STATE OF IOWA

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TERRY E. BRANSTAD, GOVERNOR

IOWA UTILITIES BOARD
DEPARTMENT OF COMMERCE

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December 18, 1997

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
Room 222, 1919 M Street NW
MS 1170
Washington, DC 20554

RE: Federal-State Joint Board on Universal Service,
CC Docket No. 96-45

Dear Mr. Caton:

Enclosed for filing in the above docket are an original and twelve copies of the Comments of the Iowa Utilities Board Recommending an Adjustment to the Ad Hoc Working Group's "High Cost Support, An Alternative Distribution Proposal". Two of the copies are annotated as "Extra Public Copy."

Please stamp one of the enclosed copies, and return it in the enclosed postage-paid envelope.

Sincerely,

Diane Munns

Diane Munns
General Counsel

Enclosures
cc: International Transcription Service
Common Carrier Bureau

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LUCAS STATE OFFICE BUILDING / DES MOINES, IOWA 50319

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	

COMMENTS OF THE IOWA UTILITIES BOARD
RECOMMENDING AN ADJUSTMENT TO THE AD HOC WORKING GROUP'S "HIGH COST SUPPORT, AN ALTERNATIVE DISTRIBUTION PROPOSAL"

The Iowa Utilities Board (IUB) provides comments on an adjustment to the Ad Hoc High Cost Fund Working Group proposal. The comments on the adjustment to the proposal are being provided in response to a November 18, 1997, filing by the Ad Hoc Working Group on "High Cost Support, An Alternative Distribution Proposal."

In making comments on this proposal at this time, the Board does not waive any rights it may have to challenge the jurisdiction, procedures, or substance of the rules in CC Docket No. 96-45 relating to cost studies to determine universal service support.

Alternative Proposal for Federal Universal Service Fund Distribution

The Ad Hoc High Cost Fund Working Group's alternative proposal for the distribution of the universal service fund offers a method to limit the size of the federal fund. The alternative proposal distributes the funds on the basis of the lower of state-wide average costs calculated on forward-looking costs or embedded costs. The IUB believes a more reasonable and equitable approach to limiting the size of the fund would be to provide support to all states based upon forward looking costs unless the support is less than the amount of support currently received. States would receive no less than the amount received from the current fund. The size of the fund would be controlled by the percentage of support the federal fund would assume.

We believe this is a more reasonable approach for the following reasons:

- States having old depreciated plant will not be penalized by the use of embedded cost.

- Support would be based on comparable costs. Unlike the embedded cost calculation that includes primarily the loop cost and a small amount of switching costs, support calculated on the basis of the models includes the costs to provide the services defined as universal service.

- Costs based on embedded calculations will not provide support for loop upgrades in areas with long copper loops and load coils. Without application of forward-looking costs, facilities will not be improved to meet the set of services that has been defined as universal service.

- The models' accuracy in calculating costs will increase as the FCC, the Joint Board and interested parties develop revisions to the models.

- Use of a forward-looking cost model would not require continuing the collection of embedded cost data.

- CLECs and ILECs would receive funds on a competitively neutral basis.

Distribution of funds based upon this alternative are shown for three fund sizes:

	Working Group Proposal		50%		45%		40%	
	per line per mo. ($ / l / mo)	Annual Total ($ mil)	per line per mo. ($ / l / mo)	Annual Total ($ mil)	per line per mo. ($ / l / mo)	Annual Total ($ mil)	per line per mo. ($ / l / mo)	Annual Total ($ mil)
Alabama	1.27	34	4.65	126	4.19	113	3.72	101
Arizona	0.71	21	0.71	21	0.71	21	0.71	21
Arkansas	6.57	100	7.06	108	6.35	97	5.65	86
California	0.16	38	0.16	38	0.16	38	0.16	38
Colorado	0.92	26	0.91	26	0.91	26	0.91	26
Connecticut	0.00	0	0.00	0	0.00	0	0.00	0
Delaware	0.00	0	0.00	0	0.00	0	0.00	0
District of Columbia	0.00	0	0.00	0	0.00	0	0.00	0
Florida	0.25	28	0.25	28	0.25	28	0.25	28
Georgia	2.27	116	1.52	77	1.36	70	1.21	62
Hawaii	0.00	0	0.00	0	0.00	0	0.00	0
Idaho	4.61	35	6.61	50	5.95	45	5.29	40

Illinois	0.08	7	0.08	7	0.08	7	0.08	7
Indiana	0.14	5	1.03	40	0.93	36	0.82	32
Iowa	0.21	4	5.00	92	4.50	83	4.00	73
Kansas	2.99	53	4.58	81	4.12	73	3.66	64
Kentucky	3.18	74	4.87	114	4.38	102	3.90	91
Louisiana	2.36	65	1.67	46	1.67	46	1.67	46
Maine	4.47	41	5.45	49	4.91	44	4.36	40
Maryland	0.00	0	0.00	0	0.00	0	0.00	0
Massachusetts	0.00	0	0.00	0	0.00	0	0.00	0
Michigan	0.28	20	0.28	20	0.28	20	0.28	20
Minnesota	0.35	12	2.19	71	1.97	64	1.75	57
Mississippi	6.85	102	6.84	102	6.16	92	5.47	82
Missouri	1.05	39	2.24	82	2.02	74	1.80	66
Montana	6.55	38	12.83	74	11.55	67	10.27	59
Nebraska	1.03	12	5.99	69	5.39	62	4.79	55
Nevada	0.53	7	0.53	7	0.53	7	0.53	7
New Hampshire	2.62	23	1.75	16	1.57	14	1.40	12
New Jersey	0.02	1	0.02	1	0.02	1	0.02	1
New Mexico	5.22	53	5.72	58	5.14	52	4.57	46
New York	0.15	22	0.15	22	0.15	22	0.15	22
North Carolina	2.68	136	2.31	117	2.08	105	1.85	94
North Dakota	2.29	11	12.23	60	11.01	54	9.78	48
Ohio	0.06	5	0.06	5	0.06	5	0.06	5
Oklahoma	2.48	53	4.35	94	3.91	84	3.48	75
Oregon	2.01	45	2.35	52	2.11	47	1.88	42
Pennsylvania	0.04	4	0.04	4	0.04	4	0.04	4
Rhode Island	0.00	0	0.00	0	0.00	0	0.00	0
South Carolina	4.62	109	3.08	73	2.77	65	2.46	58
South Dakota	1.24	6	12.40	62	11.16	56	9.92	49
Tennessee	1.53	56	2.43	89	2.18	80	1.94	71
Texas	0.71	90	0.71	90	0.71	90	0.71	90
Utah	0.45	5	0.83	10	0.75	9	0.67	8
Vermont	7.11	32	5.26	24	4.73	21	4.21	19
Virginia	0.11	5	0.25	12	0.22	11	0.20	10
Washington	0.71	28	0.71	28	0.71	28	0.71	28
West Virginia	5.84	64	7.44	82	6.70	74	5.96	66
Wisconsin	0.56	21	1.52	56	1.37	51	1.22	45
Wyoming	8.78	29	12.94	42	11.65	38	10.35	34
Total		1,674.9		2,323.8		2,125.7		1,927.6

Summary

High Cost Fund support based on forward-looking costs, unless the support is less than the amount currently received, is a more reasonable approach than the proposal by the Ad Hoc High Cost Fund Working Group.

Respectfully submitted,

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December 18, 1997