

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

|  |   |
|--|---|
| <p>In the Matter of:</p> <p>Further Inquiry Into Certain Issues in the Universal Service-Intercarrier Compensation Transformation Proceeding</p> | <p>WC Docket Nos. 10-90, 07-135, 05-337, 03-109<br/>CC Docket Nos. 01-92, 96-45<br/>GN Docket No. 09-51</p> |
|--|---|

**REPLY COMMENTS OF THE  
RURAL IOWA INDEPENDENT TELEPHONE ASSOCIATION**

RIITA is a non-profit association of rural independent telephone companies, representing approximately one hundred and thirty Iowa incumbent local exchange carriers. RIITA's membership is limited to companies that serve fewer than 20,000 access lines. In reality, most members actually serve far fewer lines; approximately one half of RIITA's members serve 1000 or fewer access lines. All members serve high-cost rural exchanges.

In addition, many members are also internet service providers and many provide cable and video services to their communities; some also provide IPTV. Like telephone services, the video and data services offered by RIITA members are unique. In most areas, no other providers exist and many areas served have very few customers per mile, driving up the marginal cost of service.

Though RIITA supports the comments of National Exchange Carrier Association, National Telecommunications Cooperative Association, Organization for the Promotion and Advancement of Small Telecommunications Companies and Western Telecommunications Alliance, this Commission must

address several issues that are absolutely crucial to the survival and continued service to rural communities.

- Rate of Return. Rate of return regulation is critical to high-cost providers. Even if the rate itself is changed, rural high-cost companies must invest substantial amounts of capital to provide telecommunications services, particularly broadband services, to rural communities. The historical basis for these investments has been with the understanding and planning that carriers that use the networks would help pay the cost of that use. Without rate of return regulation, small rural carriers would have no basis for planning and investing in their communities that would be consistent and reliable enough to justify the investment. Rate of return regulation has been the basis for compensating private companies that provide common-carrier utility services for over 100 years. In areas without competition, where the carrier must be able to provide carrier of last resort service, rate of return continues to be the best possible means of compensating a private utility. In addition, some sort of mechanism needs to remain in place to handle average schedule providers. These companies are small and it would be unnecessarily costly to require full cost studies.
- Embedded Costs. Just as rate of return is the most common-sense method of compensating rural high-cost carriers, rate of return should be based on embedded costs. Like rate of return regulation, embedded cost studies have formed the basis for compensating utilities for over a century. Though approaches have varied where there is competition or for providing unbundled network elements, rural high-cost carriers continue to provide carrier of last resort services in areas that cannot economically be served. For these small companies, the investment in plant and employees are critical. Those are real costs that can only be recovered if those costs are recognized. No different than the standard test year approach to rate setting, embedded costs are the real costs for small rural carriers and those costs plus the rate of return should be the basis for rate regulation.
- Carrier of Last Resort. Small rural carriers are the carrier of last resort in their rural communities. In exchange for cost plus rate of return, these companies provide telecommunications services on a common-carrier basis to all of their customers and must have the capacity to provide that service to every customer in their exchange. The carrier of last resort requirement is critical to the *consumers* in rural America. Without a requirement of service, no carrier will be left to serve them. Indeed, the very basis of the

modern telecommunications network is to construct a network that can serve those customers. The investments made by rural carriers were made to provide that service. Iowa's independent telephone companies have also forged partnerships with other area companies to keep costs under control whenever possible, without any regulatory mandate. Given that the goal of the National Broadband Plan to provide broadband to rural America, this would be an inopportune time to abandon those last-mile customers who already have broadband and advanced telecommunications service.

- Recovery Mechanism. Investment in plant, equipment and employees has been based on a Universal Service mechanism and interexchange compensation system that have been in place for years. In order for a small company to move to a different regulatory mechanism, a transition period is necessary to help prevent the loss of providers to areas which new providers will not build out. This transition period is important, but so is the mechanism that allows small companies to transition their investment and service choices without facing insolvency. Capital investments in telecommunications are such that they require long-term planning and involve relatively long lived assets so it is critical that the recovery mechanism be designed to allow these companies to make this transition.
- Maintaining the Goal of Increasing Adoption of Broadband. Small rural carriers encourage the goal of the Commission in increasing broadband adoption and in providing broadband access throughout rural America. Our companies have been the initial providers of those services and should be recognized for that provision, both in the sense used above, which is by designing proper compensation mechanisms, but also in providing to areas where carriers are not serving all customers. Maintaining the viability of these companies is the best way to provide these services. We encourage the Commission not to lose sight of its goal and to remember that our companies have been working to meet that goal.
- Including Participants. RIITA has long advocated that users of a network should help bear the costs of that network. Long distance carriers cannot serve their customers without the networks our companies have built. Companies that push unidentified traffic over our networks must compensate our companies for that use. In addition, any company using our networks to access rural customers, including companies using the internet for voice service and pushing commercial services over the internet should participate in maintaining those networks. Many providers have

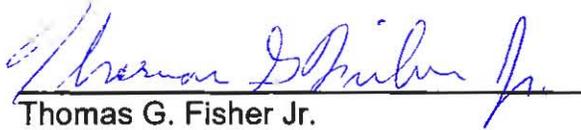
been quick to insist that there be no interference with their services or products, yet these same providers also appear to believe they do not have any obligation to pay for their use of the network or to help support the network upon which they make these demands. The result has been a huge demand for increasing capacities of broadband access without any source for funding the underlying network. Telecommunications networks are built with plant, planning and people. What seems to a VOIP carrier or a commercial internet based provider like a free network is not, in fact, free. All users of these networks should participate in the costs of the networks.

- Eliminate the Identical Support Rule. RIITA has filed numerous comments through the years advocating the elimination of the identical support rule. Even with changes in the mechanism for compensation, the identical support rule is a waste of resources needed to provide support to rural high-cost carriers.
- Benchmark Rates. Benchmark rates should be comparable, not just because the Telecommunications Act requires it, but because it is fair to rural consumers and because it is the only way to maintain a nation-wide network. If rates are not comparable, networks will not be maintained in rural areas. When that happens, the goals of the original Telecommunications Act will not be served, and the nation will feel the impact of an incomplete telecommunications network. At that point, the goal of providing internet access to rural America will not likely to be achieved.

Providing nationwide broadband is an expensive proposal, though certainly achievable. The Commission either needs to commit to that goal and work to make the funding available or abandon that goal. Under either circumstance, it should stop trying to dismantle the network that already provides broadband communications to rural America.

Respectfully Submitted,

**PARRISH KRUIDENIER DUNN BOLES  
GRIBBLE PARRISH GENTRY & FISHER  
L.L.C.**

A handwritten signature in blue ink, reading "Thomas G. Fisher Jr.", is written over a horizontal line.

Thomas G. Fisher Jr.  
2910 Grand Avenue  
Des Moines, Iowa 50312  
Phone: (515) 284-5737  
Fax: (515) 284-1704  
tfisher@parrishlaw.com

**ATTORNEYS FOR RURAL IOWA  
INDEPENDENT TELEPHONE ASSOCIATION**