

October 31, 2014

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TW-A325
Washington, D.C. 20554

RE: **Ex parte filing** in WC Docket No. 10-90

Dear Ms. Dortch:

On October 29, Steve Merriam and Clover McNeil from Arctic Slope Telephone Association Cooperative (ASTAC) and Doug Neal from OTZ Cooperative conducted an ex parte meeting with Nicholas Degani from Commissioner Pai's office.

This ex parte meeting consisted of a discussion of two primary issues: First, we discussed various aspects of Commissioner O'Rielly's September 5, 2014 blog statement¹ after his August visit to the state of Alaska wherein he opined that Alaska is unique: "*Seeing it again, however, reminded me not only of its immense size, but also of its uncompromising terrain.*" With respect to this uncompromising terrain, we presented a letter received by Copper Valley from their telecommunications construction contractor Michels Corporation that discussed various factors, including the presence of permafrost that **result in the costs to deploy telecommunications plant in Alaska when on the road system as being 2.5 to 3 times more than what would be experienced in the contiguous lower 48 states.**

Second, we discussed CACM issues including the fact that while the FCC staff has worked on developing a model that applies to the operations of only 13 price cap carriers over the last four years, it is understandable that they do not want to hear that a lot of work remains. But those are the facts and they cannot be wished away.

In their August 8, 2014 Omnibus docket comments at page 9, CenturyLink succinctly captures the essence of the problem if such a model is to be applied to rural rate-of-return carrier study areas by observing that cost data modeled in CACM are "reasonable estimates on average, but they cannot accurately estimate costs for any given location, node, or network route because of variances between modeled and real world conditions. Additionally there necessarily will be differences between the [Connect America Cost Model] modeling and actual network deployments because a significant number of high-cost locations in the model are based on statistical algorithms or have changed since the last Census."

¹ <http://fcc.us/11FDFFM>

We also reviewed the steps that ASTAC and OTZ are engaged in to increase capacity and avail their customers of robust connections, in light of the immense size of their service areas and the challenges that accompany serving areas of uncompromising terrain.

Finally, we discussed the unintended consequences that will occur with loss of the e-rate rural discount for remote Alaska with the redefinition of rural using the urban cluster designation. In the case of Tuzzy Library in Barrow, Alaska, the loss of the 10% discount results in a 49% increase in operating expenses. For Chukchi Library in Kotzebue, already financially challenged, this could result in closure. This appears inconsistent with Chairman Wheeler's recent comments concerning the importance of libraries to rural communities.

As required by the Commission's rules, this ex parte record is now filed in the above referenced docket.

Respectfully submitted,

Via ECFS

Steve Merriam
CEO

Copy to
Nick Degani, FCC
Doug Neal
Clover McNeil
Dave Dengel
Dave Goggins
Jeff Smith

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