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 THE ALASKA RURAL COALITION

Adak Eagle Enterprises LLC

Arctic Slope Telephone Association Cooperative, Inc.

Bettles Telephone, Inc.

Bristol Bay Telephone Cooperative, Inc.

Bush-Tell, Inc.

Circle Telephone & Electric, LLC

Cordova Telephone Cooperative, Inc.

Copper Valley Telephone Cooperative, Inc.

City of Ketchikan, Ketchikan Public Utilities

Matanuska Telephone Association, Inc.

OTZ Telephone Cooperative, Inc.

Interior Telephone Company

Mukluk Telephone Company, Inc.

Alaska Telephone Company

North Country Telephone Inc.

Nushagak Electric and Telephone Company, Inc.

The Summit Telephone and Telegraph Company, Inc.

Yukon Telephone Company, Inc.

I. Introduction.

The Alaska Rural Coalition[1] ("ARC") files its reply comments in this proceeding pursuant to the Public Notice issued by the Federal Communications Commission ("Commission") on August 3, 2011.[2] The ARC filed its initial comments on August 24, 2011 and now files reply comments to address specific issues that have arisen from the initial round of comments made by Alaska Communications Systems Group, Inc. ("ACS") and General Communication Inc. ("GCI") on August 24, 2011 as they pertain to universal service and access reform issues in Alaska.

The ARC membership consists of essentially all rate of return incumbent rural local exchange carriers ("RLECs") in Alaska,[3] which are speaking as one voice regarding the impacts of proposed changes in access charges and universal service funding for the state. It is essential that the Commission recognize the unique circumstances that affect the ability of the rural incumbent local exchange carriers, all of whom are carriers of last resort ("COLR") in Alaska, to provide customers access to affordable voice and broadband services. Reform measures adopted by the Commission must ensure that any changes in universal service and access charge policies

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1 The ARC is composed of Adak Eagle Enterprises LLC, Arctic Slope Telephone Association Cooperative, Inc., Bettles Telephone, Inc., Bristol Bay Telephone Cooperative, Inc., Bush-Tell, Inc., Circle Telephone & Electric, LLC, Cordova Telephone Cooperative, Inc., Copper Valley Telephone Cooperative, Inc., City of Ketchikan, Ketchikan Public Utilities, Matanuska Telephone Association, Inc., OTZ Telephone Cooperative, Inc., Interior Telephone Company, Mukluk Telephone Company, Inc., Alaska Telephone Company, North Country Telephone Inc., Nushagak Electric and Telephone Company, Inc., The Summit Telephone and Telegraph Company, Inc., and Yukon Telephone Company, Inc.

2 *See Further Inquiry into Certain Issues in the Universal Service-Intercarrier Compensation Transformation Proceeding,* Public Notice, DA-11-1348 (August 3, 2011).

3 The other ILECs in the state are the ACS companies, which are all price cap, and United Utilities, Inc., which is wholly–owned and controlled by GCI.

for Alaska provide assurance for the support of rural infrastructure for the continued provision of essential services in the remote locations of Alaska. The existing rural infrastructure is for all telecommunications services — wireless, wireline and broadband. Reform measures must also promote the goal of providing broadband in areas lacking that service today. RLECs are in a unique position of having last mile networks in place to bring voice and broadband services to Alaska's rural and "extreme rural" customers.[4]

II. <u>The Alaska Telecommunications Industry Built Consensus On Many Fundamental Issues Critical to the Reform of Universal Service.</u>

The telecommunications industry in Alaska has worked hard to find common ground given the inherent differences in size and market power of the impacted companies. Although these comments primarily focus on the differences between the alternative Alaska plans proposed by GCI and ACS, including the ARC's suggested modifications to the ACS plan, the distance traveled towards compromise should not be disregarded. Importantly, all of the Alaskan companies who have commented are in agreement that the differences between our state and the rest of the country require a plan that is more tailored to Alaska than the national plans currently under discussion. An Alaska-specific approach would be applicable only to Alaska and supersede the existing high cost support programs for RLECs and Competitive Eligible Telecommunications Companies ("CETCs") in the state. We agree on many components important to an Alaska Plan:

- An Alaska fund should be frozen based on 2010 support levels.

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4 *See* "FCC Chairman Sees Rural Realities in Southwest Alaska," KTUU TV, reprinted at msnbc.com (Aug. 30, 2011) "[T]here needs to be a new definition of rural for communities that are off the road system. [Senator] Begich says he calls it 'extreme rural.'" *Id.*

- Reforming interstate and intrastate access charges is outside of the scope of the plan.
- Support should be available to CETCs as well as ILECs.
- Total support for CETCs should be allowed to increase as they capture additional market share but within the total amount of the capped fund.
- Accommodating the increase in CETC funding under the fund cap will be accomplished, as needed, by taking the following steps in order:

Common Steps for Alaska Plan	**Estimated Max Dollars of New Support to CETCs**
Step 1: Support from very high per loop support area CETCs	$600,000
Step 2: Support from carriers in Anchorage – year 1	$2,200,000
Step 2: Support from carriers in Anchorage – year 5	$11,000,000
Step 3: Support from carriers in Fairbanks, Juneau & Greatland	$1,600,000
Step 4: Support from all other Alaska carriers	*Under Discussion*

The first three steps of the GCI ABP and the ACS TAF reform plans are virtually identical and represent significant industry compromise. For example, the ARC firmly believes that basing support for all carriers on actual cost is the most reliable way to achieve one of the FCC's stated goals of accountability.[5] Cost-based support ensures such support is based on need

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5 *See Further Inquiry into Certain Issues in the Universal Service-Intercarrier Compensation Transformation Proceeding,* Public Notice, DA-11-1348 (August 3, 2011) at 1. "The NPRM sought public comment on reforms to modernize USF and ICC for broadband, control the size of the USF as it transitions to support broadband, require accountability from companies receiving support, and use market-driven and incentive-base policies that maximize the value of scarce program resources for the benefit of consumers." *Id.*

and is also sufficient. Compromising to not only frozen but decreased support is particularly significant given the ARC members are COLRs who are taking on additional commitments. In order to find common ground, however, we have agreed to simply base support on frozen 2010 levels. ACS and GCI, as providers in Anchorage, agreed that the support they receive should be the first support used to fund growth of CETC support elsewhere in the state.

A. The Alaska Industry Agrees Access Charge Reform Must Include a Recovery Mechanism.

ACS advocates that access rates for all Alaska carriers be gradually moved to the ACS price cap rate of $0.0095 and then be permitted to rest.[6] The ARC is willing to support this change so long as there is a mechanism in place to replace the lost access revenue for the ARC member companies that would result from moving to this lower access rate.[7] As ACS has accurately described, it would be a significant burden to shift the cost of any further access reductions to local rate payers when they currently are experiencing significant shifts due to recent intrastate access reform. Both ACS and GCI state that any access reform that reduces the amount of access revenue for Alaska must be replaced by a new funding mechanism rather than assuming the lost revenue can be borne by the Alaskan carriers or consumers in the state.[8]

Taking into account the Commission's goals of accountability, curbing waste and abuse, and benefitting consumers, the ARC encourages the Commission to consider the significant windfall that would be afforded long distance carriers in Alaska due to lower access rates. Given the existing long distance pricing structure in Alaska, it is unlikely that reduced access rates

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6 ACS Comments at 20.

7 The current pooled intrastate access rate per the Alaska Exchange Carriers Association Tariff is $0.0937.

8 ACS Comments at 18 and GCI Comments at 27.

would ultimately benefit consumers. Long distance carriers in Alaska, like GCI, already offer unlimited long distance plans to residential consumers.[9] Rather than pass the additional cost savings from further access reform to those long distance customers already enjoying long distance service without per minute charges, the long distance carriers would end up being the sole beneficiary.

B. General Consensus Exists Regarding Reverse Auctions, the Reliability of Satellite Technology and the Application of Support for Capital.

The ARC agrees with GCI that the use of reverse auctions to distribute funds would be a disaster for Alaska.[10] Alaska's average costs are higher than elsewhere in the country and population densities tend to be much lower. No support would be available to the state to help it keep pace with the rest of the country in telecommunications infrastructure; instead, even though much of the RLEC infrastructure is broadband capable at this time, it would fall behind because of the lack of affordable middle-mile facilities.

Echoing the ARC's own earlier comments, the ARC agrees with GCI and ACS that satellite is not a viable alternative technology for Alaska to meet broadband needs in very high cost locations. The ARC supports the statements by ACS that locations with the highest cost connections should not be restricted to satellite technologies as a solution, given the many problems satellite service experiences in Alaska and its limited coverage for broadband.[11]

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9 *See* Appendices II (Rural Coalition's Comments on GCI's Tariff Advice Filings) and III (GCI's Tariff Advice Filing).

10 *See* GCI Comments at 20.

11 *See* ARC Comments, filed August 24, 2011, at 7. Attached as Appendix IV. *See also* ACS Comments at 17.

The ARC supports ACS's position advocating no restrictions on the application of support for capital. The ARC endorses ACS's contention that the TAF should be available for both operating and capital needs, including the unrestricted use of the funds for differing types of infrastructure.[12] Allowing a more flexible approach to the allocation of funds preserves the investment already made in the network while encouraging future deployment.

III. <u>The ARC Supports the ACS Target Alaska Fund ("TAF") Plan.</u>

Although GCI, ACS and the ARC concur on the first three steps of an Alaska Plan, dissention remains regarding Step 4. The critical difference between the GCI ABP and ACS TAF Plan is the reasonable imposition by ACS of a limit or "cap" on the amount of support that can be taken from the ILEC COLRs serving the remaining study areas of the state to fund growth in CETC support. The ARC believes a cap is essential to ensuring continued universal service throughout the state, is vital to the public interest, and to meeting the Commission's goals for reform.[13]

A. Step 4 of the TAF Plan Represents a Critical Safeguard For Rural End-Users.

The disposition of Step 4 of an Alaska Plan will determine whether RLECs will be able to continue to provide critical services to rural end-users. At Step 4 in GCI's ABP, the RLEC

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[12] *See* ACS Comments at 16.

[13] As explained in these comments, a limit on how much support can be shifted from the ILECs to the CETCs will help ensure their viability. Without the continuation of the ILECs in many markets, GCI's wireless service may be the only option available and there would be no competition for providing service to those consumers. As stated by FCC Chairman Julius Genachowski on August 31, 2011 regarding the proposed merger of AT&T and T-Mobile: "Competition fosters consumer benefits, including more choices, better service and lower prices." The ARC believes the TAF Plan provides a better balance of opportunity for both CETCs and ILECs and will allow more potential for competition.

study area support would be reduced as much as necessary to keep total support within the overall 2010 frozen cap level of the ABP.[14] In other words, there would be no limit to the amount of support that could be removed from the RLEC/COLRs for these areas, and in turn transferred to the CETCs. In contrast, ACS proposes that Step 4 in the plan be capped, or limited, in terms of the amount of support that can be shifted from RLECs, to no more than 10 percent of the 2010 support levels for the duration of the plan. This means all COLRs serving outside of the Anchorage study area under the TAF Plan would be assured that their support would not be reduced below 90% of their 2010 frozen support amounts by either the third or fourth step of the overall plan.

The ARC's support of the TAF Plan represents a significant compromise by the RLECs in Alaska. The ARC member companies firmly believe that any reform of universal service and access should follow the Commission's stated goals of accountability for the funds being used. To truly achieve this goal, high cost support should be determined on a cost basis that allows the regulators to properly target support based on the actual cost of the services being provided, and that are needed to meet the goals of the National Broadband Plan. However, in the interests of finding common ground with other carriers in Alaska and providing certainty regarding the amount of funding that will be available for companies to meet future universal service obligations, the ARC consents to the concepts and methodology of the ACS TAF Plan with a modification to Step 4 of the ACS proposal as described next. This minor change to Step 4 of

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[14] The ARC clarified with ACS that at step two of the TAF Plan, and consistent with the GCI ABP proposal, Anchorage ILEC and CETC support would be phased down in 20% increments each year until 100% of the Anchorage support has been eliminated over five years, if necessary, to maintain the cap on the TAF.

the ACS TAF Plan would help promote sustainability of telecommunications services to rural consumers in small, high cost communities.

B. Further Revision of Step 4 Would Promote Sustainability of Telecommunications Services For Rural End-Users.

Step 4 of the TAF Plan would directly affect the affordability of end-user services provided by ARC member companies, many of which are very small companies serving remote locations in Alaska with a limited ability to absorb reductions in the support used to offset the high costs of providing services in those "extreme" remote locations. Instead of a "one-size-fits-all" reduction of up to ten percent during Step 4 of the TAF Plan, the ARC proposes that the smaller RLECs experience a proportionally-modified reduction in universal service support. The ARC further proposes that the reduction would vary based on the number of access lines the RLEC serves with the smallest companies limited to a reduction no more than 5%. This minor modification is appropriate because even small reductions in high cost support could put many of these small companies at risk of default on their Rural Utilities Service ("RUS") and other lender loans and may jeopardize their access to capital in the future. The ARC provides an illustration of how this modification would be applied to the RLECs in Appendix 1.[15] To stay within the overall size of the TAF Plan fund with this modification, the CETC support per line would be adjusted accordingly to balance to the statewide cap. The net effect would be to shift approximately $1.5 million, or about 0.68% of the total $219 million capped fund, back to the smaller RLECs at Step 4 of the TAF Plan from what has been proposed by ACS.

A cap represents an important safeguard to preserve service in rural and extreme rural Alaska. Representatives of the ARC met extensively with GCI up until the filing of its August

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15 *See* Appendix I.

24, 2011 comments in an attempt to reach an industry consensus regarding a plan for universal service reform in Alaska. As previously discussed, various Alaska carriers agreed to many compromises in an effort to find that industry consensus but as of the writing of these comments, GCI's plan still fails to include any cap on the amount of support that could be shifted from RLECs to CETCs at Step 4. GCI's position appears contradictory on its face, because GCI's ABP includes a cap on the amount of support that can potentially be lost from the Fairbanks, Juneau and Greatland study areas. Since GCI receives considerable support due to its extensive penetration of the Fairbanks, Juneau and Greatland markets, the position appears to be self serving and at odds with their representation that support could be taken from the areas with more advanced telecommunications infrastructure already in place in order to benefit areas without.[16]

The ARC has presented this concept of modifying Step 4 of the TAF Plan to ACS and discussions regarding the modification are ongoing. The ARC is committed to this modified TAF Plan and believes it to be the best solution for the state of Alaska. As previously discussed, RLECs consented to a reduction in support, even in light of the higher cost of serving as a COLR. RLECs also agreed to the broadband service benchmarks found in both GCI's ABP and ACS's TAF Plan, even though the benchmarks will require unfunded infrastructure investment to connect our local networks to the internet backbone. The modest modification to the TAF serves the Chairman's goal of vibrant competition in all corners of Alaska.

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16 *See* GCI Ex Parte, filed August 1, 2011. The second step reads as follows:

> Second, if necessary, reduce by 10% the ILEC study-area support and CETC per line support in larger study areas (500 lines or more) that are served by fiber facilities and that currently receive no High Cost Loop Support, i.e., where barriers to providing broadband services are minimal.

IV. The ARC-Modified TAF Plan Serves the Public Interest by Protecting the Most Vulnerable Alaska End-Users While GCI's ABP Raises Public Interest Concerns.

The ARC recognizes the need and strong public interest for investment in middle-mile facilities in Alaska to connect the existing RLEC infrastructure to the internet backbone. GCI's TERRA project, described in GCI's comments, represents one way to accomplish this.[17] To facilitate this type of investment and growth of the overall network infrastructure, the ARC agrees that, if necessary, some of traditional RLEC support will be shifted to the "bucket" of money available to CETCs. Appendix 1 illustrates, even with the ARC proposed limits on the reductions for the smaller companies at Step 4 of the TAF Plan, the LECs other than in the Anchorage, Fairbanks, Juneau and Greatland study areas will forfeit up to $7.5 million annually toward this effort.[18] This is in addition to the $100 million of annual support currently received by Alaska's CETCs and the up to $13 million of additional annual support shifted to the Alaska CETCs outside of Anchorage in Steps 1-3.

A. Public Interest Analysis Should Include Accountability For High Cost Support.

The creation of the Universal Service Fund was premised on extending telecommunications service out to rural areas where the high cost of service would otherwise prohibit service.[19] As the system is reformed, Alaska RLECs believe the discussion should include the appropriate use of precious high cost support. The ARC believes both the Regulatory Commission of Alaska ("RCA") and the Commission should ensure that high cost support is related to the actual cost of providing service. Indeed, the concept is included as one of the

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17 *See* GCI Comments at 18-19.

18 *See* Appendix 1.

19 *See* 47 U.S.C. § 254 (1996).

FCC's goals for reform: to "maximize the value of scarce program resources for the benefit of consumers."[20] Since CETCs are not regulated, there is no mechanism to ensure that high cost support they receive will be used exclusively for purposes of further developing middle-mile facilities or other public purposes. The ARC believes public money comes with public responsibility and oversight and that it is critical to establish real requirements to ensure accountability and value to the public. Providing the opportunity for support currently provided to the rural COLRs, support that was originally established on the rural COLRs' actual costs of providing supported service, to shift to CETCs raises the question of whether those CETCs should be accountable for demonstrating their cost of service and be subject to greater scrutiny through regulatory oversight.

GCI alleges that it is "better equipped than any other Alaska provider to leverage resources and use economies of scale."[21] It goes on to explain that once its "rural wireless deployment is complete, it will be the only carrier in the state to offer mass market last-mile services statewide…"[22] The ARC doesn't deny that GCI is the largest telecommunications provider in the state, but it believes that size and market power raises some caution flags:

- GCI enjoys a long distance market duopoly with AT&T. Together they have recently engaged in behavior the ARC believes is anti-competitive. Attached to these comments as Appendix II are the comments submitted to the RCA by ARC members regarding the

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20 *See Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Board on Universal Service; Lifeline and Link-Up*; WC Docket Nos.10-90, 07-135, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, 26 FCC Rcd 4554 (2011).

21 *See* GCI Comments at 14. In this and other sections of GCI's comments it is easy to lose sight of the fact that GCI is not a CETC in all parts of Alaska.

22 *Id.*

packaging and pricing of long distance services in Alaska and the anti-competitive impacts this has on long distance resellers in the state. The ARC directs the Commission to GCI's recent statewide tariff offering entitled the GCI No Limits Home Phone Plan that are attached as Appendix III to these reply comments. In this plan GCI offers unlimited long distance and local service for $19.99 a month provided the customer signs up for either GCI's local phone service or wireless service. GCI's stated rate for local service is $7.99/month under this plan. Is GCI targeting many rural communities with this low local rate in an attempt to garner even more high cost support? As the ARC describes in its comments to the RCA in Appendix II, this may be the case and recommends a rate benchmark would be appropriate in cases like this to avoid the situation of a competitive carrier charging an artificially low local rate in order to gain additional high cost support.

- GCI is in the process of completing the TERRA SW project in Southwest Alaska using a combination of federal stimulus funding grants and RUS loan. At this time, the ARC companies cannot determine if this project will deliver on the service and pricing goals proposed by the National Broadband Plan because the ARC companies impacted by this deployment have not been able to obtain firm quotes on price or capacity for use of the facility to deploy broadband services using the RLEC last-mile broadband facilities already in place.

- As GCI's comments state, they are also, between their wireline and wireless offerings "the largest provider in the state." In short, GCI looks much like the RBOCs of old. One major difference, however, is that GCI faces little or no rate regulation as pointed out by ACS in its comments.[23]

The public interest is served by placing a reasonable limit on the extent to which support from RLECs can be transferred for use by CETCs, and such action will restore a modicum of balance in the market by providing the RLECs with some certainty regarding their support levels. It would also help ensure the demand on Alaska Universal Service Fund ("AUSF") support for COLRs remains reasonable.[24] There is every reason to believe that GCI will

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23 *See* ACS Comments at 25.

24 The RCA established a new funding for COLRs beginning in August 2011 that transfers the intrastate carrier common line access charge costs from long distance carriers to the state universal service fund. As local exchange carriers lose access lines to competition they are entitled to a recovery, on a per line basis, from this fund for any shortfall in recovery of their former carrier common line revenue requirement.

continue to accumulate increasing support as more customers adopt GCI's service to fulfill the requirements of GCI's No Limits Home Phone Plan. Over time, the smaller COLRs around the state will inevitably place increasing demands on the AUSF to continue to meet their COLR obligations and provide affordable services to the customers in these communities. The ARC believes its modification of the ACS TAF Plan at Step 4, is in the public interest, protects the interests of end-user customers, and would have an immaterial impact to the overall distribution of funds for the major carriers in the state.[25] Absent such a concession to enable the survival of the carriers providing service in the most vulnerable parts of Alaska, consideration should be given to placing true COLR requirements on the CETC carriers that reap the most benefits of this reform.

B. Regulating Identical Support Serves the Public Interest By Providing Sustainability in Rural and Extreme Rural Markets.

Alaska's telecommunications market lags far behind the rest of the nation and is far from mature. Although the ARC supports the role of CETCs investing in needed infrastructure, it is difficult not to consider such support, at least in part, identical. GCI's description of its plan goes to great lengths to explain that its proposal is not identical support, but such characterization is misleading. The support the CETCs would receive under the GCI plan at its Step 4 can be described as a continuation of *almost* identical support for the study areas of Alaska. The CETC support is frozen on a per-line basis based on the ILEC's per-line support in 2010, so it is not

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[25] Accepting the ARC's slight modification to the ARC would pose very little harm to the large carriers while demonstrating an understanding for the needs of rural and extreme rural communities. An understanding the broader rural industry seems to doubt. *See* Joan Engebretsen, "Rural Broadband Alliance: FCC Has "Systemic Disdain" for Rural Telcos," Rural Broadband Alliance.com (Aug. 31, 2011). http://www.telecompetitor.com/rural-broadband-alliance-fcc-has-%e2%80%9csystemic-disdain%e2%80%9d-for-rural-telcos/.

based on CETC cost. In addition, a CETC's total support can increase as the CETC's lines increase.[26] As GCI has described in its comments, many of these markets are still maturing in terms of competition, and the potential shifts of market share between carriers could be significant during the term of the GCI Plan.

The ARC encourages the Commission to consider the potential harm to the rural marketplace. The shift of market share could have severe impacts on the RLECs in these markets and lead to large shifts of support from RLECs that in turn would cause potential increases in end-user rates and surcharges, as well as play havoc with state carrier of last resort policies that have been recently implemented in Alaska. The overwhelming majority of telecommunications carriers in Alaska believe the Modified TAF Plan serves the public interest for all Alaskans.

C. The Aggregation of Common Ownership Proposed by GCI Does Not Serve the Public Interest.

The ARC also notes that in GCI's ABP the study areas served by ETCs and/or CETCs under common ownership may be aggregated for the purposes of meeting broadband service commitments. GCI is a company that serves multiple locations across the state through a combination of ILEC, CETC cable television and wireless facilities, including population-dense markets like Anchorage where GCI is the largest broadband provider. This provision would suggest that GCI would be able to aggregate its significant broadband service penetration in Alaskan urban markets such as Anchorage to meet any service obligations established under its proposal for smaller, rural markets. This would effectively make any service commitments, as

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26 *See* Appendices II and III.

they pertain to GCI or other large carriers, meaningless for any of the RLEC markets in Alaska. The ARC does not support this provision and proposes that service commitment requirements under either the TAF or GCI Plans be determined at the LEC study area level. Only a specific analysis by study area will assure the Commission that each recipient has an adequate incentive to use support funds in the smaller communities to further broadband deployment and increase access to needed middle-mile facilities. This is especially necessary because there is already an incentive on a study-area basis for CETCs to deploy facilities only in locations that are most cost-effective to serve and to rely on resale of the ILEC's services in other areas. If facilities in Anchorage and other more urban markets can be "counted" for purposes of showing service commitments, even less investment can be expected in the areas that really need the high cost support.

V. <u>Rural Telecommunications Carriers Build and Maintain Critical Networks.</u>

GCI's comments may leave the reader with the impression that it alone has paved the way for broadband deployment in Alaska. GCI argues in its Comments that "traditional incumbent LECs as a group have not driven broadband deployment statewide, but only as a patchwork, primarily focused along the road network."[27] The ARC recognizes the recent contributions made by GCI to the telecommunications network in Alaska, but without the foundation laid by RLECs over decades, the opportunity to connect the "patchwork" would not have existed. It should also be clarified that the RLECs have deployed comprehensive broadband-capable last mile facilities within the study areas they are authorized to serve. This stands in contrast to the limited deployment of facilities by GCI in many of those same study

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27 *See* GCI Comments at 2-3.

areas in which broadband-capable facilities have targeted only the most populous areas. GCI also states that "ILECs generally do not deploy middle-mile backhaul facilities outside of the road network areas."[28] The ARC points out that RLECs have indeed constructed middle-mile facilities in Alaska that are not on the road system. For example, Alaska Telephone Company has constructed a microwave middle-mile network through Southeast Alaska that connects many communities that are not on the road system.[29]

The role GCI has assigned itself to connect the "patchwork" suggests that it does so for the collective good of Alaska consumers. In the case of GCI's TERRA Project, the ARC notes this would not have been undertaken by GCI at all if it were not for the receipt of $88 million in grants and low cost RUS funds awarded under the federal American Reinvestment and Recovery Act ("ARRA") Program. At this time, GCI has not made capacity available to other carriers on this network and the pricing of that capacity is unknown, so it is impossible to determine how this network will ultimately meet the requirements of the National Broadband Plan or foster the deployment of competitive broadband services in rural Alaska as required by Section 706 of the

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[28] *Id.*

[29] Alaska Telephone Company constructed a middle-mile fiber/microwave network in Southeast Alaska called the Southeast Alaska Microwave Network (SAMN - pronounced Salmon). The network spans approximately 350 miles of the Tongass National Forest and connects Skagway in the north to Metlakatla in the south. The backhaul capacity is expandable as broadband demand increases and was considerably less expensive than a pure fiber installation in the same geographic location. The vast majority of the funding to build this project came from equity and debt of AP&T with very limited grant funding. The impetus for constructing the network was to provide much needed backhaul to serve broadband customers in remote communities of Southeast Alaska that had limited options and are off the road system. Prior to construction of the network, broadband speeds were limited to 512K and lower, now Alaska Telephone Company offers 8mb down and 1mb up in Petersburg and Wrangell and will expand the offering to other areas it serves by the end of 2011.

Telecommunications Act of 1996.[30] As a general rule, the ARC believes that any middle-mile facilities constructed using federal grants, RUS loans, CAF funds, Mobility Funds, or high cost support under any plan adopted for Alaska, in a location lacking a comparable, competing middle-mile facility, carry the mandate of being treated as common carrier facilities that have to offer capacity to all carriers under the same rates, terms and conditions. Furthermore, any carrier owning these middle-mile transport facilities should be required to price its retail services using the same capacity-pricing it offers to other carriers using the middle-mile network.[31]

Interestingly, GCI states "by contrast, when villages are compact, the last mile for fixed broadband service can be deployed relatively cost-effectively using fixed wireless technologies, such as 802.11, albeit introducing some performance considerations on a location-by-location basis."[32] The ARC companies serve many of the rural villages referenced by GCI and have the capability <u>today</u> to deliver faster broadband service via landline facilities than can be delivered by GCI using its wireless technologies. As GCI has stated, the challenge for these communities is the lack of middle-mile transport at a reasonable cost. If the ARC companies had access to

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[30] *See* 47 U.S.C. § 706 (1996).

[31] An unintended consequence of GCI's much lauded accomplishment in bringing the TERRA project on line two years before schedule is the diversion of resources away from other projects. During FCC Chairman Genachowski's recent visit to Alaska, he asked ARC members about their wireless and broadband deployment and, if they have not completed the deployment he asked why. One piece of information not raised during those discussions by OTZ's representative is that OTZ's wireless affiliate had to request an extension of time to build out its network because the RUS funds had been delayed while RUS staff was focused on administering stimulus funds. OTZ continues to wait for its RUS funds while GCI apparently has ready access to the RUS loans it needs on a priority basis.

[32] *See* GCI Comments at 14. The ARC companies are the carriers that provide backhaul services for the GCI wireless network deployment, without which GCI's wireless service would not operate.

such capacity, broadband service at a minimum speed of 4 megabit speed upload and 1megabit speed download could be offered almost immediately.

VI. Conclusion.

The Alaska telecommunications industry has reached a general consensus regarding a framework for universal service reform. The ARC agrees with GCI and ACS regarding most of the elements of their plans but one critical element needs to be resolved. Although the current difference between GCI and the rest of the industry may appear insignificant, it will shape the future of service for many Alaskans living in rural and extreme rural areas.

The ARC supports the ACS TAF Plan for Alaska with the modification proposed for Step 4 to moderate the negative impact this step would have on the smallest RLECs that bear carrier of last resort responsibilities in the remote communities they serve. All of the non-GCI-owned rate of return ILECs in Alaska are unified behind a single plan for universal service reform for the state. The GCI ABP proposal should be rejected in favor of the ACS TAF plan, as modified by the ARC. This concept will better serve the public interest and help assure the provision of affordable, reliable end-user services to customers in the rural and "extreme rural" locations of the state.

The Commission should ensure that any reductions in access revenue be adequately funded through additional revenue sources and not place that burden on the incumbent carriers of Alaska or their end-user customers. Finally, when new middle-mile facilities are constructed to rural areas lacking competition from other middle-mile providers, those new middle-mile facilities must be regulated as common carrier facilities to ensure the greatest benefit to the public and ensure a sustainable competitive marketplace.

Respectfully submitted on this 6th day, September, 2011.

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