

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
)
)
High-Cost Universal Service Support) WC Docket No. 05-337

COMMENTS OF EMBARQ CORPORATION

Embarq Corporation¹ (“Embarq”), on behalf of its local operating companies, interexchange carrier, and wireless operations, offers the following initial comments in the above-referenced proceeding regarding the Petition for Forbearance and Petition for Waiver (“Petitions”) filed by Iowa Telecom Services, Inc. (“Iowa Telecom”) on May 8, 2006. In those Petitions Iowa Telecom requested, respectively, forbearance from enforcement of and waiver of Sections 36.601-631, 54.305, 54.309, 54.313, and 54.314 of the Commission’s rules to the extent necessary to permit Iowa Telecom to be eligible for high-cost support under the non-rural high cost mechanism. The current non-rural high cost mechanism calculates support based on forward-looking economic cost, and the Commission has long held that forward-looking economic cost (“FLEC”) is the correct costing methodology upon which to base explicit support. Accordingly, Iowa Telecom’s petitions are consistent with the

¹ Embarq Corporation is the newly created entity comprised of the local exchange operations in the former Sprint Nextel ILEC service territories.

Commission's long-term views regarding universal service, and should be granted.

As stated in the Petitions, Iowa Telecom has requested this relief only until such time as a successor plan is developed for determining appropriate support for rural carriers based on forward-looking costs.² Ten years has passed since the Commission first acknowledged that FLEC was the proper costing approach to be used when calculating explicit federal support.³ Since that time the Commission has ordered that rural carriers' support would be calculated using an adjusted embedded cost methodology, rather than a FLEC methodology, on an interim basis.⁴ It is worthwhile to note that this decision was not precipitated on an explicit finding that FLEC was inappropriate as a methodology for rural carriers; rather, it was based on a decision not to modify the Commission's existing forward looking model, the Hybrid Cost Proxy Model ("HCPM"):

Rather than attempting to modify the Commission's forward-looking cost mechanism that is currently used to determine non-rural support, the Rural Task Force proposed modifications to the current embedded cost system for a five year period ... [W]e find that adopting a modified embedded cost mechanism for rural carriers for a five year plan strikes a fair and reasonable balance among the goals and principles enumerated in section 254 of the Act.⁵

² Section V, Appendix to the Petition.

³ *Federal-State Joint Board on Universal Service*, Report and Order, 12 FCC Rcd. 8776 ¶ 199 (1997).

⁴ *Federal-State Joint Board on Universal Service*, Fourteenth Report and Order, 16 FCC Rcd. 11244 ¶ 6-8.

⁵ *ibid*

Iowa Telecom's petitions do not request any modification of the Commission's forward-looking cost model. Nor does it request any modification of the process—of which the model is only one part—of determining support based on forward-looking costs. It only requests that Iowa Telecom's support be calculated using the existing non-rural approach, rather than the existing rural approach. In making this request, Iowa Telecom is agreeing to meet a higher standard than the standard applied in the case of rural carriers. Under the Commission's existing rural mechanism, a rural carrier receives support if its costs exceed a particular benchmark. But in the case of the non-rural mechanism, a carrier only receives support after its costs have been averaged with other non-rural carriers in the state and it is demonstrated that the statewide average cost as a whole exceeds a benchmark.

Embarq believes that the Petitions illustrate a fundamental irony that the Commission faces. Under the existing system, Iowa Telecom is unable to receive universal service support for actual investment it has made in rural regions. Yet the existing system rewards competitive ETCs with support based on forward-looking investment (ILEC investment) that often bears no relationship to a competitive ETC's actual investment. In earlier comments filed under this docket, numerous parties expressed a desire for the Commission to undertake a comprehensive reform of the high-cost support mechanism, to address

various inequities contained in the existing system.⁶ Embarq believes the Iowa Telecom petitions depict one such inequity, and encourage the Commission both to grant the Petitions and to engage in the above-mentioned comprehensive reform.

Respectfully Submitted,

EMBARQ CORPORATION



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⁶ See comments of Qwest, Verizon, and AT&T filed in Docket WC 05-337 on March 27, 2006.

CERTIFICATE OF SERVICE

I hereby certify that a copy of Embarq Corporation's Comments in WC Docket No. 05-337 was delivered by electronic mail or First Class, postage prepaid, U.S. Mail on this 3rd day of July 2006 to the parties below.


Linda K. Gardner

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