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windstream™

October 17, 2008

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

Re: Developing A Unified Intercarrier Compensation Regime, CC Docket 01-92; Intercarrier Compensation for ISP-Bound Traffic, WC Docket 99-68; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Universal Service Contribution Methodology, WC Docket No. 06-122; High-Cost Universal Service Support, WC Docket 05-337; Petition of AT&T for Declaratory Ruling and Limited Waivers Regarding Access Charges and "ESP Exemption," WC Docket No. 08-152; and Establishing Just And Reasonable Rates for Local Exchange Carriers, WC Docket 07-135

Dear Ms. Dortch:

Jeff Gardner (President and CEO), Mike Rhoda (Senior VP Government Affairs), and I, all from Windstream, met with Scott Deutchman, Legal Advisor to Commissioner Michael Copps, on October 16, 2008 to discuss Windstream's significant concerns regarding the proposed intercarrier compensation reform order slated for a vote on November 4, 2008. The conversation was consistent with the position Windstream has taken previously in the above-referenced proceedings.

Unfortunately, the intercarrier compensation proposal will have the opposite effect of its purported purpose – the proposal currently before the Federal Communications Commission will result in less, not more, broadband deployment in areas served by rural price cap carriers. As we understand it, the proposed measure would result in substantial reductions in revenue and, as such, would seriously impede mid-sized carriers' ability to invest in rural broadband deployment and cause serious harm to their ability to serve consumers. This measure should not be adopted.

At the meeting, we also observed that the proposal seems to be based upon several fundamentally flawed assumptions. First, Windstream understands that the proposal would transition intercarrier compensation for all carriers to a $0.0007 or lower uniform terminating access rate. But for mid-sized carriers like Windstream, this rate is far from reasonable: It does not adequately represent the cost of termination in the rural areas we serve and will cause Windstream to incur significant losses in access revenues, even with some measured subscriber line increases. Second, Windstream understands that the proposal seems to rest on the belief that revenues from deregulated services have or will go far to offset such access losses. That simply is not the case. Even without the proposed access reform, Windstream's total revenues – which include voice, broadband, and video (i.e., from DISH TV) – are flat or declining in recent years.

Finally, Windstream understands that the proposal asserts that it is improper for rural price cap carriers to issue stock dividends if the carrier receives high-cost support. This position shows a lack of understanding of the price cap RLEC business model. Equity investors invest for returns – from stock appreciation and/or from dividends. Stock prices track revenue growth. Thus, publicly traded rural carriers, which have flat or declining revenues, depend on dividends to attract equity investors. Dividends are necessary for these companies to maintain service and gain new investment. It is simply untrue that universal service payments are used to support dividend payments.

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

Sincerely,

/s/

Eric Einhorn

cc: Scott Deutchman