

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

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN docket No. 09-51
)	
High-Cost Universal Service Support)	WC Docket No. 05-337

REPLY COMMENTS OF ALASKA COMMUNICATIONS SYSTEMS

Alaska Communications Systems (“ACS”)¹ submits these Reply Comments in response to Public Notice DA 10-846 issued by the Federal Communications Commission (“FCC” or “Commission”) on May 13, 2010 seeking comments on the Universal Service Reform Notice of Inquiry (“NOI”) and Notice of Proposed Rulemaking (“NPRM”). Initial comments in this matter were submitted by interested participants on July 12, 2010.

I. INTRODUCTION AND SUMMARY

ACS offers the following summary of its Reply Comments regarding proposed policy and technical changes to the federal Universal Service Fund (“USF”):

- Recap of the ACS position articulated in initial comments.
- Additional information regarding the unique conditions of service provisioning in Alaska.
- Comments in response to those submitted during the initial round.

¹ Alaska Communications Systems in this proceeding represents four local exchange carriers, ACS of Alaska, Inc., ACS of Anchorage, Inc., ACS of Fairbanks, Inc., and ACS of the Northland, Inc., as well as ACS Long Distance, Inc., ACS Internet, Inc., and ACS Wireless, Inc. Together, these companies provide wireline, wireless and other telecommunications, information, broadband, and network services to consumer, business and enterprise customers in the State of Alaska and beyond using its statewide and interstate network.

II. COMMENTS

ACS Position Regarding USF² Policy

ACS presented a detailed discussion of the issues to be addressed in the Commission's NOI/NPRM in its July 12, 2010 filing. The following is a synopsis of the position ACS previously advanced.

In its NOI/NPRM, the FCC noted its intent to replace federal USF support for legacy switched services with a new regime of broadband funding that would largely encompass IP³-enabled services. Inherent in the FCC's proposal are assumptions about the existence and availability of the basic core infrastructure for broadband networks, particularly the availability of terrestrial fiber, copper, or microwave backhaul. Alaska is unique among the states in lacking this basic infrastructure between most of its communities. Consequently, ACS has recommended that the FCC defer the application of new USF rules to Alaska until such time as ninety-five percent (95%) of Alaska's communities are connected by terrestrial backhaul and also permit current High Cost Fund ("HCF") support to be used for broadband facilities and services (including satellite backhaul services). This support is not available under the rules in place today and will help Alaska join the rest of the nation with the development of a broadband network while still enabling support for the existing network.

ACS asserts that CETC⁴ HCF support should also be continued for up to three or four competitors. CETC support is necessary to: (1) ensure that rural residents in Alaska have access to telecommunications services (including a choice of services and service providers) comparable to urban residents; and (2) to avoid monopoly provisioning of broadband services

² Universal Service Fund.

³ Internet Protocol.

⁴ Competitive Eligible Telecommunications Carrier.

and the resulting need for broadband rate regulation. Consequently, ACS recommends that existing high-cost fund mechanisms, including the Tribal Lands exemption from the CETC cap⁵, be continued in Alaska until such time as 95% of Alaska communities have access to terrestrial backhaul supported broadband services.

As ACS stated in its July 12, 2010 Comments, the availability of competitive services in Alaska, including those now accessible in many rural markets, has brought significant benefits to consumers by way of an increased breadth of product and service offerings, improved quality of service and affordable prices often comparable to those found in more urban settings. In rural Alaska the services of even a single provider are only possible with the availability of federal USF support. Given that, competition in these markets is clearly not viable without the continuation of federal support for multiple providers. Failure to provide such support will result in the preponderance of Alaska markets reverting to monopoly service areas. Worse, depending on which entity survives, the provider could be an unregulated monopoly. This, in turn, will ultimately prompt the FCC to step in to regulate a broadband provider both as to rates and service quality. This is clearly an undesirable result from a public policy perspective and one that the FCC has repeatedly indicated it does not plan to pursue.

Alaska's Unique Operating Environment

ACS and other Alaska commenters have advised the Commission of the unique nature of telecommunications service provisioning in Alaska. In further support of that assertion, ACS offers Exhibit No. 1, attached to its Reply Comments. Page 1 of this exhibit sets out characteristics of rural and bush communities served by ACS of the Northland, Inc.

⁵ High-Cost Universal Service Support/Federal-State Joint Board on Universal Service. (Docket Nos. 96-45, 05-337). Adopted: March 4, 2009 by Order. Released: March 5, 2009. FCC No. 09-16).

Exhibit No. 1, page 2, shows the rural and bush coverage of ACS Wireless, Inc. where ACS is not the local exchange company. The exhibit further notes the various population sizes of the communities and the backhaul modality available for basic voice, data and broadband services. Exhibit No. 1, page 3, provides a listing of the remaining bush and rural communities⁶ served by other Alaskan wireline and wireless telecommunications providers. As the exhibit shows, ACS and the other Alaskan providers serve many communities that have less than 200 residents and many that do not have terrestrial backhaul connections. It is important to note that approximately 55% of all these rural and bush communities are dependent on satellite for middle mile connectivity.

In most bush communities, ACS relies on satellite backhaul that is provided by AT&T Alaska, TelAlaska, and by more recent market entrants, DRS Tamsco and AtContact Communications, to provision service for its communities “off the road system.” The satellite providers primarily use Galaxy 18 and AMC-8 (a/k/a Aurora 3), although some other satellites are in the same orbital vicinity and may provide Alaska coverage. As evidenced by a recent GCI news release, customers receiving telecommunications services via satellite backhaul can experience service interruptions caused by atmospheric and other conditions.⁷ In addition, the tariffed rate for a dedicated satellite T1 in Alaska from AT&T is \$14,656 monthly plus local access and taxes. GCI’s T1 satellite service tariffed rate is \$14,447 per month (plus local access and taxes). Volume and term discounts can reduce these tariffed prices to \$8,000-\$10,000 per month (plus local access and taxes). By comparison, a dedicated T1 from

⁶ Sixty percent (60%) of these communities served by ACS have a population of less than 200 residents.

⁷ www.gci.com, “GCI Rural Customers to Experience Service Disruptions,” GCI News Release, dated August 3, 2010.

Portland, Oregon to Seattle, Washington is only \$500 per month (plus local access and taxes), a fraction of the cost of a satellite connection of comparable distance in Alaska.

Response to Other Commenters

Other Alaskan commenters are in general agreement that Alaska is unique, and that policies designed to address the contiguous 48 states' situations are unlikely to achieve the same results in Alaska. For example, there is general agreement that proxy models are inadequate to project the cost of providing broadband throughout Alaska. There is also general agreement that the FCC's current pro-competition policies, including providing support for CETCs, have been successful. Statewide in Alaska, over 66% of lines are served by CETCs. In Anchorage, the ILEC provides fewer than 20% of total CETC lines. There are only two study areas in the State of Alaska that do not have a CETC competing somewhere within the study area, and these two study areas combined (North Country Telephone and Summit Telephone) serve fewer than 500 lines – less than 5 1/100ths of a percent of Alaskan lines. With the exception of GCI, Alaskan commenters also generally agree that reverse auctions in Alaska will eliminate all but one provider in most of the state, given the high cost environment in which they operate.

GCI diverges from other Alaskan commenters when it leaves the door open to reverse auctions. GCI may believe that it will be the big winner if reverse auctions are used, since it portrays itself in its comments as being uniquely positioned to provide statewide universal service, and notes the “economies of scale” it has achieved (coincidentally concurrent with its acquisition of an ILEC). However, in contrast to the clearly demonstrated ongoing success of a system that provides support to multiple providers in Alaska's extremely high cost operating environment, there is a high risk that the advances of recent years may be lost by reverting to a

system where the government selects winners and losers through reverse auctions or other means that restrict payments to a single provider.

CONCLUSION

ACS urges the Commission to preserve the substantial benefits Alaska has realized from the USF support it has received over the years while simultaneously including Alaska in the broadband revolution. Alaska's unique circumstances and characteristics justify a modified approach with the ultimate goal of bringing Alaska into full broadband participation with the rest of the states. That approach should include delaying any changes to Alaska's current level of participation in the federal high-cost fund until 95% of all Alaska communities have access to terrestrial backhaul facilities. In an effort to preserve and enhance the benefits of competition and to bring the national experience to Alaska, USF funding for three to four competitive providers per market should continue to be available in Alaska.

Respectfully submitted on this 11th day of August, 2010.

/s/ Leonard Steinberg
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