Alaska Telephone Association

Ed Cushing
President

201 E. 56th Avenue, Suite 114
Anchorage, AK 99518
(907) 563-4000
www.alaskatel.org

Christine O'Connor
Executive Director

February 3, 2016

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

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

Dear Ms. Dortch:

The Alaska Plan is an integrated incentive plan for Alaska's rate-of-return and mobile competitive eligible telecommunications carriers ("CETCs") that proposes specific performance obligations to extend and support fixed and mobile broadband service to Alaskans using frozen high cost funds. It was developed due to Alaska's unique circumstances, including its vast geography, extreme climate, limited supporting infrastructure, lack of ubiquitous fiber networks, necessary continued reliance, in some areas, on microwave and satellite backhaul, and historical position lagging the rest of the country with respect to all types of broadband deployment. Although it is a unique solution, the Alaska Plan aligns well with the priorities of national reform currently under consideration.

Alaska Telephone Association submits the attached summary of the Alaska Plan's provisions with respect to rate-of-return ILECs in comparison with elements of reform being considered for the rate of return industry in general. It is our intention that this document be informative in demonstrating how the Alaska Plan works together with national reforms to support broadband service in Alaska. It is essential that the Alaska Plan – including both its ILEC and CETC provisions, which are an integrated whole -- be included in reforms under consideration at this time to avoid needless delays in supporting expanded broadband service.

Pursuant to Section 1.1206 of the Commission's rules, this ex parte letter is being filed via ECFS in WC Docket 10-90.

Respectfully submitted,

Via ECFS 2/3/2016

Christine O'Connor
Executive Director

Alaska Plan – Comparison of Rate-of-Return ILEC Provisions with National Reform Elements

The Alaska Plan is an incentive plan that proposes specific performance obligations to extend and support broadband service to Alaskans using frozen high cost funds, covering both rate-of-return ILECs and CETCs (all of which are affiliated with rate-of-return ILECs) in a single integrated plan. Alaska's unique circumstances require an additional option to those being developed for the national rural wireline industry. The Alaska Plan aligns well with the priorities of national rate-of-return reform currently under consideration, and any Alaska company could choose to remain in the national USF mechanisms (whether cost or A-CAM) rather than voluntarily opting into the Alaska Plan. The Alaska Plan simply creates an alternative means, tailored to Alaska, to meet the national objectives.

1. **National Plan: Possible ICLS modification to support stand-alone broadband.**

   Alaska Plan: The Alaska Plan does not require any adjustments to the ICLS mechanism. The Alaska Plan uses frozen support (including frozen ICLS amounts) to operate and deploy networks providing voice and broadband service. There is therefore no need to make adjustments to the ICLS mechanism to avoid negative impacts to offering broadband-only service. There are no pooling or other impacts to support mechanisms to a company offering stand-alone broadband.

2. **National Plan: Operating expense limits.**

   Alaska Plan: For ILECs, the Alaska Plan would continue the corporate operations limits for HCLS and ICLS by incorporating those when setting the level of frozen support. Specifically, support would be frozen at 2011 levels, then adjusted to account for corporate operations expense limits. Support levels will be frozen lower if this amount would have exceeded the $3000 per line cap. No participating carrier will have the opportunity for increases due to inflation, investment, or increased costs, and all carriers will have specific, individually tailored performance obligations to meet over that period. This means that participating carriers will have to undertake the investment needed to meet their performance obligations from the frozen support amounts, without the ability to obtain increased support for that new investment or additional expenses. Fixed funding automatically enforces operating efficiencies.

3. **National Plan: Capital expense limits.**

   Alaska Plan: Participating Alaska carriers' funding would be frozen and, unlike the national carriers that stay under a cost-based system, they would have specific, individually tailored performance obligations for broadband deployment, upgrade, and maintenance. Increased capital investment and depreciation will not generate increased support. There is therefore no need for additional capital expense limits--Alaska companies will be required to carefully plan capital expenditures to stay within the fixed funding provided while meeting their performance obligations.

4. **National Plan: Overall cap on the high cost fund.**

   Alaska Plan: The Alaska Plan would not affect an overall cap on the fund. The Alaska Plan is self-funding and, when both ILEC and CETC components are adopted, remains within the 2014 footprint of HCLS/ICLS for Alaska. It considers funding for Alaska as a whole, targeting funds to provide the most benefit to unserved and underserved areas. The funds set aside are at the combined 2014 level for Alaska's ILEC and CETC companies, taken together. Within those funds, amounts are retargeted from non-remote areas to underserved wireless areas and ILEC backbone networks, and from wireline CETC service to wireless areas in order to reach the most unserved and underserved Alaskans. By remaining within the 2014 level of HCLS/ICLS for Alaska and by retargeting a minimal amount of current Alaska CETC funding to support rural wireline networks, the Alaska Plan does not require any support from reserve funds and in fact, locks in the steep decline in support Alaska's ILECs (and CETCs serving non-Remote Alaska areas) have experienced since 2011. This allows the funds that have left Alaska to continue to be used to support national rate of return companies and help to avoid pressure on the overall budget cap.

   The Alaska Plan is an incentive plan that assigns defined funding to pre-determined service commitments. Application of additional support reductions in future years would prevent achievement of those commitments and eliminate the benefits to broadband service the Alaska Plan promises to provide.

5. **National Plan: Possibly eliminating competitive overlap.**

   Alaska Plan: The Alaska Plan for rate-of-return carriers does not include provisions to eliminate or disaggregate support due to the presence of unsubsidized competitors. Due to the extremely high cost of providing service in Alaska, all providers receive some form of universal service support, each rate-of-return carrier is small, and none (with the exception of a small piece of the MTA service area) serves areas outside Remote Alaska. Attempting to unravel the undetermined areas of overlap would be extremely complex and disruptive to service in Alaska. The Alaska Plan allows the Wireline Competition Bureau to take any overlaps into account as it approves Performance and Accountability plans for each carrier, reflecting that carrier's specific circumstances.

6. **National Plan: No specific buildout obligations.**

   Alaska Plan: In exchange for frozen support, Alaska Plan participants would commit to specific buildout obligations, which require approval from the Wireline Competition Bureau. Alaskan rate of return ILECs and competitive carriers submitted detailed proposed performance obligations to the Commission describing the broadband benchmarks they will be able to meet with frozen support. As proposed, at the end of 10 years remote wireline locations meeting the Commission's 10/1 benchmark will increase from 68% to 81%. (Similarly, as proposed, remote wireless locations meeting a 3G benchmark will increase from 48% currently to 83%, and 4G will increase from 10% to 61%. These plans would have to be approved by the Wireless Telecommunications Bureau.) This is a dramatic

increase in access to both fixed (and mobile) broadband in some of the most remote, high cost areas in the US and will provide life-changing access to advanced services to Alaskans.

Companies will report annually on progress toward meeting the benchmarks using the established Form 481 and 5-year plan process, as well as through Form 477 data submissions. The performance obligations use the same definitions of "remote" as the FCC has set in previous reform orders, excluding the most densely populated areas of Alaska such as Anchorage, Fairbanks and Juneau.

7. **National Plan: Rate of return represcription.**

Alaska Plan: Because companies elect a frozen support level, and must commit to a level of future deployment in their Bureau-approved Performance and Accountability Plans, the Alaska Plan is an incentive-based system, no longer based on the prescribed rate-of-return