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
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing an Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109

REPLY COMMENTS
OF ALASKA COMMUNICATIONS

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SUMMARY

Alaska Communications ("ACS") hereby responds to the initial comments filed in this proceeding regarding proposed changes to federal universal service high-cost funding ("USF") and inter-carrier compensation ("ICC"). In particular, ACS comments on the effect of the proposals on customers and services in the unique Alaskan market.

While implementation may proceed in many areas of the U.S., for the benefit of consumers in Alaska, the Commission should defer changes in access and universal service support until it has more data and has thoroughly analyzed the effects of these new policies on consumers and investment in economically fragile environments such as Alaska.

There are many matters to consider. For example, the Regulatory Commission of Alaska ("RCA") notes that the FCC's proposed high-cost policy changes would significantly increase end-user local exchange rates and access rates in Alaska. ACS concurs. The RCA also concludes that FCC's proposed ICC changes would penalize states like Alaska that have already implemented intrastate access charge reform, and reward states that have above-average intrastate access rates. ACS agrees.

ACS has concerns both with the substance of the RCA's recommendations and for the potential negative outcomes associated with a bifurcated implementation scheme that will "squeeze" providers between conflicting state and federal policies. ACS emphasizes that inconsistencies between federal and state policies must be decisively settled before ICC reform proceeds. Failing that, preemption will be necessary for the FCC to effectuate its policies.

Regarding USF reform, ACS supports a set-aside or bidding credit for the Connect America Fund ("CAF") for Alaska incumbent local exchange carriers ("ILECs"), who historically have been underfunded. ILECs are the only effective "carriers of last resort"

("COLR"). Both initial capital expenditures and ongoing operating expenditures must be supported in Alaska. The Commission has in recent years adhered to a policy of special consideration for support on Tribal Lands, including Alaska Native Regions, and the record demonstrates that the need in those areas continues to be great. In addition, universal broadband deployment in Alaska requires support for middle mile facilities in Alaska.

As for the mechanics of the CAF, census blocks are not a useful starting point for distributing CAF in sparsely populated areas like Alaska. Historic exchange area boundaries are stable, well known, designed around real communities and populations, and are publicly available.

Moreover, in Alaska, CAF should support up to three providers in any geographic area. Rural areas in Alaska were slow to gain widely available telephone service, and attracted just a few market entrants. Alaska's rural consumers today benefit from two, three or four providers throughout the state, thanks to the pro-competitive policies of the RCA and the FCC. Many customers have access to better (and mobile) services today, including a choice of service providers, only because of USF. Denying future USF or CAF support to all but one provider would essentially guarantee withdrawal from the market by all providers except the funded company and would cause a reversion to monopoly service in many markets. In any event, the ILEC as the only effective COLR in the state should enjoy a right of first refusal. For the benefit of Alaska's consumers, CAF policies should be adjusted to avoid severe consequences in the Alaskan market.

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REPLY COMMENTS OF ALASKA COMMUNICATIONS

Alaska Communications, on behalf of its operating subsidiaries ("ACS"),[1] submits these Reply Comments in response to Public Notice DA 11-411 issued by the Federal Communications Commission (the "FCC" or the "Commission") on March 12, 2011 seeking input on its Comprehensive Universal Service Fund and Intercarrier Compensation Reform Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking in the above-captioned dockets (the "NPRM"). ACS submitted initial comments on April 18, 2011. ACS now replies to the comments filed by other participants in these proceedings.

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[1] Alaska Communications 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.

I. INTRODUCTION

ACS will offer its reply to other commenters, but first takes this opportunity to reiterate its initial positions in response to the Commission's NPRM.

ACS believes that the most appropriate USF/ICC policies for Tribal Lands, including Alaska Native Regions, should reflect:

- Rules for the Connect America Fund ("CAF") that are tailored to the special needs of residential, business, and institutional customers, recognizing the unique combination of service provisioning and infrastructure expansion challenges in markets like Alaska which are not confronted elsewhere in the nation.
- Recognition that substantially curtailing or phasing out existing federal support mechanisms and intercarrier compensation would have disastrous impacts in markets like Alaska.
- The unavailability, inadequacy and unaffordability of middle-mile and long-haul transport facilities to serve Alaska's geographically dispersed consumers.
- Minimum broadband service standards suitable for Tribal Lands where broadband transport is inadequate.
- Sufficient incentives for constructing, upgrading and operating broadband networks in rural markets like Alaska.
- An alternative mechanism to cost proxy models that will produce the desired outcomes in rural markets like Alaska.
- An alternative to the use of "reverse auctions," which would avoid unintended consequences in extremely high cost markets like those found in Alaska – not the least of

which could be a reduction in service or even a return to monopoly service in many rural locations, and the specter of FCC rate and service regulation.

- Resolution of inconsistent state and federal policies that otherwise leave ILECs in an untenable position—with obligations to obey Alaska's state regulators' continuing requirements to maintain circuit-switched, legacy voice networks--while the FCC's plan transitions the financial support to all IP-enabled networks.
- Clear guidance on state-imposed Carrier of Last Resort ("CoLR") duties that are predicated on continuing levels of federal USF support.
- CAF support set at levels adequate for the maintenance and upgrade of the current public switched telecommunications network ("PSTN") and expansion of broadband capabilities in Alaska.
- A per-line support freeze covering a reasonable period to ensure that network construction and upgrades can be completed in Alaska.
- Sufficient continued revenue support for Tribal Lands, including Alaska Native Regions, throughout a five year initial transition period (which, in Alaska's case, ACS believes will require greater revenue support than current levels if significant broadband build-out is to occur). After that, the Commission should re-evaluate the status of backhaul and related services on Tribal Lands before implementing further reform measures.

II. REPLY COMMENTS

A. Alaskan Commenters Consistently Support Continuing and Increasing the Amount of Support for Multiple Alaska Networks

ACS believes that it is important to point out the high degree of commonality found in the comments submitted by the Alaska participants – the Alaska Telephone Association ("ATA"), the RCA, General Communications, Inc. ("GCI") and ACS. Specifically, the Alaska entities all advocate for or describe in similar terms the following:

- The unique geographic, climatic and demographic characteristics that contribute to high costs and provisioning challenges for telecommunications in Alaska.
- The pressing need for terrestrial middle mile facilities in Alaska to support both voice and broadband services.
- The need to provide continuing federal financial support – both for capital and operating costs – for last mile and middle mile networks.
- The need to ensure sufficient and predictable cost recovery mechanisms that will incent needed private sector investment.
- The critical role that the FCC's "Tribal Lands" policy has played and will continue to play across the country and especially in insular and high cost places like Alaska.

In addition to the items of agreement noted above, most Alaska commenters acknowledge the important contributions competition has made in extending and expanding service offerings in rural Alaska at rates that are both affordable and reasonably comparable to those found in urban markets. These commenters strongly encourage a policy that continues to support multiple Eligible Telecommunications Carriers ("ETC") in markets that do not present a viable business case for competitive services in the absence of support.[2]

[2] Commenters outside of Alaska also have noted the importance of maintaining federal support for multiple ETCs in markets which would not present a business case for competition in the absence of such support. *See* Comments of TDS in WC Docket 10-90 *et al*. at 14 (filed Apr. 18, 2011) (CAF should support at least one wireline and one wireless ETC per area); Comments of MTPCS d/b/a Cellular One in WC Docket 10-90 *et al*. at 3 (filed Apr. 18, 2011).

B. The FCC's High-Cost Policy Changes Will Significantly Increase Consumer Local Exchange and Access Rates in Alaska

The RCA provides a clear rationale for its argument that the proposed high cost policy changes found in the Commission's NPRM will result in significant upward pressure on both local exchange rates and instate access charges.[3] The ACS operating companies, which include six ILEC study areas and one wireless company, are all currently eligible for varying components of USF support. At a high level, were support to end or even be significantly diminished, ACS would realize revenue shortfalls of between $3.00 and almost $30.00 per line per month depending on which entity/study area is being evaluated. There can be no question that economically responsible providers will attempt to recover those revenues from other sources – including directly from ratepayers. Rate increases that will in some cases be two or three times currently charged rates must be viewed as significant increases. Alternatively, unrecovered losses will work to jeopardize downstream network maintenance and make private sector investment for broadband expansion questionable if not impossible.

C. The FCC's ICC Proposals Penalize States That Already Have Implemented Intrastate Access Charge Reform – Including Alaska

In its comments, the RCA offers its opinion that, instead of rewarding states that have proactively reformed their instate access charge mechanisms, the Commission's proposed ICC policy will do the opposite and be unfair to states like Alaska.[4] ACS agrees. In Alaska, the RCA has recently promulgated regulations that dramatically reduce intrastate access rates. These regulations reduce carrier common line charges to zero and increase the Alaska Universal Service Fund ("AUSF") surcharge from about 1.4% to over 7%.[5] The state Network Access Fee

[3] *See* Comments of the Regulatory Commission of Alaska ("RCA") at 9-11.
[4] *See* Comments of the RCA at 28-29.
[5] Further, the ACS LECs already have intrastate per-minute access charges below the $.0095 interstate average-traffic-sensitive price cap target in most ACS study areas.

("NAF" – the Alaskan version of the Subscriber Line Charge or End User Common Line Charge) will immediately increase from $3.00 per line per month to $3.75 per line per month. The NAF will continue to increase to $5.75 per line per month over five years to enable the RCA to reduce the AUSF surcharge to about 6%. The increased charges to Alaskan end users in the form of NAF and AUSF might have been avoided and, instead, supported by federal funding, if Alaska had not undertaken access reform in advance of the FCC's new rules. The FCC may believe that it is encouraging states to move quickly to reform their instate access charge mechanisms when, in fact, the new policy may be working at cross purposes with the goal it is intended to achieve. Waiting for the new federal rules to take effect may actually be the more economically rational state regulatory strategy.

D. A CAF Set-Aside or Bidding Credit Should Be Designated for Alaska COLRs That Historically Have Been Underfunded

Many of the rule changes proposed in the NPRM are designed to reduce federal support for high-cost areas below current levels. However, some areas of the country have been chronically underserved, and merit support at higher levels than they currently receive, both to maintain existing services and to expand the availability of broadband to all residents in those areas. Alaska is such a place.

A number of commenters agree with the suggestion in the NPRM that Tribal Lands generally, and Alaska in particular, are historically underserved.[6] For example, the RCA explained that, whether the Commission considers Alaska's isolated status, or its wholesale

[6] NPRM para. 3 and n. 4. (Tribal Lands as defined in the NPRM include the Alaska Native Regions established pursuant to the Alaska Native Claims Settlements Act); NPRM para. 303 (Tribal Lands historically had less access to telecommunications services than any other segment of the population, and less than ten percent of residents on Tribal Lands have access to broadband).

Tribal Lands composition,[7] the state's unique qualities justify additional support for both capital and operating expenditures, during and after the transition from USF to CAF.[8] The RCA also opined that reducing USF and ICC revenues will inflict harm on the states' COLRs.[9] As the RCA notes, Alaska merits a different solution from the rest of the nation, given that the National Broadband Map shows broadband deployment at 4 Mbps/1Mbps as minimal in the state.[10]

In light of the historical difficulties of broadband deployment in Alaska, new funding should be created to support broadband deployment in Alaska.[11] It should be set aside, in the first instance, for the ILECs as the entities that have a track record as COLRs in Alaska.[12] This funding should be sufficient to support completion of broadband facilities, including much-needed middle mile facilities, to serve the entire population of the state.[13] As further discussed below, this will require funding not only facilities construction but also ongoing operating expenses in order to ensure achievement of statutory and regulatory goals.

E. Middle Mile Facilities Should Be Supported in Alaska

In certain states, middle mile and intrastate long-haul facilities constitute a large part of the total cost of providing voice or broadband service; in such states, including Alaska, additional support should be made available to fund broadband connections to bush and other remote communities. Unlike other states, nearly all transport in Alaska is provided by

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7 The native populations are so widely distributed in Alaska that the Alaska Native Regions encompass the entire geographic area of the state.

8 *See* Comments of the RCA at 7.

9 *See* Comments of the RCA at 10.

10 *See* Comments of the RCA at 7.

11 GCI supports the proposal in the NPRM for a set-aside for Tribal Lands. NPRM para. 302. Comments of GCI at 28.

12 *See, e.g.,* Comments of ATA at 2-4 (continuing support is justified for ILECs who have fulfilled the "social contract" of initial and continuing investment, and must recover that investment).

13 *E.g.,* Comments of the RCA at 23 (to achieve 4Mbps/1 Mbps in Alaska, funding must be increased, not decreased, to provide for additional middle mile facilities and service to insular and remote parts of the state).

interexchange carriers that are separate and distinct from the LECs and Internet service providers. As noted in ACS's initial comments, middle mile facilities in Alaska frequently require transport for hundreds of miles through territory not served by roads or the electric grid. GCI emphasizes the inadequacy of satellite backhaul that is relied upon today to link rural communities with Internet backbone and other major facilities.[14] ACS agrees that satellite systems do not provide the best service, but they might provide the most economical service. Therefore, while ACS encourages support for new terrestrial middle mile links, it is also true that the FCC should support satellite service in the interim if the FCC truly seeks to encourage broadband deployment. Even if the modest speeds of 4Mbps down/1Mbps up are adopted by the FCC as target throughput speeds, substantial construction of costly terrestrial facilities *and* expansion of satellite capacity will be needed to create the backhaul capability that will be necessary to deliver broadband at those speeds in Alaska.

The ATA points out that the Rural Health Care support program offers a model for middle mile funding.[15] This has been put to effective use already in Alaska. For example, ACS was able to partner with Cordova Community Hospital to improve the quality of health care and reduce costs associated with flying care providers to this remote site. With partial funding from the Rural Health Care program of the Universal Service fund, ACS set up a long-distance video teleconferencing link between the Community Hospital's mental health clinic and Alaska Psychiatric Institute in Anchorage. ACS also linked Central Peninsula Hospital in Soldotna, Alaska with its radiology provider in Mt. Vernon, Washington to speed the delivery of critical radiology services to this rural health care provider. These are both examples of highly valuable

[14] GCI Comments at 2. The RCA also points out that most of Alaska is not reached by adequate middle mile facilities today. Comments of the RCA at 23.

[15] ATA Comments at 10.

intrastate and interstate "middle mile" solutions that could not be funded under the current high-cost USF program, but should be eligible for funding under CAF.[16]

F. Both OpEx and CapEx Should Be Supported In Alaska

A number of commenting parties agree that there are many high-cost areas where supporting construction of facilities in itself will not be sufficient to ensure that all Americans have access to reasonably comparable and affordable services.[17] The Commission also will need to ensure that support is adequate where operating expenses are very high and population densities are very low, such as in Alaska. As ACS pointed out in its original comments, most of Alaska will require significant ongoing operating support for broadband networks. Alaska's communities are sparsely populated and are separated by vast distances with daunting access challenges and costs. Rates comparable to those in the contiguous 48 states will produce service revenues that are simply inadequate to cover Alaska's exceptionally high operating costs.[18]

G. Census Blocks Are Not a Workable Starting Point for Distributing CAF in Alaska

Many commenters support the use of census blocks as the geographic area within which CAF support should be awarded. The Commission believes that census blocks are

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16 For information about this and other rural health care projects in Alaska, see: http://www.alaskacommunications.com/Business/Industry-Solutions/Healthcare.aspx.

17 *See*, Comments of CoBank at 5-6 (ILECs may have difficulty obtaining financing in the absence of ongoing operating support);Comments of Iowa Telecom Ass'n at 9 (many of Iowa's rural ILECs are not earning a compensatory rate of return under today's rules); Comments of RCA at 10 (local rates could increase by as much as $200 per line per month if ongoing support is curtailed);Comments of Sacred Wind at 2-5 (high operating costs are inherent in serving extremely rural areas regardless of whether network investment occurs incrementally or on an accelerated basis; rural ILECs require ongoing support to help defray recurring operating expenses in high cost areas that cannot be covered by customer revenues); Comments of TDS at 17-18 (failure to provide for adequate revenues inevitably will lead to a decline in investment in high-cost areas); Comments of ViTelCo at 16 (ongoing support is needed for rural insular companies to maintain existing networks and provide service at affordable rates).

18 *See* Comments of ACS at 12, Comments of GCI at 2-3, Comments of RCA at 10.

"technology neutral" according to the NPRM.[19] However, the FCC may be creating a confusing new standard that will prove difficult and costly to apply in sparsely populated places like Alaska. While the FCC appears to want to evolve away from the wireline model's use of study areas, in Alaska, the proposed alternative may create more problems than it solves.

ACS is not aware of any tool currently available that effectively illustrates how census block boundaries correspond to study area or wire center boundaries. In addition, available census block data overlooks a great many unserved households and anchor institutions in Alaska, for the simple reason that a census block will be characterized as "served" even if just one customer has access to broadband there. Moreover, this problem is magnified in Alaska due to the sparsely populated nature of the vast majority of the state's geography. A block of one thousand – or even three thousand – customers may be "small" in some states, but in Alaska that could represent thousands of miles of territory.

For those reasons, ACS would have difficulty evaluating whether and how to participate in a CAF program for any given census block group in Alaska. In contrast, study area boundaries, exchange area boundaries and wire center boundaries are publicly available, at least in Alaska. They were established by the FCC and the RCA through public processes and are constructed around communities and populations that need to be served. Their parameters have long been well-defined and the Commission may be confident that it has information about the extent of actual broadband deployment by providers in these areas. While study areas elsewhere may be quite large, even statewide, in Alaska they correspond to population centers. Similarly, exchange area and wire center boundaries tend to correspond to population concentrations. In some states, shifts in population may make obsolete some historic exchange area boundaries, but in Alaska the population concentrations have been fairly stable during the last 50 years as

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19 NPRM ¶445.

telephone service became widely available in the state. To the extent that the Commission deems study areas to be too large a building block for the CAF, the local exchange area boundary is the best unit of measure for CAF allocation in Alaska.

H. CAF Should Support Up to Three Providers In Each Area of Alaska

ACS agrees with commenters who oppose supporting a single Broadband provider per market, creating an effective monopoly for broadband in areas where there is no business case for broadband without support. As pointed out in the comments, the proposed use of reverse auctions to single out a “last resort” supported broadband provider in any area will result in monopolization in areas that historically had the least access to the benefits of competition to begin with.[20] Contrary to the comments of Time Warner Cable, reverse auctions will not promote competitive neutrality;[21] in places like Alaska, they will undermine competition altogether.

Any area requiring support in order to have access to advanced services should also have access to competition and its attendant benefits in innovation, service and pricing. Therefore, if up to three providers are ready, willing and able to serve a particular area, the Commission should permit all three to have access to CAF support.

I. A Five-Year Transition Period Is Necessary Prior To Adopting Changes for Alaska

Access and USF have helped support ILEC operations and keep end-user rates reasonable for decades. In particular, ILECs have met their responsibilities as COLRs providing high-quality voice communications capability upon request. The Commission and a number of commenters are ready for the transition to an all-IP network with voice telephony merely “one of

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[20] *See, e.g.,* Comments of United States Cellular Corporation at 8.
[21] Comments of Time Warner Cable at 26.

many applications."[22] However, the demand for the circuit-switched public telecommunications network will remain for years to come. For one thing, states may take many years to reform their legal requirements, including COLR obligations. For another, many customers have yet to adopt broadband even where it is available.[23] Alaska ILECs should be permitted a reasonably lengthy period to prepare for any further transition from the current inter-carrier compensation and USF schemes to the new world the FCC envisions as they gradually migrate customers from their TDM-based public switched networks to new IP-based broadband networks.[24]

Any transition must provide for some type of access and USF revenue replacement mechanisms, as many commenters agree.[25] ILECs will not be able to continue fulfilling their COLR duties and build out new broadband capabilities if revenues decline and no reasonable opportunity to replace those revenues materializes.[26] In Alaska, ICC and USF revenues already have declined significantly, and further declines are coming.

ACS therefore supports allowing Alaska to remain outside any ICC and USF reductions mandated by the FCC for five years. As EarthLink suggests, the Commission should take stock of the effect of lowered intrastate access rates before ordering reductions in interstate rates.[27] The Commission must assess whether additional ICC reductions will promote the public interest or harm investment.[28] USF revenues must be similarly reviewed.

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22 *E.g.*, NPRM ¶10; Comments of AT&T at 10; Comments of Verizon at 2.

23 See, e.g., National Broadband Plan at 167 (noting that the adoption rate in areas with access to broadband is significantly behind the availability rate).

24 Alaska, like many states, continues to require the circuit-switched PSTN to be maintained, regardless of the FCC's vision of an all-IP world.

25 *See* Comments of CenturyLink at 5, Comments of TDS Telecommunication Corporation at 3.

26 *See* Comments of GVNW Consulting at 28, Comments of CenturyLink at 19, Comments of the Independent Telephone and Telecommunications Alliance at12.

27 Comments of EarthLink at 11.

28 Comments of EarthLink at 13.

J. GCI Provides No Basis To Oppose An ILEC's "Right of First Refusal"

It should come as no surprise to the Commission that GCI opposes the alternative for an "ILEC right of first refusal". GCI is a CLEC.[29] As such, it would not be eligible to participate in a funding option that gave the ILEC the first opportunity to receive financial assistance in situations where support would be available to only one provider. While GCI's self-interest is both notable and understandable, it should not be allowed to overshadow the sound policy considerations that underlie the "ILEC right of first refusal" option.

The ILEC already has a functioning telecommunications platform in virtually all of the rural communities where the FCC seeks to expand broadband availability – the "unserved" areas. While ACS continues to endorse a strategy that provides funding for multiple providers, if the Commission opts to limit such support to only one supplier, there is a clear rationale for giving the ILEC the first opportunity to secure continuing support for broadband development. As the Commission is well aware, deploying broadband services, in large measure, relies on the existence of infrastructure typically used for legacy voice services. DSL[30] is a broadband conduit using wireline facilities. Cable modems are an enhancement to CATV[31] facilities. 3G and 4G wireless services rely on a significant component of 2G (voice) infrastructure. While there has been an expansion of both CATV and wireless services in rural Alaska in recent years, ILEC networks are still the only platforms that can be considered ubiquitous at this time. By employing an "ILEC right of first refusal" option, the Commission can leverage the platforms already deployed in places that are found to be "unserved" from a broadband perspective.

Beyond the issues of efficiency and economy, in cases where funding will be limited to only one provider, there are other reasons to look first to the ILEC. The ILEC has a legal

[29] Competitive Local Exchange Carrier.
[30] Digital Subscriber Line.
[31] Cable Television.

obligation to serve. CLECs, while having some obligations associated with certification, are more likely to exit markets that are not economically viable. CATV and wireless providers are free to enter and exit markets virtually at will. ILECs also have obligations to make their facilities available to other providers that may desire to enter markets using resale options. Non-ILEC providers do not face similar obligations. The ILEC has established customer relationships, knows community needs, and has been a valued partner for voice and emergency services.

Finally, the ILEC is usually the COLR and will need ongoing federal support if it is to continue to perform its COLR duties. Although the FCC states a clear preference to transition to IP-enabled networks, states have yet to embrace the FCC's migration path. There is no indication that states will grant relief from COLR obligations as providers move into the IP world. The continuation of circuit-switched networks is all but certain for the foreseeable future. It only makes sense that the ILEC/COLR should be given the first opportunity to secure needed funding to continue its COLR duties at the same time it is upgrading its systems to offer broadband services. Failure to achieve this result will lead to a timing mismatch where the ILEC continues to be held to its COLR obligations while a non-COLR is building out a broadband network using federal support. The resultant extreme cost pressures in high-cost rural markets like those found in Alaska may place the entire delivery of ILEC services at risk.

K. The RCA Raises Valid Concerns about Inconsistent State and Federal Policies

The RCA raises a number of concerns that generally fall under the category of "jurisdictional issues". Among these are:

- Absent state waivers, broadband funding recipients must provide voice services of comparable quality and kind as the states require of ETCs today.[32]
- In the absence of state concurrence, satellite circuits should not be allowed to replace existing local lines as the funded means of providing local voice services in high cost areas.[33]
- States should designate ETCs eligible for broadband and voice services with existing state-imposed ETC obligations retained under the CAF.[34]
- States should retain authority to designate COLRs and identify COLR responsibility under state law.[35]
- If a "single supported provider" model is adopted, the best solution is to have states select the single provider to receive support using federal guidelines.[36]
- States should maintain jurisdiction over intrastate access charge policies and rates.[37]

As noted in ACS' initial comments,[38] there is a looming inconsistency in policy development between the state and federal decision makers that must be reconciled before the Commission sets new rules in place. ACS points out these RCA jurisdictional questions both because of its concerns with the substance of the recommendations and to emphasize the dilemma confronted by ACS and the Commission. ACS is very concerned about becoming caught in a squeeze play between federal and state regulators where federal regulators shift funding away from legacy networks but state regulators continue to require legacy networks. The conflict is an inevitable consequence of the FCC's nationwide broadband initiative. The

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32 *See* Comments of RCA at 20.
33 *See* Comments of RCA at 21-22.
34 *See* Comments of RCA at 24.
35 *See* Comments of RCA at 24.
36 *See* Comments of RCA at 25.
37 *See* Comments of RCA at 29.
38 *See* Comments of ACS at 21.

FCC is now at a "crossroads" -- if the Commission chooses to incorporate the RCA's recommendations, critical elements of national policy would be vested in fifty or more separate state authorities. The resulting "patchwork" of policy execution would make the consistent achievement of the Commission's nationwide goals virtually impossible.

The RCA's recommendations themselves – especially those associated with retaining individual state authority over ETC and COLR obligations – demonstrate the problematic nature of sharing the responsibility for policy implementation. Even where federal guidelines are available, delegating to the states the discretion to select a single supported provider invites a local mindset overlay that will ultimately be at odds with the Commission's national objectives. It is likely that the Commission will be forced to exercise its powers of preemption or forego many of its key policy objectives. In the worst case scenario, the FCC will make its policy determinations and states will make their own independent decisions. Providers – especially small and mid-sized companies – will be whipsawed between inconsistent state and federal policy and funding requirements. The result will be both unworkable and financially incapacitating. Despite there being a belief that there should be a carrier or provider of last resort, ACS reminds the Commission that there is no "investor of last resort" in the companies providing these services.

III. CONCLUSION

ACS appreciates the opportunity to provide these Reply Comments. In sum, ACS echoes the other Alaska commenters in emphasizing that telecommunications service to Tribal Lands, including Alaska Native Regions, is teeming with special circumstances. A "one size fits all" national policy is destined to produce unintended consequences when applied to Tribal Lands. The Commission is urged to heed the advice of those participants that have sounded the alarm.

The FCC should take a slow and measured approach to USF/ICC reforms on Tribal Lands. A five-year policy freeze for Alaska (preferably with some special adjustments to encourage broadband deployment) where per-line support is frozen and multiple ETCs continue to be eligible for support is the most prudent approach. Following this five-year freeze, the Commission should review and evaluate the situation before making any longer-term policy decisions. In the meantime, the FCC should seek to resolve the significant jurisdictional issues with states either by reaching agreement with states on a unified national approach or, in the alternative, acting to preempt inconsistent state requirements. ACS looks forward to the next phases of these proceedings and its continued participation in this important rulemaking exercise.

Respectfully submitted on this 23rd day of May, 2011.

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