October 21, 2011

Hon. Julius Genachowski
Chairman
Federal Communications Commission
445 12th St SW
Washington, DC 20554

Hon. Michael Copps
Commissioner
Federal Communications Commission
445 12th St SW
Washington, DC 20554

Hon. Robert McDowell
Commissioner
Federal Communications Commission
445 12th St SW
Washington, DC 20554

Hon. Mignon Clyburn
Commissioner
Federal Communications Commission
445 12th St SW
Washington, DC 20554

Re: *Developing a Unified Intercarrier Compensation Regime, CC Docket* No. 01-92; *High-Cost Universal Service Support*, WC Docket No. 05-337; *Establishing Just and Reasonable Rates for Local Exchange Carriers,* WC Docket No. 07-135; *Connect America Fund*, WC Docket No. 10-90; *A National Broadband Plan for Our Future*, GN Docket No. 09-51; *Federal-State Joint Board on Universal Service,* CC Docket No. 96-45; *Lifeline and Link-Up,* WC Docket No. 03-109

Dear Chairman Genachowski and Commissioners Copps, McDowell and Clyburn,

As both General Communication, Inc. ("GCI") and Alaska Communications Systems Group, Inc. ("ACS") have explained to the Commission in recent meetings and ex parte notices, applying what we understand to be the currently contemplated national universal service reform plan to Alaska Native regions without any changes recognizing the unique circumstances of serving these areas will devastate investment in telecommunications and broadband in these regions. Consumers in unserved rural areas would remain unserved for the foreseeable future, and some consumers, particularly in remote villages, could lose the service they only recently began to receive. Certainly, there would be no climate to support further investment in either wired or wireless broadband – or the terrestrial middle mile infrastructure required to host true broadband services – particularly in rural Alaska. This would lead Alaska to fall further down the wrong side of the broadband divide.

We both proposed a framework for universal service reform that recognized the principles that the Commission set forth in its *Notice of Proposed Rulemaking*[1] and attempted to honor those principles while reforming universal service within Alaska consistent with the very

1 *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, High-Cost Universal Service Support, Establishing Just and Reasonable Rates for Local Exchange Carriers, Developing a Unified Intercarrier Compensation Regime. Federal-State Joint Board on Universal Service, and Lifeline and Link-Up* Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, WC Docket No. 10-90 et al. (rel. Feb. 9, 2011).

high costs to deploy and serve, the extreme climatologic and demographic conditions, and the very low population density of the Alaska Native regions. As you know, we developed that proposal over the course of the summer, through multi-stakeholder discussions in Alaska, about which we apprised the Commission and the outlines of which were apparent no later than GCI's ex parte dated August 1, 2011[2]. That proposal established a process to migrate support from Alaska's more urban areas to more rural areas, while continuing to provide an incentive for Alaskan carriers to expand coverage and adoption, particularly with respect to wireless voice and broadband services. It would have done so within a cap which would have limited the entire state of Alaska to the level of support received in 2010, the same level at which we understand the Commission to be targeting for the high cost fund as a whole. This proposal kept no Alaska carrier whole, but attempted to share the burden of the reforms in an equitable manner. This proposal has the support of the Alaska State Government.

We now understand that the Commission has chosen not to pursue that particular proposal in its current deliberations. Based on what we heard expressed in the meetings we have had with each of you this past Tuesday and Wednesday, we put forward a responsive, alternative proposal. We continue to believe that the best way to implement these proposals would be to establish a separate fund for Tribal Lands in Alaska, such that the policies could be directly calibrated to Alaska's unique circumstances. An alternative (albeit a far less preferable one) would be to grant waivers from various provisions of the national reform plan as applied for Alaska Native regions that effectuate the results that we outline below for Competitive Eligible Telecommunications Carriers ("CETCs") and price cap Incumbent Local Exchange Carriers ("ILECs").

The core elements of our proposal are as follows:

- For mobile wireless services:
    - End *all* CETC high cost support within the most densely populated communities of Anchorage, Fairbanks and Juneau[3] with a reasonable transition period of 8 years so as not to "flash cut" the market. These areas will include suburban areas as well as the urban core.
    - Phase out all high cost CETC support for any carrier with greater than 2 percent of nationwide wireless lines.
    - In rural areas within Alaska Native regions,[4] promote the continued deployment of service in unserved areas and the upgrade to 3G and 4G[5] service in rural areas

[2] Letter from Chris Nierman, General Communication, Inc., to Marlene Dortch, Federal Communications Commission, WC Docket Nos. 10-90 et al. (filed Aug. 1, 2011).

[3] "Anchorage" would be comprised of the Municipality of Anchorage, which includes not just the ACS Anchorage study area (SAC 613000), but also portions of the Matanuska Telephone Authority study area (SAC 619003) covering Eagle River and Chugiak. "Fairbanks" would be defined as ACS of Fairbanks's disaggregation zone 1 as a proxy for the City of Fairbanks; "Juneau" would be the Borough and Municipality of Juneau, which is ACS Alaska - Juneau area (SAC 613012).

[4] "Rural" areas are all areas that are not in Anchorage, Fairbanks and Juneau as defined in n. 3.

by providing support on a per line basis (frozen at end of 2011 levels) for 8 years from, in a specific community, the later of (i) the time service was first initiated with commercial 2G service, (ii) the initial commercial launch of, or further upgrade to, 3G service, or (iii) further investments necessary to upgrade to commercial launch of 4G service.[6] This builds on the success of the Tribal Lands exception in promoting investment in rural services and provides a stable period of support tied to the provision or upgrade of actual service outside of the "urbanized" areas.
    - For all rural areas for which it has been or becomes more than 8 years since the later of the launch of 2G service or upgrade to 3G or 4G service, wireless CETC per line support (frozen on a per-line basis at end of 2011 levels) will continue until the successor Mobility Funds are developed, and the Commission can evaluate whether such funds are sufficient mechanisms for Alaska Native regions and, if so, transition to those new mechanisms over 5 years. This will allow for a data-driven, fact-based evaluation of the adequacy of any new mechanisms in taking account Alaska's unique environment and demographics.
    - In any ILEC study area in which ILEC support per line exceeds $250 per line per month averaged across the study area, cap CETC per line support at $250/line per month.
- For wireline services:
    - In Anchorage, Fairbanks and Juneau (defined in the same manner as for mobile wireless services), and in rural price cap areas, cap CETC per-line support at end of 2011 levels and phase out legacy CETC support in equal increments over five years.
    - In other rural Alaska areas (*i.e.* rural Rate-of-Return ILEC study areas), cap CETC per-line support at end of 2011 levels and phase out legacy CETC support over 5 years in any area in which (1) the CETC (if support were to be phased out) satisfies the unsubsidized competitor test applicable to rate-of-return areas or (2) in any other Rate-of-Return ILEC study area, unless the CETC is meeting the broadband performance requirements that would apply to the CAF recipient in that area. Such support would phase out over 5 years once the ILEC meets the applicable CAF performance requirements unless, at that time, the CETC provides superior service to the ILEC in terms of speed, latency and jitter.
    - For rate-of-return ILECs, no changes from the national plan for rate of return carriers.
    - For price cap ILECs (*i.e.* ACS):
        - Freeze all current support on a study area basis and phase out over 10 years (transition to CAF) in any area in which, at the end of the wireline

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[5] It is not currently technically possible to offer 4G service over satellite or long distance microwave backhaul due to latency.

[6] Eight years is less than the depreciation periods applicable to cell site equipment.

CETC transition, there will be an unsubsidized competitor (as defined in the nationwide plan applicable to price cap LECs), except in Fairbanks Zone 2, Glacier State, Sitka and Greatland study areas, where there would be no phase-out of price cap ILEC legacy support, but support would continue to be distributed on a study area basis.

- Permit ACS to elect any right-of-first refusal ("ROFR") for the CAF for unserved areas within each of its ILEC study areas on a wire center basis.
- Limit CAF build-out commitments to areas where ILEC has access to affordable terrestrial backhaul.
- Make available "CAF I" interim support to high-cost wire centers (as determined by the Commission's HCPM) for eight years; and exempt from any attendant build-out obligations any wire centers not served by an unsupported competitor, as well as any wire centers not accessible by affordable terrestrial backhaul.

Overall, we believe that this framework would result, at the end of all the transitions, in a substantial rationalization of universal service support in Alaska. We project that in 2011, wireless and wireline CETC support in "urbanized" Alaska and in the rural price cap areas (both as defined above) will total approximately $43 million (over $10 million of which will go to AT&T, a carrier with more than 2 percent of nationwide wireless lines), all of which is phased out under this proposal. In 2011, wireless CETC support in rural Alaska is projected at approximately $64 million (of which approximately $8.7 million will go to AT&T), and rural wireline CETC support is projected to be approximately $9 million. For 2011, we project that rural rate-of-return ILECs will receive approximately $72 million. And price cap ILECs are projected to receive approximately $19 million in the same period.

As a last-available alternative if the Commission does not feel that it can adequately evaluate any solution for Alaska Native regions in the remaining time, we suggest that the best approach would be to "do-no-harm" and preserve the status quo under the Tribal Lands exception (established in the *CETC Interim Cap Order*[7]) and legacy support mechanisms until such an evaluation can be conducted as part of an FNPRM. While this approach provides some hope of continued service to rural Alaska, we remain gravely concerned that the consequences of imposing the national plan with a promise of fixing it later will cause the markets to inflict immediate and long-lasting harm on Alaska investment that would last beyond the time when the FCC implemented any future "fix."

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7 *High-Cost Universal Service Support Federal-State Joint Board on Universal Service; Alltel Comm'c'ns, Inc., et al. Petitions for Designation as Eligible Telecomms. Carriers; RCC Minnesota, Inc., and RCC Atlantic, Inc. New Hampshire ETC Designation Amendment,* Order, WC Docket No. 05-337; CC Docket No. 96-45, 15 n.95 (rel. May 1, 2008).

Most importantly, we reiterate that, as both the Alaska congressional delegation and the Alaska Governor have highlighted, failure to take Alaska's unique circumstances into account would be disastrous for the State and its consumers. Meeting the goals of Section 254 and bringing Alaska fully into the 21st Century along with the rest of the country requires a different approach, targeted to addressing Alaska's situation.

Sincerely,

/s/
Anand Vadapalli
President and Chief Executive Officer
Alaska Communications Systems Group, Inc.

/s/
Ronald Duncan
President and Chief Executive Officer
General Communication, Inc.

cc:
Edward Lazarus
Angela Giancarlo
David Grimaldi
Mark Stone
Zachary Katz
Margaret McCarthy
Christine Kurth
Angela Kronenberg
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