

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
High-Cost Universal Service Support)	WC Docket No. 05-337

**COMMENTS OF IOWA TELECOMMUNICATIONS SERVICES, INC.
(D/B/A IOWA TELECOM)**

Iowa Telecommunications Services, Inc. (d/b/a Iowa Telecom) (“Iowa Telecom”) hereby submits the following comments in response to the Federal Communications Commission’s (“FCC’s”) December 9, 2005 Notice of Proposed Rulemaking.¹ Iowa Telecom seeks to highlight the need to examine universal service issues holistically, particularly in proceedings such as this one focused on one component of the program, that is, the non-rural high-cost loop support program.

Iowa Telecom is the nation’s only rural telephone company that operates exclusively under price cap regulation.² This unique operational reality is not adequately reflected in the FCC’s current universal service regulatory approach, under which one mechanism is designed

¹ *Federal-State Joint Board on Universal Service*, Notice of Proposed Rulemaking, 20 FCC Rcd 19731 (2005).

² Some national providers are classified as rural telephone companies and operate pursuant to price cap regulation in individual study areas. These national providers, however, either directly, on a holding company level, or through corporate affiliates operate other study areas as non-rural carriers or under rate-of-return regulation. Iowa Telecom is the only entity forced to operate company-wide under conflicting regulatory classifications. Iowa Telecom has a pending application to acquire Montezuma Mutual Telephone Company, which is an average schedule company, and intends to operate the Montezuma exchange on a non-integrated basis until such time that Iowa Telecom can evaluate the operations of that company and determine the most appropriate regulatory framework for that company on a going-forward basis. *See Iowa Telecommunications Services, Inc. and Montezuma Mutual Telephone Company Application for Authorization Pursuant to Section 214 of the Communications Act of 1934, as Amended, for Transfer of Control of Montezuma Mutual Telephone Company to Iowa Telecommunications Services, Inc.*, WC Dkt. No. 06-__ (filed Feb. 27, 2006).

for larger national providers, and a separate mechanism is designed for small rural providers. Despite being treated for most regulatory purposes in the same manner as the Bell Operating Companies and other large national providers, Iowa Telecom is eligible for universal service loop support under the rural high-cost mechanism. Due to a number of challenges facing Iowa Telecom, in particular the under-invested condition of the network it purchased, it receives \$0.00 support in high-cost loop support under the rural mechanism.

Separate from this proceeding, the Federal-State Joint Board on Universal Service (“Joint Board”) sought comment in 2004 (and again in 2005) on the need to reform the rural mechanism.³ In that proceeding, Iowa Telecom proposed that the FCC permit a rural price cap carrier in its circumstances be permitted to received high-cost loop support under the non-rural high-cost loop mechanism.⁴ The Joint Board has not yet issued its recommendation to the FCC on appropriate reform of the rural mechanism.

Consistent with its request in the Joint Board proceeding, Iowa Telecom requests that the FCC ensure that any reform to the non-rural mechanism in this proceeding address its unique circumstances.

³ *Federal-State Joint Board on Universal Service Seeks Comment on Certain of the Commission’s Rules Relating to High-Cost Universal Service Support*, Public Notice, 19 FCC Rcd 16083 (2004).

⁴ Comments of Iowa Telecommunications Services, Inc., CC Docket No. 96-45, 17 (Oct. 15, 2004).

Respectfully submitted,

**IOWA TELECOMMUNICATIONS
SERVICES, INC. D/B/A IOWA TELECOM**

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Dated: March 27, 2006

CERTIFICATE OF SERVICE

I hereby certify that, on this 27th day of March 2006, I caused copies of the foregoing Comments in response to the Federal Communications Commission's Notice of Proposed Rulemaking in Docket Nos. CC 96-45 and WC 05-337 to be served on the following parties by electronic mail.

/s/ Edward B. Krachmer
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