

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
ETC Annual Reports and Certifications)	WC Docket No. 14-58
)	
Developing a Unified Intercarrier Compensation Regime)	CC Docket No. 01-92

**REPLY COMMENTS OF THE
ALASKA TELEPHONE ASSOCIATION**

The Alaska Telephone Association (ATA)¹ respectfully submits these reply comments in the above captioned proceeding.² The *Further Notice of Proposed Rulemaking* (“FNPRM”) reviews and proposes to exclude certain expenses in the interstate revenue requirement of rate-of-return carriers unless such expenses are recognized by the Commission as necessary to the provision of interstate telecommunications services and used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.³ ATA

¹ The Alaska Telephone Association (ATA) represents Adak Telephone Utility, Alaska Communications, Alaska Telephone Company, Arctic Slope Telephone Association Cooperative, Bristol Bay Telephone Cooperative, Bush-Tell, Copper Valley Telecom, Cordova Telephone Cooperative, GCI Communications Corp., City of Ketchikan, dba Ketchikan Public Utilities, Matanuska Telephone Association, Nushagak Cooperative, OTZ Telephone Cooperative, Summit Telephone Company, TelAlaska, United Utilities, and Yukon Telephone Company. ATA member companies take pride in providing advanced telecommunications infrastructure and ensuring connectivity from Alaskan businesses and homes to the nation and the world.

²*Connect America Fund, et al.*, WC Docket No. 10-90 *et al.*, Report and Order, Order and Order on Reconsideration, Further Notice of Proposed Rulemaking (rel. March 30, 2016) (alternatively, *Rate-of-Return Reform Order* or “FNPRM,” as applicable).

³*Id.*

agrees with the comments of NECA that “there is a need for the Commission to clarify what expenses may or may not be included in carrier rate bases and universal service data submissions. New rules adopted in this proceeding should be clear and simple for carriers, NECA, and the Universal Service Administrative Company (USAC) to administer, and should apply on a prospective basis.”⁴

These comments will focus on one particular proposed rule which proposes the exclusion of costs for aircraft, watercraft and other off-road vehicles.⁵ ATA will restrict its comments to watercraft and terrestrial vehicles as used in Alaska.⁶ The use of such vehicles in Alaska is both necessary and cost-efficient. Adopting a rule that includes a blanket exclusion of the costs of off-road vehicles is contrary to the Commission’s goals of encouraging efficiency, ensuring that the costs included in high-cost Universal Service support and the interstate rate base are prudent and that the assets leased or purchased are used and useful.

In its comments in this proceeding, WTA – Advocates for Rural Broadband recognized the usefulness of off-road vehicles in challenging environments, saying “In the large and rugged service areas of many RLECs, particularly in portions of the rural West, aircraft, watercraft or off-road motor vehicles are often the fastest, safest, most reliable, most efficient and least

⁴ See Comments of NECA in *Connect America Fund, et al.*, WC Docket No. 10-90 *et al.*, Report and Order, Order and Order on Reconsideration, Further Notice of Proposed Rulemaking (submitted May 12, 2016) at i.

⁵ See FNPRM, Appendix A, § 65.450(e)(3) in part “For purposes of determining whether an expense is recognized by the Commission as “necessary to the provision of these services” under paragraph (a) of this section, the expense must be used and useful and a prudent expenditure. The Commission specifically provides that the following expenses are not necessary to the provision of interstate telecommunications services regulated by the Commission: (3) Aircraft, watercraft, and other motor vehicles designed for off-road use, except insofar as necessary to access inhabited portions of the study area not reachable by motor vehicles travelling on roads;”

⁶ The situations described *infra* which make prudent the use of watercraft and other off-road vehicles refer to Alaska, but may apply in areas other than Alaska.

expensive ways for technicians to reach remote areas to install, inspect or repair facilities.⁷

ITTA noted that “Although bright lines make it easier for the Commission, auditors and carriers to know what should be included and excluded, bright lines are not always appropriate or reasonable. For example, the FNPRM proposes to exclude from a carrier’s interstate revenue requirement “corporate aircraft, watercraft, and other motor vehicles designed for off-road use” unless they are necessary to access inhabited portions of the study area that not reachable by travelling on roads. While this proposal appears reasonable, it may not be so in all circumstances. As the Commission has noted on numerous occasions, there is great diversity amongst rate-of-return carriers and for some carriers’ watercraft or airplanes may be the most economic and efficient way to reach certain areas of their service territory.”⁸

Most Alaskan companies, particularly in the Bush, but even outside of the major metropolitan areas, have need for some off road assets, whether wheeled off-road vehicle, snowmobile or boat. These reply comments will illustrate that off-road vehicles, as used by Alaskan carriers, are used and useful, the costs of acquiring such vehicles are prudently incurred, and the vehicles are necessary to the provision of interstate telecommunications services.”⁹

As used by Alaskan carriers, off-road vehicles are both used and useful and a prudent expenditure and thus should not be excluded from the interstate rate base nor from calculation of high-cost Universal Service Fund support. These vehicles are acquired since in some instances they are the only vehicles capable of performing a particular task, or because they are more

⁷ See Comments of WTA – Advocates for Rural Broadband in *Connect America Fund, et al.*, WC Docket No. 10-90 *et al.*, Report and Order, Order and Order on Reconsideration, Further Notice of Proposed Rulemaking (submitted May 12, 2016) at 13.

⁸ See Comments of WTA in *Connect America Fund, et al.*, WC Docket No. 10-90 *et al.*, Report and Order, Order and Order on Reconsideration, Further Notice of Proposed Rulemaking (submitted May 12, 2016) at 3.

useful and efficient than vehicles that are not capable of being used off-road. Although some remote locations may have roads – some pavement and some gravel – the off-road vehicle is still more efficient for reasons having nothing to do with the presence or absence of roads. The chart below includes other considerations that may determine whether the off-road vehicles are the prudent choice for maintaining outside plant.

Below is a photograph of an off-road vehicle being used by ATA member Arctic Slope Telephone Association Cooperative (ASTAC, as visible on the vehicle) for outside plant maintenance.



The following summarizes the cost of a typical wheeled terrestrial off-road vehicle, a RZR 900, versus a conventional truck, a Ford F-350 pickup, used for outside plant maintenance.

	<u>RZR 900</u>	<u>F350 pickup truck</u>
Purchase price	\$21,000	\$40,000
Fuel economy	60 mpg+	8-12 mpg
Curb weight	1190 lbs.	7035 lbs.
Length	9 feet	22 feet

In addition to the lower initial cost of the off-road vehicle, which includes enclosing and insulating the cab as well as adding a roof rack for tools such as ladders, the other listed parameters are equally important to carriers operating in Alaska. Fuel economy is especially important since gasoline must be barged in or flown to villages where it can cost in excess of \$10 per gallon. Similarly, since vehicles must be barged in or flown to villages, lower curb weight and shorter wheel base reduces high shipping costs.¹⁰ Because in the Arctic the costs of construction and buildings needed to garage vehicles is high, the shorter length of the off-road vehicles is also more cost-effective.

Another type of off-road vehicle, the snowmobile, is also needed in the harsh Alaskan environment. For example, Copper Valley Telephone Cooperative requires the use of snowmobiles to access remote sites in the winter. The sites may be on roads, but there are no roads between the sites and where vehicles are housed.

Boats, as shown below, are also used and useful for Alaskan carriers. In the particular circumstance illustrated by the photograph below, it was efficient for Cordova Telephone Cooperative to acquire a boat via a short-term lease to construct outside plant facilities. The photograph shows the placement of a fiber optic cable in a lake near town to avoid digging along

¹⁰ For example, of the nine exchanges served by ASTAC on the North Slope of Alaska, eight do not have any roads leading to them. All motor craft must be flown in by air cargo.

a highway for five miles. The cable reel in this photograph weighed over 11 tons. Once the cable reel was loaded onto the boat and the boat was placed in the water, it took only six hours to deploy the five miles of cable. The terrestrial alternative would have cost \$120 thousand instead of the \$25 thousand spent by using the boat.



In addition, in certain instances it is necessary and appropriate to use boats for maintenance purposes. For example, MTA uses a john boat to service recreational cabins in myriad lakes in the Mat-Su serving area. The only way to reach these cabins for most of the year is by boat. There is a narrow window in winter when the ice is thick enough to drive a truck to them. The john boat carrying maintenance equipment is shown below.



As illustrated in the examples provided above, Alaskan carriers are using efficient and innovative solutions to the transportation challenges posed by the harsh Alaskan environment. These are exactly the types of creative management responses to high costs that the Commission should seek to encourage in its FNPRM. Alaskan carriers, as exemplified by ASTAC, Cordova, Copper Valley and MTA in the examples cited above, have demonstrated their commitment to serving Alaskan consumers with advanced telecommunications services using the most efficient means possible. Any rules adopted by the Commission in response to the FNPRM should be

flexible enough to accommodate the use of off-road vehicles as used for cost-savings by Alaskan carriers.

Respectfully submitted,

Christine O'Connor
Executive Director
Alaska Telephone Association

June 13, 2016