



The Changing Dynamics of Telecommunications in Iowa

Telecommunications has become an extremely broad term, encompassing voice, video and data communications from hundreds of companies, using hundreds of different technologies. The local landline telephone network is the backbone. There is a secure phone line to practically every home and business in Iowa. More than 95% of these lines have already been upgraded to provide broadband. Without the local network, the Internet could not operate, wireless calls could not be completed and data could not be transmitted or received.

Of all the different providers of telecommunications services, only local phone companies are closely regulated – by the Federal Communications Commission on the national level and the Iowa Utilities Board on the state level.

The goal of traditional regulation was to protect consumers and ensure the availability of phone service to all citizens. Yet other providers of local phone service are *not* required to comply with the rules imposed on local phone companies. The service is the same – local phone calls – but the oversight is different.

Local phone companies are responsible for maintaining the network on behalf of Internet, wireless, content and VOIP providers *without any compensation*. The network is expected to be 100% reliable, safe and secure, but only local phone companies bear any accountability for its integrity.

Local phone service has historically covered the cost to maintain the network. But with a decline of local phone users, funds are disappearing. As a result, phone companies will not be able to maintain the network for wireless and Internet use, much less invest in upgrades and increased bandwidth. These issues, along with a number of other factors, are now converging to place Iowa's independent telecommunications providers at financial risk.

The Rural Iowa Independent Telephone Association (RIITA) is a membership organization, representing local telephone companies across the state. This report was developed to inform legislators and regulators about telecom policy issues.

Quick Facts

- There are 154 local telephone companies in Iowa, more than in any other state. RIITA members, accounting for 122 of the 154, are the independently owned and operated telephone companies, serving small towns and rural areas.
- Total telecom in Iowa (local, long distance, wireless, video and Internet) is a \$3.5 billion annual industry, employing approximately 25,000 individuals. Wireless leads the pack with \$880 million in annual revenues.
- Local telephone companies are regulated by the Federal Communications Commission and the Iowa Utilities Board.
- As “carriers of last resort,” local telephone companies are required to provide service to anyone legally requesting it, regardless of the expense.
- The rural independent telephone companies provide phone service to 15% of the population and one-third of the geography in Iowa.
- 100% of RIITA members offer high-speed Internet, also known as broadband.
- RIITA members generate 50-60% of their annual revenues from Network Access and an additional 10-15% from Universal Service Funds.
- RIITA members have lost 20% of their customers over the last seven years to wireless, Internet and competing local phone providers.
- RIITA members generate an estimated \$250 million in annual revenues, or 7% of total telecom revenues in the state.
- RIITA members spend a total of \$100 million annually on infrastructure investment, or an average of \$550 per line per year.
- Property taxes for local phone companies are extremely complex and are assessed on all plant, property and equipment. On average, RIITA members pay \$40.32 per year per telco line in property taxes, compared to cable television companies at \$12.42 per line per year,

and wireless companies at \$3.50 per line per year. In essence, local phone companies pay as much as 11 times more than their competitors in property taxes.

- Despite increased competition and advances in technology, local phone service is still heavily regulated; while wireless, cable, Internet and VOIP have very little oversight.
- Local telephone companies are required to submit to audits and file multiple reports to both state and federal regulatory agencies, as well as the National Exchange Carriers Association (NECA) and the Universal Service Administrative Corporation (USAC). Many of these reports are overlapping or duplicative, costing a significant amount of time and money to prepare.

For additional information, please contact **Sheila Navis**, Executive Director, at 515-243-1743 or sheila@riita.com.

Telecommunications in Iowa

Rural Iowa Independent Telephone Association

Who We Are

The Rural Iowa Independent Telephone Association (RIITA) was formed in 1966 to represent locally owned and operated telephone companies throughout the state. Also known as Local Exchange Carriers (LECs), there are 154 telcos in Iowa – more than in any other state. RIITA members range in size from South Slope Cooperative Communications with 20,000 customers to Oran Mutual Telephone with 270 customers.

RIITA members are the original providers of local phone service in their small towns and rural areas. They have since diversified to offer high-speed Internet, video and wireless communications and have migrated from phone companies to total telecommunications service providers.

How did so many form? Back in the early 1900s when America was being wired for telephone service, the Bell Companies basically bypassed rural areas, simply because there weren't enough customers to make a profit. Left without service, residents of small towns began to create their own phone companies.

In 1949, Congress amended the *Rural Electrification Act* to fund telephone service. As most rural areas were farming communities, oversight was assigned to the U.S. Department of Agriculture. Iowa farmers led the effort to secure funding from USDA and establish more phone companies across the state.

RIITA members now serve about 15% of the Iowa population and more than one-third of the geography. Many are incorporated as cooperatives. Others are family-owned; and still others are closely held stock companies.

RIITA members are similar to Qwest and Iowa Telecom (the two largest telephone companies) in that all provide local phone service to defined geographic areas of Iowa. They have built their networks over decades and have rolled out new technologies, such as broadband and video. And, all local phone companies – regardless of size – are regulated by the Federal Communications Commission and the Iowa Utilities Board.

But the similarities end there. The economics of providing telecommunications in rural areas are vastly different than in urban areas – especially for broadband technologies, such as DSL and fiber-to-the-home. With fewer business customers (usually, less than 10% of the total) and much lower population density, the cost of rural telecom networks averages five times that of urban networks.

In 1989, a group of independent telephone companies created and built *Iowa Network Services*, a 5,000-mile fiber optic infrastructure, linking 330 communities and the 136 *rural* phone companies. INS is the backbone for small telcos to deliver high-speed Internet, video and long distance to their customers and is now the largest Internet Service Provider in the state.

As community-based businesses, RIITA members are heavily invested in rural economic development. Often the largest employers in their service areas, members also lead rural revitalization efforts and contribute generously to non-profit organizations.

Business Issues

There is a secure, dedicated telephone line to practically every business and residence in Iowa. It is this network that is used to complete wireless calls and operate the Internet. Practically all telecommunications is dependent on the local phone network.

For more than a century, RIITA members operated as government-sanctioned monopolies. Each company was assigned a geographic area and became the sole provider of local phone service in that area. In exchange for this exclusivity, the government set rates, established service standards and restricted the income that companies could earn.

This was thought to be the most efficient approach. Because telecom operates over an expensive infrastructure of switches and wires to every home and business, it didn't make sense to have multiple companies building duplicative networks. Imagine constructing five water pipelines from five different providers to the home and then having to choose one. Four of them would be wasted.

The government established the Federal Communications Commission (FCC) to regulate interstate telecommunications, and the Iowa Utilities Board (IUB) was assigned jurisdiction over intrastate matters under Iowa Code 476.

The IUB has authority over two-way, landline telecommunications, but does not regulate cellular service or cable television service. Additionally, nearly all long distance service has been deregulated because the IUB considers it subject to effective competition. The Board claims to have the authority to resolve disputes between long distance carriers and locally owned Iowa companies. An example of this authority is the recent ruling on the ITA Tariff, Docket, Docket Nos. TF-07-125 and TF-07-139.

In 1996, the United States Congress passed the sweeping Telecommunications Act, which lifted monopolies on local telephone service. To deal with the issue of duplicative networks being built, Congress required incumbent phone companies to lease their facilities to their competitors at wholesale rates. Or, in fact, competitors could build duplicative networks, if they chose.

By opening up local markets to competition, Congress reasoned that rates would decrease, new companies would form and technology deployment would accelerate, as multiple providers competed for customers.

What Congress did not anticipate at the time of the Act was the explosion of the Internet and wireless communications, both of which have surpassed local phone service in usage and revenues.

Adding to the mix, cable television companies have since developed a way to transmit voice communications over their cable networks, in essence becoming local phone companies and replacing the telco. Likewise, phone companies have developed the technology to run video over their telco networks to compete with cable companies for television customers.

Finally, Voice Over Internet Protocol (VOIP) is a fully developed technology that turns voice into data and sends it over the data network. It offers the same functionality as a local phone company, but is managed by a series of computers, known as soft switches. A VOIP provider can operate from anywhere since it uses – at no cost – the local phone or cable network to place calls.

RIITA members are in the thick of these developments. All RIITA telcos offer high-speed Internet (broadband). Many also provide cable television, VOIP and cellular services. They are investing in new technologies and diversifying to meet *all* of the telecommunications needs of their customers.

Policy Issues

It would follow that with competition and new technologies overtaking local phone service, the FCC and IUB would ease some of the restrictions on phone companies, or alternatively, regulate their competitors in a similar fashion to create a level playing field. However, neither has occurred.

Of all of the options for making a phone call – local, wireless, cable and VOIP – only local telephone companies remain heavily regulated. RIITA members are most concerned with three policy issues:

1. Network Access

Since 1934, the United States government has supported a public policy of providing phone service to everyone, regardless of their distance from the switch or their ability to pay. With today's electronic communications, this remains just as important as it did in 1934. Rural customers pay a portion of the cost of their telephone service. Whereas the average bill for local service is \$10 – 15 per month, the actual cost is \$60 – 75 per month due to the large geographic region covered by independent telephone companies with few customers.

To cover expenses and keep rates affordable, rural telcos collect *Access Charges* and *Universal Service Funds*. Access charges are tied to long distance. When a long distance call is placed, the long distance provider pays the local telco an access charge to use its network and connect to the local customer. The long distance provider passes on this cost to the caller on his or her long distance bill.

Access rates are set by the FCC for calls that cross state boundaries and by the IUB for calls that originate and end within Iowa. All totaled, access accounts for 50-60% of a rural telco's annual revenue.

The Issue? Only long distance companies pay access. VOIP providers are exempted by federal regulators. When one of their calls is connected to a local phone, they do not pay any access, even though the local network is being used in the same manner. Wireless

carriers may negotiate an interconnection agreement with local telcos for use of their network, but access is not required.

With wireless and VOIP replacing long distance, access revenues are rapidly declining. Wireless and VOIP are also getting a free ride.

The long distance companies are putting tremendous pressure on the FCC and IUB to reduce the access rate paid to local telephone companies. Many have even withheld payments, forcing the issue into arbitration.

The Universal Service Fund (USF) is another federal program that provides support to high-cost areas, such as those served by RIITA members. USF accounts for an additional 15% of rural telco revenues on average. All telephone users pay into the fund, which is redistributed to telephone companies with above average costs. Telcos receiving USF support use these funds to ensure that their remote customers have the same products and services at comparable rates as their more urban counterparts. Without access and USF, many rural residents would not be able to receive phone service or broadband. The cost of local phone service, alone, would increase to \$60-75 per month per line.

2. **Net Neutrality**

Congress and the FCC are considering proposals for how the Internet should be managed. Websites and content providers argue that users should be able to download anything legal they want, from anywhere they want and at anytime they want. Internet Service Providers – the companies that connect the customer to the Worldwide Web – should not interfere. This is the concept of Net Neutrality, and from a civil liberties perspective, it makes sense.

What proponents of Net Neutrality might not recognize is that managing large volumes of data traveling over multiple networks is not a simple task. With more and more users downloading movies, television shows, songs, and other forms of data, local networks cannot always support everyone doing everything at once. A surfer downloading dozens of movies at once, for example, would take up the bandwidth available to the rest of the community. Furthermore, there might be instances when some downloads have priority

over others – such as an ambulance transmitting patient statistics to a hospital, versus a teenager downloading an MP3. Net Neutrality says “first come, first served.”

The challenge for Iowa companies is to build, maintain and upgrade networks where increasingly greater amounts of data are flowing without compensation. RIITA members assert that it is their responsibility to manage data in the most practical and efficient manner and that no regulations should be adopted eliminating this responsibility.

What has already been firmly established by policy makers is that no legal data can be blocked. For example, local telcos are *required* to connect VOIP calls, even though VOIP is a competing service, and VOIP providers pay no access to use the telco’s network.

3. Fairness in IUB & FCC Compliance

Compliance is a major cost of doing business – one that puts RIITA members at a disadvantage, compared to their non-regulated competitors. Preparing annual reports, completing data requests, cooperating with inspections and filing tariffs is a full-time job for most Iowa telcos. Wireless, VOIP and Cable companies have little or minimal state regulations in providing local phone service. Not only is this unfair, it gives them competitive advantages.

The goal of traditional regulation was to protect consumers and ensure the availability of phone service to all citizens. Yet other providers of local phone service are *not* required to comply with the rules imposed on Local Exchange Carriers. The service is the same – local phone calls – but the oversight is different.

Other issues continue to emerge, as telecom continues to diversify. A new chairman of the FCC will take office soon and could change the way local phone companies are regulated on the federal level for interstate communications. But the IUB and Iowa legislature will continue to be responsible for intrastate communications and must work to create a fair arena for all telecom competitors.

Telecom Competition in Iowa

Technology has dramatically changed the landscape, but fundamental to all of this is the fixed, landline network already built by RIITA members. The following data and statistics clearly demonstrate this migration to new applications.

There are hundreds of telecom providers across the state vying for local, long distance, wireless, video and Internet customers. Advances in technology have made it possible for these providers to expand beyond their traditional services and into each other's territories. Local telephone companies now transmit television channels over phone lines to compete with cable and satellite. Cable TV companies now provide phone service over their television wires. High-speed Internet is delivered over satellite, cellular, phone, cable and fixed wireless networks.

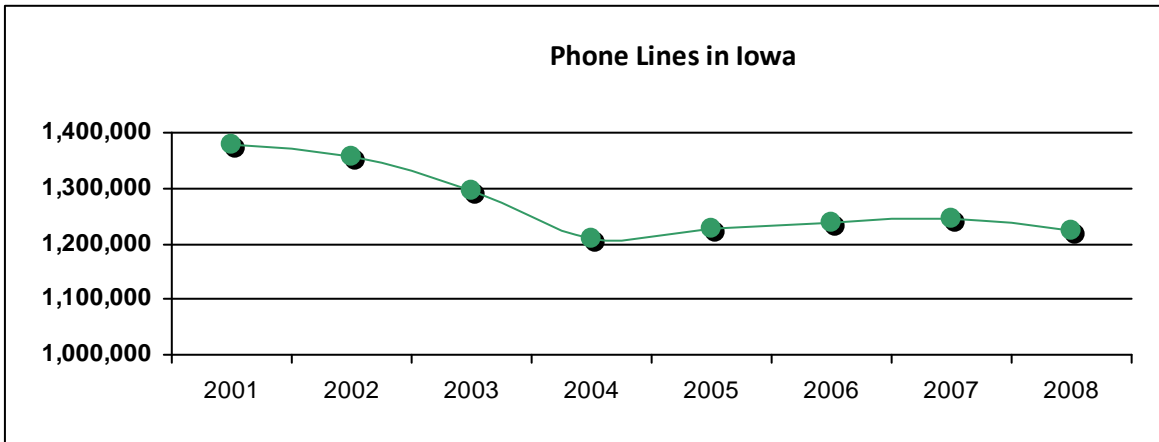
In communicating with friends, family and business associates, Iowans can choose from dozens of providers and technologies, including:

- Landline
- Cellular
- Satellite
- Cable
- Voice Over Internet Protocol (VOIP)
- Fixed Wireless
- Web Cams / Video Calling
- Text Messaging
- Email / Instant Messaging

Local Phone Service

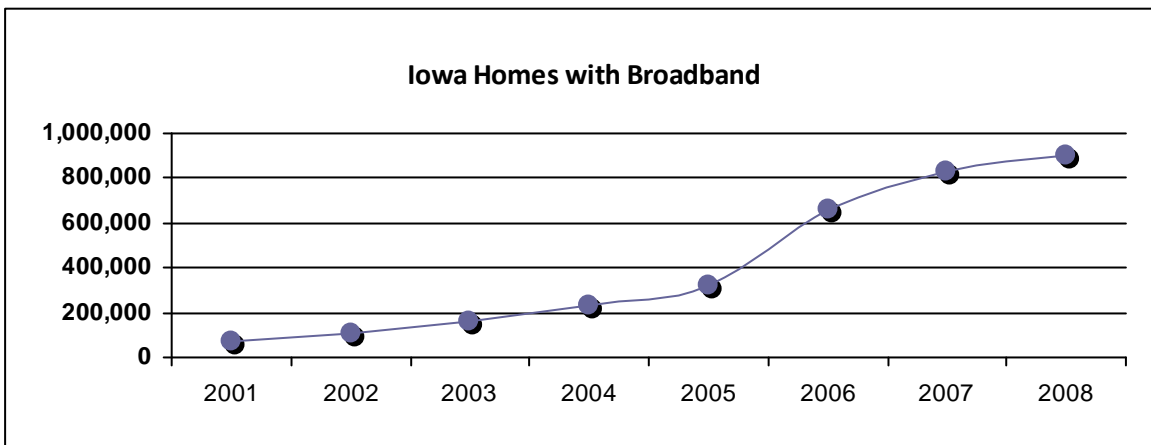
The number of traditional phone lines is in decline. According to a recent study by the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO), local phone companies are losing lines at a rate of 6% per year, as customers migrate to mobile wireless and data communications. Continuing at this rate, RIITA members will lose an additional 20% of their lines by 2011. Members currently serve 198,181 of the 1.2 million local telephone lines in Iowa. By 2011, the number will be less than 160,000 lines.

Many incumbent local exchange carriers are losing customers to competitive phone companies, which now serve 17% of lines across the state. Countless other lines have been lost to VOIP and cable providers, which are *not* required to report their customer counts or market share. An estimated 20% of homes have completely eliminated local phone service and rely exclusively on wireless communications.



Broadband

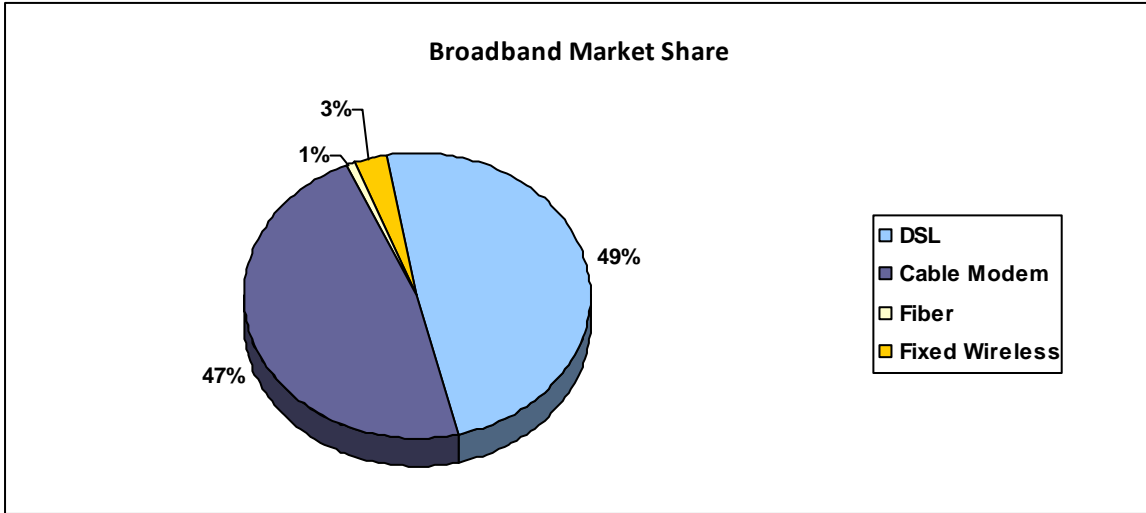
Thanks to the rural, locally owned companies, Iowa is a leader in broadband adoption with approximately 900,000 users across the state, or 65% of homes, versus the national average of 55%.



Many telcos are already rolling out Fiber-to-the-Home, despite the cost. The service makes economic sense in new construction projects, or when replacing very old infrastructure. For many companies, this has created a huge dilemma, as broadband is the mechanism to deploy advanced services and retain customers in a time of shrinking revenues.

Fixed wireless systems (different from cell phones) can deliver high-speed Internet in limited ranges, but they do not offer sufficient bandwidth for video or other large transfers of data and are best suited for surfing the Internet and sending and receiving email.

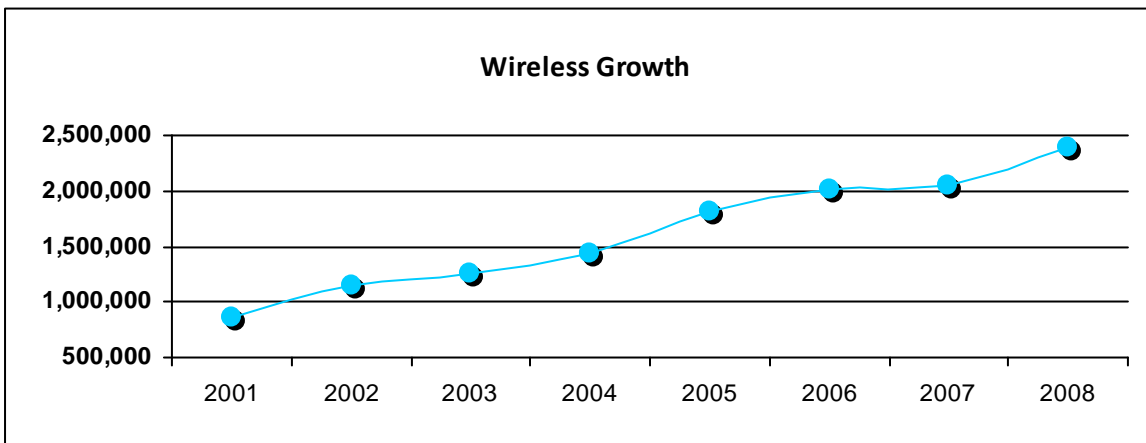
Customers choose DSL over other broadband options, the technology used primarily by local phone companies. Cable television providers have practically as many broadband customers, even though their networks reach only a fraction of homes on the telephone network.



There is currently a race to increase bandwidth, but cable and DSL are maxing out their capacity. Fiber-to-the Home is the ultimate broadband solution, but it serves only 1% of homes in Iowa and is expensive to deploy – as much as \$12,000 per mile in rural areas.

Mobile Wireless

Wireless is growing faster than any other technology with an estimated 2.4 million Iowans having a cell phone. Ten-years is now the average age for getting one’s first cell phone.

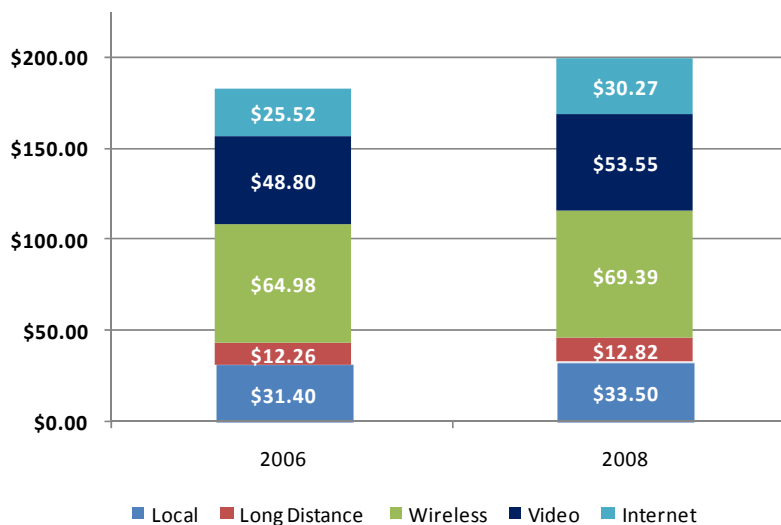


Financial Impact

Telecom in Iowa is a \$3.8 billion annual industry with wireless leading the pack at almost \$900 million in annual revenues. Iowa's locally owned independent telephone companies generate an estimated \$250 million in annual revenues, or 7% of total telecom revenues in the state.

Customers with all services spend \$200 per month to talk on the phone, surf the Internet and watch television, with wireless being the biggest monthly expenditure. Spending has increased approximately 10% over the past two years, primarily due to wireless and video consumption and costs.

Consumer Telecom Spending

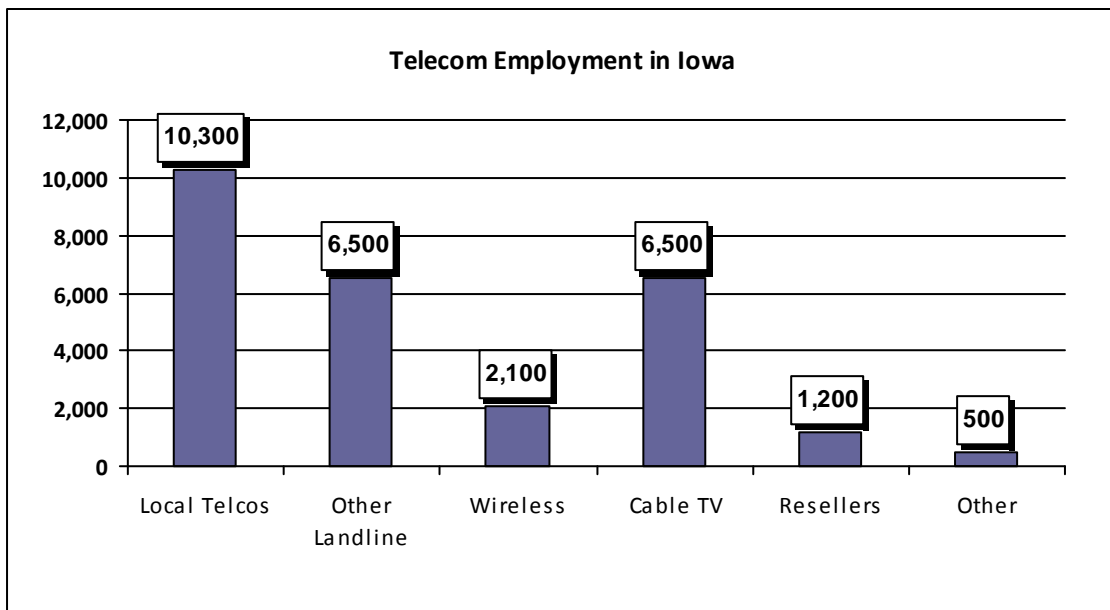


Other Financial Highlights

- Iowa's independent telecommunication providers spend a total of **\$100 million annually** on infrastructure investment, or an average of **\$550 per year per line**.
- The value of all assets of locally owned telcos is estimated to be **\$750 million**.
- On average, RIITA members pay **\$40.32 per year per telco line in property taxes**, compared to cable television companies at \$12.42 per line per year, and wireless companies at \$3.50

per line per year. In essence, local phone companies pay as much as 11 times their competitors in property taxes.

- Telecom spending produces approximately **\$150 million annually in state tax revenues and other collected fees.**
- Locally owned telcos employ an estimated **10,300 people in Iowa.** Although less than one-third of revenues come from local phone service, local telephone companies employ the most, underscoring the cost and complexity of managing the local network.



Community Development

RIITA members are at the heart of rural economic development in Iowa. In addition to investing in their own infrastructure and generating millions in tax revenue, members contribute an estimated \$5 million annually to local charities and community organizations and provide more than \$3 million annually in free telecom services.

A number of members participate in the USDA's Rural Economic Development Loan & Grant program, or REDLAG – a zero-interest pass-through loan for rural telcos to sponsor community development projects. Under REDLAG, a telco assumes the risk of a large loan, and then manages the funds for a particular project.

For example, Templeton Telephone Company has established a low-interest, revolving loan program to broaden the employment base by increasing the number and types of businesses in its rural areas. The program encourages the expansion of existing businesses and establishes Templeton as a progressive, confident community. The fund provides direct loans of up to \$80,000 for such projects as new business development, site preparation and building construction.

All across the state, RIITA members are the major employers and benefactors of their communities. They supply the broadband and other telecom services that allow businesses, government agencies, health care providers and educational institutions to remain viable in rural areas. Without the contributions and services of RIITA members, many small towns would collapse.

Conclusion

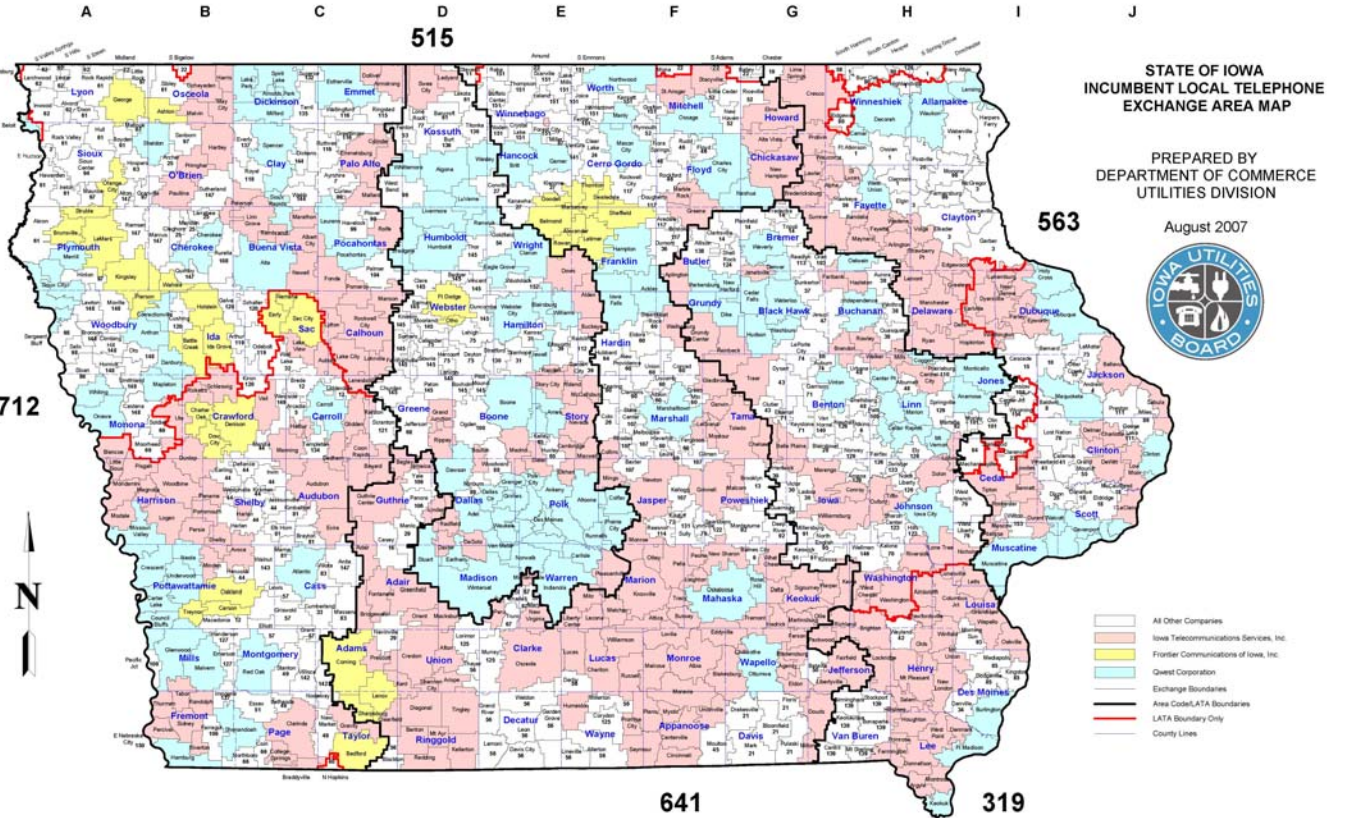
RIITA members are critical to the survival of rural communities in Iowa. In addition to supplying jobs and investing hundreds-of-millions of dollars, RIITA members deliver the advanced telecom services that allow rural residents to participate in the information and Internet economy. But make no doubt, Iowa's independent telecommunications service providers are at a pivotal juncture in terms of providing advanced services with significantly reduced revenues.

The environment in which RIITA members operate is radically changing. New technologies and competition require massive amounts of spending; yet local phone companies are still restricted and inhibited by outdated and out-of-balance regulations. The attitude that all competition is good or that wireless technology will be the answer does not factor reality: competitors will not enter markets where they will lose money and wireless networks require the ongoing availability of wireline networks as the backbone for their service.

RIITA is committed to working with the Iowa Legislature and Iowa Utilities Board to ensure the availability of affordable advanced telecom services, whether in Dixon or Des Moines, Dunkerton or Dubuque. In turn, we need legislators and regulators to articulate their vision for telecommunications in Iowa and to understand that financially stable telcos are imperative to reaching that vision.

Attachment 1

Telephone Service Areas



STATE OF IOWA
INCUMBENT LOCAL TELEPHONE
EXCHANGE AREA MAP

PREPARED BY
DEPARTMENT OF COMMERCE
UTILITIES DIVISION

August 2007

- All Other Companies
- Iowa Telecommunications Services, Inc.
- Frontier Communications of Iowa, Inc.
- Qwest Corporation
- Exchange Boundaries
- Area Code/LATA Boundaries
- LATA Boundary Only
- County Lines

Key	Company	Location	Key	Company	Location	Key	Company	Location	Key	Company	Location			
1	Ase Telephone Association	H-1	32	Com Bell Telephone Company	C-3	63	Hempstead Telephone Company (Iowa) Communications	A-2	86	Muscatine Telephone Company (Iowa Center)	A-2	129	South Central Communications, Inc.	D-4
2	Atlanta Communications Cooperative, Inc.	A-1	33	Cumlerford Telephone Company	C-8	64	Hubbard Cooperative Telephone Association	B-8	88	North English Cooperative Telephone Company	B-8	128	South Edge Cooperative Telephone Company	B-4
3	Alpha Communications, L.L.C.	H-2	34	Danville Mutual Telephone Company	A-7	65	Huxley Communications Cooperative	E-4	89	Northwest Iowa Telephone Company	H-2	127	Southwest Telephone Exchange	B-8
4	Anchor Telephone Company, Inc.	J-4	35	Deer Telephone Company	A-4	66	IMCO Telephone Company	A-2	90	Northwest Iowa Telephone Company	A-2	126	Spring Grove Cooperative Telephone Company	H-1
5	Anadita Telephone Cooperative	C-4	36	Durand Telephone Company	F-3	67	Marshall 35 Telephone Company	E-6	91	Northwest Iowa Telephone L.L.C. & Long Lines	A-3	125	Springville Cooperative Telephone Association	H-4
6	Alpha Telephone Company, Inc.	G-4	37	Duxbury Telephone Cooperative	G-3	68	Jefferson Telephone Company	D-4	92	Northwest Telephone Cooperative Association	C-2	124	Stanhope Mutual Telephone Company	D-3
7	Aurora Farmers Mutual Telephone Company	C-2	38	East Buchanan Telephone Cooperative	H-3	69	Jordan-Gravel Valley Telephone Company	H-3	100	Osage Telephone Company	D-4	131	Sully Telephone Association	F-8
8	Baldwin-Hawthorne Telephone Company, Inc.	J-4	39	Elworth Cooperative Telephone Association	E-4	70	Kalona Cooperative Telephone Company	H-5	101	Olin Telephone Company	J-4	132	Superior Telephone Cooperative	D-1
9	Barnes City Cooperative Telephone Company	G-5	40	Emery-Moscow, Inc. (No Special Missouri, Inc.)	G-7	71	Kaplan Farmers Cooperative Telephone Company	G-4	102	Osceola Cooperative Telephone Association	H-4	133	Swanton Telephone Company	H-4
10	Barnard Telephone Company, Inc.	I-3	41	F & B Communications, Inc.	A-4	72	KIMUT Telephone Company	F-8	103	Owen Mutual Telephone Company	G-3	134	Tampa Telephone Company	C-4
11	Blue Earth Valley Telephone Company	D-1	42	Farmers & Merchants Mutual Telephone Company (Wayland)	H-8	73	La Motte Telephone Company	J-3	104	Palmer Mutual Telephone Company	C-3	135	Terr Telephone Cooperative	D-1
12	Breda Telephone Cooperative	C-4	43	Farmers Cooperative Telephone Company (Oysterville)	G-4	74	Lafayette City Telephone Company	G-3	105	Paris Cooperative Telephone Association	H-4	136	Theresa Telephone Company	D-1
13	Brockley Mutual Telecommunications Cooperative	G-5	44	Farmers Mutual Cooperative Telephone Company of Shelby County	B-3	75	Lehigh Valley Cooperative Telephone Association	D-3	106	Parma Communications Cooperative	D-8	137	United Farmers Telephone Company	B-2
14	Butler-Bremner Mutual Telephone Company	G-2	45	Farmers Mutual Cooperative Telephone Company (Muhlenberg)	F-7	76	Lafayette Telephone Company (a div of West Liberty Telephone Co)	H-8	107	Parish Communications Cooperative	H-8	138	Universal Communications of Allison, Inc.	F-2
15	Canada Communications Company	J-4	46	Farmers Mutual Telephone Company (Horn Springs)	B-2	77	Leona-Rock Telephone Company	D-1	108	Prosper Telephone Company	B-3	139	Van Buren Telephone Company, Inc.	H-7
16	Cassidy Mutual Telephone Company	C-6	47	Farmers Mutual Telephone Company (Linsburg)	G-3	78	Leola-Nelson - Elwood Telephone Company	A-4	109	Pratt Telephone Company, Inc.	H-8	140	Van Home Cooperative Telephone Company	B-4
17	Center Junction Telephone Company, Inc.	I-4	48	Farmers Mutual Telephone Company (Shelburne)	G-4	79	Linnville Telephone Company	F-6	110	Princeton Telephone Company, Inc.	H-3	141	Veneta Telephone Company, Inc.	G-1
18	Central South Telephone Company	I-5	49	Farmers Mutual Telephone Company of Benton, Iowa	C-8	80	Malden Telephone Company	H-1	111	Princeton Telephone Company	J-4	142	Wabasha Farmers Telephone Company	C-8
19	Century of Choice, Inc.	G-1	50	Farmers Telephone Company (Barnard)	G-8	81	Mane & Elk Horn Telephone Company	C-8	112	Radiola Telephone Company, Inc.	B-3	143	Walton Telephone Company (a Walcott Communications)	C-8
20	Century of Choice, Inc.	H-2	51	Farmers Telephone Company (Elsola)	B-7	82	Maria Telephone Cooperative Telephone Association	B-7	113	Radiola Telephone Company	B-3	144	Wells-Dorwin Telephone Cooperative	C-2
21	Citizen Mutual Telephone Cooperative	G-7	52	Farmers Telephone Company (Elsola)	F-1	83	Masonia Telephone Company, Inc.	C-1	114	Rassau Telephone Company, Inc.	F-8	145	Wells-Dorwin Telephone Cooperative	C-2
22	Citizen Telecommunications Company of Minnesota	B-1	53	Fulton Cooperative Telephone Company	D-1	84	McCasville Telephone Company	J-4	115	Ringsted Telephone Company	D-1	146	Wellman Cooperative Telephone Association	A-8
23	Claxton Telephone Company, Inc.	A-4	54	Garfield Telephone Company	D-2	85	Middletown Telephone Company	H-8	116	River Valley Telecommunications Coop	C-1	147	West Iowa Telephone Company (a WestTel Systems)	B-2
24	Clear Lake Independent Telephone Company	E-2	55	Grand Mount Cooperative Telephone Association	J-4	86	Missouri Telephone Company	J-4	117	Rockwell Cooperative Telephone Association	F-2	148	Western Iowa Telephone Association	A-8
25	C.M.L. Telephone Cooperative Association	B-2	56	Grand River Mutual Telephone Corporation	B-7	87	Miller Telephone Company	E-1	118	Royal Telephone Company	B-2	149	Westside Independent Telephone Company	E-4
26	Coal Telephone Company	F-4	57	General Cooperative Telephone Company	C-8	88	Missouri Telecommunications, Inc.	D-4	119	Sau County Mutual Telephone Company	B-3	150	Westtown Telephone, Inc. (a Miller-Hawthorne, Inc.)	A-7
27	Communications 1 Network, Inc.	E-2	58	Hannora Telephone Company	G-1	89	Missouri Telephone Company	D-1	120	Schaller Telephone Company	B-3	151	Westtown Telephone Association	E-1
28	Coon Creek Telephone Company	G-4	59	Hawley Telephone Company	G-2	90	Monroe Valley Telephone Company, Inc.	F-4	121	Sharon Telephone Company	C-4	152	Woodstock Mutual Telephone Association	B-3
29	Coon Valley Cooperative Telephone Association, Inc.	D-5	60	Heart of Iowa Communications Cooperative	F-4	91	Moson Telephone Cooperative	G-5	122	Sharon Telephone Company, Inc.	F-6	153	WTC Communications, Inc. (a Miller Telephone Co.)	H-4
30	Cooperative Telephone Company (Vicksburg)	G-6	61	Heartland Telephone Company of Iowa (a Hickory Tech)	A-2	92	Muscatine Mutual Telephone Company	H-8	123	Sharon Telephone Company	H-8	154	Wynning Mutual Telephone Company	B-3
31	Cooperative Telephone Exchange (Berkshire)	E-3	62	HWA Telephone Company, Inc. (a Marston Communications)	A-1	93	Mutual Telephone Company of Morning Sun, Iowa	B-8	124	Shell Rock Telephone Company	F-3			

Attachment 2

Iowa's Locally Owned, Independent Telephone Companies

* RIITA Members as of 12/31/08
 (+x) = number of subsidiary telcos

Local Telephone Company	Headquarters	Website
Algona Municipal Utilities	Algona	www.netamu.com
Ace Communications	Castalia	www.acegroup.cc
Alliance Communications Cooperative	East Hudson	www.alliancecom.net
Alpine Communications, L.C.*	Elkader	www.alpinecom.net
Andrew Telephone Company*	Andrew	www.yourclosetconnection.com/membership.asp?id=8
Arcadia Telephone Cooperative*	Arcadia	www.yourclosestconnection.com/membership.asp?id=97
Atkins Telephone Company*	Atkins	www.atkinstelephone.com
Ayrshire Farmers Mutual Telephone Company*	Ayrshire	www.ayshireia.com
Baldwin-Nashville Telephone Co.*	Baldwin	www.yourclosestconnection.com/membership.asp?id=10
Barnes City Cooperative Telephone Company	Barnes City	www.yourclosestconnection.com/membership.asp?id=99
Bernard Telephone Company*	Bernard	www.bernardtelephone.com
Blue Earth Valley Telephone Company		www.bevcomm.com
Breda Telephone Corporation (+2)*	Breda	www.win-4-u.com
- Prairie Telephone Company		
- Westside Telephone Company		
Brooklyn Mutual Telecommunications Co.*	Brooklyn	www.netins.net/showcase/brooktelco
Butler-Bremer Mutual Tel Co. (+2)*	Plainfield	www.butler-bremer.com
- Clarksville Communications		
- Shell Rock Communications		
Cascade Communications Company*	Cascade	www.cascadecomm.com
Casey Mutual Telephone Co.*	Casey	
Center Junction Telephone Co*.	Junction	www.yourclosestconnection.com/membership.asp?id=16
Central Scott Telephone Company*	Eldridge	www.centralscott.com
Citizens Mutual Telephone Cooperative*	Bloomfield	www.cmtel.com
Clarence Telephone Company*	Clarence	www.clarencetelinc.com
Clarksville Telephone Company	Plainfield	www.yourclosestconnection.com/membership.asp?id=106
Clear Lake Independent Telephone Company*	Clear Lake	www.cltel.com
C-M-L Telephone Coop Assn	Meriden	www.netins.net/ricweb/telco/cml.htm
Colo Telephone Company*	Colo	www.colotel.org
Communications 1 Network, Inc.	Kanawha	www.comm1net.net
Coon Creek Telephone Company*	Blairstown	www.cooncreektelephone.com
Coon Valley Cooperative Telephone Assn*	Menlo	www.coonvalleytelco.com
Cooperative Telephone Company*	Victor	
Cooperative Telephone Exchange*	Stanhope	www.coopertelexchange.com

Corn Belt Telephone Company*	Wall Lake	www.yourclosestconnection.com/membership.asp?id=23
Cumberland Telephone Company*	Cumberland	www.yourclosestconnection.com/membership.asp?id=24
Danville Mutual Telephone Co.*	Danville	www.danvilletelco.net
Dixon Telephone Company*	Dixon	www.yourclosestconnection.com/membership.asp?id=26
Dumont Telephone Company (+1)	Dumont	www.dumonttelephone.com
- Universal Communications		
Dunkerton Telephone Cooperative*	Dunkerton	www.dunkerton.net
East Buchanan Telephone Cooperative*	Winthrop	www.eastbuchanan.com
Ellsworth Cooperative Telephone Association*	Ellsworth	www.ellsworthiowa.com/telephone/
F & B Communications*	Wheatland	www.fbc.bz
Farmers & Merchants Mutual Telephone*	Wayland	www.farmtel.net
Farmers Cooperative Telephone Company	Dysart	www.yourclosestconnection.com/membership.asp?id=29
Farmers Mutual Cooperative Telephone Company*	Moulton	
Farmers Mutual Cooperative Telephone Co. (+2) *	Harlan	www.fmctc.com
- Defiance Telephone Company		
- Manilla Telephone Company		
Farmers Mutual Telephone Company*	Stanton	www.myfmtc.com
Farmers Mutual Telephone Company*	Jesup	www.itt.net
Farmers Telephone Company*	Batavia	www.bataviatelephone.com
Farmers Telephone Company*	Essex	www.ftciowa.com
Fenton Cooperative Telephone Company*	Fenton	www.yourclosestconnection.com/membership.asp?id=34
Goldfield Telephone Company*	Goldfield	www.goldfieldaccess.net
Grand Mound Cooperative Telephone Assn*	Grand Mound	www.gmcta.coop
Griswold Cooperative Telephone Co.*	Griswold	www.griswoldtelco.com
Harmony Telephone Company*	Harmony	
Hawkeye Telephone Company	Hawkeye	www.yourclosestconnection.com/membership.asp?id=39
Heart of Iowa Communications Cooperative	Union	www.heartofiowa.coop
HTC Communications	Hospers	www.hosperstel.com
Hubbard Cooperative Telephone Association*	Hubbard	www.hubbardtelephone.com
Huxley Communications Cooperative*	Huxley	www.huxtel.com
IAMO Telephone Company*	Coin	www.iamotelephone.com
Interstate Communications (+1)*	Truro	www.interstatecom.com
- Southwest Telephone Exchange		
Jefferson Telephone Company	Jefferson	www.jeffersontelephone.com
Jordan Soldier Valley Telephone Company*	Sergeant Bluff	www.longlines.com
Kalona Cooperative Telephone Company	Kalona	www.kctc.net
Keystone Communications*	Keystone	www.keystonecommunications.com
La Porte City Telephone Company*	La Porte City	
LaMotte Telephone Company*	LaMotte	www.lamotte-telco.com
Laurel Telephone Company	Laurel	

Lehigh Valley Cooperative Telephone Association	Lehigh	www.lvcta.net
Liberty Communications	West Liberty	
Lone Rock Cooperative Telephone Company*	Lone Rock	www.yourclosestconnection.com/membership.asp?id=51
Lost Nation-Elwood Telephone Company*	Lost Nation	www.lnetelco.com
Lynnville Community Telephone Company*	Sully	www.yourclosestconnection.com/membership.asp?id=141
Mabel Cooperative Telephone Company*	Mabel	www.mabeltel.coop
Mahaska Communications Group	Oskaloosa	www.mahaska.org
Marne & Elk Horn Telephone Company*	Elk Horn	www.metc.net
Martelle Cooperative Telephone Association*	Martelle	www.yourclosestconnection.com/membership.asp?id=143
Massena Telephone Company*	Massena	www.yourclosestconnection.com/membership.asp?id=56
Mechanicsville Telephone Company*	Mechanicsville	www.mechanicsvilletel.com
Mediapolis Telephone Company*	Mediapolis	www.mtctech.net
Miles Cooperative Telephone Association*	Miles	www.yourclosestconnection.com/membership.asp?id=58
Miller Telephone Company	Garner	www.yourclosestconnection.com/membership.asp?id=146
Minburn Communications*	Woodward	www.minburncomm.com
Minburn Telephone Company*	Minburn	www.minburncomm.com
Minerva Valley Companies*	Zearing	www.minervavalley.com
Modern Cooperative Telephone Company*	South English	http://showcase.netins.net/web/mdmcoop
MTC Technologies*	Mediapolis	www.mtctech.net
Mutual Telephone Company of Morning Sun*	Morning Sun	www.mutel.com
North English Cooperative Telephone Company*	North English	www.yourclosestconnection.com/membership.asp?id=150
Northeast Iowa Telephone Company*	Monona	www.neitel.com
Northern Iowa Telephone Company (+2)	Sioux Center	www.mypremieronline.com
- Mutual Telephone Co. of Sioux Center		
- Webb-Dickens Telephone Company		
Northwest Telephone Cooperative Association*	Havelock	www.northwest.coop
Ogden Telephone Company	Ogden	www.yourclosestconnection.com/membership.asp?id=65
Olin Telephone Company*	Olin	www.olintelephone.com
OmniTel (+1)*	Nora Springs	www.omnitel.biz
- Farmers Telephone Co. of Riceville		
Onslow Cooperative Telephone Association*	Onslow	www.yourclosestconnection.com/membership.asp?id=154
Oran Mutual Telephone Company*	Oran	www.orantelco.com
Palmer Mutual Telephone Company*	Palmer	www.palmerone.com
Palo Coop Telephone Association*	Palo	www.yourclosestconnection.com/membership.asp?id=68
Panora Communications Cooperative*	Panora	www.panoratelco.com
Partner Communications Cooperative*	Gilman	www.pcctel.net
Peoples Telephone Company*	Aurelia	www.yourclosestconnection.com/membership.asp?id=69
Prairieburg Telephone Company*	Prairieburg	www.yourclosestconnection.com/membership.asp?id=158
Preston Telephone Company*	Preston	www.yourclosestconnection.com/membership.asp?id=71
Radcliffe Telephone Company*	Radcliffe	www.radclifftelephone.com

Ringsted Telephone Company*	Ringsted	www.ringtelco.com
Readlyn Telephone Company*	Readlyn	www.readlyntelco.com
Reasoner Telephone Company	Reasoner	
River Valley Telecommunications*	Graettinger	www.rvtc.net
Rockwell Cooperative Telephone Association*	Rockwell	www.yourclosestconnection.com/membership.asp?id=74
Royal Telephone Company*	Royal	www.royaltelco.info
Ruthven Telephone Exchange Company*	Graettinger	www.ruthventel.com
Sac County Mutual Telephone Company*	Odebolt	www.odebolt.net/sac_co_mutual_telco.html
Schaller Telephone Company*	Schaller	www.schallertel.net
Scranton Telephone Company*	Scranton	www.netins.net/ricweb/telco/scrantel.htm
Searsboro Telephone Company (+1)*	Sully	www.yourclosestconnection.com/membership.asp?id=78
- Kilduff Telephone Company		
Sharon Telephone Company*	Hills	
South Central Communications (+1)*	Princeton	www.grm.net
- Grand River Mutual Telephone Corporation		
South Slope Cooperative Telephone Company*	North Liberty	www.southslope.com
Springville Cooperative Telephone Association*	Springville	www.netins.net/ricweb/telco/sct.htm
Stratford Mutual Telephone*	Stratford	www.stratfordtelephone.com
Superior Telephone Cooperative	Superior	www.yourclosestconnection.com/membership.asp?id=83
Sully Telephone Association*	Sully	www.sullytel.com
Swisher Telephone Company	Swisher	
Templeton Telephone Company*	Templeton	www.templetoniowa.com
Terril Telephone Cooperative*	Terril	www.terril.com
Titonka-Burt Telephone Company*	Titonka	www.tbctel.com
United Farmers Telephone Company	Everly	www.evertel.net
USA Communications*	Shellsburg	www.usacomm.coop
Van Buren Telephone Company*	Keosauqua	www.vanburentelco.com
Van Horne Cooperative Telephone Company*	Van Horne	www.yourclosestconnection.com/membership.asp?id=174
Ventura Telephone Company*	Clear Lake	www.cltel.com
Villisca Farmers Telephone Company*	Villisca	
Walnut Communications*	Walnut	www.walnutcommunications.net
Webster-Calhoun Cooperative Telephone	Gowrie	www.wccta.com
Wellman Cooperative Telephone Association*	Wellman	www.wellmantelephone.com
WesTel Systems*	Remsen	www.westelsystems.com
Western Iowa Telephone Association*	Lawton	www.westerniowatelephone.com
Westside Independent Telephone Company*	Breda	www.win-4-u.com
Winnebago Cooperative Telecom Association	Lake Mills	www.wctatel.net
Woolstock Mutual Telephone Association*	Woolstock	www.wmtel.net
WTC Communications*	Wilton	www.wtccommunications.com
Wyoming Mutual Telephone Co.*	Wyoming	www.yourclosestconnection.com/membership.asp?id=94

Attachment 3

Terms and Definitions.

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

Access Charge. A fee charged to subscribers or other telephone companies for the use of local exchange facilities, especially for access to these facilities to provide long-distance service.

Bandwidth. The capacity of a telecom line to carry signals. Bandwidth is both the total frequency spectrum, in hertz or cycles per second, that is allocated or available to a channel, as well as the amount of data that can be carried by a channel, in bits per second [bps]. For analog transmission, it is measured in cycles per second; for digital transmission, it is measured in bits per second.

Board. The Iowa Utilities Board.

Broadband. A term used in evolving digital technologies in which multiple signals share the bandwidth of a medium, such as fiber-optic cable. This allows the transmission of voice, data and video signals over a single medium.

Communications Act of 1934. The first communications legislation that established the FCC to regulate interstate and foreign communications by wire or radio. It sets forth the duties and responsibilities of common carriers engaged in wire or radio communications, all of which are subject to FCC regulation. This act also established the principle of universal service.

CLEC or 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.

Deregulation. In 1984, AT&T no longer was allowed to provide local service, nor were the Bell companies allowed to provide interLATA, long distance information service nor could they manufacture equipment. In 1996, the barriers preventing competitive entry into the local exchange market were lifted, thus allowing broadcast cable, telephone, utilities, etc., to compete equally.

DSL or Digital Subscriber Line. A technology for bringing high-bandwidth information to homes and small business over ordinary copper line.

DTV or Digital Television. A new technology for transmitting and receiving broadcast television signals. DTV provides clearer resolution and improved sound quality.

E911. A location technology that enables mobile, or cellular phones to process 911 emergency calls and enable emergency services to locate the geographic position of the caller.

EAS or 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. The Federal Communications Commission

Fiber Optics. Communications technology that uses thin filaments of glass or other transparent materials. Fiber optic technology offers extremely high transmission speed, allowing for data-intensive services such as video-on-demand.

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 or 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.

ITC or Independent Telephone Company. Small, rural telephone companies were founded to bring telephone service to their communities because the large companies did not want to invest in high-cost areas that had significantly less customers. Iowa has the largest number of ITCs in the country, at approximately 150.

INS or Iowa Network Services. Established in 1986 by 127 independent telephone companies, INS deployed a state-wide fiber optic network that connects 150 rural ITCs and their customers to a Central hub in Des Moines for centralized equal access.

IUB. The Iowa Utilities Board.

ISP or Internet Service Provider. A company that provides customers access to the Internet, Web hosting and/or other related services.

Landline. Traditional wired phone service.

LEC or 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.

NECA or National Exchange Carrier Association. Established by the FCC to act as an association for LECs. NECA prepares common tariffs and administers the revenue pool among its members for access provided to interexchange long-distance carriers.

Network. Any connection of two or more companies that enables them to communicate. Networks may include transmission devices, servers, cables, routers and satellites. The phone network is the total infrastructure for transmitting phone messages.

NANP or 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.

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

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

POTS or Plain Old Telephone Service. Refers to traditional telephone or dial tone service.

RUS or Rural Utilities Service. A rural lending system made up of the Rural Electrification Administration and other similar programs.

SLC or Subscriber Line Charge. A monthly access charge paid by telephone subscribers that is used to compensate the local telephone company for a portion of its costs to install and maintain telephone wires, poles and all other facilities.

Telecommunications Act of 1996. Enacted and signed into law by President Bill Clinton in February 8, 1996, this act provides a comprehensive reform of the Communications Act of 1934. It was designed to promote competition among wireless and wireline carriers.

Telephony. A term used to describe the science of transmitting voice over a telecommunications network.

Traffic-sensitive Costs. Costs that are not fixed, but vary according to use.

UNE or 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 or 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.

Universal Service. The government’s aim, as stated in the Communications Act of 1934, of providing phone service to everyone, regardless of their distance from the switch or ability to pay. Expanded under the Telecommunications Act of 1996, universal service also encompasses a subsidy to public schools, libraries and rural health care facilities for telecom services.

Universal Service Cap. A limit on the amount of universal service funding available to local exchange carriers.

VoIP or 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.

Attachment 4

Iowa Fiber Network

An important partner, key to a robust system for the Iowa telecommunications industry, is Iowa Network Services. INS has constructed a 5,000 fiber-optic network, linking 330 communities and serving as the backbone for high-speed Internet, video, long distance and other services to rural communities. The network also serves other businesses, residents, government agencies, educational institutions, health care providers and organizations throughout the state and is now the largest Internet service provider in Iowa. Many local companies have also joined forces to create regional fiber rings, providing bandwidth, redundancy, security and reliability to their networks.

See map on following page.