

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

In the Matter of	)	
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	

**REPLY COMMENTS OF THE IOWA UTILITIES BOARD**

COMES now the Iowa Utilities Board (Iowa Board) and pursuant to the Further Notice of Proposed Rulemaking (FNPR) issued March 3, 2005, by the Federal Communications Commission (FCC), files its reply comments.

The Iowa Board filed initial comments on May 23, 2005, addressing the various filed proposals. In these reply comments the Iowa Board will limit its comments to the treatment of centralized equal access (CEA) providers.<sup>1</sup> The Iowa Board is concerned that any plan that requires a rural carrier to be responsible for all transport costs to and from the tandem will unfairly penalize rural carriers for their use of a centralized equal access tandem.

As an example, one provision of the Intercarrier Compensation Forum (ICF) plan, as proposed, specifically requires a rural company that uses a centralized equal access tandem to be responsible for all transport costs both to and from the tandem. The provision reads as follows:

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<sup>1</sup> CEA providers are authorized to centralize the equal access function and to provide interconnection equal in type and quality to all Interexchange Carriers (IXCs). The CEA network functions as a bridge between the IXC's network and the exchanges of rural Local Exchange Carriers (LECs). In this way IXCs are able to connect to all of the participating rural

A CRTC [covered rural telephone company] must establish an Edge within each Contiguous Portion of the CRTC's Study Area (as defined in the following paragraph) within a LATA (or, in a non-LATA state, local calling area). However, if a CRTC operates (itself, or with other carriers) and subtends an Access Tandem located outside of a Contiguous Portion of the CRTC's Study Area, the CRTC may designate that Access Tandem as an Edge for traffic originating from or terminating to such Contiguous Portion of the CRTC's Study Area, in which case the CRTC will be financially responsible for all transport costs in both directions on its side of the Access Tandem. If an Access Tandem is the source of equal access functionality, then the CRTC must designate that Access Tandem as its Edge for carriers that require equal access for interconnection, in which case the CRTC will be financially responsible for all transport costs in both directions on its side of the Access Tandem.<sup>2</sup>

(Emphasis added). If adopted as currently proposed, this provision will have serious detrimental effects on rural carriers that utilize a CEA provider to deliver interexchange traffic. One such group of rural carriers is located in Iowa.

In 1988, a group of Iowa rural companies formed the Iowa Network Access Division (INAD), a subsidiary of Iowa Network Services, Inc. (INS). The FCC granted Iowa Network Access Division the authority to lease transmission facilities to provide access service to interexchange carriers (IXCs) in the State of Iowa.<sup>3</sup> As noted by the FCC in its order approving the application of INAD, the purpose of the CEA proposal was to provide the benefits of equal access and

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LECs through convenient connections to the CEA network, thus avoiding the expense of physically connecting with each rural LEC separately.

<sup>2</sup> Intercarrier Compensation and Universal Service Reform Plan at 19, section II.B.2.a. ("ICF Plan").

<sup>3</sup> *In re the Application of Iowa Network Access Division for authority pursuant to Section 214 of the Communications Act of 1934 and Section 63.01 of the Commission's Rules and Regulations to lease transmission facilities to provide access service to interexchange carriers*

interexchange carrier competition to 136 independent Iowa LECs.<sup>4</sup> As a centralized equal access provider, INAD brings the benefits of long distance equal access to the customers of the rural local exchange carriers and allows interexchange carriers to connect through INAD to reach rural customers. The FCC found that this arrangement would serve the public convenience and necessity, even when the cost of the CEA network was considered:

Considering all the circumstances of this case, INAD's network appears to constitute a reasonable means of providing equal access in rural Iowa, and appears to be the only proposal likely to provide equal access services capable of reaching all INAD telephone subscribers. INAD's plan, of course, will generate additional costs, but on the whole we find it will serve the public convenience and necessity, given the alternatives before us.<sup>5</sup>

This finding, and the public interest, will be jeopardized by any reform plan that would allow IXCs to use the CEA network without paying for it.

The ICF plan, for example, would require each rural carrier to pay transport to and from the CEA tandem. This would penalize the rural carriers that had the foresight to establish a centralized equal access tandem in order to provide equal access to the IXCs and their customers. To date, the IXCs have paid the CEA for the service it provides. Any plan that switches the transport costs from the IXCs to the rural carriers and ignores the costs that a rural carrier has in transporting traffic to a CEA tandem will seriously undermine the operations of the CEA and these small rural companies.

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*in the State of Iowa*, File No. W-P-C-6025, Memorandum Opinion, Order and Certificate, 3 Fcc Rcd 1468 (1988).

<sup>4</sup> *Id.* at ¶ 2.

<sup>5</sup> *Id.* at ¶ 23.

Transporting traffic over long distances is an additional operation that is not without cost. The FCC has recognized the additional cost of the CEA network as a reasonable one. In its order approving the Iowa Network Access Division CEA proposal, the FCC stated:

INAD's proposed network has the potential for implementing in rural Iowa the important Commission goal of making available more competitive, varied, high quality interstate services. Although the network INAD would lease will increase the cost of access, we judge that the benefits of added competition should outweigh these costs, especially in view of the comprehensive coverage of the network.<sup>6</sup>

These costs will not be eliminated by intercarrier compensation reform. Moreover, no reason has been offered, and no reason exists, to transfer these costs from the IXCs (and their customers) to the rural LECs (and their customers). The FCC still recognizes the importance and appropriateness of ensuring that rural customers are not overly burdened by the cost of intercarrier compensation reform. At paragraph 32 of the FNPR the FCC stated:

Because of the high costs associated with serving rural areas, we must be certain that any reform of compensation mechanisms does not jeopardize the ability of rural consumers to receive service at reasonable rates. Indeed, the Commission would be particularly receptive to any plan that offers expanded choices and lower rates to rural consumers.

The rural companies established INAD to provide customers with a choice in long-distance providers at a time when rural areas were not seeing the benefit of long-distance competition. Iowa, with its unique landscape of small providers, some with very small (100 line) central offices, was not a priority for investment

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<sup>6</sup> *Id.* at ¶ 38.

by the long-distance providers due to the low density of customers in these rural areas. INS, through INAD, pioneered CEA, where long-distance companies could connect to a virtual urban area with one investment. The CEA charges were intended to be a cost-effective method for the long-distance carriers to have access to these many potential customers. The charges have proven their value in providing competitive access to IXCs and choice to customers who would otherwise have had no choice. This successful arrangement should not be upset by a proposal that was developed by a group that did not include any rural LECs that use CEA services.

Respectfully submitted,

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