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February 22, 2008

Electronic Filing

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: ***Ex Parte Communication***
Windstream's Petition for Conversion to Price Cap Regulation and for Limited Waiver Relief, WC Docket No. 07-171

Dear Ms. Dortch:

Today I met by telephone with Scott Deutchman, Legal Advisor to Commissioner Michael Copps, to discuss Windstream's petition seeking to convert its rate-of-return study areas to price-cap regulation. During the meeting we discussed the legal basis for granting the petition, consistent with the record and arguments already developed in this docket. Windstream provided the attached document to Mr. Deutchman.

Please feel free to contact me if you require additional information.

Sincerely,

/s/

Eric N. Einhorn

cc (by e-mail): Scott Deutchman

Attachment

Windstream Petition to Convert to Price-Cap Regulation

2/11/2008

Windstream Petition

- August 6, 2007 -- Filed Petition for Conversion to Price Cap Regulation and for Limited Waiver Relief
- October 9, 2007 -- Comment cycle completed
- Unanimous support from large and small carriers and their associations; no opposition
- Relief needed in early 2008 so Windstream can convert to PC regulation prior to July 1, 2008 annual access tariff filings; FCC Rules require notice to NECA by March 1, 2008.

Windstream Overview

- Formed in 2006 through the merger of the Alltel Corp. wireline properties and Valor Communications Group
- Serves three million access lines in primarily rural areas of 16 states:
  - 60% are subject to rate-of-return (RoR) regulation
  - 75% are in “rural” study areas
  - 69% of exchanges serve fewer than 2000 lines
- Efficient provider focused on competing for the long term, rather than maximizing USF and access rates over the short term

Conversion to Price-Caps -- Consumer and Public Benefits

- FCC has favored conversion to price-cap regulation, but the post-CALLS pathway for RoR companies is unclear:
  - FCC has already concluded that price-cap regulation encourages carriers to operate efficiently by harnessing incentives to reduce costs, invest efficiently, and deploy innovative service offerings (CALLS at para. 16)
  - These incentives translate into benefits that inure to consumers such as enhanced investment, innovation, lower prices, and new products
  - Price cap rules permit RoR carriers to elect price cap regulation
  - But … the MAG Order tentatively concludes CALLS Plan is closed (and CALLS is the only form of price caps)

Conversion to Price-Caps (Continued)

- ROR Paradox: RoR model is under increasing pressure in the competitive marketplace. Carriers must become more efficient to compete effectively, however, efficient carriers are penalized under RoR system
- Developing a fair and voluntary pathway with an efficient, progressive carrier like Windstream is an effective way to make reasonable progress pending comprehensive intercarrier compensation reform
  - Good Policy: Would create a regulatory structure to encourage, not discourage, efficient carriers
  - Good Result: Conversion to price cap will result in reduced reliance on USF support and lower access rates

Proposed Framework

- "CALLS-like" structure; waivers needed to accomplish transition
  - Switched Access: Begin a transition in 2008 annual access tariff filing toward a target rate of $0.0065 per Average Traffic Sensitive (ATS) minute of use, consistent with the *CALLS Order and* section 61.3(qq)(3) of the Commission's rules.
  - Special Access: Initialize price cap rates at current RoR rates -- in the aggregate, already below CALLS rates (if Windstream had elected CALLS) and generally below the monthly tariffed rates of CALLS companies
  - USF: Continue to receive interstate common line support (ICLS), but level of support would be calculated like interstate access support (IAS) and set at a per line amount -- total IAS amount will be less than the total ICLS amount Windstream would otherwise have received and exposed to line loss