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April 30, 2015

DOCKET FILE COPY ORIGINAL

Accepted / Filed

APR 30 2015

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

Federal Communications Commission
Office of the Secretary

Re: **REDACTED – FOR PUBLIC INSPECTION**
Adak Eagle Enterprises, LLC Request for Confidential Treatment and Letter

DOCKET FILE COPY ORIGINAL

Dear Ms. Dortch:

On behalf of Adak Eagle Enterprises, LLC (“AEE”), which includes Adak Telephone Utility (“ATU”) and Windy City Cellular, LLC (“WCC”) (collectively, “the companies”), and in accordance with the procedures outlined in the Third Protective Order adopted in the above referenced proceedings¹ and Federal Communications Commission (FCC or Commission) rules – specifically, Section 0.459² of the Commission’s rule – enclosed please find a Request for Confidential Treatment and two (2) copies of the Redacted version of a letter filed by the companies on April 30, 2015. All information contained after the open headings **** Begin Confidential **** and before the close headings **** End Confidential ****, as well as the information in Attachment A, is Confidential Information. The companies are also submitting one (1) copy of the Confidential version of the filing to the Office of the Secretary, and two (2) additional copies of the Confidential version of this filing are being delivered as directed by Commission staff.

¹ *Connect America Fund et al.*, WC Docket No. 10-90 et al., Third Protective Order (Aug. 23, 2010).

² 47 C.F.R. § 0.459.

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Should you have any questions concerning the foregoing information, please contact the undersigned.

Respectfully submitted,



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Counsel to Adak Eagle Enterprises, LLC

Accepted / Filed

APR 30 2015

**Federal Communications Commission
Office of the Secretary**

April 30, 2015

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

Re: **Request for Confidential Treatment – Adak Eagle Enterprises, LLC in
CC Docket No. 01-92, WC Docket Nos. 05-337, 07-135 AND 10-90
AND GN Docket No. 09-51 Before the Federal Communications
Commission**

Dear Ms. Dortch,

On behalf of Adak Eagle Enterprises, LLC (“AEE”), which includes Adak Telephone Utility and Windy City Cellular, LLC (“WCC”) (“the companies”), and in accordance with the Third Protective Order in the above referenced proceedings¹ and Federal Communications Commission (FCC or Commission) rules – specifically, Section 0.459² of the Commission’s rules – the companies request Confidential Treatment of all information contained after the open headings **** Begin Confidential **** and before the close headings **** End Confidential ****, as well as the information in Attachment A, is Confidential Information.

(1) Identification of the specific information for which confidential treatment is sought.

All information contained after the open headings **** Begin Confidential **** and before the close headings **** End Confidential ****, as well as the information in Attachment A, is Confidential Information. All of the information designated as Confidential Information being submitted herewith is confidential commercial information under Exemption 4 of the FOIA.³ The Confidential Information contains proprietary commercial and financial information that is not customarily disclosed to the public or

¹ *Connect America Fund et al.*, WC Docket No. 10-90 et al., Third Protective Order (Aug. 23, 2010).

² 47 C.F.R. § 0.459.

³ 5 U.S.C. § 552(b)(4).

within the industry. This includes information about revenue and expense data that would cause harm to the companies if disclosed. Accordingly, pursuant to Section 0.459(a) of the Commission's rules, the companies request that such information not be made routinely available for public inspection.

(2) Identification of the Commission proceeding in which the information was submitted or a description of the circumstances giving rise to the submission.

The information is being provided to the Commission as an update in relation to the petitions for waiver filed by AEE and WCC⁴ of Section 54.302 of the Universal Service Fund and Intercarrier Compensation reform rules adopted by the Commission as part of its November 18, 2011 Report and Order.⁵

(3) Explanation of the degree to which the information is commercial or financial or contains a trade secret or is privileged.

The Confidential information contains proprietary commercial and financial information that is not customarily disclosed to the public or within the industry. This includes information about revenue and expense data that would cause harm to the companies if disclosed.

(4) Explanation of the degree to which the information contains a service that is subject to competition.

The data and information contained in the Confidential Information being provided to the Commission describe the business and operational details of the companies' services provided on Adak Island in Alaska. All of the Confidential Information concerns the provision of competitive voice and broadband services. Indeed, Alaska Wireless competes to provide communications services in the downtown area of Adak.

(5) Explanation of how disclosure could result in substantial competitive harm.

The presence of competition in downtown Adak and the likelihood of competitive injury threatened by release of the information provided to the Commission by the companies should compel the Commission to withhold the Confidential Information from public disclosure. The Commission has provided assurances that it is "sensitive to ensuring

⁴ Petition for Waiver of Adak Eagle Enterprises, LLC, WC Docket No. 10-90 et al. (May 22, 2012); Petition for Waiver of Windy City Cellular, LLC, WC Docket No. 10-90 et al. (Apr. 3, 2012).

⁵ *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (Report and Order).

that the fulfillment of its regulatory responsibilities does not result in the unnecessary disclosure of information that might put its regulatees at a competitive disadvantage.”⁶

(6) Identification of any measures taken by the submitting party to prevent unauthorized disclosure.

In order to prevent unauthorized disclosure of the subject information, and pursuant to the Protective Order issued in these proceedings, the companies are filing a confidential version of this filing with the Secretary. The companies take routine measures to ensure the confidentiality of this information during normal business operations.

(7) Identification of whether information is available to the public and the extent of any previous disclosure of the information to third parties.

The data and information contained in the Confidential Information are not available to the public or to any third parties.

(8) Justification of the period during which the submitting party asserts that material should not be available for public disclosure.

As noted in response (1) above, all the data and information being submitted herewith is confidential commercial information under Exemption 4 of the FOIA.⁷ Consequently, the companies would never make this information available publicly due to its sensitive and proprietary nature. For this reason, the companies respectfully request that the Commission protect this information from public disclosure in perpetuity.

(9) Any other information that the party seeking confidential information believes may be useful in assessing whether its request for confidentiality should be granted.

The Confidential Information contains proprietary commercial and financial information, which the companies will forever keep confidential. Because of the competitive sensitivity of the Confidential Information, the companies seek confidential treatment indefinitely.

Should you have any questions concerning the foregoing request, please contact the undersigned.

⁶ *Examination of Current Policy Concerning the Treatment of Confidential Information Submitted to the Commission*, Report and Order, 13 FCC Rcd 24816, ¶ 8 (1998).

⁷ 5 U.S.C. § 552(b)(4).

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April 30, 2015

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Respectfully submitted,



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Federal Communications Commission
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April 30, 2015

Ms. Marlene H. Dortch
Federal Communications Commission
445 12th Street NW
Washington, D.C. 20554

**Re: WC Docket No. 10-90 and WT Docket No. 10-208
Adak Eagle Enterprises and Windy City Cellular**

Dear Ms. Dortch,

This letter is submitted on behalf of Adak Eagle Enterprises, LLC (“AEE”), Windy City Cellular, LLC (“WCC”), and Adak Telephone Utility (“ATU”) (collectively, “the companies”) to provide additional information and details regarding expenditures in late 2014 severely impacting cash reserves. As detailed below, expenditures were made in connection with repairs necessitated by damaging power outages, and expenditures were made to deploy 3G quality service and construct the central warehouse to house AEE’s equipment as was projected in the Form 481 that the companies submitted to the FCC in June 2014.

- The primary reason for the depletion of any “cash reserves” that the companies may have at one time had is due to the dramatic decrease in the companies’ income in the last year. The companies’ declining income has also caused AEE to fall out of compliance with the TIER requirement of its loan with the Rural Utilities Service (RUS).¹

I. Capital Expenditures in Late 2014

The companies made limited capital expenditures in late 2014 to address necessary repairs and make critical improvements to business operations. *First*, the companies had to repair substantial damage to their equipment caused by the frequent and damaging power outages on Adak Island (“Adak”), which became more severe in October due to the winter weather.² *Second*,

¹ A copy of AEE’s letter to RUS explaining why AEE has fallen below the TIER requirement and the measures AEE is implementing to meet the TIER requirement is attached hereto as Attachment A.

² See Letter from Adak Eagle Enterprises and Windy City Cellular, *Connect America Fund, Universal Service Reform – Mobility Fund, Petitions for Waiver of Windy City Cellular, LLC and Adak Eagle Enterprises*,

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consistent with the Commission's goals of expanding 3G service coverage, the companies purchased equipment necessary to build out 3G service to Adak; the cost of this equipment was included on the Form 481 that was submitted to the FCC in June 2014. *Finally*, the companies took initial steps toward construction of the Rural Utilities Service (RUS)-approved warehouse in late 2014 to avoid wasting the substantial investment that had previously been made to purchase concrete, which would be ruined if not used. The projected costs associated with the warehouse were also included on the Form 481 provided to the FCC. The company remains available to provide any additional detail regarding any of these or other expenditures.

a. Costs Incurred Due to Frequent and Damaging Power Outages on Adak Island

In late 2014, the electric company on Adak experienced severe power outages that caused substantial damage to AEE equipment. These outages became more severe in October (after the predicted financials were submitted in September) due to particularly severe winter weather. As discussed in January in a letter to the Commission, AEE incurred significant expense redressing the damage and loss of power caused by these outages.³ For example, AEE's rectifier (that makes AC/DC power) failed because it was connected to the unpredictable commercial power system. During a single outage, AEE lost 17-20 outdoor/indoor power supply boxes, which maintain power to customer premises telephone equipment when the customer loses power at his or her home. Additionally, the power outages destroyed the breaker box in one of the companies' warehouses leased from the Aleut Corporation ("Aleut"); under the companies' lease with Aleut, the companies – not Aleut – were required to replace the breaker box.

Repairs to the companies' equipment are costly because the island is remote and the equipment involved is often large and heavy. The electric company serving Adak does not employ an electrician on Adak and so the companies must independently contract with an electrician every time service is required. The base cost of hiring an electrician – including travel (about \$1700 from Anchorage to Adak), per diem, materials, and time – is significant. If the weather makes it impossible for the electrician to work, the companies must bear the costs charged for the wait time. As a result, routine electrical service calls can cost well over \$10,000 per incident.

AEE also had to purchase a truck for its Anchorage office to haul equipment that would replace and repair anything damaged by the power outages. Prior to the purchase, AEE owned trucks for hauling equipment on site at Adak Island, but did not own a truck for use at its main office in Anchorage. AEE had been able to utilize a truck owned by one of its employees to haul equipment under these types of circumstances. However, that employee is no longer with AEE and, as a result, the companies had to buy a truck in order to haul equipment.

Finally, due to the power outages, AEE has been required to use its generator more frequently. The total estimated cost of extra fuel to cover outages in 2014 was approximately **

LLC, WC Docket No. 10-90, WT Docket No. 10-208, Letter, at 5 (Jan. 7, 2015) ("January 7 Letter"), *available at* <http://apps.fcc.gov/ecfs/document/view?id=60001012271>.

³ January 7 Letter at 5.

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Begin Confidential ** [REDACTED] ** End Confidential ** The late 2014 asset expenditures associated with repairs necessitated by the power outages were approximately **** Begin Confidential ** [REDACTED] ** End Confidential **** which does not include the expenses associated with the physical installation of those assets, which were significant, and the costs of replacing on-hand inventory that is necessary to ensure continuity of service.

b. Costs Incurred For 3G Service Upgrades

The companies are committed to providing 3G service consistent with the Commission's stated goals of expanding nationwide 3G coverage, particularly in rural and unserved areas.⁴ One of the many cost cutting measures that the companies were forced to implement as a result of the reduction in funding under the *USF/ICC Transformation Order* was to postpone plans to upgrade WCC customers to 3G service.⁵

In late 2014, the companies determined that to better serve WCC's customers, keep WCC competitive as a wireless provider, and to meet the Commission's stated goals of expanding 3G coverage, it must begin build out of 3G service. In the current market, 3G is fast becoming the standard level of service and this is an upgrade that the Commission expects from all wireless service providers. As the companies have described to staff, there are significant costs associated with deployment and operation of 3G quality service.⁶ To keep costs at a minimum, AEE purchased the least expensive 3G equipment option on the market. Moreover, the projected costs of WCC's 3G upgrades were included on the Form 481 that the companies submitted in June 2014. The late 2014 asset expenditures associated with upgrading WCC's network to 3G quality service were approximately **** Begin Confidential ** [REDACTED] ** End Confidential ****

c. Costs Incurred for Warehouse Construction

As the companies have previously discussed with staff, the concrete that was already purchased for the RUS-approved warehouse will ruin if not used.⁷ The companies determined that the concrete that had previously been purchased after the RUS had given permission to build a warehouse would be ruined because of the severe cold weather. Accordingly, the companies took measures toward construction of the warehouse so as not to forfeit the significant amount of concrete already purchased. The projected costs of the warehouse construction were included on

⁴ See generally *Connect America Fund et al.*, WC Docket No. 10-90 et al, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcf 17663 (2011) (*USF/ICC Transformation Order*).

⁵ Adak Eagle Enterprises, LLC Notice of Ex Parte, WC Docket No. 10-90 et al., at 3 (Nov. 20, 2012); see also *USF/ICC Transformation Order* ¶ 27.

⁶ Adak Eagle Enterprises, LLC Notice of Ex Parte, WC Docket No. 10-90 et al., at 3 (May 17, 2012).

⁷ Adak Eagle Enterprises, LLC Notice of Ex Parte, WC Docket No. 10-90 et al., at 2 (Mar. 11, 2015) (AEE March 11, 2015 Ex Parte).

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the Form 481 that the companies submitted in June 2014 and so should not be considered unpredicted expenses.

The companies have discussed with staff the significant cost savings that will be gained if the Commission allows the companies to move forward with the RUS-approved construction of a single warehouse.⁸ The companies' current leased properties do not provide sufficient protection from the elements for the companies' operations; as a result, sensitive equipment is often exposed to Adak's severe and damaging weather. Fortunately, the companies were able to negotiate with Aleut, the lessor for three warehouses rented by the companies, to terminate the lease on those warehouses, which will allow AEE to consolidate its operations once the new warehouse is constructed. A single, centrally-located and heated warehouse that is large enough for all of the companies' equipment and operations will provide substantial relief from costs incurred replacing or repairing weather-damaged equipment. A single warehouse will also allow the companies to consolidate their operations, thereby leading to greater efficiency in business operations. Simply put, the RUS-approved warehouse is a fiscally sensible long-term investment that will result in significant savings for the companies. The late 2014 asset expenditures associated with warehouse construction were approximately **** Begin Confidential **** [REDACTED] **** End Confidential ****

II. Despite the Companies' Successful Efforts to Reduce Expenses, Declining Income Has Depleted Their Capital and Caused The Companies to Fail to Meet Financial Obligations

The companies have successfully (and significantly) reduced expenses. For example, the companies were able to reduce the cost of ATU's customer service operations by **** Begin Confidential **** [REDACTED] **** End Confidential **** by reducing staff numbers and the ordinary business costs of employee training and travel. The companies were also able to significantly reduce expenses associated with the purchase of new equipment and facilities.

However, the companies' successful expense reduction efforts have unfortunately been more than offset by a drop of **** Begin Confidential **** [REDACTED] **** End Confidential **** in the companies' income. Any cash reserves that the companies previously maintained for emergencies have been depleted by this drastic reduction in revenue.

Additionally, the reduction in revenue has caused AEE to fall out of compliance with its TIER requirement contained in its RUS loan agreement.⁹ RUS has since asked AEE to explain why it has fallen below the TIER and what plans AEE has to return to profitability. AEE has informed RUS that, despite its best efforts to decrease costs – including by reducing the number of employees and decreasing capital investment – the high cost loop support limits do not reflect the costs of

⁸ AEE March 11, 2015 Ex Parte at 1-2; Response of Adak Eagle Enterprises, LLC and Windy City Cellular, LLC to the Commission's August 12, 2014 Letter, WC Docket No. 10-90 et al., at 7 (Aug. 22, 2014).

⁹ See Attachment A; Adak Eagle Enterprises, LLC and Windy City Cellular, LLC Notice of Ex Parte, WC Docket No. 10-90, WT Docket No. 10-208, at 1, 3 (Apr. 9, 2015).

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providing service on Adak. Absent a waiver of the high cost loop support limits, AEE does not expect to return to profitability and achieve the specified minimum TIER.

As we have for the last three years, we continue to stand ready to answer any questions or discuss any issues raised by staff. As explained in previous filings, there are factors that make costs difficult to predict. We remain intent on providing any further information that you require and on seeking a mutually agreeable resolution. Should you have any questions regarding the foregoing information, please do not hesitate to contact the undersigned.

Respectfully submitted,



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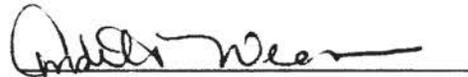
DECLARATION OF ANDILEA WEAVER
ADAK EAGLE ENTERPRISES, LLC; WINDY CITY CELLULAR, LLC; AND ADAK
TELEPHONE UTILITY, LLC

I, Andilea Weaver, declare that the following is true and correct to the best of my knowledge and belief:

I am the Vice President and Chief Operations Officer of Adak Eagle Enterprises, LLC, Adak Telephone Utility, LLC, and Windy City Cellular, LLC (collectively, the companies). I have reviewed the companies' letter dated April 30, 2015 and I prepared and have reviewed the attached document and attest – under penalty of perjury – that the facts contained therein are known to me and are accurate.

Executed on this 30th day of April 2015.

Respectfully,



Andilea Weaver
Vice President and Chief Operations Officer
Adak Eagle Enterprises, LLC; Adak
Telephone Utility, LLC; and Windy City
Cellular, LLC