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May 17, 2011

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

RE: CC Docket No. 01-92, GN Docket No. 09-51 and WC Docket Nos. 10-90, 07-135 and 05-337

Dear Ms. Dortch:

On May 16, 2011, Dave Dengel of Copper Valley Telephone Cooperative; Steve Merriam of Arctic Slope Telephone Association Cooperative; Brenda Shepard of Interior Telephone Company, Inc. and Mukluk Telephone Company, Inc.; Jeff Smith of GVNW Consulting, Inc.; and Derrick Owens and Gerard Duffy representing the Western Telecommunications Alliance met with Angela Kronenberg, Wireline Legal Advisor to Commissioner Mignon L. Clyburn, to discuss various broadband and universal service matters affecting Alaskan rural telephone companies and their customers.

The topics included: (a) the unique Alaskan telecommunications construction and operating conditions, including short construction seasons and very high costs of air and road transportation for installation and maintenance; (b) middle mile transport issues, including high costs, capacity demands and constraints, and satellite reception limitations; and (c) broadband adoption successes and difficulties in tribal areas where most residents subsist on hunting and fishing, and where the costs of living are already very high (e.g., $9.20 for a gallon of gas and $15.58 for a gallon of milk).

Jeff Smith presented the attached data showing the adverse impacts of the Commission's near-term High Cost Fund proposals, as well as the importance of interstate and intrastate access revenues, with respect to the four represented Alaska rural telephone companies as well as a fifth such company. In addition to placing upward pressures on customer rates, the potential revenue losses will threaten compliance with existing construction loan covenants as well as make it difficult or impossible to obtain future loan financing.

CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKET NOS. 05-337, 07-135, 10-90 AND GN DOCKET NO. 09-51 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceedings.

Respectfully submitted,

Gerard J. Duffy

cc: Angela Kronenberg

Notes Regarding Computations and Assumptions

1 Federal HCL Support was calculated using data submitted to NECA in October 2010 that is used for the 2011 Support. Safety Net Additive (SNA) was added to the calculation.

2 ICLS was developed using the 2009 actual costs. No adjustments were made for the subsequent years.

3 LSS was calculated using 2009 actual costs. No adjustments were made for the subsequent years.

4 Federal HCL adjusted to reflect phase out of Corporate Expense (NPRM Part 36.621(a)(4)) and Reduction in Threshold (NPRM Part 36.631(c)) and an assumed National Average Cost Per Loop of $335.26 for years 2012 and forward.

5 ICLS was adjusted to reflect the phase out of Corporate Expense (NPRM Part 54.901(c)).

6 LSS was adjusted to reflect phase out of Corporate Expense (NPRM Part 54.301(c)(5)) and the total phase out of LSS (NPRM Part 54.301(a))

7 Paragraph 34 of the NPRM tees up the ultimate phase out of the current per minute ICC system. The data provided in this section shows how much of the Access Requirement still needs to be recovered either from the end user customers, or from ICC.

ASTAC

	2011	2012	2013	2014
Current Rules - Forecasted Revenues for USF				
1 Federal HCL Support and SNA (Note 1)				
2 HCL Acquired Exchange Support				
3 ICLS (Note 2)				
4 LSS (Note 3)				
5 LSS Acquired Exchange Support				
6				
7				
8				
FCC NPRM Forecasted Revenue Impact to USF				
9 Federal HCL Support (Note 4)				
10 HCL Acquired Exchange Support				
11 ICLS (Note 5)				
12 LSS (Note 6)				
13 LSS Acquired Exchange Support				
14 Total Loss in Revenues from USF				
15				
16				
Summary				
17 Total Lost Support				
18 Lost Support Per Line				
19 Lost Support Per Line Per Month				
Residual Access Requirement (Note 7)				
20 Interstate Access - Exclude Support				
21 Intrastate Access - Exclude Support				
22				
23 Access Lines				
24 Access Per Line - Annual				
25 Access Per Line - Per Month				

Copper Valley

	2011	2012	2013	2014
Current Rules - Forecasted Revenues for USF				
1 Federal HCL Support and SNA (Note 1)				
2 HCL Acquired Exchange Support				
3 ICLS (Note 2)				
4 LSS (Note 3)				
5 LSS Acquired Exchange Support				
6				
7				
8				
FCC NPRM Forecasted Revenue Impact to USF				
9 Federal HCL Support (Note 4)				
10 HCL Acquired Exchange Support				
11 ICLS (Note 5)				
12 LSS (Note 6)				
13 LSS Acquired Exchange Support				
14 Total Loss in Revenues from USF				
15				
16				
Summary				
17 Total Lost Support				
18 Lost Support Per Line				
19 Lost Support Per Line Per Month				
Residual Access Requirement (Note 7)				
20 Interstate Access - Exclude Support				
21 Intrastate Access - Exclude Support				
22				
23 Access Lines				
24 Access Per Line - Annual				
25 Access Per Line - Per Month				

Interior

	2011	2012	2013	2014
Current Rules - Forecasted Revenues for USF				
1 Federal HCL Support and SNA (Note 1)				
2 HCL Acquired Exchange Support				
3 ICLS (Note 2)				
4 LSS (Note 3)				
5 LSS Acquired Exchange Support				
6				
7				
8				
FCC NPRM Forecasted Revenue Impact to USF				
9 Federal HCL Support (Note 4)				
10 HCL Acquired Exchange Support				
11 ICLS (Note 5)				
12 LSS (Note 6)				
13 LSS Acquired Exchange Support				
14 Total Loss in Revenues from USF				
15				
16				
Summary				
17 Total Lost Support				
18 Lost Support Per Line				
19 Lost Support Per Line Per Month				
Residual Access Requirement (Note 7)				
20 Interstate Access - Exclude Support				
21 Intrastate Access - Exclude Support				
22				
23 Access Lines				
24 Access Per Line - Annual				
25 Access Per Line - Per Month				

Mukluk

	2011	2012	2013	2014
Current Rules - Forecasted Revenues for USF				
1 Federal HCL Support and SNA (Note 1)				
2 HCL Acquired Exchange Support				
3 ICLS (Note 2)				
4 LSS (Note 3)				
5 LSS Acquired Exchange Support				
6				
7				
8				
FCC NPRM Forecasted Revenue Impact to USF				
9 Federal HCL Support (Note 4)				
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11 ICLS (Note 5)				
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13 LSS Acquired Exchange Support				
14 Total Loss in Revenues from USF				
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17 Total Lost Support				
18 Lost Support Per Line				
19 Lost Support Per Line Per Month				
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20 Interstate Access - Exclude Support				
21 Intrastate Access - Exclude Support				
22				
23 Access Lines				
24 Access Per Line - Annual				
25 Access Per Line - Per Month				

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	2011	2012	2013	2014
Current Rules - Forecasted Revenues for USF				
1 Federal HCL Support and SNA (Note 1)				
2 HCL Acquired Exchange Support				
3 ICLS (Note 2)				
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24 Access Per Line - Annual				
25 Access Per Line - Per Month				

switching support shall be 33% of the amount calculated pursuant to this section. Beginning January 1, 2014, no carrier shall receive local switching support, subject to specified exceptions.

(b) ***

(c) ***

(5) For calendar year 2012, for purposes of calculating local switching support, the amount of corporate operations expense allocated by this factor shall be multiplied by 67%. For calendar year 2013, for purposes of calculating local switching support, the amount of corporate operations expense allocated by this factor shall be multiplied by 33%. Beginning January 1, 2014, corporate operations expense shall no longer be eligible for purposes of calculating local switching support. ***

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6. Section 54.302 is added to Subpart D as follows;

§ 54.302 Annual per-line limit on universal service support.

Subject to specified exceptions, beginning January 1, 2012, each study area in the continental United States shall be limited to $3,000 per-line annually in universal service support. For purposes of this section, universal service support is defined as the sum of the amounts calculated pursuant to sections 36.605, 36.631, 54.301, 54.305, 54.309, 54.800-808, and 54.901-904 of this chapter. Line counts for purposes of this section shall be as of the most recent line counts reported pursuant to section 36.611(h) of this chapter. The fund administrator, in order to limit support to $3,000 for affected carriers, shall reduce safety net additive support, high-cost loop support, local switching support, safety valve support, forward-looking support, interstate access support, and interstate common line support in proportion to the relative amounts of each support mechanism to total support the study area would receive absent such limitation.

7. Section 54.305 is amended by adding a sentence at the end of paragraph (a) as follows:

§ 54.305 Sale or transfer of exchanges.

(a) *** Five years after approval of the relevant study area waiver for the sale or transfer of exchanges, the provisions of this section are no longer applicable to acquired exchanges, if the acquired exchanges have more than 30% of housing units unserved by broadband, as indicated on the National Telecommunications and Information Administration's broadband map and/or the Commission's Form 477 data collection.

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8. Section 54.307(a) is revised by adding a third sentence as follows:

§ 54.307 Support to a competitive eligible telecommunications carrier.

(a) * * * Subject to specified exceptions beginning January 1, 2016, no competitive eligible telecommunications carrier shall be eligible to receive universal service support on the basis of this section. On or after January 1, 2012, competitive eligible telecommunications carriers shall be eligible to receive universal service support pursuant to subpart L and subpart M of this Part.