



Sprint Nextel
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Anna M. Gomez
Vice President
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July 23, 2007

Via Electronic Submission

Ms. Marlene H. Dortch
Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W., Room TW-A325
Washington, DC 20554

**Re: *Ex Parte Communication*
Iowa Telecom Petition for Forbearance Under 47 U.S.C. 160(c) from the
Universal Service High-Cost Loop Support Mechanisms and Iowa Telecom
Petition for Interim Waiver of the Commission's Universal Service High-
Cost Loop Support Mechanisms, WC Docket No. 05-337**

Dear Ms. Dortch:

On July 20, 2007, the undersigned, on behalf of Sprint Nextel Corporation ("Sprint Nextel"), spoke with Thomas Navin, Chief, Wireline Competition Bureau about the above-mentioned petitions. My comments were consistent with Sprint Nextel's opposition, filed July 3, 2006, to the above-mentioned petitions. I explained that Sprint Nextel continues to oppose the petitions filed by Iowa Telecommunications Services, Inc. ("Iowa Telecom") for the reasons outlined in its opposition and below.

Iowa Telecom is seeking a windfall in the form of additional universal service funding for which it is – and should be – ineligible. Iowa Telecom would like the Commission to waive or forbear from its rules so that it can switch from an embedded costs methodology to a forward-looking costs methodology, for the simple reason that the forward-looking costs methodology will generate more universal service funding. Iowa Telecom has not met the standards for either waiver or forbearance of the rules at issue, and grant would be contrary to the public interest.

First, given the well-publicized strain on the current high-cost fund, the Commission should not grant either of Iowa Telecom's petitions. To make matters worse, grant of Iowa Telecom's petition will merely encourage other similarly-situated carriers to seek the same relief, further straining the fund.

Second, although it has stated that it may have to raise rates to fund its plant upgrades, Iowa Telecom has failed to demonstrate that it cannot do so without resorting to rate increases.

In its 2006 Annual Report to Shareholders, Iowa Telecom again disclosed sufficient revenues to provide substantial dividends to its shareholders.¹ In fact, as Mediacom has demonstrated,² Iowa Telecom has *reduced* its retail prices where it faces competition. The Commission must not encourage carriers to seek retail rate deregulation knowing that they can reduce their retail prices to thwart competitors while seeking additional universal service funding to make up any revenue shortfall.

Furthermore, it would be contrary to the public interest to permit carriers to purchase exchanges on the assumption they can later obtain additional universal service funding. The Commission adopted its rules precisely to discourage carriers from relying on potential universal service fund (“USF”) support if they decide to purchase rural, high-cost exchanges. Presumably, when Iowa Telecom purchased the exchanges at issue it took into consideration under which cost basis it would be eligible for USF funding pursuant to Commission rules. Again, Iowa Telecom does not face unique circumstances in this regard that justify waiver or forbearance, and permitting carriers to purchase exchanges on the assumption they can later obtain additional universal service funding would be contrary to the public interest.

Finally, Iowa Telecom’s claim that grant of its petitions will encourage competitive entry is belied by Iowa Telecom’s own actions. Iowa Telecom has fought tooth and nail to delay, obstruct and deny competitors the ability to enter its markets,³ even though it has been warned repeatedly by the Iowa Utilities Board (“Board”) that it must comply with the law and its interconnection agreements.⁴ Despite these warnings, Sprint Nextel, in conjunction with MCC Telephony of Iowa, Inc., has once again been forced to file a complaint before the Board, requesting that the Board promptly order Iowa Telecom to process, without delay or limitation, service orders and porting requests.⁵ Iowa Telecom cannot on the one hand claim the public interest will be benefited by grant of its petition while on the other hand aggressively campaign to deny the very benefit to the public interest of which it speaks.

Clearly, the best driver of deployment of advanced services is competition, without policies that favor the incumbent carrier. Iowa Telecom in this proceeding has sought to manipulate the Commission’s rules to its advantage, choosing whichever form of regulation best suits its needs, while utilizing numerous measures to hamper competitive deployment in its

¹ See Iowa Telecom 2006 Annual Report to Shareholders, available http://library.corporate-ir.net/library/18/182/182669/items/242429/AR_2006.pdf (Iowa Telecom distributed a \$1.62 dividend per share to its stockholders, which equates to approximately \$51 million). Iowa Telecom furthermore has had the resources to purchase spectrum at auction (\$11.5 million) as well as in its competitive local exchange carrier operations. *Id.* These facts show that the lack of additional universal service funding would not be the cause of any putative retail rate increases and that there is no public interest rationale for the Commission to grant Iowa Telecom’s petitions..

² *Ex Parte* Letter from Joseph E. Young, Senior Vice President and General Counsel, Mediacom, to Marlene Dortch, Secretary, FCC, filed June 4, 2007.

³ See Sprint Nextel Opposition, WC Docket No. 05-337 (filed July 3, 2006) at 18-19.

⁴ See, e.g., Sprint Communications Company L.P. and MCC Telephony of Iowa, Inc. vs. Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom, Final Decision and Order and Order Allocating Costs, Docket No. FCU-06-49 (Nov. 9, 2006).

⁵ Sprint Communications Company L.P. and MCC Telephony of Iowa, Inc. vs. Iowa Telecommunications Services d/b/a Iowa Telecom, Motion to Enforce, Docket No. FCU-06-49 (ARB-05-02), filed June 26, 2007.

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service area. The Commission should deny Iowa Telecom's petitions as contrary to the public interest.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed electronically in the above-referenced docket.

Sincerely,

/s/ Anna M. Gomez

Anna M. Gomez

cc: Thomas Navin
Ian Dillner
Scott Deutchman
Scott Bergmann
Chris Moore
John Hunter
Jeremy Marcus