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

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Federal Communications Commission
Office of Secretary

In the Matter of	)	
Iowa Telecom Petition for Forbearance Under 47 U.S.C. 160(c) from the Universal Service High-Cost Loop Support Mechanisms	)	WC Docket No. 06-_____
	)	**CC: 96-45**

IOWA TELECOM PETITION FOR FORBEARANCE UNDER 47 U.S.C. 160(c) FROM THE UNIVERSAL SERVICE HIGH-COST LOOP SUPPORT MECHANISMS

Iowa Telecommunications Services, Inc. ("Iowa Telecom") requests, to the extent necessary, that the Federal Communications Commission ("FCC" or "Commission") forbear under Section 10 of the Communications Act of 1934 ("Act"), as amended, from enforcing Sections 36.601-36.631, 54.305, 54.309, 54.313, and 54.314 of the Commission's rules to permit Iowa Telecom to be eligible for high-cost universal service support based on its network's forward-looking economic costs until such time as the FCC adopts a final successor regime to the *Rural Task Force Order* that allows Iowa Telecom to receive loop support based on its network's forward-looking economic cost.[1]

The Act directs the Commission to forbear from applying any provision of its rules or of the Act if it finds three criteria are met:

1. enforcement of such regulation or provision is not necessary to ensure that the charges, practices, classifications, or regulations by, for, or in connection with that telecommunications carrier or telecommunications

[1] 47 U.S.C. 160(c); 47 C.F.R. §§ 36.601-36.631, 54.305, 54.309, 54.313, 54.314; *see Federal-State Joint Board on Universal Service*, Fourteenth Report and Order, 16 FCC Rcd. 11244 (2001) ("*Rural Task Force Order*").

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service are just and reasonable and are not unjustly or unreasonably discriminatory;

2. enforcement of such regulation or provision is not necessary for the protection of consumers; and

3. forbearance from applying such provision or regulation is consistent with the public interest.[2]

As demonstrated herein, and in the accompanying factual and legal analysis, this petition satisfies each prong of the Section 10 forbearance test. The continued requirement that Iowa Telecom – the nation's only rural telephone company that operates exclusively under price cap regulation at both the federal and state levels – receives universal service high-cost loop support under the embedded cost-based mechanism frustrates the public interest, and disserves consumers as well as the competitive marketplace.[3] Specifically, Iowa Telecom seeks forbearance – to the extent necessary – from the Commission's universal service rules governing the rural mechanism (Sections 36.601 to 36.631 of the Commission's rules) and acquired exchanges (Section 54.305), requests the opportunity to receive support pursuant to the non-rural mechanism (Section 54.309), and proposes that Iowa certify Iowa Telecom's compliance with its universal service obligations in the same manner as non-rural carriers (Section 54.313).

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2 47 U.S.C. § 160(a).

3 *See* Appendix, Section I. The requested relief does not apply to the Montezuma Mutual Telephone Company ("Montezuma"), which Iowa Telecom entered into a purchase agreement with in December 2005. *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. 06-76 (filed Feb. 27, 2006). After that acquisition closes, Iowa Telecom 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.

The long-standing policy of the FCC is that a carrier should receive high-cost loop support based upon the forward-looking economic cost of its network absent compelling reasons in specific circumstances.[4] The Commission has concluded that such support most effectively and efficiently encourages network investment and competitive entry.[5] The FCC rules, however, do not provide a means by which rural carriers can receive support under this more efficient mechanism, and it appears unlikely that the Commission will meet its own June 2006 deadline to reform the rural mechanism to more effectively reflect investment and competitive incentives.[6] Consistent with its stated policy, and a Joint Board recommendation, the Commission should provide a means by which a pure rural price cap carrier may transition to the non-rural high-cost support mechanism.[7] Iowa Telecom requests the Commission temporarily forbear from its universal service rules to permit such a transition until a successor regime to the *Rural Task Force Order* is adopted that allows Iowa Telecom to calculate its support based upon forward-looking economic cost.[8]

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4 *Federal-State Board on Universal Service*, Report and Order, 12 FCC Rcd. 8776, ¶ 199 (1997) (subsequent history omitted) ("establish[ing] that the level of support for service to a particular customer will ultimately be determined based upon the forward-looking economic cost of constructing and operating the network facilities and functions used to provide that service").

5 *See* Appendix, Section II.

6 *See* Appendix, Sections II, IV (explaining that the five-year term of the *Rural Task Force Order* will expire in June 2006).

7 *See* Appendix, Sections IV, V ("Acting on Iowa Telecom's request does not require that all rural carriers (or even all similarly sized rural carriers) be transitioned to the non-rural mechanism at the conclusion of [the Joint Board rural relook], nor does it require the FCC to adopt a forward-looking economic cost-based mechanism for all rural carriers, or even some subset of rural carriers.").

8 In the alternative, Iowa Telecom has filed a separate waiver petition of the same universal service rules to permit the carrier to receive support pursuant to the non-rural mechanism. *See*

1. UNIVERSAL SERVICE FUNDING BASED ON EMBEDDED COSTS IS NOT NECESSARY TO ENSURE JUST AND REASONABLE RATES

The manner in which eligibility is determined for the FCC's high-cost loop programs – embedded costs or forward-looking costs – has no direct impact on the reasonableness of end-user rates. End-user customer rates are generally set by state commissions without regard for federal universal service funding.[9] Further, given that the rural mechanism provides no support – and is not likely to ever provide support – to Iowa Telecom, maintenance of the current high-cost rules do nothing to ensure the long-term reasonableness of rates to Iowa Telecom customers.

In practice, forbearance would be invaluable to Iowa Telecom's ability to maintain just and reasonable rates in the long-term. Specifically, the continued inability of the current universal service high-cost loop mechanism for rural carriers to reflect accurately the investment requirements of Iowa Telecom's network endangers the long-term ability of Iowa Telecom to maintain affordable rates and continue its significant network modernization efforts.[10] Under the rural mechanism, Iowa Telecom will likely not ever receive universal service support, due to the condition of its network upon its acquisition in 2000, and the resulting artificially low embedded

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Iowa Telecom Petition for Interim Waiver of the Commission's Universal Service High-Cost Loop Support Mechanisms, WC Dkt. No. 06-__ (filed May 8, 2006).

[9] *See* Ex Parte Presentation of SBC Communications, Inc., CC Dkt. No. 96-45, at 1 (Sept. 7, 2005) ("State rate making decisions are generally made entirely independent of national universal service objectives or concerns.").

[10] *See* Appendix, Section IV (demonstrating that the current rural mechanism fails to provide Iowa Telecom with support despite significant investment made by the company in the past five years).

cost of the network. This is in spite of the significant amount of capital investment the carrier has made to date.[11] Accordingly, the lack of affirmative federal universal service high-cost loop support has two significant effects on the reasonableness of end-user rates.

First, Iowa Telecom has limited resources to preserve and advance universal service: as demonstrated in Section IV of the Appendix, Iowa Telecom has worked in conjunction with the Iowa Utilities Board to jumpstart the network modernization required to provide high-quality basic and advanced services to its end-user customers at affordable rates. Absent explicit federal universal service high-cost loop support, Iowa Telecom will likely face a difficult decision in the future as to whether to implement further retail rate increases at the risk of creating potential affordability problems with its customers, and/or foregoing (or significantly delaying) network investment given the significant ongoing costs of such efforts. Either alternative has potential adverse consequence for the reasonableness of end-user rates, the terms and conditions of service offerings, and the quality of those services.

Second, the continued lack of universal service funding available to both incumbent LEC and competitive carriers stunts potential competitive entry and investment to the detriment of consumers.[12] This disincentive to invest likely has a negative impact on consumers given the Commission's observation that "competition is the most effective means of ensuring that [rates

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[11] *See* Appendix, Section IV (explaining that the rural mechanism does not provide a mechanism by which under-invested areas can receive universal service high-cost loop support).

[12] *See* Appendix, Section II (quoting the Rural Task Force that "[i]n areas where an incumbent has old plant with little book value, the [embedded cost-based] mechanism may not provide adequate support for modernization either by the incumbent or competitors," *Alternative Mechanisms for Sizing a Universal Service Fund for Rural Telephone Companies: Rural Task Force White Paper 3,* at 22 (Aug. 2000)).

and charges] are just and reasonable."[13] Federal universal service funds consistent with the level of responsible investment made by Iowa Telecom would substantially increase the likelihood that incumbent and competitive carriers continue to invest in these rural communities.

2. CONTINUING TO APPLY THE EXISTING UNIVERSAL SERVICE RULES IS NOT NECESSARY FOR THE PROTECTION OF CONSUMERS

The manner in which carriers are eligible to receive universal service high-cost loop support has no direct bearing on consumers, and, therefore, the application of the Commission's rural mechanism on Iowa Telecom is clearly not necessary for the protection of consumers.

To the contrary, the inability of the current mechanism to accurately reflect Iowa Telecom's network costs and to provide sufficient and predictable high-cost loop support to rural Iowa may have a detrimental effect on consumers. Specifically, the continued application of the rural mechanism restricts Iowa Telecom's access to all resources necessary to continue ongoing efforts to upgrade its network and to improve the quality and availability of voice and advanced services. Without question, the ability to further invest in its network, and accelerate deployment and investment across Iowa, without corresponding rate increases would greatly benefit Iowa Telecom's consumer base.

3. GRANT OF THIS PETITION WOULD SERVE THE PUBLIC INTEREST

For largely the same reasons discussed herein and in the Appendix, Iowa Telecom's request furthers the public interest. Prompt FCC action will ensure that Iowa Telecom's concerted investment in its network facilities and deployment of improved services can continue

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13 *Petition of U S West Communications, Inc. for a Declaratory Ruling re: the Provision of National Directory Assistance*, Memorandum Opinion and Order, 14 FCC Rcd. 16252, ¶ 31 (1999).

for the foreseeable future. The promise of providing Iowa Telecom's customers the full range of telecommunications options available across the country is consistent with the mandate of Sections 254 of the Act. Fundamental to that network investment and development is the rapid deployment of advanced broadband services to rural Iowa fulfilling the promise of Section 706 of the Act.[14]

As such, the inclusion of Iowa Telecom under the forward-looking economic cost-based mechanism currently in place is distinctly pro-investment and pro-consumer. The rural mechanism provides Iowa Telecom no realistic opportunity to recoup the substantial expenses related to investing in the service areas of pure rural price cap carrier serving historically under-invested communities that require significant capital outlays.[15] In contrast, forward-looking economic cost-based support provides direct funding for carriers willing to invest and modernize facilities in rural Iowa. The courts have found that forbearance is warranted if it "promote[s] competitive market conditions" and "enhance[s] competition among providers of telecommunications services."[16] As described in the Appendix and above, forward-looking economic cost-based support would provide incentives for Iowa Telecom and competitive carriers to invest in these communities, and would send the appropriate entry and investment signals.[17]

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[14] *See* Appendix, Section IV (outlining the significant efforts made by Iowa Telecom to provide broadband services to all of its rural footprint).

[15] *See* Appendix, Section II.

[16] *Cellnet Communications v. FCC*, 149 F.3d 429, 438 & n.7 (6th Cir. 1998) (quoting 47 U.S.C. § 160(b)).

[17] *See* Appendix, Section II.

Beyond the clear public interest benefits, this petition does not raise significant public interest concerns. The requested relief is temporary in nature, and it would have only a minimal impact on the size of the universal service fund. Section V of the Appendix provides a granular analysis of the impact on the universal service fund if Iowa Telecom were included in the non-rural mechanism. Overall, the net increase to the ILEC portion of the non-rural fund of $7.7 million is negligible, less than 0.1 percent of the total high-cost fund ($3.49 billion).[18] Moreover, grant of this petition would not prejudice the FCC's consideration of comprehensive high-cost reform, or specific issues within the Joint Board's review of the rural mechanism.[19]

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18 *See* Appendix, Section V.

19 *Id.*

CONCLUSION

For the foregoing reasons, Iowa Telecom requests temporary forbearance from the FCC's universal service rules to permit the company to be eligible for universal service support based upon the forward-looking economic cost of its network, until such time as the FCC adopts a final successor regime to the *Rural Task Force Order* that allows Iowa Telecom to receive loop support based on the forward-looking economic cost of its network.

Respectfully submitted,

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APPENDIX: Factual and Legal Analysis

Until the Federal Communications Commission ("FCC" or "Commission") adopts a final successor regime to the *Rural Task Force Order*[1] that allows Iowa Telecommunications Services, Inc. ("Iowa Telecom") to qualify for universal service support based on its forward-looking economic cost, Iowa Telecom seeks – through forbearance or waiver – to be eligible for universal service support under the non-rural high-cost support mechanism.[2] The Commission's current universal service rules, designed only for large national providers and small rural providers, do not adequately reflect Iowa Telecom's unique operational realities as the only rural telephone company in the nation operated exclusively under price caps at the federal and state level. The application of this inefficient and inflexible regulatory approach to Iowa Telecom adversely affects its ability to preserve and advance universal service in its territory and is thus inconsistent with FCC policy, and contravenes the requirements of Section 254 and Section 706 of the Communications Act of 1934 ("Act"), as amended.[3] Expedited action to address the

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1 *Federal-State Joint Board on Universal Service,* Fourteenth Report and Order, 16 FCC Rcd. 11244, ¶ 6 (2001) ("*Rural Task Force Order*").

2 As described in greater detail herein, Iowa Telecom has filed two separate, but related, petitions. First, Iowa Telecom has filed a petition for waiver of the Commission's universal service high-cost support rules. Second, Iowa Telecom has filed a petition for forbearance from those same universal service rules. This Appendix outlines the factual and legal issues addressed in those petitions, underscoring the clear need for prompt Commission action. The requested relief does not apply to the Montezuma Mutual Telephone Company ("Montezuma"), which Iowa Telecom entered into a purchase agreement with in December 2005. *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. 06-76 (filed Feb. 27, 2006). After that acquisition closes, Iowa Telecom 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.

3 47 U.S.C. §§ 254, 157 note.

historic shortcomings in federal universal service policies will enable Iowa Telecom to provide high-quality modern facilities to all of its rural consumers at affordable rates.

I. IOWA TELECOM IS A UNIQUELY SITUATED RURAL-FOCUSED CARRIER

Iowa Telecom was established as one of a new class of rural carriers focused on providing high-quality services to rural communities, acquiring its exchanges in Iowa from GTE effective July 1, 2000. Iowa Telecom's predecessor made comparatively little investment in its network infrastructure, and Iowa Telecom immediately faced significant challenges to provide modern facilities and services to its rural customers.

Iowa Telecom's footprint is scattered across Iowa, and its largest market, Newton, has a population of less than 16,000. In fact, over 80 percent of Iowa Telecom's exchanges serve fewer than 1,000 access lines, and approximately three-quarters of Iowa Telecom's lines are residential. Notwithstanding its classification as a rural telephone company, Iowa Telecom serves over 240,500 total lines and is a price cap carrier at both the federal and state level.[4]

Iowa Telecom is the nation's only rural telephone company that operates exclusively under price cap regulation.[5] As such, Iowa Telecom's operational realities are not adequately reflected in the Commission's current regulatory approach. Specifically, for most regulatory purposes, Iowa Telecom is regulated in the same manner as the Bell Operating Companies and

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[4] *See, e.g., id.* § 153(37).

[5] 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 at both the federal and state level under conflicting regulatory classifications. *See* note 2, *supra* (detailing the the evaluation period associated with Montezuma transaction).

other large national providers. Yet with respect to high-cost loop universal service support, Iowa Telecom receives support based upon its embedded cost, just as very small rural providers. Further complicating this issue, for other universal service programs – *i.e.*, Interstate Access Support – Iowa Telecom receives support in the same manner as national price cap providers.[6]

For the nearly six years since its inception, Iowa Telecom has worked aggressively in conjunction with both the Iowa Utilities Board and the Commission – through retail rate reform and access charge reform – to address the inability of the current regulatory structure to reflect accurately Iowa Telecom's investment and to ensure the carrier has sufficient resources to permit the level of network investment necessary to advance universal service.[7] Nonetheless, the unique operating conditions of Iowa Telecom are not reflected adequately in the current high-cost universal service mechanisms.

II. THE COMMISSION'S POLICY IS FOR ALL UNIVERSAL SERVICE HIGH-COST SUPPORT TO BE BASED ON FORWARD-LOOKING ECONOMIC COST

Section 254 of the Act sets forth guiding principles for the provision of universal service, providing that all of the nation's consumers, particularly those in "rural, insular, and high cost areas," should have access to basic and advanced telecommunications services at rates "reasonably comparable" to those in urban areas.[8] The Act further directs that universal service

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6 *See* Section III, *infra*. Interstate Access Support provides explicit universal service support to offset high interstate access cost. In contrast, high-cost loop support is directed at offsetting high intrastate loop cost. Accordingly, interstate access support and high-cost loop support serve complementary, but distinct, purposes under the FCC's universal service program. *See* note 47, *infra*.

7 *See* Section IV, *infra*.

8 47 U.S.C. § 254(b)(3).

support be "specific, predictable and sufficient."[9] In response, the Commission has undertaken significant universal service reform over the past nine years; a cornerstone of that reform is that, absent some compelling circumstances, the appropriate basis to determine eligibility for high-cost support is a carrier's forward-looking economic cost. Nonetheless, the Commission repeatedly has delayed efforts to provide rural telephone companies an opportunity to receive support under a forward-looking economic cost-based mechanism.

Relying on the recommendations of the Federal-State Joint Board on Universal Service ("Joint Board"), the Commission in the *First Report and Order* "establish[ed] that the level of support for service to a particular customer will ultimately be determined based upon the forward-looking economic cost of constructing and operating the network facilities and functions used to provide that service."[10] Finding that the use of forward-looking economic cost – compared to historic embedded cost – better approximates the actual cost of providing supported services and rewards efficiency,[11] the Commission stated that the use of forward-looking economic cost "send[s] the correct signals for entry, investment, and innovation."[12] The U.S. Court of Appeals for the Fifth Circuit also found that a forward-looking economic cost-based mechanism more effectively harmonizes the dual universal service and competitive goals of the

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9 *Id.* § 254(b)(5).

10 *Federal-State Board on Universal Service*, Report and Order, 12 FCC Rcd. 8776, ¶ 199 (1997) ("*First Report and Order*") (subsequent history omitted).

11 *Id.* ¶ 225.

12 *Id.* ¶ 224.

Act.[13] Specifically, the Court found that a forward-looking economic cost mechanism creates an "incentive [for carriers] to improve [their] operations."[14]

In contrast, the Commission determined that, particularly in under-invested areas with low embedded cost, embedded cost-based support may stifle network investment by both incumbent and competitive carriers.[15] Specifically, the Commission found "if [an incumbent LEC's] embedded cost is below forward-looking economic cost, support based on embedded costs would [also] erect an entry barrier to new competitors."[16] Importantly, the Commission recognized that support based upon forward-looking economic cost would "bring greater economic opportunities to *rural areas* by encouraging competitive entry and the provision of new services."[17]

Although the Commission found that all carriers should use forward-looking economic cost as the basis for universal service support, the Commission set a hard transition deadline only for non-rural carriers.[18] In doing so, the Commission declined to adopt a further recommendation of the Joint Board "that, on request, any rural carrier should be permitted to

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13 *Tex. Office of Pub. Util. Counsel v. FCC*, 183 F.3d 393, 412 (5th Cir. 1999).

14 *Id.*

15 *First Report and Order*, ¶ 228.

16 *Id.*

17 *Id.* ¶ 293 (emphasis added).

18 *Id.* ¶ 273. The Joint Board correctly explained that there is "no statutory requirement that the Commission use the Act's definition of rural telephone company for high-cost universal service purposes." *Federal-State Joint Board on Universal Service Seeks Comment on Certain of the Commission's Rulings Relating to High-Cost Universal Service Support*, Public Notice, 19 FCC Rcd. 16083, ¶ 9 (2004) ("*Joint Board 2004 Notice*"). There is no statutory need to establish separate non-rural and rural mechanisms.

elect to use a proxy model to determine its support level."[19] Instead, with respect to rural carriers, the FCC mandated that "rural carriers would gradually shift [over a three-year period] to a support system based on forward-looking economic cost" after further Commission review.[20] This reluctance was due, in part, to concerns about the workability of a forward-looking economic cost mechanism for rural carriers, rural carriers' significant reliance on universal service revenues, and the FCC's minimal experience with the computer models necessary to estimate hypothetical economic cost.

To facilitate the transition to a forward-looking economic cost-based mechanism, the Commission established a Rural Task Force to study the issue.[21] Among its relevant findings, the Rural Task Force highlighted that the "FCC's support mechanism should produce accurate incentives for competitors to serve high-cost areas."[22] To that end, the Rural Task Force also noted – consistent with the *First Report and Order* – that "[i]n areas where an incumbent has old plant with little book value, the [embedded cost-based] mechanism may not provide adequate support for modernization either by the incumbent or competitors."[23] In addition, the Rural Task Force concluded that one-size-fits-all solutions are inappropriate for rural carriers given the

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19 *Federal-State Joint Board on Universal Service*, Recommended Decision, 12 FCC Rcd. 87, ¶ 283 (1996).

20 *First Report and Order,* ¶¶ 204, 216 (concluding that "[r]ural carriers would . . . shift over a three-year period beginning January 1, 2001 to a mechanism for calculating support based on a cost model").

21 *See, e.g., Federal-State Joint Board on Universal Service Announces the Creation of a Rural Task Force,* Public Notice, 12 FCC Rcd. 15752 (1997); *Rural Task Force Order,* ¶ 6.

22 Rural Task Force, *Alternative Mechanisms for Sizing a Universal Service Fund for Rural Telephone Companies: Rural Task Force White Paper 3*, at 22 (Aug. 2000).

23 *Id.* at 15.

"differences between [r]ural [c]arriers and non-[r]ural [c]arriers, and diversity among [r]ural [c]arriers."[24]

Nonetheless, out of an abundance of caution, the Rural Task Force's final recommendation proposed a modified embedded cost-based mechanism as an interim step to allow time for further study of a forward-looking economic cost approach.[25] The Commission subsequently adopted the Rural Task Force's recommendations in the 2001 *Rural Task Force Order* for a fixed five-year duration.[26] The Commission committed to develop "a long-term universal service plan for rural carriers that is better coordinated with the non-rural mechanism," and to further assess forward-looking economic cost-based support for rural carriers in a subsequent proceeding.[27] In doing so, the Commission reiterated that "rural carriers would shift gradually to a forward-looking economic cost methodology,"[28] but failed to address the Joint Board's original recommendation to permit rural carriers to elect into the non-rural mechanism.

Despite those conclusions, it appears increasingly unlikely that the Commission will enact reforms to permit rural carriers to shift to a forward-looking economic cost-based methodology before the *Rural Task Force Order*'s June 2006 expiration date.[29] In June 2004,

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24 Rural Task Force, *The Rural Difference: Rural Task Force White Paper 2*, at 7 (Jan. 2000) (emphasis omitted).

25 *Rural Task Force Order,* ¶ 6.

26 *Id.* ¶ 7-8.

27 *Id.* ¶¶ 8, 170.

28 *Id.* ¶ 4.

29 *Id.* ¶ 167. Similarly, the *CALLS Order* was instituted in 2000 for a five-year period expiring in June 2005. *Access Charge Reform,* Sixth Report and Order, 15 FCC Rcd. 12962 (2000) ("*CALLS Order*"). The Commission recently announced that the rules adopted under

the Commission referred to the Joint Board an examination of a successor plan to the *Rural Task Force Order*.[30] The Commission again intimated that "support based on forward-looking economic cost estimates, rather than embedded costs, would send the correct signals for entry, investment, and innovation."[31] The Joint Board has had two comment cycles to address these issues, the most recent of which ended on October 31, 2005,[32] and has explicitly solicited comment on the desirability and workability of determining rural carriers' high-cost eligibility based upon forward-looking economic cost.[33] Nonetheless, no industry consensus has emerged on how to proceed with global reform of the rural mechanism.[34] In sum, ten years after the adoption of Section 254, rural carriers continue to be denied the opportunity to receive support

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CALLS will remain in effect beyond the five-year period "until the Commission adopts a subsequent plan." *Special Access Rates for Price Cap Local Exchange Carriers*, Order and Notice of Proposed Rulemaking, 20 FCC Rcd. 1994, ¶ 2 (2005).

30 *Federal-State Joint Board on Universal Service*, Order, 19 FCC Rcd. 11538 (2004) ("*Referral Order*").

31 *Id.* ¶ 3 n.8.

32 *Joint Board 2004 Notice*; *see also Federal-State Joint Board on Universal Service Seeks Comment on Proposals to Modify the Commission's Rules Relating to High-Cost Universal Service Support,* Public Notice, CC Dkt. No. 96-45, FCC-05J-1 (rel. Aug. 17, 2005).

33 *Joint Board 2004 Notice*, ¶¶ 18-19.

34 Similarly, the FCC has initiated a review of the non-rural high-cost mechanism to respond to a decision of the U.S. Court of Appeals for the Tenth Circuit. This proceeding addresses a number of statutory definitional issues and seeks input on whether a rate-based benchmark as opposed to the current cost-based benchmark is a more appropriate basis to determine eligibility for high-cost support. *See Federal-State Joint Board on Universal Service,* Notice of Proposed Rulemaking, CC Dkt. No. 96-45, WC Dkt. No. 05-337, FCC 05-205 (rel. Dec. 9, 2005) ("*Non-Rural Notice*"). That proceeding, however, does not address directly rural carriers' universal service issues. *See Comments of Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom,* CC Dkt. No. 96-45 (Mar. 27, 2006).

based on their forward-looking economic cost, with little prospect for change in the foreseeable future.

III. IOWA TELECOM IS REGULATED INCONSISTENTLY UNDER CURRENT RULES

Over the past decade, the Commission effectively has created distinct regulatory regimes for large and small carriers. As a mid-sized rural price cap carrier, Iowa Telecom has been disadvantaged because it does not fit neatly into these regimes and has not been treated in a consistent manner. Iowa Telecom's ability to influence the implementation of these incompatible regulations was limited because it did not acquire its properties until 2000. The resulting (oftentimes conflicting) regulatory regimes have hindered Iowa Telecom's ongoing attempts to modernize and upgrade its network facilities.

Specifically, for purposes of access charges, the dividing line between large and small carriers is based on the regulatory regime under which carriers operate: the Commission has distinct rules under CALLS for price cap carriers and separate *MAG Order* rules for rate-of-return carriers.[35] In contrast, with respect to universal service high-cost loop policy, the Commission does not take into account the carrier's regulatory regime: rather, the division between large and small carriers for universal service policy is based upon the carrier's rural/non-rural status.[36] Rural telephone companies receive support based upon historic embedded cost; while non-rural carriers receive support based upon forward-looking economic

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[35] *CALLS Order; Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers,* Second Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd. 19613 (2001) ("MAG Order"), *amended by* 18 FCC Rcd. 10284 (May 8, 2003).

[36] *Compare* 47 C.F.R. § 54.309 (non-rural support), *with* 47 C.F.R. § 36.631 (rural support).

cost. Yet other universal service programs – *i.e.,* Interstate Access Support and Interstate Common Line Support – are reliant upon the carrier's regulatory regime, and not its rural/non-rural status in determining eligibility.[37] Intrastate regulatory regimes introduce yet more variables in the manner in which carriers are regulated.

Despite these differences, the Commission has suggested a link between the regimes: "[c]onsistent with our approach towards non-price-cap ILECs in access charge reform, we conclude that rural carriers' unique circumstances warrant our implementation of separate mechanisms" for universal service purposes.[38] The Commission has further noted that "[m]ost rate-of-return carriers meet the definition of 'rural carrier.'"[39]

These classifications, however, are neither perfect nor consistent. As a general matter, it is true that rural carriers are also rate-of-return carriers, and non-rural carriers are price cap carriers, but this is not always the case. As detailed in Section I above, Iowa Telecom is an exception – both rural and price cap company-wide at the federal and state level – resulting in an inconsistent regulatory classification with small carriers for universal service high-cost loop purposes and with large carriers for access charge and other universal service purposes.[40] Further differentiating Iowa Telecom from other national price cap providers, Iowa Telecom acquired all of its exchanges from a national carrier that focused its resources primarily on urban

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37 *MAG Order*, ¶ 129.

38 *First Report and Order*, ¶ 295.

39 *Referral Order,* ¶ 11 n.29.

40 *See* Section I, *supra.*

exchanges.[41] As a result, the seemingly disjointed regulatory approach and its consequences underscore the need for more individualized treatment of Iowa Telecom in the current regulatory regime.[42]

Furthermore, the timing of Iowa Telecom's acquisition of its properties in July 2000 did not provide it with sufficient experience or time to analyze the effects of these regulatory classifications and advocate for more specialized treatment in the relevant rulemaking proceedings. With respect to access charge reform, the CALLS proceeding was nearing conclusion at the time of Iowa Telecom's establishment, requiring Iowa Telecom to scramble to ensure that its unique circumstances were accounted for under the CALLS proposal.[43] Iowa Telecom explained to the Commission that because of the "size and rural nature of the exchanges . . . and the financial demands on the company, the CALLS plan, without modifications to accommodate Iowa Telecom, would threaten the financial viability of the company."[44]

As anticipated, the *CALLS Order* proved to be a poor fit for Iowa Telecom, failing to provide an adequate means to recover interstate access costs under the rates established under the CALLS plan. Accordingly, Iowa Telecom filed a forbearance petition in November 2001 to

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41 *See* Section IV, *infra.*

42 *See Letter from Gregory J. Vogt, Wiley Rein & Fielding LLP, to Marlene Dortch, Secretary, FCC,* CC Dkt. No. 96-45, *et al.* (June 14, 2005).

43 *See, e.g.,* Ex Parte Submission of Iowa Telecom, CC Dkt. No. 94-1, at 2-3 (Apr. 14, 2000) (arguing that the FCC "must not impose the Revised CALLS Proposal on rural markets, just because they are served by price cap LECs").

44 *See Petition for Forbearance of Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom Pursuant to 47 U.S.C. 160(c) from the Deadline for Price Cap Carriers to Elect Interstate Access Rates Based on the CALLS Order or a Forward Looking Cost Study,* Order, 17 FCC Rcd. 24319, ¶ 16 (2002) ("*2002 Forbearance Order*") (citing Ex Parte Submission of Iowa Telecom, CC Dkt. No. 94-1, at 2 (May 26, 2000)).

permit the setting of access rates based upon forward-looking economic cost, rather than the CALLS plan rate schedule.[45] The Commission granted Iowa Telecom's requested finding that Iowa Telecom "did not have a meaningful opportunity to make an informed choice" under CALLS given the timing of its acquisition.[46] Iowa Telecom is the only carrier that recovers its interstate access costs under forward-looking economic cost-based access charges.

Similarly, Iowa Telecom was also formed relatively late in the Rural Task Force process and had no practical opportunity to participate in the development of the Rural Task Force's September 2000 recommendation. Since Iowa Telecom began providing service only two months before the recommendation was submitted, it was unable to advocate effectively on the need to provide a means for larger rural telephone companies to transition more quickly to a forward-looking economic cost-based support. The FCC's ultimate adoption of the Rural Task Force's proposal failed to provide specific provisions for large rural carriers or pure price cap rural carriers, thereby excluding Iowa Telecom from receipt of high-cost loop support.[47] As demonstrated by the effect of the FCC's current regulatory regime, Iowa Telecom's unique situation warrants individualized treatment.

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45 *See Petition for Forbearance of Iowa Telecommunications Services, Inc. d/b/a/ Iowa Telecom Pursuant to 47 U.S.C. § 160(c),* Petition for Forbearance, CC Dkt. No. 01-331 (filed Nov. 26, 2001).

46 *2002 Forbearance Order*, at 24329 (Separate Statement of Comm'r Martin), ¶¶ 17-18.

47 Iowa Telecom does receive approximately $1.5 million annually in Interstate Access Support, which is separate and distinct from the high-cost loop funding mechanisms as addressed in note 6, *supra*. *See* USAC, *Federal Universal Service Support Mechanisms Fund Size Projections for the First Quarter 2006,* HC12 (Nov. 2, 2005) *available at* http://www.universalservice.org/about/governance/fcc-filings/2006/Q1/FCC%201Q2006%20Quarterly%20Demand%20Filing.pdf.

IV. TARGETED REFORM IS NECESSARY TO ENSURE THAT SECTION 254's UNIVERSAL SERVICE PROMISE IS MET FOR IOWA TELECOM'S CUSTOMERS

Independent of Iowa Telecom's unique characteristics and the inconsistent regulatory schemes that govern its operations detailed above, Iowa Telecom also faces challenges due to the condition of the network it purchased from GTE in July 2000. GTE did not commit resources to creating or maintaining a modern network infrastructure in rural Iowa and, thus, the properties Iowa Telecom acquired were substantially depreciated and under-invested. For example, dial-up Internet access was not provided by GTE in any of the exchanges acquired at the time of acquisition.

As a result, Iowa Telecom's infrastructure has required substantial investment to begin providing customers a quality of service consistent with industry standards in urban areas. Although Iowa Telecom has improved its network with resources generated since 2000, additional support is necessary to fulfill the Congressional mandate to preserve and advance universal service. Iowa Telecom's willingness to commit resources to these rural customers is good news for its customers and is consistent with national universal service goals, but further progress depends on federal policies that will support Iowa Telecom's commitment.

The investments and improvements Iowa Telecom has made in its network in less than six years of operation demonstrate the relatively poor condition of the rural exchanges it purchased. Specifically, in 2001 (its first full year of operation), Iowa Telecom invested nearly $32 million in essential immediate improvements to infrastructure and physical assets. In 2002 and 2003, Iowa Telecom invested another $34 million in its plant. These upgrades allowed Iowa Telecom to deploy dial-up Internet access to each exchange; to begin upgrading or replacing obsolete local switching centers (some switches had received no software modernization in

almost 20 years); and to start creating fiber rings to add vital network capacity, security and reliability between its widely scattered exchanges. Iowa Telecom dedicated additional resources to ensuring regulatory compliance with federal and state obligations, including local number portability.

Part and parcel to its commitment to make these network and operational improvements, Iowa Telecom worked with the Iowa Utilities Board to effectuate retail rate reforms, including an April 2004 settlement of a rate proceeding by which Iowa Telecom was authorized to increase average basic residential rates from $12.15 to $16.60. These additional revenues (about $7 million for 2003 and almost $9 million annually on an ongoing basis) have significantly enhanced Iowa Telecom's continued efforts to fund robust network improvement plans, accelerate broadband deployment, replace analog equipment, and upgrade switching facilities.[48]

Notwithstanding, additional network modernization needs still remain. It will take several more years before Iowa Telecom completes its efforts to upgrade switching and even longer before all planned interoffice transport capabilities are complete. Moreover, before it can offer broadband to all households in its service territory, Iowa Telecom must make modifications to its local outside plant: *e.g.*, replace older copper and lead facilities, create new network nodes, replace analog carrier systems, upgrade existing digital loop carrier facilities that prevent deployment of CLASS features, and install DSLAMs in remote terminals. Without additional

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[48] *Non-Rural Notice,* ¶ 12 (explaining that "the public switched telephone network is not a single-use network, and modern network infrastructure can provide access not only to voice services, but also to data, graphics, video, and other services. The Commission has found that the use of high-cost support to invest in infrastructure capable of providing access to advanced services is not inconsistent with the requirement in section 254(e) that support be used 'only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.'" (quoting 47 U.S.C. § 254(e))).

funding for this infrastructure development, Iowa Telecom will be unable for quite some time to permit access to high-quality and advanced telecommunications services to all its customers as is the case in many urban areas.

Illustrative of the magnitude of the undertaking is Iowa Telecom's recent experience with rebuilding its local loop plant in just a portion of its Malcolm, Iowa exchange. The Malcolm exchange serves about 450 access lines in rural Iowa and is representative of an average Iowa Telecom property. Over two years – without any high-cost loop support – Iowa Telecom replaced 20 miles of copper cable and five analog loop carrier systems with new buried copper and fiber facilities that feed a rural digital loop carrier system. This upgrade provides Iowa Telecom's customers in that area with access to higher quality voice service as well as broadband service. Yet, to rebuild just one-third of this rural exchange cost over $250,000, providing improved services to less than a hundred customers (nearly $2,700 per subscriber). The vast majority of Iowa Telecom's network could benefit from similar partial rebuilds.

This type of network infrastructure investment – to rebuild those local loops that are of poor quality and enable customers to have access to advanced services – is precisely the type of improvement universal service support is designed to encourage and fund.[49] Indeed, the express purpose of high-cost loop support is "'to maintain existing facilities and make prudent facility upgrades.'"[50] Analogously, the Commission and the states are directed by statute to utilize various regulatory methods to "encourage deployment on a reasonable and timely basis of

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[49] These expectations are echoed by the Rural Utilities Service's expectations regarding Network Modernization Plans. *See* 7 C.F.R. § 1751.106.

[50] *Joint Board 2004 Notice,* ¶ 22 (quoting *First Report and Order*, ¶ 300).

advanced telecommunications capability to all Americans[.]"[51] *Carriers throughout the nation* have been using high-cost loop support for these projects for years.

The goals of the FCC's universal service policy are not being met when a rural carrier does not have the means to provide infrastructure upgrades to enable deployment of advanced services to all of its customers except at a prohibitively high cost. Rural customers should neither be forced to bear the cost of construction through steep rate hikes, nor be deprived of advanced services. Yet, the FCC's current regulations threaten to leave Iowa Telecom without viable options to preserve and advance universal service under the statute. The statute obligates the FCC to help Iowa Telecom find a workable solution to meet the goals of the Act.

Moreover, there are no other universal service funding avenues available for areas served by rural carriers that are historically under-invested.[52] The rural high-cost loop mechanism provides a limited safety valve mechanism to encourage investment in acquired rural exchanges, but the safety valve mechanism provides no support to Iowa Telecom, because it only rewards additional investment in areas that are otherwise eligible to receive support under the rural mechanism.[53] The Commission has conceded that its rules "may discourage rural carriers from acquiring high-cost exchanges from carriers with low average costs and may

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[51] 47 U.S.C. § 157, note.

[52] Despite its aggressive network investment plan, Iowa Telecom's historical costs remain too low to qualify for federal support under the rural mechanism, which provides support only for those study areas in which the average loop cost exceeds 115 percent of the national average loop cost. *See* 47 C.F.R. §§ 36.601-36.631. Because of these low embedded costs, the rural mechanism provides Iowa Telecom with no support.

[53] *Rural Task Force Order*, ¶ 104 (explaining that the safety valve mechanism does not provide support if such support would be greater than the amount "it would receive in uncapped high-cost loop support").

prevent rural carriers from receiving support for new investments in recently-acquired high-cost exchanges."[54]

Iowa Telecom's continuing inability to qualify for any federal high-cost loop support threatens its capability to ensure that all of its customers have access to services at rates reasonably comparable to those in urban areas, and limits its ability to offset the substantial cost of further upgrading its network. This result is contrary to the promise of Section 254 and the purpose of high-cost support. Absent a transition to support based upon the forward-looking economic cost of its network, Iowa Telecom has no means to ensure that its facilities receive sufficient support to enhance, maintain, and expand its network operations in a timely manner, while maintaining affordable services.

V. IMMEDIATE REGULATORY RELIEF FOR IOWA TELECOM IS WARRANTED AND WOULD NOT AFFECT ONGOING PROCEEDINGS

Iowa Telecom has operated within the limitations of the *Rural Task Force Order* with the understanding that a new regime more tailored to mid-sized and/or price cap carrier operational realities – likely to incorporate forward-looking economic cost – would be instituted within months. Given the complexity of issues faced by the Joint Board in that proceeding, no such outcome appears likely in the near term. The Commission has further pledged for nine years that rural carriers would be shifted gradually to support based upon forward-looking economic cost,

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[54] *Id.* ¶ 97. At the time Iowa Telecom purchased the GTE Iowa properties it was aware of the FCC's policies that established forward-looking economic cost as the standard for universal service support, although it knew that this policy had not yet been established for a rural carrier in GTE's circumstances. However, Iowa Telecom could not possibly have predicted that nearly six years later, the Commission would not yet have taken steps to establish a mechanism that would either implement the use of forward-looking economic cost or address Iowa Telecom's unique circumstances.

but has yet to implement the Joint Board's ten-year-old recommendation to allow rural carriers to elect such a method of calculating support.

Because the FCC appears unlikely to implement a rule in the foreseeable future that permits Iowa Telecom to qualify for high-cost loop support based on forward-looking economic cost, Iowa Telecom seeks immediate temporary relief to permit it to receive sufficient high-cost loop support based upon the forward-looking economic cost of its network consistent with the non-rural funding mechanism.[55] Iowa Telecom seeks this relief only until such time as a final successor plan to the *Rural Task Force Order* is adopted that incorporates forward-looking economic cost.

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[55] To the extent necessary, and out of an abundance of caution, Iowa Telecom requests that the Commission also forbear and/or waive its rules with respect to the Commission's rule governing universal service support for acquired exchanges, 47 C.F.R. § 54.305, which is currently under review by the Joint Board. *Referral Order,* ¶ 13. Section 54.305, the parent-trap rule, provides that an acquiring carrier of exchanges cannot receive greater universal service support than the pre-transfer level of support. Iowa Telecom believes that this rule in inapplicable in instances where a carrier acquires entire study areas, as in this instance. The intent of the rule was to prevent carriers from maximizing universal service receipts through the division of study areas into high-cost and low-cost exchanges. No gaming is possible, however, when entire study areas are transferred. Notwithstanding, the rule on its face could be read to be applicable to sales of entire study areas. Moreover, the Commission has previously signaled that this rule is unnecessary if carriers receive support based upon forward-looking economic cost. Specifically, the Commission explained that the parent-trap rule was adopted because of concern "that, until support for all carriers is based on a forward-looking economic costs methodology, potential universal service payments may unduly influence a carrier's decision to purchase exchanges from other carriers." *Rural Task Force Order,* ¶ 91; *First Report and Order*, ¶ 308 (noting that when all carriers receive support based on forward-looking economic cost, the level of support a carrier would receive for acquiring an exchange will not be a primary factor in that carrier's decision to purchase the exchange). Once universal service support is based on forward-looking economic cost, concerns that carriers could manipulate universal service payments are eliminated. Nonetheless, the Commission has never adopted a rule consistent with this policy statement. Therefore, the Commission should not seek to force a carrier seeking to transfer to a forward-looking economic cost-based mechanism to satisfy a rule in circumstances for which it was not intended.

Importantly, this request will not impact the continued efforts of the Joint Board to reform comprehensively the high-cost programs, because the temporary transition of one carrier to a more efficient mechanism under current rules will not prejudice the Joint Board or the FCC's ultimate decision in the rural mechanism review proceeding, or any subsequent comprehensive review of the high-cost program. In another context, concern has been raised with respect to forbearance petitions seeking "piecemeal relief" that would "prejudge important issues."[56] In that instance, SBC sought a Commission ruling that its IP-platform services were an unregulated information service. It was argued that action on that petition could potentially "unduly cabin the Commission's discretion in considering both whether and when to modify discrete aspects of the regulatory regime."[57] In this instance, however, no new classification is requested; instead, Iowa Telecom only seeks to transition from one current classification to another current classification, pending Commission action to reform comprehensively its high-cost rules.

Acting on Iowa Telecom's request does not require that all rural carriers (or even all similarly sized rural carriers) be transitioned to the non-rural mechanism at the conclusion of this current proceeding, nor does it require the FCC to adopt a forward-looking economic cost-based mechanism for all rural carriers, or even some subset of rural carriers.[58] Rather, Iowa Telecom

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[56] *Petition of SBC Communications Inc. for Forbearance from the Application of Title II Common Carrier Regulation to IP Platform Services*, Memorandum Opinion and Order, 20 FCC Rcd. 9361, ¶¶ 8-9 (2005).

[57] *Id.* ¶ 9.

[58] Iowa Telecom fully supports many of the reform proposals suggested for both mechanisms, and does not contend that all mid-sized carriers should be required to transition from one mechanism to another. Specifically, Iowa Telecom supports efforts to modify the forward-looking model to reflect carrier-specific inputs and to provide support based upon

seeks to elect the most appropriate support mechanism for it under current rules consistent with the Commission's own observation that "rural carriers face diverse circumstances and that 'one size does not fit all' in considering universal service support mechanisms for them."[59]

With minimal discussion, the FCC in the *First Report and Order* declined to allow rural carriers to opt into the non-rural mechanism until there is "greater certainty that the mechanisms account reasonably for the cost differences in rural study areas."[60] This was a sensible approach given that the forward-looking economic cost model did not exist at that time, and rural carriers were to be incorporated into the non-rural approach within a tight deadline. Real-world experience under the non-rural mechanism and the significant change in circumstance with respect to the timing of a rural forward-looking economic cost approach suggests that the FCC's initial determination should be revisited.

The requested relief – temporary in nature – would have only a minimal impact on the ILEC portion of the universal service fund. The Commission in the TracFone forbearance proceeding "consider[ed] . . . the effects of any increased [universal service] contribution obligation since carriers are permitted to recover their contribution obligations from customers."[61] Iowa Telecom has calculated that it would be eligible to receive approximately $22.2 million annually under the non-rural mechanism. This level of funding is reasonable given

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carrier-specific cost (as opposed to statewide cost). *See, e.g., Referral Order,* ¶ 9; *Joint Board 2004 Notice,* ¶¶ 19, 27-30.

59 *Referral Order*, ¶¶ 3, 11 (asking "whether support based on some form of forward-looking economic costs would be appropriate for some subset of rural telephone companies").

60 *First Report and Order*, ¶ 309.

61 *Petition of TracFone Wireless, Inc. for Forbearance from 47 U.S.C. § 214(e)(1)(A) and 47 C.F.R. § 54.201(i),* Order, FCC 05-165, ¶ 17 (2005) ("*TracFone USF Order*").

the ongoing network investment made by Iowa Telecom, and is comparable to the funding received by other rural providers.[62] Qwest also would become eligible to receive approximately $6.3 million in non-rural high-cost loop support in Iowa. The total effect on the fund, however, is considerably less, because by extending funding to Iowa's high-cost communities the total ILEC portion of the non-rural mechanism would only increase by $7.7 million due to offsetting reductions in the funding levels of other non-rural carriers. These reductions are the result of the inclusion of Iowa Telecom's per-line cost into the non-rural mechanism, which would increase the funding eligibility threshold as well as the national per-line cost under the non-rural mechanism.

Thus, the ILEC portion of Iowa Telecom's proposal would only increase the size of the universal service fund by less than 0.1 percent of the total high-cost fund ($3.49 billion).[63] As in the TracFone proceeding, there is, therefore, no expectation that the grant of Iowa Telecom's request would "significantly burden the universal service fund," and "[a]ny increase in the size

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[62] Federal-State Joint Board on Universal Service, *Universal Service Monitoring Report,* CC Dkt. No. 98-202, Table 3.9 (rel. Dec. 2005).

[63] *Id.*, Table 1.11 (2004 disbursement data). Competitive local exchange carriers in Iowa Telecom's exchanges also will become eligible for high-cost universal service support based on Iowa Telecom's eligibility. The appropriateness of subsidizing competitive carriers based on incumbents' levels of support is an issue the Joint Board has recommended that the Commission address in a general proceeding. *Federal-State Joint Board on Universal Service*, Report and Order, 20 FCC Rcd. 6371, ¶ 12 (2005). Support to competitive carriers is not a consideration, however, when the FCC is determining whether an incumbent carrier's individualized request would have a greater than one percent impact on the universal service fund. *See Sandwich Isles Communications, Inc., Petition for Waiver of the Definition of "Study Area" Contained in Part 36, Appendix-Glossary and Sections 36.611, and 69.2(hh) of the Commission's Rules*, Order, 20 FCC Rcd. 8999, ¶ 17 (2005).

of the fund would be minimal and is outweighed by the benefit" of ensuring that a historically underinvested community is not further neglected.[64]

VI. CONCLUSION

Iowa Telecom requests prompt Commission action to temporarily forbear or waive its universal service rules to permit Iowa Telecom to receive sufficient high-cost loop support under the most efficient and pro-investment universal service mechanism. This transition would permit Iowa Telecom to continue to invest aggressively in and upgrade its network facilities, without adversely affecting any other carrier, Commission proceeding, or the overall size of the universal service fund.

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64 *TracFone USF Order*, ¶ 17.