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

In the Matter of:	
Connect America Fund	WC Docket No. 10-90
A National Broadband Plan for Our Future	GN Docket No. 09-51
Establishing Just and Reasonable Rates for Local Exchange Carriers	WC Docket No. 07-135
High-Cost Universal Service Support	WC Docket No. 05-337
Developing an Unified Intercarrier	CC Docket No. 01-92
Compensation Regime Federal-State Joint Board on Universal Service	CC Docket No. 96-45
Lifeline and Link-Up	WC Docket No. 03-109
Universal Service Reform – Mobility Fund	WT Docket No. 10-208

REPLY COMMENTS OF THE
RURAL IOWA INDEPENDENT TELEPHONE ASSOCIATION

RIITA is a non-profit association of rural independent telephone companies, representing one hundred and twenty five Iowa incumbent local exchange carriers. RIITA's membership is limited to ILECs that serve fewer than 20,000 access line and serve high-cost rural exchanges.

In addition, many members are internet service providers and many provide cable and video services and IPTV services to their communities. Like telephone services, the video and data services offered by RIITA members are

unique. In most areas, no other providers serve those communities and many areas served have very few customers per mile, driving up the marginal cost of service.

Modern Status of Broadband Communications in Rural Iowa. RIITA is concerned that there are a number of misconceptions about how broadband communications developed in rural communities served by independents. This has resulted from a long-term commitment of reinvestment by the companies to serve local communities even if the rate of return has been low. This history is longer than the present Telecommunications Act. As RIITA noted in comments to the Iowa Utilities Board, this history traces back to the State Telecommunications Modernization Plan (the "STMP"), approved by the US Department of Agriculture:

> The United States Department of Agriculture in 1995, even before the present Telecommunications Act was adopted approved the STMP. This Plan set the stage for a tremendous amount of investment in Iowa. Its effect was to lay the groundwork for networks that would be "broadband capable" a decade later. The STMP established a series of standards and engineering requirements that created a culture of change benefitting rural consumers. The pervasive effect of the STMP resulted from three factors:
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> a. The Plan set standards of design for telecommunication engineering and plant upgrades. These standards allowed the building of new networks to provide communications to rural customers that would be capable of providing advanced telecommunications services, including broadband data access to the Internet.
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> b. The standards applied to Rural Utility Service (RUS) borrowers, which directly affected a large number of rural telecommunications providers. The standards were also adopted by non-RUS lenders and became the state of the art requirements for all independent rural telecommunications providers.

c. The Plan requires that the design of the network will allow for expeditious deployment and integration of emerging technologies and set long term goals of providing digital voice and data services of no less than 1 megabits per second.

The STMP charted a course toward long-term rural broadband services. It has guided Iowa to the point at which rural customers of independent providers are receiving access to broadband communications at the rates already discussed in these comments. Indeed, a core issue in addressing the impact of the NBP is whether the plan will continue to develop these services to meet the demands of rural Iowa or whether it will stifle future development and create a divide between rural and urban customers that does not exist today.

Joint Association Comments, filed October 15, 2010, National Broadband Plan and State Broadband Deployment Plan, Docket No. NOI-2010-0002, Iowa Utilities Board.

Over one hundred RIITA members are average schedule companies, which makes it difficult to determine, at this point in time, the exact impact of the Connect America Fund in comparison to the present USF. It is also difficult to determine the full effects of the order due to unanswered questions about the order and the order's complexity. RIITA will work with its members to provide specific company information; however, all preliminary analyses of companies show a large revenue loss across the industry.

RIITA takes this reply comment opportunity to highlight comments already filed that bring important problems to the attention of the Commission. RIITA joined in supporting the RLEC Plan proposed by National Exchange Carriers Association, Inc. (NECA), National Telecommunications Cooperative Association

(NTCA), Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) and the Western Telecommunications Alliance (WTA). This plan represented an industry compromise that would serve the goals of the FCC's National Broadband Plan by improving service in rural areas that already have access to broadband, while helping assure access in other areas. RIITA also supported the Consensus Framework which combined successful elements of the RLEC Plan with the suggestions of those participants in telecommunications industry that are not parties to the RLEC Plan itself. The Commission's decision not to implement the basic elements of the RLEC Plan and the Consensus Framework will have negative consequences to the industry, most prominent of which will be to fail to achieve the goal of universal broadband access.

Sufficient and Predictable Funding. A longtime—and required—goal of Universal Service is that the support must be sufficient and predictable. GVNW pointed to the lack of sufficient and predictable funding in its comments in this docket. The same concern underlies the comments filed by NECA, NTCA, OPASTCO and WTA: "The Commission must act to define a sufficient and predictable Connect America Fund ("CAF") for rural rate-of-return regulated local exchange carriers ('RLECs')." Broadband networks and their infrastructure are expensive to build and maintain. In rural areas the cost per customer creates a difficult business case for developing the network. The present order does not adequately take these costs into consideration in violation of the Telecommunications Act. But it also is counter to the very purpose of the

Connect America Fund as stated by the Commission. The problem with the Commission's order regarding universal service is that it deprives rural residents of universal service.

Instead, the present plan deliberately cuts support by capping funds, cutting existing support and moving toward a represcription of the rate of return. RIITA joins the NECA, NTCA, OPASTCO and WTA Comments regarding represcription: it is premature to start this proceeding when the new CAF rules are not settled and do not provide a sufficient and predictable funding.

This is compounded by a quantile regression method that is flawed as pointed out by numerous comments, including the NECA, NTCA, OPASTCO and WTA Comments, along with the Blooston Rural Broadband Carriers, the Nebraska Rural Independent Companies and others. RIITA joins in this criticism of the quantile regression method and asks the Commission to specifically review the NECA, NTCA, OPASTCO & WTA Comments Appendix E, the paper by Professor Koenker assessing the regression method used by the FCC in its order.

RLEC Plan & Consensus Framework. RIITA encourages the FCC to revisit the RLEC Plan and the Consensus Framework. These plans were developed with input and agreement across the industry. The problems created in the present order are minimized and addressed in the RLEC Plan and Consensus Framework. RIITA supports the comments of NECA, NTCA, OPASTCO and WTA regarding the RLEC Plan and the Consensus Framework.

Study Areas. In addition, RIITA shares the concerns raised in these joint association comments regarding study areas. The Associations note that the "Commission should proceed with substantial caution in phasing out support in areas with unsubsidized competition or otherwise seeking to "carve up" study areas." RIITA members are the carrier of last resort in their study areas. In many of these communities, the in-town areas have more customers per mile than in the rural areas—particularly in the remote areas. Whenever study areas are split for purposes of support, the remote rural customers are the ones who will be more likely to lose service. Broadband cannot be ubiquitous if rural customers are left without service.

Economic Impacts. Finally, the impact of these changes will affect rural communities beyond the immediate impact on the telecommunications companies. Rural communities often depend on these services for economic development. Rural independent telecommunications companies also support and assist their local communities in ways large carriers do not. The economic impact of rural telecommunications companies in Iowa is 314.4 million dollars per year in total economic impact according the Hudson Institute. *See* The Economic Impact of Rural Telecommunications: The Greater Gains 5 (Hudson Inst. 2011).

Summary. RIITA draws the Commission's attention to the comments filed by NECA, NTCA, OPASTCO and WTA, along with 40 other rural independents or associations because the simple fact is that the FCC is embarking on a process that puts existing rural broadband at risk, deters future development of broadband in rural areas and will damage rural communities economically while

creating new areas of broadband isolation. Since the 1934 Telecommunications Act boldly moved to unite a nation, no other set of actions or proposed actions have jeopardized the vision that a nation must have universally available communications systems in order to progress, as have the FCC November USF?ICC Order and the current FNPRM.

RIITA asks the Commission to consider the comments of rural LECs in implementing its order reforming Universal Service.

Respectfully Submitted,

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

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

CERTIFICATE OF SERVICE

I hereby certify that a copy of the Reply Comments of the Rural Iowa Independent Telephone Association was served this 17th day of February, 2012 by electronic filing and e-mail to the persons listed below.

Thomas G. Fisher Jr.

Copy served by email to:

Best Copy and Printing, Inc.
Room CY-B402 445
12th Street, SW Washington, DC 20554
fcc@bcpiweb.com