

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the matter of)	
)	
Iowa Telecommunications Service, Inc.)	Transmittal No. 31
Tariff FCC No. 1)	
)	

ORDER

Adopted: April 8, 2003

Released: April 8, 2003

By the Chief, Pricing Policy Division:

I. INTRODUCTION

1. Pursuant to section 204(a)(3) of the Communications Act of 1934, as amended,¹ Iowa Telecommunications Services (Iowa Telecom) filed Transmittal No. 31 on March 25, 2003, revising certain provisions of its interstate access tariff, to become effective April 9, 2003. Transmittal No. 31 would increase certain rates in Iowa Telecom's traffic-sensitive and trunking baskets because, according to Iowa Telecom, its costs support an increase to its average traffic sensitive (ATS) target rate. Iowa Telecom's ATS target rate would increase from the current 0.95 cents per minute to 1.4876 cents per minute.²

2. On November 26, 2001, Iowa Telecom filed a Petition for Forbearance in which it asked the Commission to forbear from application of the rule imposing a deadline for choosing between ATS rates adopted in the *CALLS Order*³ and rates based on forward-looking economic

¹ 47 U.S.C. 204(a)(3).

² Iowa Telecommunications Services, Inc., Tariff FCC No. 1, Transmittal No. 31, Description and Justification at 3 (filed Mar. 25, 2003).

³ See *Access Charge Reform*, CC Docket No. 96-262, Sixth Report and Order, 15 FCC Rcd 12962, 13029, para. 162 (2000) (*CALLS Order*) (subsequent history omitted). The *CALLS Order* established an integrated access charge reform and universal service proposal for price cap local exchange carriers (LECs), including Iowa Telecom. Each price cap LEC had to choose either to subscribe to the rate levels established by the *CALLS Order* for a full, five-year term, or to submit a cost study setting a new rate based on FLEC. Price cap LECs electing *CALLS Order* rates subject their interstate ATS access rates to an X-factor of 6.5 percent until certain target levels are reached. 15 FCC Rcd at 13028, para. 161. The *CALLS Order* initially gave price cap LECs 60 days to make this election, but the Commission extended the deadline for an additional 45 days until September 14, 2000. *Access Charge Reform*, CC Docket No. 96-262, Order, 15 FCC Rcd 23435, 23437-38, paras. 8-9 (CCB 2000). On this date, all price cap LECs, including Iowa Telecom, elected the rates set in the *CALLS Order*.

cost (FLEC).⁴ In the alternative, Iowa Telecom sought forbearance from the 0.95 cents per minute ATS target rate set in the *CALLS Order* so that it could reset its ATS target rate at forward-looking cost levels.⁵ The Commission granted Iowa Telecom's alternative request for forbearance from the 0.95 cents per minute ATS target rate, and allowed Iowa Telecom to file a tariff to reset its ATS target rate at forward-looking economic cost.⁶ In granting Iowa Telecom's Petition for Forbearance and allowing Iowa Telecom to reset its ATS target rate, the Commission stated: "Upon filing of a tariff, supported by a forward-looking cost study, we will undertake a tariff investigation to determine Iowa Telecom's forward-looking ATS target rate for the remainder of the CALLS plan's five-year term."⁷

3. On April 1, 2003, AT&T Corp. (AT&T) and Sprint Communications Company, L.P. (Sprint) filed petitions to reject, or, in the alternative, to suspend and investigate Iowa Telecom's proposed new ATS target rate.⁸ WorldCom, Inc. (WorldCom) filed a petition to suspend and investigate.⁹ On April 7, 2003, Iowa Telecom filed its reply.¹⁰ In this Order we grant the petitions insofar as they ask us to suspend and investigate Iowa Telecom's tariff, and we suspend for one day and set for investigation Iowa Telecom's revisions to its interstate access Tariff FCC No. 1.

II. DISCUSSION

4. We find that petitioners raise substantial questions regarding the lawfulness of Iowa Telecom's proposed tariff revisions that require further investigation. AT&T and WorldCom allege several flaws in Iowa Telecom's cost study supporting its proposed ATS target rate that have the potential for producing a rate that is not based on FLEC. AT&T and WorldCom question, for example, Iowa Telecom's use of vendor quotes rather than actual switch prices with applicable discounts, as well as Iowa Telecom's estimate that actual switch costs would be ten percent higher than the vendor-quoted rates because switches would be purchased individually rather than in large groups.¹¹ AT&T further asserts that the percentage of switching-related costs that are assumed to be non-traffic-sensitive costs in Iowa Telecom's cost study is smaller than is reasonable, and is smaller than the percentage reflected in Iowa

⁴ *Petition for Forbearance of Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom Pursuant to 47 U.S.C. 160(c) from the Deadline for Price Cap Carriers to Elect Interstate Access Rates Based on the CALLS Order or a Forward Looking Cost Study*, CC Docket No. 01-331 (filed Nov. 26, 2001).

⁵ *Id.* at iii and 2.

⁶ *Petition for Forbearance of Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom Pursuant to 47 U.S.C. 160(c) from the Deadline for Price Cap Carriers to Elect Interstate Access Rates Based on the CALLS Order or a Forward Looking Cost Study*, CC Docket No. 01-331, Order, 17 FCC Rcd 24319 (2002) (*Forbearance Petition Order*).

⁷ *Forbearance Petition Order*, 17 FCC Rcd at 24327, para. 23.

⁸ Iowa Telecommunications Services, Inc., Tariff FCC No. 1, Transmittal No. 31, Petition of AT&T Corp. (filed Apr. 1, 2003) (*AT&T Petition*); Petition of Sprint (filed Apr. 1, 2003) (*Sprint Petition*).

⁹ Iowa Telecommunications Services, Inc., Tariff FCC No. 1, Transmittal No. 31, WorldCom Petition to Suspend and Investigate (filed Apr. 1, 2003) (*WorldCom Petition*).

¹⁰ Iowa Telecommunications Services, Inc., Tariff FCC No. 1, Transmittal No. 31, Reply of Iowa Telecommunications Services, Inc. (filed April 7, 2003).

¹¹ AT&T Petition at 6-7; WorldCom Petition at 2-3.

Telecom's common line tariffs.¹² Finally, we agree with Sprint and AT&T that, because Iowa Telecom's cost study has never before been used or tested, it should be closely scrutinized.¹³ We further find that 15 days provides us with insufficient time to complete an adequate review. For these reasons, we conclude that substantial questions regarding the lawfulness of Iowa Telecom's Tariff FCC No. 1, Transmittal No. 31 require further investigation, and we suspend it for one day and impose an accounting order. The specific issues that will be the subject of the investigation will be identified in an upcoming designation order and may include, but not be limited to, the issues identified in this paragraph. We may also, by order, identify discrete issues that do not warrant further investigation.

III. *EX PARTE* REQUIREMENTS

5. This investigation is a permit-but-disclose proceeding and is subject to the requirements of section 1.1206(b) of the Commission's rules, 47 C.F.R. § 1.1206(b), as revised. Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentations must contain a summary of the substance of the presentation and not merely a listing of the subjects discussed. More than a one- or two-sentence description of the views and arguments presented is generally required.¹⁴ Other rules pertaining to oral and written presentations are also set forth in section 1.1206(b).

IV. ORDERING CLAUSES

6. ACCORDINGLY, IT IS ORDERED that, pursuant to sections 204(a) and 205 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 204(a) and 205, and through the authority delegated pursuant to sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§ 0.91 and 0.291, Tariff FCC No. 1, Transmittal No. 31 of Iowa Telecommunications Services, Inc. IS SUSPENDED for one day and an investigation IS INSTITUTED.

7. IT IS FURTHER ORDERED that Iowa Telecommunications Services, Inc. SHALL FILE a supplement within five business days from the release date of this order reflecting the suspension. Iowa Telecommunications Services, Inc. should cite the "DA" number on the instant order as the authority for the filing.

8. IT IS FURTHER ORDERED that, pursuant to sections 4(i) and 204(a) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i) and 204(a), and pursuant to the authority delegated by sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§ 0.91 and 0.291, Iowa Telecommunications Services, Inc. SHALL KEEP ACCURATE ACCOUNT of all amounts received that are associated with the rates that are subject to this investigation.

9. IT IS FURTHER ORDERED that the petitions to reject, or, in the alternative, suspend and investigate filed by AT&T Corp., Sprint Communications Company, L.P., and WorldCom, Inc. ARE GRANTED to the extent indicated herein and otherwise ARE DENIED.

FEDERAL COMMUNICATIONS COMMISSION

¹² AT&T Petition at 7-8. *See also* WorldCom Petition at 3.

¹³ Sprint Petition at 2; AT&T Petition at 3.

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¹⁴ See 47 C.F.R. § 1.1206(b)(2), as revised.