

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 a 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 SYSTEMS GROUP, INC.

I. Introduction & Summary

ACS hereby replies to the initial comments submitted in response to the FCC’s recent Public Notice concerning the pending proposals for universal service and inter-carrier compensation reform.¹ There is substantial agreement in the record of this proceeding that Alaska is different from other parts of the United States. Not only local

¹ *Further Inquiry Into Certain Issues In the Universal Service-Inter-carrier Compensation Transformation Proceeding*, FCC Public Notice DA 11-1348 (rel. Aug. 3, 2011) (the “Public Notice”). As noted previously in these proceedings, “ACS” refers to four incumbent local exchange carriers (“ILECs”) owned by Alaska Communications Systems Group, Inc., as well as ACS Long Distance, Inc., ACS Internet, Inc., and ACS Wireless, Inc.

service providers such as General Communication, Inc. (“GCI”)² but also national operators, such as the proponents of the ABC Plan,³ agree that the Commission should develop Alaska-specific rules that reflect the special circumstances in the state.

In its August 24, 2011 comments, ACS suggested a set of rules that would help ensure appropriate incentives for much-needed infrastructure investment in Alaska while taking advantage of the state’s unique competitive landscape.⁴ In particular, ACS advocates the creation of a Target Alaska Fund (“TAF”) that is similar in a number of respects to GCI’s proposed Alaska Broadband Plan (“ABP”).⁵ ACS also urges the Commission to take notice of the intrastate rate reforms that already have been adopted by the Regulatory Commission of Alaska (“RCA”), and take a more gradual approach to access charge reduction for Alaska carriers than the ABC Plan would require.⁶

ACS has tried to develop a plan that is fair to all operators in Alaska, and will allow consumers to enjoy continued access to competitive services, while gradually shifting support to the highest-cost parts of the state. ACS continues to engage the other Alaska carriers in discussions to develop a comprehensive solution for the state. Meanwhile, however, ACS believes that its proposals represent a balanced compromise between the positions advocated by the smallest rural ILECs in the state, on the one hand, and GCI on the other. In this reply, ACS points out certain respects in which its

² Comments of General Communication, Inc. in WC Docket No. 10-90 *et al.* (filed Aug. 24, 2011) (“GCI Comments”).

³ See Joint Comments of AT&T, CenturyLink, FairPoint, Frontier, Verizon and Windstream in WC Docket No. 10-90 *et al.*, 17 (filed Aug. 24, 2011).

⁴ Comments of Alaska Communications Systems Group, Inc. in WC Docket No. 10-90 *et al.*, 17 (filed Aug. 24, 2011)(“ACS Comments”).

⁵ *Id.* at 12-15.

⁶ *Id.* at 17-20.

proposals differ from GCI's plan, but also responds to certain criticisms leveled at GCI's plan that ACS believes are not valid.

II. Discussion

A. Key Differences Between ACS's TAF and GCI's ABP

ACS and GCI have worked hard to develop proposals that reflect the unique difficulties of deploying and operating broadband networks in Alaska.⁷ Both companies propose to freeze total high-cost support at the levels disbursed to Alaska ETCs in 2010, about \$219 million per year, as an Alaska-specific fund, which would be available for a minimum of ten years.⁸ Both companies propose to divorce ILEC support (frozen at the study area level) from CETC support (frozen on a per-line basis).⁹ Both companies propose a multi-step approach to reallocating the Alaska funding in the event that demand grows (due to CETC line growth) to exceed the cap on the overall fund.¹⁰ ACS differs from GCI, however, in its proposed fourth step: GCI and ACS both propose that ILEC and CETC support be reduced in the rural study areas, after reductions in Alaska's more densely populated areas, but ACS proposes to limit this reduction so that support during the life of the plan will not fall below initial support levels by more than ten percent.¹¹ This key difference would provide much-needed predictability to the most vulnerable carriers.

Another respect in which the two plans differ is the build-out commitment. Both ACS and GCI propose broadband deployment commitments of 65 percent within five

⁷ ACS Comments at *i-ii*, 9-10; GCI Comments at 6.

⁸ ACS Comments at 12; GCI Comments at 24.

⁹ ACS Comments at 13; GCI Comments at 24.

¹⁰ ACS Comments at 14; GCI Comments at 25-26.

¹¹ ACS Comments at 14.

years and 75 percent within ten years, except where the area is not served by terrestrial middle mile facilities;¹² however, ACS also urges the Commission to qualify that the terrestrial transport to the required service areas must be *affordable*.¹³ GCI owns a great deal of long-haul fiber transport capacity in the state, owns satellite capacity to most of the communities in the state not served by terrestrial links, *and* plans to deploy more terrestrial (fiber and microwave) transport capacity later this year, using a combination of grant and loan from the Rural Utilities Service.¹⁴ GCI apparently does not share ACS's concern about the affordability of middle-mile transport capacity being a factor in its ability to deploy broadband infrastructure in the coming years.

Finally, ACS explained that it and other ILECs in the state already have substantially reduced intrastate access charges and raised local rates, and thus should not be subject to the rate benchmarking and access charge reductions proposed in the ABC Plan, and supported by GCI. Instead, ACS proposes a more gradual plan of reducing terminating intrastate end-office switching rates just until they reach parity with interstate rates. As a recently converted, voluntary price cap carrier, ACS does not believe that it should be required to reduced its interstate access rates at this time.¹⁵

¹² ACS Comments at 14-15; GCI Comments at 27. Both parties agree that satellite transport is an inferior solution in Alaska due to both cost and technical differences from terrestrial fiber or point-to-point microwave technologies. ACS Comments at 17; GCI Comments at 21-23.

¹³ ACS Comments at 14-15 ("each ETC must commit to deploying infrastructure within 10 years sufficient to support both broadband and voice capability to at least 75 percent of service locations in the wire center, with an interim milestone of 65 percent of service locations within 5 years, *except* where terrestrial transport is unavailable *at affordable rates*") (emphasis supplied).

¹⁴ See GCI Comments at 18 (describing \$44 million grant and \$44 million loan). See also <http://terra.gci.com/project-overview> (describing high-capacity terrestrial backbone to be deployed to southwest Alaska).

¹⁵ ACS Comments at 20.

B. Certain Criticisms Of the ABP Are Not Valid

ACS takes issue with GVNW's characterization of the GCI plan as "identical support by another name."¹⁶ Both GCI and ACS propose to break the tie between ILEC and CETC support in Alaska, effective January 1, 2012, so that carriers no longer will receive identical support per-line. Support for CETCs initially will be frozen on a per-line basis, subject to fluctuation based on the total number of CETC lines in the plan, but not subject to increase or decrease based on what the ILEC receives. In contrast, whether ILECs gain or lose lines, they will receive the same amount of support per study area, so their per-line support amount will likely fluctuate differently from that of the CETCs. There is no safe harbor for either ILECs or CETCs under this plan, but rather a reasonable glide path in a difficult environment.

ACS also disagrees with GVNW's assertion that remote and tribal areas are best served by small rate-of-return carriers using loans to fund investment.¹⁷ Alaska Native populations are widely dispersed throughout the state; ACS and GCI serve as many remote and tribal communities as many of the state's small rate-of-return carriers. Whether GVNW's observation may prove true in the Lower 48 states, it is simply not relevant to Alaska.

III. Conclusion

ACS urges the Commission to proceed with care in Alaska. Special circumstances indeed warrant special rules.¹⁸ Due to historic underfunding and inadequate access to middle mile facilities, Alaska is in need of more, not less, support.

¹⁶ Comments of GVNW Consulting, Inc. in WC Docket No. 10-90 *et al.*, 10 (filed Aug. 24, 2011).

¹⁷ *Id.* at 9-10

¹⁸ *See Public Notice* at 9.

Any rule changes adopted by the Commission should take into account the specific challenges of providing advanced network capabilities in Alaska, as well as the small but robustly competitive market, fueled in part by the current multi-provider support programs. ACS believes that Alaska's consumers deserve continued access to competitive choice as well as advanced technology for the twenty-first century.

Respectfully submitted,

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