

NOTICE OF EX PARTE PRESENTATION (47 C.F.R. § 1.1204(10))

October 24, 2008

The Honorable Kevin Martin, Chairman
The Honorable Deborah Taylor Tate, Commissioner
The Honorable Michael Copps, Commissioner
The Honorable Jonathan Adelstein, Commissioner
The Honorable Robert McDowell, Commissioner

Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: NARUC REQUEST FOR PUBLIC COMMENT ON RECENTLY CIRCULATED "REPORT AND ORDER, ORDER ON REMAND, AND FURTHER NOTICE OF PROPOSED RULEMAKING" ON UNIVERSAL SERVICE AND INTERCARRIER COMPENSATION REFORM.

In the Matter of Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92, In the Matter of Petition of AT&T Inc. for Interim Declaratory Ruling and Limited Waivers Regarding Access Charges and the ESP Exemption, CC Docket No. 08-152, In the Matter of IP-Enabled Services, WC Docket No. 04-36, In the Matter of Universal Service Contribution Methodology, WC Docket No. 06-122, In the Matter of Petition for Declaratory Ruling Filed by CTIA, WT Docket No. 05-194, In the Matter of Jurisdictional Separations & Referral to the Federal-State Joint Board, CC Docket No. 80-286

Commissioners:

The Iowa Utilities Board would like to take this opportunity to voice its support for the above NARUC Request, which describes many procedural and substantive issues with the recently **circulated "Report and Order, Order on Remand, and Further Notice of Proposed Rulemaking" on universal service and intercarrier compensation reform**. The NARUC Request points up the inadequacies in the procedures and the record before the agency. For all of those reasons, the Board urges the Commission to take the following steps:

1. Decide only the future treatment of compensation for termination of ISP-bound traffic before the November 5, 2008, court-imposed deadline.
2. Issue a Further Notice of Proposed Rulemaking (FNPRM) summarizing the issues raised in the records of the various proceedings identified above and stating the Commission's tentative conclusions, proposed legal theories, and factual determinations on each such issue.

3. Given the breadth of the proposed action, provide interested parties at least 90 days to consider and comment.

The Board, like everyone else is concerned about the state of the economy, and it wonders about the prudence of subscriber line charge increases combined with increased local basic rates. It would be better to follow the recommendations above and further evaluate the effect on already embattled consumers.

The Board would remind the Commission of the rural nature of Iowa and its many small and mid-size telephone companies and their need to remain solvent. In particular, Iowa has three mid-size companies that serve rural exchanges but receive no Universal Service support for those exchanges. The current draft order before the Commission, if implemented, would result in the loss of tens of millions of dollars in annual revenue, with no mechanism to offset those losses. A large part of that loss would occur in the first two years of the proposed ten year transition plan. Those companies would be forced to immediately cut back on investments in infrastructure as well as reduce their number of employees by a large number. These factors would have a huge, negative impact on the consumers in Iowa.

If the goal of the Commission is to encourage investment in broadband services in areas where broadband service is currently unavailable, then the current draft order, as described in the trade press and the statements of the Commission, will not accomplish that goal in Iowa. Thanks to the efforts of Iowa's telephone companies and the Board, broadband service is currently available to at least some customers in 99 percent of the exchanges in Iowa. However, customers in the most rural parts of those exchanges are still unserved. The cost per customer to make broadband available to those customers is high and it is often difficult, if not impossible, for a company to make a valid business case for doing so. Nonetheless, Iowa's telephone companies continue to extend their broadband services to more customers. Taking substantial revenues away from those companies without a sufficient, reliable, and realistic replacement mechanism will likely be the end of that effort.

Based upon the Board's understanding of the draft order, this problem is particularly keen for the mid-size carriers that currently receive no universal service support. The Board understands that there may be a supplemental universal service support mechanism in the draft order, but the adequacy of that mechanism is not clear. In particular, if the process associated with that mechanism requires any significant amount of time, or administrative review and process, then it is almost certainly inadequate. The company revenues will suffer a substantial decrease almost immediately, so a replacement mechanism that is uncertain and requires time to implement will cause rural broadband investment in Iowa to come to a grinding halt.

In conclusion, the draft order results in a substantial reduction in intercarrier compensation revenues for Iowa carriers, without providing an effective and adequate replacement mechanism and with no examination of the possible consequences of that action. By filing these comments, the Board does not dispute the need for thoughtful USF and intercarrier compensation reform. Nor is the Board advocating revenue replacement merely for the sake of revenue replacement. It is clear, however, that the Commission's order, as proposed, has the potential for unintended harmful consequences. Therefore, the Commission should address only the issue of ISP-bound traffic at this time and issue a FNOPR to allow adequate public consideration of all of the other issues presented by the draft order.

Respectfully Submitted,

John Norris, Chairman

Krista Tanner, Board Member

Darrell Hanson, Board Member