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December 8, 2006

**VIA ELECTRONIC FILING**

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

Re: *Petition of ACS of Anchorage, Inc. Pursuant to Section 10 of the Communications Act, as amended, for Forbearance from Section 251(c)(3) and 252(d)(1) in the Anchorage LEC Study Area*, WC Docket No. 05-281 -- *Ex Parte* Notice

Dear Ms. Dortch:

On December 7, 2006, Leonard Steinberg and David Eisenberg of Alaska Communications Systems Group, Inc., and Karen Brinkmann and Elizabeth Park of Latham and Watkins LLP, all on behalf of ACS of Anchorage, Inc. ("ACS"), met with Ian Dillner, legal advisor to Commissioner Tate, to discuss the above-referenced proceeding.

During the meeting, ACS expressed its willingness and its need to negotiate commercial agreements with General Communication, Inc. ("GCI") for reciprocal access to facilities at market-based rates and to retain the revenue that GCI's UNE leasing generates for ACS. Forbearance from ACS's UNE obligations in Anchorage is necessary to give an incentive to GCI to engage in meaningful negotiations for commercial UNE rates. A grant of forbearance will bring the certainty that the parties need to reach an agreement regarding access to ACS's network. ACS and GCI have a long history of working together to resolve operational issues, and ACS is confident that the parties can reach an agreement quickly. Thus, a 3-6 month transition period is sufficient.

Given the significant level of current and future facilities-based competition, market forces will ensure that rates will be just and reasonable. Further, ACS will remain subject to the requirements of Sections 201 and 202 of the Communications Act of 1934, as amended. Further, ACS has a strong economic interest in maintaining GCI as a wholesale customer on ACS's network. Based on GCI's current facilities, ACS believes that GCI can reach all locations in Anchorage. Therefore, ACS would be unable to keep GCI on ACS's network if UNE rates were increased to an unreasonable rate.

During the meeting, the merits of a benchmark UNE rate as a touchstone for a "just and reasonable" rate was discussed. Referring to a negotiated rate, such as the UNE loop rate negotiated by ACS and GCI for Fairbanks, may be useful as an example that commercial negotiations can be successful between these parties. However, ACS is concerned that establishment of a benchmark rate could invite litigation that will inhibit the ability of the parties to negotiate a commercial UNE agreement. Negotiation of the UNE agreement in Fairbanks involved multiple factors, and a single term may not be meaningful outside the context of the entire agreement. Moreover, ACS hopes an agreement can be reached in Anchorage that will include terms and conditions that are beyond the scope of the Fairbanks agreement, such as terms for ACS access to exclusive GCI facilities. Allowing the parties to negotiate subject to market forces rather than regulatory intervention will permit innovative solutions, which might include differentiated pricing based on geographic, volume or term distinctions, that have not been achievable in a regulated environment. ACS also clarified that the negotiations in Fairbanks focused on DS0 loops, as GCI was not ordering many DS1 or higher capacity loops in that market.

ACS fears the Fairbanks UNE loop rate may be too low to provide the appropriate incentive to GCI to negotiate commercial terms, but if the Commission does make some reference to the Fairbanks loop rate, ACS urges the Commission to provide for a ten percent annual increase in that benchmark. Without such an escalation provision, GCI may not be willing to negotiate a market-based solution. Only when the price point reaches a commercially reasonable level will the parties each have adequate incentive to invest in their own facilities.

ACS also emphasized that any grant of forbearance relief should make clear that forbearance is effective immediately after the end of the transition period established by the order, notwithstanding any existing agreement. The interconnection agreement between ACS and GCI for the Anchorage Study Area provides that any Commission decision that is inconsistent with or preempts the terms of the agreement will not take effect until any such decision is final and no longer subject to administrative or judicial review. Section 2.3 of the agreement specifically states:

> In the event that a regulatory agency or court of competent jurisdiction (a) finds that the terms of this Agreement are inconsistent in one or more material respects with applicable federal or state law or any applicable rules, regulations, or orders, or (b) alters or preempts the effect of this Agreement, then once such decision is final and no longer subject to administrative or judicial review, the Parties immediately shall commence good faith negotiations to conform this Agreement to the terms of such decision or to the terms of the subject federal or state law or applicable rules, regulations, or orders.

The Commission's order in this proceeding should make clear that, notwithstanding any existing agreement, the terms of the order are effective upon adoption. Such language is necessary to make any forbearance relief meaningful, and will also provide sufficient guidance to allow the parties to negotiate a commercial agreement within the transition period adopted in the order.

Additionally, if the Commission adopts a benchmark UNE rate, the Commission should provide adequate guidance to the Regulatory Commission of Alaska ("RCA") to revisit TELRIC rates for any areas of the Anchorage study area where forbearance is not granted. The current TELRIC UNE rate is based on costs averaged across the study area. However, these areas that the Commission determines are not entitled to forbearance could well be the higher cost areas to serve; thus, it would be inappropriate to maintain the existing UNE rates based on TELRIC calculations for the entire study area.

Attached are copies of materials provided at the meeting. Please direct any questions regarding this matter to me.

Respectfully submitted,

*/s/*

Karen Brinkmann

*Counsel to ACS of Anchorage, Inc.*

Enclosures

cc: Commissioner Tate
Ian Dillner