

South Dakota Public Utilities Commission



State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070

March 29, 2000

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Salas, Secretary
Federal Communications Commission
445 12th St. SW
Washington DC 20554

RE: CC Docket Nos. 94-1/96-45, 96-262, 99-249

Dear Ms. Salas:

The Telecommunications Act of 1996 recognized rural states' increasing universal service challenges. The governmental, technological, and market-driven expansion of communications capabilities have since made two facts abundantly clear: 1. Communications-linked business is becoming a globally dominant economic force, and 2. Few policy makers accept stripped-down POTS as an encompassing universal service definition. Even so, we still must consider broad provision of basic service our primary goal. With that in mind, and based on the status quo:

1. South Dakota is the epitome of a rural state with significant numbers of very high cost loops. Under the proposal we apparently are entitled to receive only minimal annual support. In a deaveraged world how can this possibly provide any assurance of comparability and affordability?
2. Will competition coupled with the demographics of South Dakota allow for a meaningful shift of common line costs from Zone 3 to Zone 1, after deaveraging per the FCC Local Competition Order?
3. If the answer to (2) is no, what will be the effect on Zone 3 customers in South Dakota where Zone 3 costs can be very high?
4. Has there been any consideration of separate funding for very high cost customers?
5. Although AT&T's rates have been used for before and after comparisons for CALLS, many consumers are not paying minimum usage rates now.
6. How will the lowering of interstate access affect intrastate access cost recovery and recovery of common line costs in general?
7. Because deaveraging, interstate access reform, and nonrural LEC USF support have been essentially joined in one grand experimental plan, will there be any provision to review the effect on universal service, comparability, and affordability at some future date?

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8. Will there be ongoing monitoring to assure that reductions in access are being passed on to consumers?

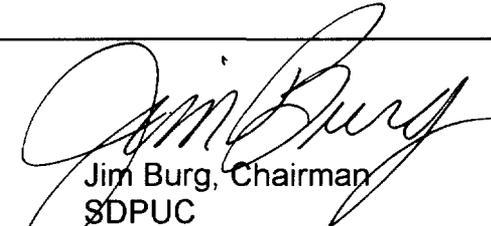
So what could be the worst possible scenario for universal service? Rework existing cost recovery structures, tack on new support requirements, minimize risk for large service providers, and load nearly all facilities costs onto basic bills. For these reasons the CALLS II plan will likely prove to be a tremendous burden for South Dakota.

It's deemed economically correct and good public policy to transfer the bulk of the burden to one end of the telecommunications link. We appear to ignore that competitive business must always absorb risks when expanding services or deploying technology. Pricing policy is seldom so conveniently tied to economic costing models as we have with CALLS II, where rewards are virtually guaranteed to business without risk. They have captive clientele. They have an essential product. CALLS II is abusing monopoly privilege in the name of competition.

Yes, CALLS II revisions may offer improvement over the original CALLS . But why improve on the fundamentally flawed premises mentioned above? Interestingly, a consumer education program is a major part of the plan. Justifying the plan to the average consumer may prove to be the most difficult task of all.

I look forward to further dialogue about this issue.


Pam Nelson, Commissioner
SDPUC


Jim Burg, Chairman
SDPUC