



CONSUMER ADVOCATE DIVISION
STATE OF WEST VIRGINIA
PUBLIC SERVICE COMMISSION
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August 2, 2007

VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Office of the Secretary
Federal Communications Commission
c/o Natek, Inc.
236 Massachusetts Avenue, NE
Suite 110
Washington, DC 2002

RE: *Iowa Telecom Petition for Forbearance Under 47 U.S.C. 160(c) from the Universal Service High-Cost Loop Support Mechanisms, WC Docket No. 05-337 (filed May 8, 2006); Iowa Telecom Petition for Interim Waiver of the Commission's Universal Service High-Cost Loop Support Mechanisms, WC Docket No. 05-337 (filed May 8, 2006).*

Dear Secretary Dortch:

I am writing on behalf of the West Virginia Consumer Advocate Division and the telecommunications customers of West Virginia to express my opposition to the petitions filed in this proceeding by Iowa Telecom. The West Virginia Consumer Advocate Division has previously submitted comments in this proceeding through its association with the National Association of State Consumer Advocates (NASUCA). Those comments were submitted on June 30, 2006, and July 18, 2006, and the West Virginia Consumer Advocate Division continues to support the positions set forth in those comments. The purpose of this letter is to respond to recent *ex parte* presentations made by Iowa Telecom.

Iowa Telecom is a rural carrier that serves 250,067 access lines in three separate study areas in Iowa.¹ Iowa Telecom currently receives \$402,333 in monthly high-cost support from the federal universal service fund,² resulting in average monthly support of

¹ *Universal Service Fund 2006 Submission to the FCC*, National Exchange Carrier Association (Sept. 29, 2006), Appendix E (hereinafter "NECA").

² *Federal Universal Service Support Mechanisms Fund Size Projections for the Third Quarter 2007*, USAC (May 2, 2007), Appendix HC 01 (hereinafter "USAC").

\$1.61 per line. All of this support comes from the Interstate Access Support mechanism. Iowa Telecom's current average annual loop cost for its three study areas ranges from \$210.71 per loop to \$278.54 per loop.³ Because its actual average annual loop costs are too low, Iowa Telecom does not receive any support under the High-Cost Loop Support mechanism for rural carriers.

In its petitions Iowa Telecom asks that it be treated as a non-rural carrier for universal service support purposes. Based on Iowa Telecom's submissions, this would result in Iowa Telecom's annual high-cost support increasing from \$4.8 million to \$27 million.⁴ The annual high-cost support of Qwest, currently the only non-rural carrier in Iowa, would also increase by \$6.3 million. At the same time, the addition of Iowa Telecom to the non-rural High Cost Model support mechanism would reduce annual support for existing recipients by \$20.8 million. This would result in a net increase to the USF High-Cost Fund of \$7.7 million per year.

The West Virginia Consumer Advocate Division opposes Iowa Telecom's petitions for the following reasons:

1. Iowa Telecom's petitions amount to regulatory arbitrage of universal service support rules. There is no logical reason that a carrier should be allowed to choose to receive support under whatever mechanism produces the greatest amount of support for that particular carrier. At a time when the Commission is considering proposals to cap the runaway growth of the High-Cost Fund, I find it incomprehensible that a proposal to increase the size of the fund for the benefit of an individual carrier is given any serious consideration.

2. Iowa Telecom's estimates of the overall impact of its petitions are understated. The estimates include only the increases in support going directly to itself and Qwest in Iowa. However, there are currently 29 wireless ETCs receiving high-cost support in Iowa. Five of these wireless ETCs are already certificated in non-rural service territories in Iowa. If Iowa Telecom's petition is granted and support increases to both itself and Qwest, it is reasonable to expect that current wireless ETCs will draw additional high-cost support as result of the operation of the equal support rule, and that additional wireless carriers will seek ETC status in the Iowa service territories of Iowa Telecom and Qwest. This will result in an increase to High Cost Fund much greater than represented by Iowa Telecom.

3. Iowa Telecom's petitions will result in unfairly reducing support to existing recipients of High Cost Model support. As previously stated, Iowa Telecom currently receives support of \$1.61 per line per month. Under existing High Cost Model support levels, Verizon-Maine receives support of \$0.23 per line per month, Qwest in South Dakota receives \$0.67 per line per month, Windstream in Nebraska receives \$0.83 per line per month and Qwest in Nebraska receives \$1.27 per line per month.⁵ See Appendix A hereto. There is no logical reason why these carriers, which serve substantial high-cost rural areas, and currently receive less per line support than Iowa Telecom, should have their support reduced so that Iowa Telecom can receive more.

³ NECA, Appendix E.

⁴ See, Iowa Telecom's Petition for Forbearance (May 8, 2006), Appendix pp. 20-21. The \$27 million in total high cost support is the sum of \$22.2 million in additional High Cost Model Support and Iowa Telecom's existing \$4.8 million in Interstate Access Support.

⁵ NECA, Appendix E; USAC, Appendix HC 01.

4. Iowa Telecom has not made sufficient investments to justify additional support. Iowa Telecom's support is currently determined under the rural High-Cost Loop Support mechanism. Under the rules governing this mechanism, support is based on the actual costs incurred by the carrier to provide service. As previously noted, Iowa Telecom's average annual loop costs are currently too low to qualify for support. If Iowa Telecom is dissatisfied with the level of support it is currently receiving, it has an alternative under the existing support mechanism: it can increase its level of investment to serve its customers. If this actual investment is sufficient, then Iowa Telecom may qualify for future support under the High-Cost Loop Support mechanism.

5. Iowa Telecom does not need additional support to provide comparable services at comparable rates. On page 14 of the Appendix attached to its Petition for Forbearance, Iowa Telecom states that its current residential service rate is \$16.60. This is confirmed by reviewing Iowa Telecom's tariff available on its website www.iowatelecom.com. A review of the tariff also confirms that Iowa Telecom is able to offer CLASS services, as well as bundled broadband and video services to its customers. Iowa Telecom's rates are less than the rates in West Virginia, Vermont and other states currently receiving support under the non-rural support mechanisms.⁶ West Virginia and Vermont use High-Cost Model Support, in part, to reduce the rates paid by customers in those states. Once again, it makes little sense to reduce support to other states with higher rates in order to benefit a single company with lower rates.

In summary, Iowa Telecom's petitions are unnecessary, unreasonable and unfair. I respectfully urge the Commission to reject Iowa Telecom's petitions.

Respectfully submitted,

/s/Billy Jack Gregg

Billy Jack Gregg
Director, West Virginia
Consumer Advocate Division

cc: Chairman Kevin Martin
Commissioner Michael Copps
Commissioner Deborah Taylor Tate
Commissioner Jonathan Adelstein
Commissioner Robert McDowell
Tom Navin
Jeremy Marcus
cc: Ian Dillner
Scott Deutchman
Aaron Goldberger
Katie King
Jennifer McKee

⁶ It should be noted that Iowa Telecom's federal subscriber line charge is only \$6.14 per month, compared to \$6.50 a month in West Virginia, Wyoming and other states currently receiving support under non-rural support mechanisms.

Don Stockdale
Scott Bergmann
Gary Siegel

**COMPARISON OF PER LINE HIGH COST SUPPORT
RECEIVED BY IOWA TELECOM
WITH SUPPORT RECEIVED BY NON-RURAL COMPANIES**

Study Area Name	Working Loops	High Cost Model Support	Interstate Access Support	Total Monthly High Cost Support	High Cost Support/Loop/Month
ITS-Iowa Telecom	75,831	\$0	\$146,797	\$146,797	\$1.94
ITS-Iowa Telecom North	106,732	\$0	\$173,726	\$173,726	\$1.63
ITS-Iowa Telecom Systems	67,504	\$0	\$81,810	\$81,810	\$1.21
TOTAL Iowa Telecom	250,067	\$0	\$402,333	\$402,333	\$1.61
Verizon-Maine	627,371	\$136,716	\$7,054	\$143,770	\$0.23
Qwest-South Dakota	189,615	\$125,719	\$728	\$126,447	\$0.67
Windstream-Nebraska	251,566	\$209,908	\$0	\$209,908	\$0.83
Qwest-Nebraska	337,747	\$185,084	\$245,472	\$430,556	\$1.27

Sources:

USAC, *Federal Universal Service Support Mechanisms Fund Size Projections for the Third Quarter 2007* (May 2, 2007), Appendix HC 01

NECA, *Universal Service Fund 2006 Submission to the FCC* (Sept. 29, 2006), Appendix E