has filed for a rate increase of \$1 on single line flat-rated residential and business services in each of its three rate groups with an effective date of February 1, 2008.

Based on information gathered in the 2007 survey, Qwest, Iowa Telecom and Frontier are reporting the availability of high speed Internet access in all of their exchanges. However, it is important to note that DSL may not be available to every customer in these exchanges because of technological and distance limitations.

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<sup>5</sup> Iowa Code § 476.101(1).

Section 476.1D(1)"c" also contains several consumer protection provisions including the preservation of a basic service rate (dial-tone and E-911 only) for three years for both residential and business customers. In addition, the Board retains jurisdiction over service quality.

### 3. Local Number Portability and Voice Competition

Local number portability (LNP) is defined in the Telecommunications Act of 1996 as the "ability of users of telecommunications services to retain, at the same location, existing telecommunications numbers without impairment of quality, reliability, or convenience when switching from one telecommunications carrier to another."<sup>6</sup> Without LNP, local voice competition would be hindered because customers must obtain new telephone numbers if they wish to move their voice service to a competitive wireline or wireless carrier.

The Number Portability Administration Center (NPAC) tracks the number of ports that occur throughout the country. NPAC provided the data, compiled in the table below, which shows the number of Iowa ports between September 1, 2005, and September 1, 2007. The row labeled "wireless to wireline" shows only 255 ports over the two-year period. This number likely represents wireless customers who have discontinued service in favor of traditional wireline service. Similarly, the row titled "wireline to wireless" likely represents wireline customers who have discontinued service in favor of wireless service. In essence, these rows represent competition between dissimilar service types. The rows labeled "wireline to wireline" and "wireless to wireless" represent competition between similar service types. As might be expected, porting between similar service types is currently far more prevalent than porting between dissimilar service types.

**Number Ports by Service Type (Sept. 2005 to Sept. 2007)**

<b>Number Ports By Industry Type</b>	<b>NPA 319</b>	<b>NPA 515</b>	<b>NPA 563</b>	<b>NPA 641</b>	<b>NPA 712</b>	<b>Iowa Totals</b>
<b>Wireless to Wireline</b>	18	94	56	57	30	255
<b>Wireline to Wireless</b>	1,591	4,353	661	537	1,257	8,399
<b>Wireline to Wireline</b>	22,599	21,885	13,192	9,894	16,257	83,827
<b>Wireless to Wireless</b>	47,156	64,211	26,094	14,774	13,380	165,615

<sup>6</sup> 47 U.S.C. § 153(30)

## **II. OVERVIEW OF STATEWIDE AND NATIONAL VOICE SERVICE TRENDS**

### **A. Traditional Wireline**

In addition to current and prior Board surveys, several other sources of information on connection counts are obtained to compare results and trends of wireline connections on a statewide and national basis. This section of the report provides a statewide summary of information obtained in the Board's retail local voice surveys, the Board's Telecommunications Utility Annual Reports, North American Numbering Plan Administrator reports, and Federal Communication Commission reports.

Measurements on the number of customer connections, access lines, or loops are closely related, but vary by source based on reporting requirements and service definitions. These differences often make it difficult to reconcile data between different sources, but are not usually large enough to affect comparisons of trends over time. Differences in other sources of information can include facilities being utilized by carriers that do not produce retail revenues, as requested in the Board surveys. Some of these differences can be related to timing of reporting, inclusion of facilities used for resale and wholesale services, company official loops or connections used to conduct business, and test facilities.

#### **1. Survey Wireline Connections**

For the purpose of the Board's retail local voice service survey and this report, wireline voice services are those services that are furnished utilizing facilities such as optical fiber, coaxial cable, and telephone cable. Wireline connections include services provided using traditional telephone facilities, cable telephony, and VoIP. Wireline connections do not include services provided with mobile wireless or satellite transmissions.

Statewide connection counts from the current and prior surveys are contained in the table below. Comparing ILEC local service connection counts on a statewide basis between the current survey and the two prior surveys (2003 and 2005) shows a continued decline in the ILEC and total connection counts. ILEC connection counts declined roughly 7.7 percent from 2003 to 2005, and 6.6 percent from 2005 to 2007.

CLEC local service connection counts showed an 18.7 percent increase from 2003 to 2005 and a 2.5 percent decrease from 2005 to 2007.

Total statewide connections (ILEC and CLEC) decreased by 4.3 percent from 2003 to 2005 and by 5.9 percent from 2005 to 2007.

## IUB Surveys: Statewide Retail Local Service Connection Counts

	ILEC	CLEC	Total
<b>2003 Survey</b>	1,435,138	212,584	1,647,722
<b>2005 Survey</b>	1,325,312	252,295	1,577,607
<b>2007 Survey</b>	1,237,889	245,925	1,483,814

### 2. Annual Report Access Lines

For the Board's annual reports by telephone service providers, access lines include all residential and business lines, test lines, and employee discounted lines.

The table below represents data collected from the IUB Telecommunications Utility Annual Reports from year-end 2000 through year-end 2006. It shows that the number of ILEC access lines has decreased by 337,000 lines from 2000 to 2006, a decrease of nearly 19.2 percent. At the same time, the number of CLEC access lines has increased by 67,000 lines, an increase of over 34.7 percent.

IUB Telecommunications Utility Annual Reports show that the total number of access lines in the state has decreased by roughly 270,000 from 2000 to 2006, a decrease of approximately 13.8 percent. The table below also shows year-end 2006 access lines to be roughly 1.7 million in Iowa.

### IUB Telecommunications Utility Annual Reports – Access Line Counts (Millions)<sup>7</sup>

Date	ILEC Access Lines	CLEC Access Lines	Total Access Lines
<b>2000</b>	1.759	.193	1.952
<b>2001</b>	1.738	.198	1.936
<b>2002</b>	1.706	.217	1.923
<b>2003</b>	1.653	.244	1.897
<b>2004</b>	1.585	.228	1.813
<b>2005</b>	1.508	.241	1.749
<b>2006</b>	1.422	.260	1.682

### 3. Iowa NRUF Numbers

Twice each year the NANPA requires ILECs, CLECs, and wireless carriers to submit detailed information on telephone number usage for each block of telephone numbers previously assigned. This information is used to develop Number Resource Utilization/Forecast (NRUF) data for developing the forecasts on exhaust dates for each Numbering Plan Area (NPA) as well as the entire

<sup>7</sup> Source: IUB Telecommunications Utility Annual Report letters.

North American Numbering Plan (NANP). NANPA's focus on this information is to obtain information on the level of usage of telephone numbers by all carriers to predict the remaining life of NPAs.

The table below contains information on the utilization of telephone numbers by the various service providers. This information was extracted from NRUF data for June of each of the years listed.

Incumbent telephone number utilization shows a decline of 0.5 percent from 2003 to 2005 and a 61 percent increase from 2005 to 2007. The large increase between 2005 and 2007 is related to several incumbent exchange carriers obtaining 1,900,000 numbers for voice mail services. The voice mail services are further discussed in the assignment of new telephone numbers section of this report. If the numbers for the voice mail services are removed from the NRUF incumbent numbers, 2,934,365 telephone numbers are being used to provide ILEC voice services as of June 30, 2007. This translates to a 2.4 percent decline in number utilization from 2005 to 2007.

CLEC number utilization shows a 45.2 percent growth from 2003 to 2005 and a 42.5 percent growth from 2005 to 2007.

Wireless numbers reported as part of NRUF data indicate that the number of wireless numbers in the state increased by 28 percent from 2003 to 2005 and by 23 percent from 2005 to 2007. The growth in number utilization from 2003 to 2007 is 57 percent.

**Iowa NRUF Numbers:**

	<b>ILEC</b>	<b>CLEC</b>	<b>Wireless</b>
<b>2003</b>	3,023,872	91,590	1,354,511
<b>2005</b>	3,007,297	133,015	1,730,624
<b>2007</b>	4,844,365	189,563	2,128,232
<b>**</b>	2,934,365		

\*\* With known voice mail only telephone numbers removed.

**4. Nationwide – Voice Telephone Service**

Twice a year, all ILECs and CLECs are required to report to the FCC, on FCC Form 477, basic information about their local telephone service. Reporting dates are March 1 for the preceding December 31<sup>st</sup> data and September 1 for the preceding June 30<sup>th</sup> data. Carriers are required to report all lines used to provide voice telephone service. For the purpose of the FCC's data collection, voice telephone service is defined as local exchange or exchange access services that allow end users to originate and/or terminate local telephone calls on the public switched network. Carriers were not to include lines used for interoffice trunking, company official lines, or lines used for special access services. Prior to June of

2005, carriers with less than 10,000 switched access lines in a state were not required to report voice telephone service information.

Information from FCC data collections from June 2000 to June 2006 is shown in the table below. FCC data indicates that on a national basis the total number of ILEC lines has declined steadily since 2000. CLEC lines increased through June of 2005, then began to decline. Total ILEC and CLEC lines peaked in December of 2000 and have gradually declined since.

**United States – End-User Switched Access Lines Reported (Millions)<sup>8</sup>**

<b>Date</b>	<b>ILEC Lines</b>	<b>CLEC Lines</b>	<b>Total Lines</b>
<b>June 2000</b>	179.6	11.6	191.2
<b>Dec. 2000</b>	177.6	14.9	192.4
<b>June 2001</b>	174.8	17.3	192.0
<b>Dec. 2001</b>	171.9	19.7	191.6
<b>June 2002</b>	167.3	21.6	189.0
<b>Dec. 2002</b>	164.4	24.9	189.3
<b>June 2003</b>	158.3	27.0	185.3
<b>Dec. 2003</b>	153.2	29.8	183.0
<b>June 2004</b>	148.0	32.0	180.0
<b>Dec. 2004</b>	144.8	32.9	177.7
<b>June 2005</b>	143.8	34.0	177.7
<b>Dec. 2005</b>	143.8	31.4	175.2
<b>June 2006</b>	142.2	29.8	172.0

Both national and Iowa data show a steady decline in ILEC connections since the 2003 survey report.

**B. Wireless Service**

The Board utilizes several sources of information to determine the level of wireless voice service within the state. Data is obtained from Board surveys, information filed as part of dual party relay services, and from NANPA reports. Measurements on the number of wireless service connections or services are closely related but may vary by source based on reporting requirements or service definitions. Information obtained from the various sources is explained in the following paragraphs.

<sup>8</sup> Industry Analysis and Technology Division, Wireline Competition Bureau, *Local Telephone Competition Status as of June 30, 2006*, released January 2007.

## **1. Survey Wireless Connections**

Reporting of wireless voice service connections by wireless service providers in the Board's survey generally follow the requirements set for wireline local voice services. Wireline customers generally receive voice services at specific fixed locations and wireless customers have the capability of moving freely within wireless networks. To obtain information at the community level, wireless service providers were requested to furnish connection counts based on customer billing addresses. This methodology follows reporting requirements set by the FCC in their data collection efforts, but may not perfectly reflect geographic usage or market shares.

Several wireless service providers expressed concern about reporting connection counts or customers based on billing addresses since it may not accurately reflect wireless voice service availability or usage. Carriers supported their concerns stating that some prepaid service customers do not always furnish billing addresses and some customers request billings at addresses that are different than the areas in which the service is used.

In the 2007 survey, the Board received responses from 64 organizations providing wireless services within the state. A single carrier provided only total connection counts for the state. All others provided information at the community level. Community level wireless connection counts were furnished for 76.5 percent of all wireless connection counts filed in the survey.

Carriers provided counts on customers having Iowa NPA-NXXs and out-of-state billing addresses or no billing address. This grouping of customers amounted to 7,488 connections or 0.39 percent of all wireless connections reported.

The survey data places the total number of wireless connections in Iowa at 1,943,334. A large wireless carrier did not provide connection counts at the community level, so only 1,486,540 connections can be identified to specific communities. Wireless connections were shown to be present in 880 Iowa communities. For the purposes of the survey, there are 904 communities in Iowa; therefore, wireless carriers are currently serving at least 97 percent of all Iowa communities. According to the survey data, US Cellular holds the greatest market share in Iowa.

Using current and prior Board surveys to determine the growth of wireless services in Iowa is not possible since several large wireless carriers declined to furnish requested information in prior surveys.

## **2. Dual Party Relay Service Numbers**

Effective July 1, 2005, wireless carriers are required to report retail revenue producing "wireless communications service numbers" to the Board for the

purpose of assessment for the Dual Party Relay Service (DPRS).<sup>9</sup> Wireless carriers are assessed \$0.03 per number per month. Carriers are required to file quarterly reports within 30 days after the close of each calendar quarter. Line count information for individual companies submitted in quarterly reports is treated as confidential information. The total number of wireless lines in Iowa is public information.

Monthly averages for dual party relay assessment data indicate that the level of wireless service numbers reported in the third quarter of 2005 was 1,602,852. Wireless service numbers for the second quarter of 2006 was reported as 1,725,854. Reporting for the second quarter of 2007 produced a monthly average of 1,926,538 wireless service numbers in Iowa.

### **3. Iowa NRUF Numbers**

The Board also monitors the NRUF data, which is updated semi-annually by the NANPA. The NRUF data tracks the blocks of telephone numbers assigned to telecommunications carriers. The most recent NRUF report indicates that, as of June 30, 2007, there were 2,128,232 telephone numbers assigned to Iowa's wireless carriers. One reason this number is somewhat greater than the numbers reported in the survey and for DPRS assessments is that NRUF also includes telephone numbers used internally for telephone company operations and numbers for wholesale services. The survey data and the dual party relay data only include actual revenue producing retail customer connections.

NRUF data is useful for showing the growth of wireless services over the past few years. In 2003, NRUF showed 1,354,511 wireless telephone numbers in Iowa. In 2005, NRUF showed wireless telephone numbers increasing to 1,730,624 – a 28 percent increase in just two years. The 2007 NRUF total of 2,128,232 wireless telephone numbers is a 23 percent increase over the 2005 data.

NRUF data can also be sorted to show the individual wireless carriers with the most telephone numbers in service. As noted above, NRUF data typically reflects higher numbers than the retail-only nature of the survey data and the data shows US Cellular, Verizon Wireless, and Sprint Nextel as the three largest wireless carriers in Iowa.

### **4. Nationwide – Wireless Voice Service**

Twice a year, all mobile wireless service providers are required to report to the FCC, on FCC Form 477, basic information about their wireless subscribers. Carriers are required to report the number of subscribers served on their facilities with the ability to place or receive calls from the public switched telephone network. Carriers are to include satellite, cellular, and PCS telephone service

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<sup>9</sup> Iowa Code § 477C.7

and other terrestrial mobile services; and units in service that combine voice telephone with other services. Subscribers served by reselling an unaffiliated carrier's mobile telephone service are not to be reported. Prior to June of 2005, carriers with at least 10,000 subscribers in a state were required to report. Information is compiled at the state and national level.

Information from FCC data collections from June 2000 to June 2006 is shown in the table below. FCC data indicates that on a national and state basis the total number of wireless subscribers has increased steadily since 2000.

**United States & Iowa – Mobile Wireless Telephone Subscribers (Millions) <sup>10</sup>**

<b>Date</b>	<b>Nationwide Subscribers</b>	<b>Iowa Subscribers</b>
<b>June 2000</b>	90.643	0.975
<b>June 2001</b>	114.029	0.861
<b>June 2002</b>	130.751	1.158
<b>June 2003</b>	147.624	1.250
<b>June 2004</b>	167.313	1.446
<b>Dec. 2004</b>	181.105	1.558
<b>June 2005</b>	192.053	1.594
<b>Dec. 2005</b>	203.667	1.768
<b>June 2006</b>	217.418	1.821

**5. Wireless Substitution**

From a local voice competition standpoint, the overarching question is to what extent wireless service is substituting for wireline service. From a “minutes of use” standpoint, few would argue the direct substitution of wireless for wireline. The more significant question, however, is to what extent consumers are discontinuing wireline service altogether and substituting it for wireless service.

Preliminary results from the January-June 2007 National Health Interview Survey by the National Center for Health Statistics indicates that the number of households with only wireless telephone continues to increase. Among the findings, approximately 13.6 percent of households do not have a traditional landline telephone, but do have at least one wireless telephone. Approximately 12.6 percent of all adults – 28 million adults – live in households with only wireless telephones; 11.9 percent of all children – nearly 9 million children – live in households with only wireless telephones.<sup>11</sup> The 12.6 percent number has increased from 11.8 and 9.6 percent from the two prior year (2006) surveys.

<sup>10</sup> Industry Analysis and Technology Division, Wireline Competition Bureau, *Trends in Telephone Service*, released February 2007.

<sup>11</sup> Centers for Disease Control and Prevention, National Center for Health Statistics, *Wireless Substitution: Early Release of Estimates Based on Data from the National Health Interview Survey, January – June 2007*.

For a rural state like Iowa, the substitution of wireless for wireline may be less than national studies suggest. This is because quality of wireless reception could be lower in rural areas where, presumably, there are fewer cell towers. Fewer cell towers could result in poorer reception and more dropped calls. Thus, although wireless subscribership appears to be outpacing wireline service in Iowa, it remains unclear to what extent consumers are willing to discontinue wireline service altogether and rely totally on a wireless alternative. However, as noted in the LNP section of this report, the wireline to wireless ports for the entire state over the past two years numbered only 8,400.

### **C. Cable Telephony**

In recent years, numerous cable television companies have begun providing competitive telephone service. Cable telephony is a specialized service provided over a cable television network. Cable telephone service includes an interface device installed at the customer premise, which converts traditional analog telephone signals to a digital format. The digital telephone signal is sent over the local cable network where it eventually interconnects with the public switched telephone network (PSTN).

Sprint has become a pivotal partner to much of the nation's cable telephone industry. Sprint provides its telecom assets and communications expertise to interconnect cable telephone companies with the PSTN. As of May 2007, Sprint was providing its services to 14 cable companies, supporting over 1.7 million residential customers on its network. The networks of the 14 cable partners reach approximately 34 million homes.<sup>12</sup>

In Iowa beginning in 2005, Sprint has worked with Mediacom to provide telephone service. Mediacom is the nation's eighth largest cable television company. The Sprint-Mediacom arrangement provides competitive telephone service in 178 Iowa exchanges where Qwest, Iowa Telecom, Frontier, and numerous independent phone companies are the ILECs.<sup>13</sup>

In the race to provide a one-stop communications marketplace, cable telephone companies are signing joint ventures with Sprint Nextel for specialized wireless products. These Sprint Nextel phones will include special software so cable telephone customers will be able to program their video recorders remotely, call their landlines for free, and ultimately watch unique programming. They will also be able to merge their calendars, address books, and voice mail accounts. Comcast Cable, Time Warner Cable, Cox Communications, and Bright House Networks have entered into these Sprint Nextel wireless agreements.<sup>14</sup>

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<sup>12</sup> See: [www2.sprint.com/mr/news\\_dtl.do?id=16440](http://www2.sprint.com/mr/news_dtl.do?id=16440)

<sup>13</sup> Local Exchange Tariff of MCC Telephony of Iowa (Mediacom).

<sup>14</sup> See: [www.nytimes.com/2006/04/10/technology/10cable.htm](http://www.nytimes.com/2006/04/10/technology/10cable.htm)

Cox began providing cable telephone service in four of Qwest's western Iowa exchanges in 1999. Cox's market success might be gauged by a September 16, 2005, FCC order.<sup>15</sup> The FCC granted Qwest relief, in part, from statutory and regulatory obligations that apply to it as the incumbent telephone company in the Omaha Metropolitan Statistical Area, in large part due to the substantial infrastructure investment by Cox Communications in the area.

In Iowa, based on the data from the 2007 survey, cable telephony represents more than 17 percent of the CLEC connections used to provide local retail voice services.

#### **D. Voice over Internet Protocol (VoIP)**

VoIP is the transmission of telephone calls over a data network like one of the many networks that make up the Internet.<sup>16</sup> VoIP calling typically requires a broadband connection. The FCC generally breaks VoIP services into two categories – interconnected VoIP services and VoIP services that are not interconnected. Interconnected VoIP services allow calls to and from traditional telephone numbers. Non-interconnected VoIP services are generally computer-to-computer calls and do not require the use of traditional telephone numbers. The FCC has exerted little authority over non-interconnected VoIP services. For example, E911 functionality is not required for this type of VoIP service.

Regarding interconnected VoIP services, there are two broad categories –those services that are portable and those that are not portable. With the portable VoIP services, a consumer may use the service anywhere there is a broadband connection. Recognizing the growth potential of the portable services, the FCC mandated E911 requirements on these service providers in 2005.<sup>17</sup> E911 not only connects a caller to emergency services, but also transmits the location of the caller and the callback number to emergency services. For companies offering portable VoIP services, the FCC mandate proved a difficult technical challenge.

On the surface, the non-portable interconnected VoIP services appear very similar to standard wireline telephone services. The main difference, which is mostly transparent to consumers, is that the calls are transmitted through packet switches and traverse the Internet as opposed to the PSTN. Using the Internet to route calls is less expensive and may translate into savings for consumers.

Interconnected VoIP service providers are not currently required to be certificated by state utility commissions. This has proved to be a double-edged sword for these service providers. Operating without state authority may reduce regulatory

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<sup>15</sup> <http://www.fcc.gov>, *FCC Grants Qwest Forbearance Relief in Omaha MSA*, WC Docket No. 04-223, September 16, 2005.

<sup>16</sup> <http://computer.howstuffworks.com/ip-telephony.htm/printable>.

<sup>17</sup> See FCC consumer advisory at: [www.fcc.gov/cgb/consumerfacts/voip911.html](http://www.fcc.gov/cgb/consumerfacts/voip911.html).

costs and filing requirements, yet a state-issued certificate is necessary if a VoIP service provider wishes to obtain telephone numbers directly from the NANPA or the pooling administrator (PA). Foregoing certification means that many VoIP service providers must obtain telephone numbers, as a wholesale offering, from an ILEC or CLEC that is certificated. Moreover, the inability to easily obtain telephone numbers has made it more difficult for interconnected VoIP service providers to expand their services into new areas.

Iowa Code § 476.1D(1)"c" has placed emphasis on the role of VoIP services in markets that are before the Board for consideration of market deregulation. Iowa Code § 476.1D(1)"c" states the Board shall consider factors that include the presence or absence of VoIP as well as wireless communications services, cable telephony, and economic barriers. However, because state certification is optional for VoIP service providers, the Board has found it difficult to track and monitor most of the VoIP service providers that may be operating in Iowa.

As noted above, non-certificated VoIP service providers are generally not allowed to apply directly to the NANPA or PA for telephone numbers. So tracking VoIP services by federal NRUF data is not possible. Although the non-certificated VoIP companies may acquire telephone numbers by partnering with a CLEC or ILEC, this partnering relationship also is not reflected in the NRUF data. Finally, this lack of regulatory oversight has resulted in the Board receiving only eight responses from VoIP companies to the current market monitoring survey. Most of the responding VoIP service providers are those that have opted to obtain a Board-issued certificate. Only five carriers indicated they were providing only VoIP services with a combined connection count of less than 100. Three other companies responded as providing VoIP services, but connection counts were commingled with traditional wireline counts.

Although VoIP calling can be cheaper for the consumer, the industry has faced, and continues to face, numerous obstacles in competing for market share. Although VoIP is subject to less regulation than traditional voice services, as noted above, the FCC has begun to place standard industry requirements on interconnected VoIP service providers. Aside from E911, the FCC has required CALEA (Communications Assistance for Law Enforcement Act) compliance, the porting of telephone numbers, and payments to the universal service fund. Other requirements are under consideration such as an assessment of FCC regulatory fees.<sup>18</sup> Finally, there have been patent infringement lawsuits filed against interconnected VoIP service providers. Vonage, in particular, recently lost patent cases to both Verizon and Sprint.

## **E. Broadband Over Power Line**

BPL uses electrical wiring and power lines to deliver high-speed data signals to consumers. Technology for low-speed, short distance data transmission over

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<sup>18</sup> FCC Rulemaking in MD Docket No. 07-81

power lines has existed for a number of years. BPL testing and development over the past 3 to 5 years have focused on the transmission of high-speed Internet signals over power lines.

The FCC endorsed BPL development when it issued rules to facilitate the delivery of broadband service to homes and businesses.<sup>19</sup> The FCC has stated that BPL “holds great promise as a ubiquitous broadband solution that would offer a viable alternative to cable, digital subscriber line, fiber, and wireless broadband solutions,” and that BPL is one of the agency’s “top priorities.”<sup>20</sup>

Nevertheless, interference caused by BPL operating within proximity of licensed radio operators has been one of the major issues for BPL pilot projects. In Iowa, Alliant Energy began a six-month BPL pilot project in 2005, but the pilot was halted after three months because amateur radio operators filed complaints with the FCC over interference.

Recently, the U.S. District Court of Appeals for the District of Columbia heard arguments from the FCC and from the American Radio Relay League (ARRL), who represent amateur radio operators, concerning the FCC’s BPL rules. ARRL contends that the FCC rules are inconsistent and not strict enough to prevent BPL signals from disrupting radio communications.<sup>21</sup>

Despite the concerns over interference, there have been commercial deployments of consumer broadband services using BPL technology and there are plans for others. The city of Manassas, Virginia, deployed BPL in 2004 and within a year had 700 subscribers. Recently, satellite video provider DirecTV and Current Broadband, a maker of BPL equipment, announced plans to offer BPL services in the Dallas/Fort Worth area. Last year, Current Broadband and Cinergy added VoIP services to a jointly-built BPL network in Cincinnati. Additionally, Current Broadband has raised \$100 million in financing for further BPL development.<sup>22</sup>

## **F. The Assignment of New Telephone Numbers**

One way to gauge competition is to look at the assignment of new telephone numbers. Telephone numbers are assigned by the NANPA and the PA. The NANPA assigns telephone numbers in blocks of 10,000 numbers and the PA assigns telephone numbers in blocks of 1,000 numbers.

Depending upon the area of the state, or rate center, carriers apply for telephone numbers either in blocks of 10,000 or 1,000. Before additional telephone

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<sup>19</sup> FCC Docket No. 04-245, Report & Order adopted October 14, 2004, released October 28, 2004.

<sup>20</sup> FCC Memorandum Opinion and Order on Broadband Over BPL, released August 8, 2006.

<sup>21</sup> “Broadband-over-power-lines battle goes to court”, October 23, 2007, [www.news.com](http://www.news.com).

<sup>22</sup> NARUC Report of the Broadband over Power Lines Task Force, February 2006.

numbers are assigned in a particular rate center, a carrier must certify that its existing telephone numbers are 75 percent “used up” and would exhaust in less than six months. The exception is when a carrier initiates service in a rate center. In that situation, the carrier does not need to certify utilization or months-to-exhaust before receiving its initial block of telephone numbers.

The previous market monitoring survey was completed two years ago. The table below shows the total number of blocks of telephone numbers assigned by the NANPA and the PA between November 16, 2005, and September 12, 2007. The table shows the block assignments for ILECs, CLECs, and wireless carriers. The block assignments are also shown for each NPA or area code in Iowa. The table indicates that in all parts of Iowa wireless carriers are requesting new telephone numbers at far greater rates than ILECs or CLECs.

### Blocks of Telephone Numbers Assigned Since Last Survey

	NPA	NPA	NPA	NPA	NPA	Iowa	% of
	319	515	563	641	712	Total	Total
<b>ILECs</b>	50	87	18	57	10	222	23%
<b>CLECs</b>	63	51	44	66	79	303	32%
<b>Wireless</b>	57	162	50	69	83	421	45%
<b>Iowa Total</b>	170	300	112	192	172	946	

Regarding the ILECs, most of the new telephone numbers assigned are not being used for traditional voice services. Of the 222 blocks of telephone numbers assigned, 189 of the blocks went to small carriers in Iowa who sponsor free voice mail boxes provided via VoIP technology. Qwest was assigned the most blocks (13) for use in traditional voice services. No new blocks of telephone numbers were assigned to Iowa Telecom or Frontier for use in traditional voice services.

Regarding the CLECs, most of the new blocks were assigned to Sprint Communications who partners with Mediacom Communications Corporation to provide telephone service over Mediacom’s cable network. Of the 303 blocks of telephone numbers assigned to CLECs, 213 were assigned to Sprint. After Sprint, there were 35 blocks of telephone numbers assigned to two CLECs who may be providing the numbers on a wholesale basis to VoIP carriers that lack authority to obtain telephone numbers directly from the NANPA or PA.

As noted above, wireless carriers continue to request large volumes of new telephone numbers. Sprint-Nextel was assigned 106 blocks of new telephone numbers, followed by New Cingular Wireless (AT&T Mobility) with 81 blocks, Verizon Wireless with 73 blocks, and U.S. Cellular with 66 blocks of new telephone numbers.

### **III. RETAIL LOCAL VOICE SERVICE PROVIDERS**

#### **A. Qwest Territory**

##### **1. Background**

Qwest Corporation (Qwest) provides landline telephone service to 14 Midwest and Western states, serving approximately 14 million access lines. Qwest also has a CLEC (Qwest Communications Corporation) and a wireless division (Qwest Wireless) that do business in Iowa. Qwest offers voice, data, Internet, video, and wireless services.

According to its 2006 annual report,<sup>23</sup> Qwest Corporation as a whole has lost approximately 6 percent of its total access lines since 2005, but has seen a 44 percent increase in its high-speed Internet subscribers, a 3 percent increase in long distance subscribers, and a 4 percent increase in wireless subscribers for that same timeframe.

Beginning November 1998, Qwest became price-regulated rather than rate-regulated. Qwest was allowed to adjust its prices for basic local service based on the annual rate of inflation and to introduce new services not subject to rate-regulation by the Board. Qwest could also increase prices for its non-basic services, such as caller ID or call waiting, by up to 6 percent annually.

Effective July 1, 2005, Iowa Code § 476.1D(1)"c" amended the price plan regulations by deregulating retail rates for most local exchange communications services offered by ILECs in Iowa, except for single line flat-rated residential and business rates. The effect of this amended statute on Qwest is described in more detail under Section 4, below.

##### **2. Survey Results for Qwest Territory**

As of June 30, 2007, Qwest reported that it serves about 120 Iowa exchanges and 187 communities<sup>24</sup> as an ILEC. This is in comparison to a similar number of exchanges and communities reported in the 2003 and 2005 surveys, but the number of Qwest retail local service connections for Iowa has decreased by almost 15 percent since the 2003 survey.

The size of the exchanges in Qwest's territory varies greatly, from about 170,000 connections to around 80 connections. Qwest is the largest local exchange carrier in Iowa and serves such urban areas as Cedar Rapids, Council Bluffs,

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<sup>23</sup> From Qwest's website at <http://www.qwest.com/about/investor/financial/reports/index.html>.

<sup>24</sup> The actual number of communities served by Qwest is greater than the number identified in the survey since several communities can be included within an exchange or serving area. Qwest provides local service in 124 exchanges in Iowa.

Davenport, Des Moines, Dubuque, Iowa City, and Sioux City. Qwest also serves a number of rural exchanges in the state.

When evaluating only wireline connections, Qwest serves approximately 78 percent of all connections in its territory and maintains a market share of at least 90 percent in over 100 communities.

When reviewing the overall statistics for Qwest's territory, approximately 80 percent of Qwest's communities have CLEC connections, 98 percent have wireless, 58 percent have cable telephony, and 9 percent of Qwest's communities have VoIP connections.

The number of wireless respondents to the current survey increased considerably from prior years. By including the community level wireless connection counts,<sup>25</sup> Qwest's share of connections is just under 40 percent. Qwest's market shares range from slightly over 10 percent to 100 percent, when including all reported wireless connections, with at least a 90 percent market share in about 20 communities.

The 2007 survey shows that the number of competitors in Qwest's exchanges continues to rise. Qwest currently has 56 total wireline competitors (CLECs) serving customers in its combined exchanges, compared to 52 reporting CLECs in the 2005 survey and 39 reporting CLECs in the 2003 survey.

Although there are more CLECs that reported, there are fewer CLEC connections in Qwest's territory than there were in the previous study. The number of CLEC connections has fallen about 30 percent from 2005. In addition, 93 percent of Qwest's communities had CLECs in 2005, compared to 80 percent in the current study. CLECs account for almost 10 percent of the total number of connections in Qwest's territory.

Based upon the information submitted by those reporting, wireless providers are present in all of Qwest's communities and account for about 50 percent of the total connections in Qwest's communities.

There has been a substantial increase in the number of cable telephony connections since the last report – over 300 percent. Two respondents indicated they provide cable telephony in Qwest's territory. In addition, the number of communities being reported with cable telephony connections has also risen dramatically, from three in 2003, and four in 2005, to 111 in 2007.

The current survey shows there are now four VoIP providers reporting connections in 16 Qwest communities, although the number of connections is

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<sup>25</sup> As was previously discussed in the report, a single wireless carrier provided only total connection counts for the state. Community level wireless connection counts were furnished for 76.5 percent of all wireless connection counts.

small – less than 100. As discussed in the VoIP section of the report, relatively few VoIP providers responded to the survey. Thus, there are likely more VoIP connections in Qwest's territory than reported.

### **3. Communities Deregulated under Docket Nos. INU-04-1 and INU-05-2**

In 2004, the Board issued a final decision and order in Docket No. INU-04-1, where it determined that effective competition existed in 20 Iowa communities. Specifically for Qwest, the Board found that the rates for local exchange service should be deregulated in five Qwest exchanges—Laurens, Mapleton, Spencer, Storm Lake, and Whiting. The Board also found that the rates for local exchange service in the Council Bluffs residential and business markets should be deregulated.

After Iowa Code § 476.1D(1)"c" became law in 2005, the Board initiated another deregulation proceeding in Docket No. INU-05-2 to consider whether residential and business local exchange service in 31 Iowa communities should be deregulated. The Board found that the rates for local exchange service should be deregulated in 20 additional exchanges, with four of them being Qwest exchanges – Alta, Carter Lake, Onawa, and Osage.

When comparing the 2003 and 2005 data for each deregulated community, Qwest's 2005 market share had declined in all ten communities. That trend continued in 2007, although for only seven of the ten communities. There was a very slight increase in Qwest's market share in one community and a considerable increase in two other communities. The two communities where Qwest's market share increased noticeably are served by the same competitor who, in the 2005 survey, had the most connections of any provider in those two communities, but whose connection counts have dropped since then.

### **4. Pricing Changes for Single Line Flat-Rated Residential and Business Retail Connections**

Qwest traditionally divided its service territory into three rate groups for residential service and three rate zones for business service. In the original survey for 2003, basic monthly rates for single line flat-rated residential service ranged from \$10.71 to \$12.65. The range of basic monthly rates for single line flat-rated business services was from \$25.60 to \$31.82.<sup>26</sup>

Those rates were effective until November 7, 2004, when the residential rates were raised to \$12.80 statewide. This increase was a result of Qwest filing its annual price plan on October 1, 2004, which was filed as a renewal of its original 1998 price plan. In that filing, Qwest applied the price increases in the residential

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<sup>26</sup> Included in all basic rates are Extended Area Service (EAS) charges, if applicable, which allow customers to make unlimited local calls to other towns for a flat rate.

sector so that the traditional rate group differences would disappear. These changes did not apply to the business rate zones.

In addition, Qwest implemented price increases for single line flat-rated residential and business rates on August 1, 2005, August 1, 2006, and August 1, 2007, pursuant to Iowa Code § 476.1D(1)"c." Iowa Code § 476.1D(1)"c" allows for an annual increase in residential rates by \$1 per month and business rates by \$2 per month. Further, Iowa Code § 476.1D(1)"c" allows for an adjustment to these same rates by the most recent annual percentage change in the gross domestic product price index. Iowa Code § 476.1D(1)"c" places a limit on these monthly charges through July 1, 2008. These limits are \$19 per month for a residential line and \$38 per month for a business line.

The current rates for residential single line flat-rated service is \$16.60 per month, and the flat business rates range from \$32 to \$35.50 per month. For a summary of the rate changes, see the chart below.

**Qwest Single Line Flat-Rated Service Rates**

<b>Flat-rated Residential</b>	<b>July 1, 2004</b>	<b>Nov. 7, 2004</b>	<b>Aug. 1, 2005</b>	<b>Aug. 1, 2006</b>	<b>Aug. 1, 2007</b>
<b>Group 1</b>	\$10.71				
<b>Group 2</b>	\$11.68				
<b>Group 3</b>	\$12.65				
<b>Statewide</b>		\$12.80	\$14.12	\$15.56	\$16.60
<b>Flat-rated Business</b>	<b>July 1, 2004</b>	<b>Nov. 7, 2004</b>	<b>Aug. 1, 2005</b>	<b>Aug. 1, 2006</b>	<b>Aug. 1, 2007</b>
<b>Zone 1</b>	\$25.60		\$28.24	\$30.24	\$32.00
<b>Zone 2</b>	\$28.35		\$30.99	\$32.99	\$34.75
<b>Zone 3</b>	\$31.82		\$34.46	\$34.46	\$35.50

The current survey shows approximately 58 percent of residential lines and 12 percent of business line connections are single line flat-rated. In the 2005 survey, Qwest reported approximately 65 percent of residential connections on single line flat rates and approximately 34 percent of business connections on this rate. This information was not requested in the 2003 survey.

**B. Iowa Telecom Territory**

**1. Background**

Iowa Telecom was founded in late 1999 for the purpose of acquiring the Iowa operations of GTE. On July 1, 2000, Iowa Telecom began service to 296 generally rural Iowa exchanges. The largest exchange served is Newton.

Approximately 75 percent of Iowa Telecom's communities have fewer than 1,000 connections.

In 1995, Iowa Telecom's predecessor, GTE, elected to become price-regulated pursuant to Iowa Code § 476.97(11). As long as GTE operated under price regulation, its rates were no longer subject to traditional rate-of-return proceedings before the Board. Instead, GTE's rates changed according to inflation. When Iowa Telecom acquired the Iowa operations of GTE, it elected to continue the GTE price plan.

Like the other price-regulated ILECs, Iowa Telecom has the ability to reduce prices in specific exchanges to meet competition. Iowa Telecom has done this and the situations are discussed in the Pricing Changes section.

Effective July 1, 2005, Iowa Code § 476.1D(1)"c" amended the price plan regulations by deregulating retail rates for most local exchange communications services offered by ILECs in Iowa, except for single line flat-rated residential and business rates. The effect of this amended statute on Iowa Telecom is described in more detail under the Pricing Changes section.

## **2. Survey Results for Iowa Telecom Territory**

The 2007 survey shows Iowa Telecom providing service to 290 communities.<sup>27</sup> Iowa Telecom continues to serve approximately 89 percent of all wireline customers within its territory. This percentage has remained virtually unchanged from the percentages seen in the 2003 and 2005 surveys. However, Iowa Telecom is serving fewer wireline customers as the survey shows the number of wireline connections within Iowa Telecom's service territory has decreased by more than 15 percent since the 2003 survey. Iowa Telecom continues to have 100 percent of the market share, when considering only wireline connections, in approximately 75 percent of the communities. In addition, Iowa Telecom maintains a market share of at least 90 percent in over 250 communities.

The survey notes a significant wireless presence in Iowa Telecom's territory. With the inclusion of the community level wireless connection counts,<sup>28</sup> Iowa Telecom's percentage of connections is approximately 41 percent. Iowa Telecom's market share, including all wireless connections reported, ranges from 4 percent to 97 percent, with at least a 90 percent market share in about 12 communities. Iowa Telecom has a market share in the range of 35 to 65 percent in 236 of its communities.

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<sup>27</sup> The actual number of communities served by Iowa Telecom is greater than the number identified in the survey since several communities can be included within an exchange or serving area. Iowa Telecom provides local service in 286 exchanges in Iowa.

<sup>28</sup> As was previously discussed in the report, a single wireless carrier provided only total connection counts for the state. Community level wireless connection counts were furnished for 76.5 percent of all wireless connection counts.

The 2007 survey shows that the number of competitors in Iowa Telecom's exchanges has fallen. Iowa Telecom currently has 28 total wireline competitors (CLECs) serving customers in its combined exchanges, compared to 34 reporting competitors in the 2005 and 29 reporting competitors in the 2003 survey.

There are fewer CLEC connections in Iowa Telecom's territory than there were in the previous study. The number of CLEC connections has fallen about 11 percent from 2005. However, the percentage of communities in Iowa Telecom's territory that have a CLEC presence has remained relatively constant. The current percentage is 24 percent of communities with a CLEC presence with corresponding percentages of 23 percent and 22 percent for the 2005 and 2003 surveys, respectively.

CLECs account for almost 11 percent of all wireline connections. This percentage has remained consistent with the findings of the 2003 and 2005 surveys. With the inclusion of wireless connections, the percentage of total connections for the CLECs drops to 5 percent.

Wireless service providers are present in nearly all of Iowa Telecom's communities. Wireless connections account for about 53 percent of the total connections in Iowa Telecom's communities.

Cable telephony is beginning to be reported in the Iowa Telecom territory. The 2003 and 2005 surveys did not have any cable telephony respondents. The 2007 survey shows two respondents with a presence in 18 percent of the communities. The number of cable telephony connections represents less than 1 percent of total connections.

There was only one respondent that stated it was providing telecommunications services in the Iowa Telecom territory through VoIP. That provider listed only one connection. As noted in the VoIP section of the report, the Board received few responses from VoIP service providers.

### **3. Communities Deregulated under Docket Nos. INU-04-1 and INU-05-2**

In 2004, the Board issued a final decision and order in Docket No. INU-04-1, where it determined that effective competition existed in 20 Iowa communities. Specifically for Iowa Telecom, the Board found that the rates for local exchange service should be deregulated in 14 Iowa Telecom exchanges—Armstrong, Coon Rapids, Delmar, Forest City, Harlan, Lowden, Oxford, Oxford Junction, Primghar, Saint Ansgar, Solon, Stacyville, Stanwood, and Tiffin.

After Iowa Code § 476.1D(1)"c" became law in 2005, the Board initiated another deregulation proceeding in Docket No. INU-05-2 to consider whether residential and business local exchange service in 31 Iowa communities should be deregulated. The Board found that the rates for local exchange service should be deregulated in 20 additional exchanges, with 14 of them being Iowa Telecom exchanges – Belle Plaine, Bennett, Cambridge, Greene, Grundy Center, Guthrie Center, Hartley, Manning, Marble Rock, Marengo, Paullina, Reinbeck, Slater, and Wapello.

When comparing the 2003 and 2005 data for each deregulated community, Iowa Telecom's 2005 market share declined in all but one of the 28 communities. That trend continued in 2007 for 20 communities. There was a significant increase in Iowa Telecom's market share in four of the remaining communities. The remaining four communities show Iowa Telecom's market share returned to approximately the level of the 2003 market shares. In all but one of these eight communities, it is noted that the total number of connections continues to decrease.

#### **4. Pricing changes for single line flat-rated residential and business retail connections**

Iowa Telecom consolidated 16 rate groups into one rate group effective April 23, 2004. This consolidation and rate increase was the result of a settlement agreement reached by all parties in Docket No. RPU-02-4. Basic residential service was established at \$16.60 per month, whereas basic business service was established at \$32.09 per month.

The basic monthly residential and business rates were increased to \$16.98 and \$32.98, respectively, on January 17, 2005, for most of Iowa Telecom's exchanges. These changes were in accordance with the price plan that Iowa Telecom is subject to and that plan allows for an increase in rates up to the annual rate of inflation. The basic rates were not increased for the 14 exchanges that were the subject of deregulation in Docket No. INU-04-1.

Concurrently, on January 17, 2005, Iowa Telecom reduced the monthly residential and business rates in three exchanges. These three exchanges are Avoca, Minden, and Shelby. The monthly residential and business rates were reduced to \$11. The price plan that Iowa Telecom operates under allows for a decrease in basic service rates to the rate level offered by a competitor. These rates remain in place as of the date of this survey.

Effective July 1, 2005, Iowa Code § 476.1D(1)"c" allows for an annual increase in single line flat-rated residential rates by \$1 per month and single line flat-rated business rates by \$2 per month for the remaining rate-regulated telephone utilities. In addition to these increases, the rates could also be adjusted by the most recent annual percentage change in the gross domestic product price

index. Iowa Code § 476.1D(1)"c" places a limit on these monthly charges through July 1, 2008. These limits are \$19 per month for a residential line and \$38 per month for a business line. Pursuant to this Iowa Code section, Iowa Telecom has raised its basic monthly single line flat-rated residential rate two times since the 2005 survey. The rate increased to \$18.39 on February 1, 2006, and to \$18.99 on February 1, 2007. In addition, Iowa Telecom has raised its basic monthly single line flat-rated business rate two times since the 2005 survey. The business rate increased to \$35.79 on January 1, 2006, and to \$37.96 on February 1, 2007.

Iowa Telecom applies mandatory EAS charges to the basic rates in the majority of its exchanges. These rates vary by exchange and may be substantial. Residential EAS rates can be up to \$17.76 per month and business EAS rates can be as high as \$17.76 per month. The majority of the exchanges have residential EAS rates below \$5 per month and business EAS rates below \$6 per month. Iowa Telecom reduced its higher business EAS rates in late 2006 and early 2007. The majority of the EAS rates, however, have remained the same since the 2003 survey.

The current survey shows approximately 51 percent of residential lines and 76 percent of business line connections are single line flat-rated. In the 2005 survey, Iowa Telecom reported approximately 95 percent of residential connections on single line flat rates and approximately 62 percent of business connections on this rate. This information was not requested in the 2003 survey.

## **C. Frontier Territory**

### **1. Background**

Frontier is a subsidiary of Frontier Telco, Inc., which is a subsidiary of Citizens Communications Company. Citizens and its Frontier subsidiaries operate in parts of 24 states and provide local exchange service to over 2 million access lines nationally. Iowa communities served by Frontier are generally located in western and central Iowa. The largest community Frontier serves is Fort Dodge with a population over 25,000. The smallest community served by Frontier is Sharpsburg with a population of approximately 100 residents.

### **2. Survey Results for Frontier Territory**

The 2007 survey shows that since 2003 Frontier has seen a 24 percent decline in its Iowa voice connections. The current survey indicates there are five CLECs serving in Frontier's service territory. The largest is Orange City Communications, a municipal telecommunications utility providing service only in Orange City. Its share of the Orange City market has grown steadily since 2003. The second largest competitor is Mediacom, which began providing service in eight communities since the 2005 survey. Mediacom provides local voice service

over its cable television network. The third largest competitor is Advanced Network Communications, which provides service in two of Frontier's communities. Finally, AT&T Communications of the Midwest and Guaranteed Phone Service serve a minimal number of customers in Frontier's territory. In 2007, the CLEC market share of total wireline connections in Frontier's territory is about 8 percent. In the previous two surveys, the CLEC market share was about 2.9 percent of total wireline connections.

The survey shows a significant wireless presence with at least one wireless carrier serving each of the 37 communities in Frontier's territory.<sup>29</sup> With the inclusion of the community level wireless connection counts,<sup>30</sup> Frontier's percentage of total connections is approximately 48 percent.

### **3. Communities Deregulated Under Docket No. INU-05-2**

The Frontier communities of Orange City and Oyens were deregulated by the Board in its December 5, 2005, order in Docket No. INU-05-2. Orange City was deregulated because of the presence of Orange City Communications, the municipal utility. The Board's market monitoring surveys indicate that most of Orange City Communications' growth in market share occurred between the 2003 and 2005 surveys.

An unusual situation led to the deregulation of the community of Oyens. Oyens is served by two ILECs – Frontier and West Iowa Telephone Company (or WestTel). Typically, the Board has deregulated communities where there was one ILEC and one or more CLECs. In the case of Oyens, the Board found that the facilities of Frontier and WestTel overlapped and that Frontier had the ability to port telephone numbers to WestTel. The Board found that the dual ILEC situation in Oyens satisfied the statutory criterion for deregulation.

### **4. Pricing Changes for Single Line Flat-Rated Residential and Business Retail Connections**

The current survey shows approximately 80 percent of residential lines and 96 percent of business line connections are single line flat-rated. In the 2005 survey, Frontier reported approximately 73 percent of residential connections on single line flat rates and approximately 60 percent of business connections on this rate. This information was not requested in the 2003 survey.

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<sup>29</sup> The actual number of communities served by Frontier is greater than the number identified in the survey since several communities can be included within an exchange or serving area. Frontier provides local service in 37 exchanges.

<sup>30</sup> As was previously discussed in the report, a single wireless carrier provided only total connection counts for the state. Community level wireless connection counts were furnished for 76.5 percent of all wireless connection counts.

Frontier's 2007 single line flat rates currently remain the same as reported in 2005. A rate increase for these services is scheduled to be effective on February 1, 2008. Monthly rates will increase \$1 in most of Frontier's three rate zones. The only rate group to not receive the \$1 increase is residential group 3 and this rate will be set at the cap of \$19, amounting to an \$.86 increase.

Current residential single line flat rates are \$7.65 for Rate Group 1, \$10.49 for Rate Group 2, and \$18.49 for Rate Group 3. Current business single line flat rates are \$13.79 for Rate Group 1, \$19.61 for Rate Group 2, and \$36 for Rate Group 3. For some of Frontier's exchanges, there is an EAS charge included in the monthly rate charges. The EAS charges range between \$0.90 and \$3.09 for basic residential service and between \$1.75 and \$5.54 for basic business service.

## **D. Independent Telephone Companies**

### **1. Background**

There are 154 nonrate-regulated independent telephone companies providing local telephone service in Iowa – more than any other state. Each of these independents serves a distinct service territory. Generally, the independents do not compete for the customers of other independent telephone companies. They are not subject to the Board's ratemaking authority but are subject to the Board's service quality regulations, such as the filing of tariffs and the Board's authority to hear customer complaints.

The independent telephone companies vary in size from less than 100 to more than 13,000 connections. Many of them serve just a single community; however some serve several neighboring communities within their service territory. According to the survey, approximately 60 percent of Iowa's independents serve fewer than 1,000 connections.

### **2. Survey Results for Independent Telephone Company Territories**

Responses to the current survey indicate that the independent telephone companies as a group serve about 221,000 connections in 390 Iowa communities. This compares to 223,000 connections in 2005 and 237,000 connections in 2003. Since the 2005 survey, CLEC connections in the independent telephone communities have more than tripled – from 1,872 to 6,453.

Most of the growth is due to two competitive carriers. The first is a newer service provider, which began providing service in 2006. The second is AT&T Communications of the Midwest, which has increased its market share in the independent communities more than ten-fold since the 2005 survey. AT&T

Communications of the Midwest provides service only to business customers. Beyond that, most of the competition comes from two municipal telephone utilities that serve in communities where an independent telephone company is the ILEC. The smaller of the two municipal telephone companies increased its market share by about 18 percent since 2005, while the larger municipal telephone company lost about 2 percent market share since 2005.

Since the last survey, Mediacom began providing telephone service in 21 communities where independent telephone companies serve. Mediacom provides telephone service over its cable television network; thus, it does not lease unbundled network elements or resell another telephone company's service, as often is the case with CLECs. Because Mediacom's rollout of cable telephone service is relatively recent, its potential to take market share from the independent telephone companies is not clear.

Beyond the five CLECs noted above, there are only three other CLECs operating in the independent communities. The three CLECs likely resell the services of the ILECs, yet there are only a handful of competitive connections among these three service providers.

All in all, the independent telephone companies provide about 97 percent of the landline connections in the communities they serve. This compares to 99 percent of the connections as reported in both the 2005 and 2003 surveys.

Regarding wireless service, 95 percent or 371 of the communities in the independent service areas currently have at least one wireless service provider. In the previous surveys, there was not a significant wireless response rate so the recent growth rate of wireless service in the independent communities is not known.

## **E. Municipal Telephone Utilities**

### **1. Background**

In the late 1990's, a few Iowa municipalities began providing telecommunications services. Today, there are 15 municipal providers offering telecommunications services. However, there has only been one additional municipal telecommunications provider formed since the 2005 report. Municipal telecommunications providers typically compete with an incumbent telephone company by constructing new facilities within their community. The build-out of these new facilities is generally limited to the urban areas within the local exchange. Some of the municipal telecommunications utilities offer service to rural customers through resale agreements with the incumbent telephone company.

## **2. Municipal Utility Vote Update**

Fourteen of the 15 municipal telecommunications utilities provide service in only one community, although one provides service in four different communities. The communities with municipal telecommunications utilities have populations ranging from approximately 850 to more than 11,000. There is only one community with a population greater than 6,500. Ten of the remaining communities have populations below 2,000 based on 2000 census data.

In Iowa, the municipal telecommunications movement appears to be temporarily stalled. A number of communities voted in the November 2005 elections to explore the possibility of forming city-owned telecommunications utilities.<sup>31</sup> These measures passed in only 17 of the 30 communities where the issue was on the ballot. The 17 communities were to assess options of infrastructure and service needs. Possible reasons for the defeat of municipal referendums may include the cost of setting up the services, lower demand for the services, or the competing demands for the municipalities' financial resources.

## **3. Survey Results for Municipal Telephone Companies**

The municipals have seen continued success in retaining their wireline customer base. Responses to the recent survey reflect significant market share penetration by many of the municipals. The previous survey showed a range of market share to be slightly more than 25 percent to almost 70 percent. The current survey shows the range to be slightly more than 40 percent to almost 75 percent of customers within the associated communities. Those showing the largest increase in market share are the municipals that recently entered the market. The more established municipals appear to be maintaining their market share.

Factors contributing to the municipals' success may include the newer facilities and the ability to offer advanced services such as high-speed Internet access. Another advantage is related to the economic development interests of the community. By purchasing services from the municipality, residents and businesses keep dollars in their community and support the entity that brought them advanced services.

Finally, the survey shows emerging competition for the municipals. Cable telephony accounts for an increasing number of connections in eight of the municipal communities since the 2005 report.

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<sup>31</sup> <http://www.radioiowa.com/gestalt/go.cfm?objectid=7EF159FE-1178-46AD-B1E21BE301AC8152>

## F. Cable Telephony

In Iowa, there are two nationally known cable television companies that provide telephone service over their local cable networks. Cox Iowa Telecom, LLC (Cox), provides telephone service in the Qwest exchanges of Carter Lake, Crescent, Council Bluffs, and Underwood. Cox is a subsidiary of Cox Communications, which is the third largest cable television company in the United States. The Board surveys show that the growth of Cox's telephone subscribership has begun to level off. Cox's telephone connections in Iowa tripled between the 2003 and 2005 surveys. Between the 2005 and 2007 surveys, however, Cox's Iowa connections increased less than 1 percent.

MCC Telephony of Iowa, Inc. (or Mediacom), is a subsidiary of Mediacom Communications – the eighth largest cable television company in the country. Mediacom began providing cable telephone service in Iowa at the end of 2005. Mediacom's serving area in Iowa crosses into the ILEC territories of Qwest, Iowa Telecom, Frontier, and numerous independent telephone companies. Through a business arrangement with Sprint, Mediacom's cable network interconnects with the ILEC networks in Iowa. In recent years, the business arrangement between Sprint and Mediacom, as well as interconnection and arbitration issues, has been the subject of several contested cases before the Board. Mediacom began to provide service at the end of 2005 and retail local voice service connections were not reported in the previous surveys. The current survey indicates that Mediacom's market share is growing at a substantial pace, mostly in the larger metropolitan communities of Iowa where they provide service.

In addition to Cox and Mediacom, there are nine additional Iowa carriers now reporting a total of 9,600 cable telephone connections.<sup>32</sup> In the previous surveys these carriers were not specifically identified as cable telephony providers. However, it is common in Iowa for telephone companies to provide cable television services, and there are a number of Iowa telephone companies that provision their services over coaxial cable. Coaxial cable is also used to provision cable television. It is not clear how many of the additional 9,600 connections are truly "cable telephony." But it is clear that the bright lines that used to distinguish traditional landline telephone from cable telephony are beginning to fade as networks evolve and more services are offered.

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<sup>32</sup> Advanced Network Communications, CommChoice of Iowa, Coon Rapids Municipal Utilities, Farmers Mutual Telephone Co. of Nora Springs, Independence Telecommunications Utility, Long Lines Metro Inc., Mapleton Communications Management Agency, Orange City Communications, and Osage Municipal Communications Utilities.

#### IV. SUMMARY AND CONCLUSIONS

The policy of the State of Iowa is that communications services should be available throughout Iowa from a variety of providers at just, reasonable, and affordable rates. Under Iowa Code § 476.1D(1)"c," the Board has the duty to deregulate local exchange markets after considering the presence or absence of the following: (1) wireless communications services, (2) cable telephony services, (3) VoIP services, and (4) economic barriers to the entry of competitors or potential competitors in that market. The current survey was conducted by the Board to evaluate competitive criteria relating to the first three conditions as well as the presence of wireline competition provided by CLECs.<sup>33</sup>

Iowa Code § 476.1D(1)"c" has also deregulated all local exchange rates of Qwest, Iowa Telecom, and Frontier except for single line flat-rated residential and business rates. These rates may also be deregulated on June 30, 2008, if the Board finds that competition in Iowa has developed sufficiently. If the Board finds that competition has not developed sufficiently, the regulation of single line flat-rated residential and business rates may be extended for two more years.

The following conclusions can be drawn from this report:

- Wireless services are currently available in nearly all communities where ILECs provide wireline services as shown in the following table.

ILEC	Number of Communities Served by ILEC	Number of Communities Served by Wireless Carriers	Percent of ILEC Communities Served by Wireless Carriers
Qwest	187	183	97.9%
Iowa Telecom	290	289	99.7%
Frontier	37	37	100%
Independents	390	371	95.1%
Statewide Totals	904	880	97.3%

- Wireless services are the fastest growing voice service in Iowa. NRUF data shows the number of wireless telephone numbers in Iowa increased by 28 percent from 2003 to 2005 and by 23 percent from 2005 to 2007. This growth in wireless services is also supported by dual party relay service assessment data showing wireless subscribership and by NANPA data showing the blocks of new telephone numbers assigned to wireless carriers.

<sup>33</sup> Economic barriers to entry are addressed in deregulation proceedings since pertinent issues may relate to geographic location, facilities utilized for the provision of service, and the carriers providing service.

- There are many communities where wireless voice connections exceed ILEC voice connections. Statewide, there are more wireless voice connections (1.9 million) than ILEC voice connections (1.2 million).
- The number of ILEC connections continues to decline in Iowa. Qwest's and Iowa Telecom's connections have declined by about 15 percent since the 2003 survey. Frontier's connections have declined by 24 percent since 2003. The Independents' connections have declined by 7 percent since 2003.
- Significant percentages of Qwest, Iowa Telecom, and Frontier customers remain subscribed to services that are currently rate-regulated – those that are single line flat-rated. The percentages are shown in the following table.

<b>Percentage of Customers Subscribing to Single Line Flat-Rated Services</b>		
	<b>Residential</b>	<b>Business</b>
Qwest	58%	12%
Iowa Telecom	51%	76%
Frontier	80%	96%

- Qwest and Iowa Telecom have raised rates for single line flat-rated residential and business services each year since 2005. Frontier's rates are set to increase on February 1, 2008.
- ILECs continue to maintain a significant market share over CLECs in most communities.
- The total number of CLEC retail local voice service connections and the total number of communities with CLEC voice connections have declined since 2005 as shown in the following table.<sup>34</sup>

<b>Year of Report</b>	<b>Total Number of CLEC Retail Local Service Voice Connections</b>	<b>Total Number of Communities with CLEC Retail Local Service Voice Connections</b>
2003	212,584	313
2005	252,295	308
2007	245,925	248

<sup>34</sup> CLEC voice connections include municipal telecommunications but exclude cable telephony.

- The growth in municipal telecommunications utilities has slowed. There are currently 15 municipal telecommunications utilities, but only one additional utility was formed since the 2005 survey.
- The availability of cable telephony has grown substantially since 2005. The growth is mostly attributable to Mediacom, which began providing local voice service after the 2005 report. Mediacom provides voice service in 178 Iowa exchanges. These exchanges are located in the service territories of Qwest, Iowa Telecom, Frontier, and the Independent telephone companies.
- Besides Mediacom, there are ten other Iowa carriers claiming to provide cable telephony. Of these ten carriers, only Cox provided cable telephony services at the time of the 2003 and 2005 surveys.
- Reliable market share data for VoIP services is not available. Most VoIP service providers are not certificated and few VoIP service providers responded to the survey. The Board received eight responses from companies furnishing VoIP services. Most of the responding VoIP service providers are those that have opted to obtain a Board-issued certificate. Only five carriers indicated they were providing only VoIP services with a combined connection count of less than 100. Three other companies responded as providing VoIP services, but connection counts were commingled with traditional wireline counts.
- Although VoIP services potentially can be provided at a lower cost, the FCC has begun to place standard industry requirements on VoIP service providers, which may increase the costs of providing VOIP services. These include E911, CALEA compliance, LNP, payments to the universal service fund, while assessments for FCC regulatory fees remain under consideration. Yet at this time, most VoIP service providers still cannot obtain telephone numbers directly from the NANPA or PA.

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<http://www.radioiowa.com/gestalt/go.cfm?objectid=7EF159FE-1178-46AD-B1E21BE301AC8152>

**2007 Survey Team Members**

Larry M. Stevens, Project Manager

Michael Balch  
Brenda Biddle  
Vince Hanrahan  
Leighann LaRocca  
Joni Nicoll  
Dennis Rosauer  
Jennifer Smithson

**ATTACHMENT**

Attachment A – July 2, 2007, Board Order and Survey Instrument

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

<p>IN RE:</p> <p>2007 TELECOMMUNICATIONS MARKET MONITORING SURVEY FOR RETAIL LOCAL VOICE SERVICES AND HIGH- SPEED INTERNET ACCESS SURVEY</p>	<p>DOCKET NO. NOI-07-3</p>
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**ORDER INITIATING INQUIRY AND GRANTING CONFIDENTIALITY**

(Issued July 2, 2007)

**BACKGROUND**

This docket is being opened for the purpose of surveying the level of local exchange service competition and the availability of broadband access in Iowa. As described below, the Utilities Board (Board) has conducted separate surveys of these services in the past, but is now combining them. The local voice service survey is the result of the Board's deregulation of many local exchange services.

On May 7, 2004, the Board initiated a deregulation proceeding on its own motion, pursuant to Iowa Code § 476.1D (2003) and 199 IAC 5.3(1) (2003) and identified as Docket No. INU-04-1, to consider whether local exchange service to business customers in 21 specific Iowa communities was subject to effective competition and should be deregulated. The Board also proposed to consider whether residential second line service throughout Iowa was subject to effective competition and should be deregulated.

On December 23, 2004, the Board issued its "Final Decision and Order" in that proceeding and determined that effective competition was present in 20 of the 21 identified communities and deregulated residential and business local exchange service in those markets. Also as part of the December 23, 2004, order, the Board retained service quality regulation over all telecommunications service providers in those communities pursuant to Iowa Code § 476.1D(5) and noted that it would continue to monitor the markets identified in the December 23, 2004, order through the use of competition surveys.

In 2005, new legislation, identified as House File 277 (HF 277), amended Iowa Code §§ 476.1D and 476.55. The amended statutes relate to the deregulation of 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 utility 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, the retail rate jurisdiction of the Board shall not be applicable to most local exchange services unless the 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.

On May 13, 2005, the Board initiated a second deregulation proceeding on its own motion, pursuant to Iowa Code § 476.1D (2005) and 199 IAC 5.3(1) (2005) and

identified as Docket No. INU-05-2, to consider whether single line flat-rated residential and business local exchange service in 31 Iowa communities should be deregulated. The Board also sought comments regarding the nature of Qwest Corporation's "QPP" product as a replacement for unbundled network element platform (UNE-P) arrangements in interconnection agreements with competitive carriers and whether Voice over Internet Protocol (VoIP), wireless service, or cable telephony should be considered comparable to or substitutions for wireline service.

On December 5, 2005, the Board issued its "Final Decision and Order" in that proceeding and determined that effective competition was present in 20 of the 31 identified communities. Accordingly, the Board deregulated single line flat-rated residential and business local exchange rates in those markets. Also as part of the December 5, 2005, order, the Board retained service quality regulation over all telecommunications service providers in those communities pursuant to Iowa Code § 476.1D(5) and noted that it would continue to monitor the markets identified in the December 5, 2005, order through the use of competition surveys.

The broadband access survey is the result of a legislative directive. In 2000, the Iowa General Assembly passed legislation, identified as Senate File 2433, requiring the Board and the Department of Economic Development (DED) to submit to the General Assembly a joint report "with recommendations to ensure that high-speed broadband internet access is available to rural areas of the state where such access is not currently available." In compliance with that legislative mandate, the

Board and DED submitted a report in October 2000 assessing the statewide availability of high-speed Internet access and offered recommendations to ensure access to high-speed Internet service in rural Iowa. Responding to the recommendations contained in the October 2000 report, the Board conducted subsequent assessments and issued reports in February 2002, May 2003, December 2004, and March 2006.

### **NOTICE OF INQUIRY**

In order to continue its monitoring of telecommunications markets and the availability of high-speed broadband Internet access in Iowa, the Board will initiate this inquiry to collect data from local telecommunications service providers, as well as the cable providers, wireless providers, and satellite companies most likely to offer high-speed Internet access in Iowa. Data collection will be conducted through the use of one combined survey instrument.

The survey that will be sent to all local service providers, cable providers, wireless providers, and satellite companies, identified as the "2007 Telecommunications Market Monitoring Survey for Retail Local Voice Services and High-Speed Internet Access Survey," will be used to obtain an overview of the status of local exchange competition in Iowa and to assess the availability of high-speed Internet access in all parts of the state. A copy of the survey is attached to this order.

The Board requests that each company receiving a copy of this order complete the appropriate survey or surveys using data available as of June 30, 2007, and return it to Board staff on or before August 20, 2007.

Once the Board has reviewed the initial responses, it will determine if additional questions need to be addressed and, if so, in what format. The Board is appointing Larry Stevens as the Inquiry Manager for this docket. Survey responses should be sent to the address listed on the survey; additional comments and questions about the docket should be addressed to Mr. Stevens, (515) 281-4725, or via e-mail, Larry.Stevens@iowa.gov.

#### **CONFIDENTIAL TREATMENT**

In this proceeding, the Board requests survey responses from all local voice service providers and the cable providers, wireless providers, and satellite companies most likely to offer high-speed Internet access in Iowa. These responses will likely include information that may be considered trade secrets or that is otherwise entitled to confidential treatment under Iowa law. Therefore, the Board will grant confidential treatment for the information submitted in the updated survey responses pursuant to Iowa Code §§ 22.7(3) and 22.7(6) and will issue a protective order, similar to that used in Docket Nos. INU-04-1 and INU-05-2, to outline the conditions under which submitted information will be received and maintained.

Iowa Code § 22.7(3) provides confidential treatment for trade secrets that are recognized and protected as such by law. The material requested of the carriers

includes specific line count information. Based on past applications for confidential treatment filed by numerous carriers seeking protection of the line count information, the Board finds that line count information constitutes a trade secret under Iowa Code § 550.2(4) as it derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means, by a person able to obtain economic value from its disclosure. The Board finds that this information, if released, would provide an advantage to competitors.

Iowa Code § 22.7(6) provides confidential treatment to public records that are reports to government agencies and which, if released, would give advantage to competitors and serve no public purpose. Again, based on past applications for confidential treatment involving the same type of information, the Board finds that the responses to the survey constitute a report to a government agency and the Board finds that the release of the information would serve no public purpose.

At this time, the Board anticipates that orders or reports issued in this docket will not discuss or include individual company confidential information. However, orders or reports will include aggregated information and other information in a format such that it will not be possible to reconstruct company-specific confidential information with any degree of precision. However, it is too early to predict the precise requirements of the orders or reports, so the Board expressly reserves the right to use any of this information in its orders or reports, if necessary. Before using

any confidential information in a manner that might reveal it to the public, the Board will give the affected company or companies notice pursuant to 199 IAC 1.9.

### **ORDERING CLAUSES**

#### **IT IS THEREFORE ORDERED:**

1. An inquiry identified as Docket No. NOI-07-3 is initiated to monitor the telecommunications markets and assess the availability of high-speed broadband Internet access in Iowa.
2. Responses to the surveys described in this order are to be filed with the Board on or before August 20, 2007.
3. The information contained in the survey responses shall be held confidential by the Board subject to the provisions of 199 IAC 1.9(8)"b"(3).

#### **UTILITIES BOARD**

/s/ John R. Norris

/s/ Curtis W. Stamp

ATTEST:

/s/ Margaret Munson  
Deputy Executive Secretary

/s/ Krista K. Tanner

Dated at Des Moines, Iowa, this 2<sup>nd</sup> day of July, 2007.



## 2007 Survey Instructions and Guidelines

Docket No.: NOI-07-3

### **General Notes:**

All service providers should complete all portions of Section I: Company Information. *If an organization is structured to furnish services under multiple company names, a separate survey should be complete for each entity.* Organizations providing retail local voice services should complete Section II: Customer Connections for Local Voice Services. Qwest Corporation, Frontier Communications, and Iowa Telecommunications should complete Section III: Single Line Flat-Rated Residential and Business Retail Connection Count Survey for Price Regulated Companies. Internet service providers should complete Section IV: High-Speed Internet Access Survey. All service providers are requested to return all sections of the survey instrument as part of their completed response. If additional space is needed for completing Sections II, III, or IV, the respondent can request additional pages by e-mail for each section as needed. Responders may also complete Sections II, III, or IV using an Excel spreadsheet containing a similar structure as the survey instrument.

Pursuant to the initiating order in this docket, all information submitted will be treated as confidential.

*All survey forms are to be completed and returned on or before **August 20, 2007**. Completed forms should be sent to: Executive Secretary, Iowa Utilities Board, 350 Maple Street, Des Moines, IA 50319-0069. Those wishing to send e-mails with electronic versions of the surveys attached should send them to [IUBSurveys@iub.state.ia.us](mailto:IUBSurveys@iub.state.ia.us). Please respond with NOI-07-3 in the subject line of the e-mail.*

*If you have questions on:*

Section II – Customer Connections for Retail Local Voice Service

Section III – Single Line Flat-Rated Connection Count

Please contact Larry Stevens. Telephone number: 515-281-4725. E-mail: [Larry.Stevens@iowa.gov](mailto:Larry.Stevens@iowa.gov).

Section IV-A – High-Speed Internet Customer Data by Community

Section IV-B – Prospective High-Speed Internet Communities

Section IV-C – Pricing Information for High-Speed Internet Services

Please contact Brenda Biddle. Telephone number: 515-242-0218. E-mail: [Brenda.Biddle@iowa.gov](mailto:Brenda.Biddle@iowa.gov).

## **Instructions for Section I: Company Information**

Please provide company and contact information as requested on page 1 of the survey instrument.

The information requested for the company's URL is the Internet address where consumers can obtain information and pricing on services or products being offered by your organization.

The USAC Study Area Code only applies to local voice service providers receiving Federal Universal Service Funds. This is the six-digit number that has been assigned to your company by Universal Service Administration Company for your serving area(s) within the State of Iowa.

## **Instructions for Section II: Customer Connections for Retail Local Voice Service**

Requested information should be as of **June 30, 2007**. Listed below are a few definitions to help define the scope of this survey.

The purpose of this portion of the survey is to obtain actual counts of the number of retail local voice service connections being furnished by each service provider to end users or customers in the various communities of Iowa. Information requested involves providing a count or number of customer connections, or functional equivalent facilities, for which a service provider is billing consumers for retail local voice service. For the purpose of this survey, customer connections for retail local voice service are physical connections or the functional equivalent facilities that are revenue producing and provide voice grade access to the public switched network. The connections also utilize telephone numbers included in Numbering Plan Areas (NPAs) assigned to Iowa and monitored by the North American Numbering Plan Administrator (NANPA). Count customer connections based on how customers are billed rather than how services are provisioned.

“Local service” means telephone or similar voice service furnished between customers or users located within a service area or exchange. This should include VoIP, cable telephony, wireless, and satellite services.

“Service area” or “exchange area” means the general area in which the telephone utility holds itself out to furnish local telephone service.

Column ----- Column Description ----- Explanation

- (a) Community Name – Community Name  
(Note: Wireless and VoIP providers may need to use the customer billing addresses to determine the community name.)
- (b) Exchange Name or Service Area – General area or location where the service provider holds itself out to furnish retail local voice service.
- (c) Service Provider Type – Choose either Incumbent or Competitor from the drop down box.
- (d) How the Service is Provisioned – Choose one from the drop down box:
  - Facilities Based - Service provided using facilities owned by the service provider.
  - UNEs - Service provided using leased or purchased unbundled network elements (UNE), Qwest's Platform Plus (QPP), Qwest Local Service Platform (QLSP), or similar types of leased network elements. This also includes services being furnished where the service provider utilizes owned facilities, such as switching and leased local loop facilities.
  - Resale - Service provided through the use of discounted resold retail services.

*If service is being provisioned by one or more methods within a community or NPA-NXX, please provide the count of the number of connections for each method in column (f).*

- (e) NPA-NXX – Each number plan area-NXX as utilized in the provision of retail local voice service.
- (f) Number of Retail Local Service Connections or Functional Equivalent for Each NPA-NXX – This is the numerical count of the quantity of retail local voice connections provided to end users. Please provide counts of the number of connections provided through the use of each method of service provisioning (Facilities Based, UNEs & Resale) as identified in column (d) and, if possible, identify the service being provided as being residential (RES) or business (BUS). If offered services are not distinguished as either residential or business, enter the counts in the combination (COMB) column. **See example below.**

SECTION II: Customer Connections for Retail Local Voice Services– Example

Community Name (a)	Exchange Name or Service Area (b)	Service Provider Type: (c)	How the Service is Provisioned: (d)	NPA-NXX (e)	Number of Local Voice Service Connections or Functional Equivalents for Each NPA-NXX (f)		
					RES	BUS	COMB
Example City	Example City	Incumbent	Facilities Based	563-852	25	32	
			UNEs	563-852	10	2	
			Resale	563-852	22	40	

**Instructions for Section III: Single Line Flat-Rated Residential and Business Retail Connection Count Survey for Price Regulated Companies**

*This section of the survey is to be completed by Qwest Corporation, Frontier Communications, and Iowa Telecommunications only.*

- 1) Provide the number of single line flat-rated residential and business retail connection counts by community and NPA-NXX.
- 2) Provide a chronological listing of rates and rate changes, if any, for single line flat-rated residential and business retail service beginning July 1, 2004 through July 1, 2007.

**Instructions for Section IV: High-Speed Internet Access Survey**

Section IV-A: Current High-Speed Internet Customer Data by Community

The purpose of this portion of the survey is to obtain actual counts of the number of high-speed connections being furnished by each service provider to end users or customers in the various communities of Iowa. Requested information should be as of **June 30, 2007**.

**Column ----- Column Description ----- Explanation**

- (a) Community Name - Please list the communities where you provide high-speed Internet service. For areas served outside the city limits, those subscribers should be assigned to the community where they receive service.
- (b) Zip Code – List the zip code that corresponds to the community listed in Column (a).
- (c) Service to Residential Customers – this is a yes or no question to determine if you provide high-speed Internet service to residential customers.
- (d) Service to Business Customers – this is a yes or no question to determine if you provide high-speed Internet service to business customers.
- (e) This should be the total number of residential and business customers for your primary service in each community (i.e. telephone, cable television, or wireless telephone service). For xDSL service providers, please list the total number of access lines.
- (f) This should be the total number of your high-speed Internet customers in each community (access lines for xDSL). Please give the number of residential and business customers in each Internet speed category, which are listed by download speeds.

*\*\*\*Please click on the box in each Internet speed category (residential and business) that you are capable of providing to your customers – even if you have no customers subscribing to that service.*

- (g) Please list the number of residential and business customers in each community that could be immediately served with high speed Internet.

**Section IV-B: Prospective High-Speed Internet Communities**

Please complete this section if there are communities that you do not currently provide high-speed Internet service to, but plan to provide service to by June 30, 2008. If possible, please estimate the month in which service will be available to that community by using the drop down box in the third column.

**Section IV-C: Pricing**

All companies providing high-speed Internet service should complete this section or attach a list of their Internet service plans and rates. The IUB is interested in whether your company provides a stand-alone high-speed Internet service such as “naked DSL” or if Internet service must be bundled with your other service offerings (telephone, cable service, satellite television, etc)

**Iowa Utilities Board**  
**2007 Telecommunications Market Monitoring Survey for Retail Local Voice Services**  
**and High-Speed Internet Access Survey**  
Docket No. - NOI-07-3



**Section I – Company Information**

Company Name:			
Company Address:	City:	State:	Zip Code:
Telephone #:	Fax #:		
Survey Contact Person:			
E-Mail Address:		Company's URL:	
USAC Study Area Code:			

Does your company currently provide retail local voice service in the state of Iowa? Yes  No   
(If yes, check the appropriate type of service provider below. All providers of retail local voice service in Iowa should complete Section II)

Type of Service Provider: Wireline - Incumbent  Wireline - Competitor  Cable Telephony   
Wireless  Satellite  VoIP  Other  Explain: \_\_\_\_\_

Does your company currently operate as a Price Regulated Company in Iowa? Yes  No  (If yes, complete Section III)

Does your company currently provide high-speed Internet services (those with speeds greater than 200 Kbps) in the state of Iowa?  
Yes  No   
(If yes, check the appropriate type of service provider below. All providers of high-speed Internet service in Iowa should complete Section IV-A and Section IV-C)

Type of Service Provider: xDSL  Cable -Modem  Wireless  Satellite

If No, does your company plan to offer high-speed Internet service in Iowa within 12 months? Yes  No   
(If yes, please complete Section IV-B)

Other Information:

All survey forms are to be completed and returned on or before **August 20, 2007**. Completed forms should be sent to: Executive Secretary, Iowa Utilities Board, 350 Maple Street, Des Moines, IA 50319-0069. Those wishing to send e-mails with electronic versions of the surveys attached should send them to [IUBSurveys@iub.state.ia.us](mailto:IUBSurveys@iub.state.ia.us)



**SECTION III - Single Line Flat-Rated Residential and Business Retail Connection Count Survey  
for Price Regulated Companies**



**Note:** Section III of this data request is only for Frontier Communications, Iowa Telecommunications, and Qwest.

Company Name:  
Data as of June 30, 2007

- 1) Provide the number of single line flat-rated residential and business retail connection counts by community and NPA-NXX as shown in the following table. Public access lines (PAL) should be included in the business connection counts.

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Community Name	NPA-NXX	Number of Local Voice Service Single Line Flat-rated Connections for Each NPA-NXX	
		RES	BUS

- 2) Provide a chronological listing of rates and rate changes for single line flat-rated residential and business retail service beginning July 1, 2004, through July 1, 2007. Please provide your response on a separate page or in a separate file.



## SECTION IV-A - Current High-Speed Internet Customer Data by Community

Company Name:  
Data as of June 30, 2007

# CONFIDENTIAL

(a) List all Communities Currently Serving	(b) List the Community's Zip Code(s)	(c) Do You Currently Offer High- Speed Internet Services to <b>Residential Customers</b> in this Community/ Zip Code	(d) Do You Currently Offer High- Speed Internet Services to <b>Business Customers</b> in this Community/ Zip Code	(e) Total Number of Customers in this Community/Zip Code		(f) Number of Customers Currently Subscribing to High-Speed Internet Service								(g) Number of Customers that Currently Have Access to Your High-Speed Internet Service in this Community/Zip Code	
						Speeds listed below are download speeds									
						Please fill in number of Residential (Res) and Business (Bus) customers by Internet speed range									
				200-512 Kbps		513-999 Kbps		1-4.99 Mbps		Over 5 Mbps		Res	Bus		
Res	Bus	Res	Bus	Res	Bus	Res	Bus	Res	Bus	Res	Bus	Res	Bus		
Example City	99999	Yes	Yes	1000	100	200	10	125	25	0	0	0	0	675	50
		Check which speeds you offer in this community				X	X	X	X	X	X				
		Choose Y/N	Choose Y/N												
		Check which speeds you offer in this community				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
		Choose Y/N	Choose Y/N												
		Check which speeds you offer in this community				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
		Choose Y/N	Choose Y/N												
		Check which speeds you offer in this community				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
		Choose Y/N	Choose Y/N												
		Check which speeds you offer in this community				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
		Choose Y/N	Choose Y/N												
		Check which speeds you offer in this community				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
		Choose Y/N	Choose Y/N												
		Check which speeds you offer in this community				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
		Choose Y/N	Choose Y/N												
		Check which speeds you offer in this community				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
		Choose Y/N	Choose Y/N												
		Check which speeds you offer in this community				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		



## SECTION IV-B - Prospective High-Speed Internet Communities

Please list any additional communities that you plan to provide high-speed Internet service to within the next 12 months (by June 30, 2008).

Company Name:

Data as of June 30, 2007

# CONFIDENTIAL

List all Additional Communities that will be Served by June 30, 2008	List the Community's Zip Code(s)	Month in which High-Speed Internet Service will be Available
		Pick a Month

## SECTION IV-C - Pricing Information

Does your company currently provide a stand-alone high-speed Internet service?

Yes  No

Please list all the current high-speed Internet options and corresponding prices. Include stand-alone and bundled products.

Type of Service (Internet Speed, Bundled Services, etc.)	Recurring Rate Billed to the Customer per Month – Including any Rental Charges for Equipment (List Range if Price Varies by Community)	Term of Contract – if applicable	Other Items – Include any Offers or Other Features as applicable	Installation Fee
<i>Example – Internet 384 K (up and down)</i>	<i>\$79.95</i>	<i>1 year contract</i>	<i>Free Modem</i>	<i>\$25.00</i>