

May 14, 2015

VIA ELECTRONIC FILING

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

Re: Connect America Fund, WC Docket No. 10-90

Dear Ms. Dortch:

On Tuesday, May 12, 2015, Leonard Steinberg and Mike Todd of Alaska Communications Systems (“ACS”) and I met with Nicholas Degani and Travis Litman, and on Wednesday, May 13, 2015 Msrs. Steinberg and Todd and I met with Daniel Alvarez and Amy Bender. In these meetings, ACS described a recent acquisition of fiber optic cable facilities on Alaska’s North Slope, and discussed the urgent need for more “middle mile” facilities connecting remote areas of Alaska.

ACS specifically discussed the merits and shortcomings of the Alaska Telephone Association (“ATA”) proposal for universal service reform filed February 20, 2015 in the above-captioned docket.¹ ACS itself is one of the largest provider of local exchange and exchange access services to rural and remote communities in Alaska, and the second-largest provider of service to the Alaska Bush, serving 49 communities that are not accessible by road, and lack access to fiber middle-mile infrastructure. ACS observed that, even after implementation of the FCC’s Connect America Fund (“CAF”) Phase II program, ACS expects that those Bush communities will continue to lack any access to affordable, reliable high-speed broadband. The cost of serving those communities, comprising thousands of individual customer locations, will greatly exceed the available funding even with CAF Phase II funding. ACS thus has a direct interest in any Universal Service plan addressing the needs of rural and Bush Alaska.

Coincidentally, Chairman Wheeler visited Alaska in August 2014 and challenged local carriers to develop ideas for Universal Service reform that would close the state’s broadband gap without increasing the overall amount of support flowing to Alaska. At the time, roughly \$250 million per year was allocated to Alaska’s eligible telecommunications carriers (“ETCs”) across all Universal Service programs – high-cost support, low-income support, the rural health care

¹ Letter from Christine O’Connor, ATA, to Marlene Dortch, WC Docket No. 10-90 (filed Feb. 20, 2015).

program, and the schools and libraries (“E-rate”) program. On September 19, 2014, ACS made proposals precisely addressing the Chairman’s challenge.² ACS intended to open a dialog that would lead to greater broadband availability throughout the state. ACS proposed addressing the inadequacy of middle mile facilities, reducing inefficient allocations of support under some of the current programs, and reallocating that support where it can benefit the greatest number of unserved Alaskans.

While ACS fully supports continuation of existing levels of high cost support for Alaska’s small rate of return carriers, the ATA plan is fundamentally flawed due to its failure to address Alaska’s critical lack of adequate middle mile transport capacity. Meanwhile, a total of \$291,900,610 in various types of Universal Service support flowed to ETCs in Alaska in calendar year 2014. Specifically, ACS received less than \$29 million, the rate-of-return carriers received just over \$60 million, and GCI (through its incumbent local exchange carrier and its competitive ETC funding) received nearly \$172 million.

Carrier	High-Cost	Low-Income	E-Rate	Rural Health Care	Total Support	Percentage
ACS	\$19,692,237	\$363,182	\$3,595,269	\$5,197,640	\$28,848,328	9.883
ROR	\$52,518,291	\$582,310	\$1,932,455	-	\$55,033,405	18.853
GCI	\$60,760,080	\$11,402,159	\$48,334,950	\$51,439,822	\$171,937,011	58.902
CETC	\$21,992,049	\$665,904	\$10,070,414	\$3,353,498	\$36,081,865	12.361
Total	\$154,962,657	\$13,013,904	\$63,933,089	\$59,990,960	\$291,900,610	100.000

ACS has proposed modest limits on the amounts that ETCs may recover from the E-rate and rural health care programs, which would free up support over time for urgently needed middle mile investment. Capping recovery from those programs at 125 percent of the urban (Anchorage) rate would yield substantial savings that could be shifted to middle mile infrastructure *without diminishing services to rural health care facilities or schools or libraries.*

Moreover, if support for middle mile infrastructure is administered in a competitively neutral manner, all Alaska would benefit – rather than a single carrier. ACS reiterated how past projects – such as GCI’s BIP-funded TERRA-SW project – have not been operated in the public interest but treated as private networks available only for a single company’s profit. Competing carriers have been denied access, or offered rates that grossly exceed any reasonable measure of cost, including the operator’s own retail rates.

ACS therefore urges the Commission to explore the creation of a neutral administrator to build, operate and maintain middle mile infrastructure serving remote areas of Alaska that lack access to broadband today. ACS is aware of a number of analogies in the communications, energy and transportation sectors, where distribution infrastructure is operated in a cooperative and non-discriminatory manner, so that all retail service providers have equal access to the

² Letter from Anand Vadapalli, President and CEO, Alaska Communications, to Chairman Wheeler, Sept. 19, 2014.

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facilities at affordable rates. ACS will continue to develop its proposal for such an entity to administer Alaska rural middle mile infrastructure.

ACS believes it has been responsive to Chairman Wheeler's challenge. ACS urges the Commission to incorporate these ideas into its consideration of future Universal Service reforms in rural areas, not only in the high-cost program but across all Universal Service programs. The Commission understands that providing high-quality and advanced communications services in Alaska presents unique challenges. Only by addressing these challenges in a comprehensive fashion, including consideration of all stakeholders and all programs, will the Commission develop a solution that propels Alaska forward with the rest of the nation.

This notice is filed pursuant to Section 1.1206(b) of the Commission's rules.

Please direct any questions concerning this filing to me.

Very truly yours,



Karen Brinkmann

Counsel for ACS

cc: Daniel Alvarez
Amy Bender
Nicholas Degani
Travis Litman