

EX PARTE OR LATE FILED

KAREN BRINKMANN PLLC
555 Eleventh Street, NW
Mail Station 07
Washington, DC 20004-1304
(202) 365-0325
KB@KarenBrinkmann.com

FILED/ACCEPTED

OCT 20 2011

Federal Communications Commission
Office of the Secretary

ORIGINAL

October 20, 2011

**CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN CC DOCKET
No. 01-92, WC DOCKET Nos. 05-337, 07-135, AND 10-90, AND GN DOCKET No. 09-51
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION –
ADDITIONAL COPYING PROHIBITED**

REDACTED FOR PUBLIC INSPECTION

BY HAND DELIVERY

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, D.C. 20554

Re: *Developing a Unified Intercarrier Compensation Regime, et al.*,
CC Docket Nos. 01-92 and 96-45, WC Docket Nos. 03-109, 05-
337, 07-135 and 10-90, and GN Docket No. 09- 51 –
Ex Parte Notice

Dear Ms. Dortch:

On October 18, 2011, Anand Vadapalli and Leonard Steinberg of Alaska Communications Systems Group, Inc., on behalf of its operating subsidiaries ("ACS"), and I met with Commissioner Copps and Margaret McCarthy, and with Commissioner McDowell and Christine Kurth, and on October 19, 2011, Messrs. Vadapalli and Steinberg and I met with Chairman Genachowski, Eddy Lazarus and Brad Gillen. All of these meetings concerned the FCC's pending universal service and inter-carrier compensation rulemaking in the above-captioned dockets. The enclosed material was distributed at these meetings.

No. of Copies rec'd 0+1
List ABCDE

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

REDACTED FOR PUBLIC INSPECTION

Marlene H. Dortch
October 20, 2011

Confidential Treatment

Pursuant to the Protective Order established in this proceeding,¹ ACS hereby files certain information that is proprietary and confidential to ACS. ACS has marked each page of this letter and the enclosed Stamped Confidential Document with the required legend indicating its confidential nature as required in paragraph 4 of the Protective Order, and has indicated that each document contains such sensitive information that the copying of the document should be restricted as provided for in paragraph 5 of the Protective Order.

Please find herewith one copy of ACS's Stamped Confidential Documents as defined in the Protective Order, and two copies of its Redacted Confidential Documents. ACS also is sending two copies of each Stamped Confidential Document to Ms. Lynne Hewitt Engledow, Pricing Policy Division, Wireline Competition Bureau. ACS also is filing its Redacted Confidential Documents electronically in the above-captioned dockets.

Substantive Description of *Ex Parte* Discussions

In these meetings, ACS explained that unique circumstances in the state, including the lowest population density of the 50 states, and very high per-customer costs of deploying *and maintaining* both fixed and mobile networks, justify special rules for universal service funding to Alaska service providers. ACS argued that federal universal service funding has been instrumental to the ability of Alaska's service providers to deliver essential fixed and mobile services to many parts of the state that otherwise would not have access to those services, including 300 communities not connected by road to any other place. Without continuing funding at least at the levels proposed by ACS in its August 24, 2011 Comments in this proceeding, ACS will have to substantially modify its infrastructure investment plans. Without an Alaska-specific plan going forward, the Commission cannot ensure that customers in Alaska will have access to advanced telecommunications and information services that are reasonably comparable, and comparably priced, to those available in the rest of the nation.

¹ *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, Protective Order, 25 FCC Rcd 13160 (Wireline Competition Bur. 2010).

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

REDACTED FOR PUBLIC INSPECTION

Marlene H. Dortch
October 20, 2011

ACS pointed to its investment in telecommunications infrastructure in Alaska of more than \$500 million over the past eight years. Plans have been announced to invest \$35 million more in 4G wireless broadband capability. The company employs 850 workers in the sector. ACS expressed its concern that forcing ACS into a plan developed for the Lower 48 states could be highly destabilizing for the company, its employees and its customers. For example, the changes under consideration could put at risk as much as **[REDACTED FOR PUBLIC INSPECTION]** per year in revenues for ACS alone, and as much as **[REDACTED FOR PUBLIC INSPECTION]** per year for the state (compared to 2010 revenues). **[REDACTED FOR PUBLIC INSPECTION]**

ACS urged the Commissioners to support an Alaska-specific plan that will eliminate growth in the size of the fund, shift support from urban to rural areas, and target funding where it is most needed, providing advanced competitive telecommunications services throughout the state. The proposal filed by ACS, in its August 24, 2011 Comments in this proceeding, has support from GCI as well as the small RLECs in the state. Over a reasonable transition period, it would phase out 100% of the support currently targeted to Anchorage, and shift substantial amounts of support out of Fairbanks and Juneau – even though those study areas are truly rural – thus enabling substantial new investment and expanded broadband capability in the state. Conversely, failure to adopt an Alaska-specific solution would lead to sharp reductions in investment and even cut-backs in existing services in a number of areas throughout the state.

ACS appreciates the Commission's interest in creating a consistent national policy framework for universal service and inter-carrier compensation. ACS would support the long-term objective of aligning Alaska with the national framework provided that it is pursued in a manner that (a) recognizes the unique characteristics of Alaska, and (b) is not detrimental to the entire communications sector in one state. Allowing Alaska to maintain its existing support (including recognition of the Alaska Tribal Lands exception),² while capping and *perhaps even modestly reducing* the level of support relative to ACS's August 24 proposal, and phasing down support over a longer time period of time, would provide the means to balance objectives and fit Alaska within the overall parameters of the National Broadband Plan.

² *High-Cost Universal Service Support, Federal-State Joint Board on Universal Service, Order, WC Docket 05-337, CC Docket 96-45 (FCC 09-16), para. 8 (rel. March 5, 2009).*

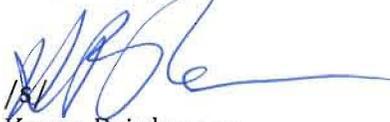
**CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN CC DOCKET
No. 01-92, WC DOCKET Nos. 05-337, 07-135, AND 10-90, AND GN DOCKET No. 09-51
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION –
ADDITIONAL COPYING PROHIBITED**

REDACTED FOR PUBLIC INSPECTION

Marlene H. Dortch
October 20, 2011

Please direct any questions regarding this matter to me.

Very truly yours,



Karen Brinkmann
Counsel to ACS

Enclosure

cc:

Hon. Julius Genachowski
Hon. Michael Copps
Hon. Robert McDowell
Edward Lazarus
Zachary Katz

Christine Kurth
Margaret McCarthy
Sharon Gillett
Carol Matthey
Bradley Gillen

Broadband in Alaska: Assessing the impact of the proposed FCC Policy under the National Broadband Plan

REDACTED FOR PUBLIC INSPECTION

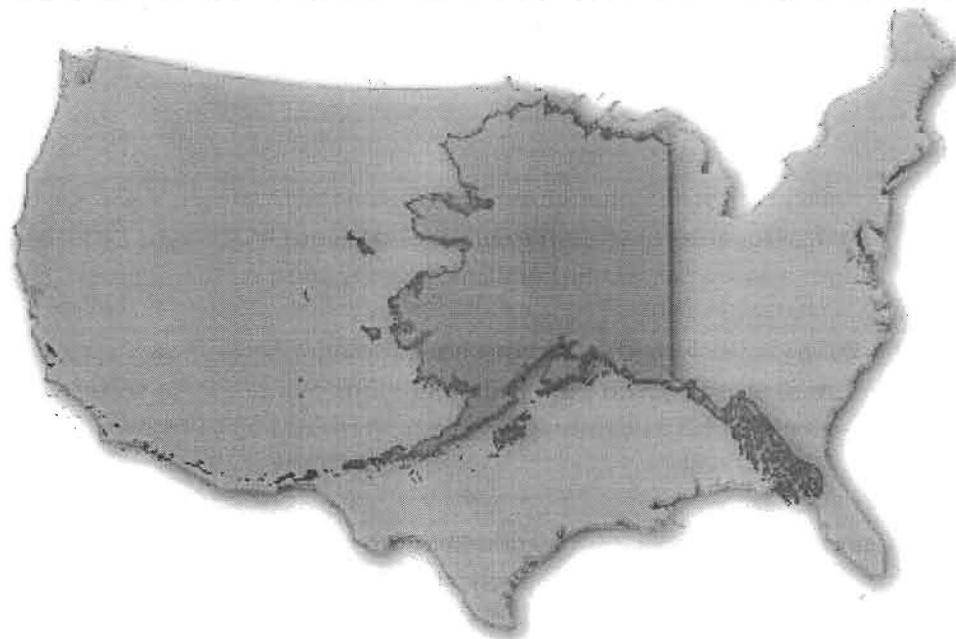
Presented by Alaska Communications

October 2011

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

REDACTED FOR PUBLIC INSPECTION

Alaska – Our state is indeed different with a much greater reliance on communications infrastructure



Stretching from St. Augustine FL to San Francisco CA, Alaska has, by far, the lowest population density in the US

1 mile of paved road for every 640 square miles of land. **This 1:640 ratio compares to 1:26 in North Dakota and 1:11 for New York!!!**

Telecommunications is vitally important as the majority of the communities are only served by air/boat

Alaska has 508 schools, many isolated, across 56 school districts ranging in size from 15 to 50,000 students with total enrollment of 132,000 students, yet Alaska is 562,000 square miles.

Alaska's Kenai Peninsula Borough School District has ~9,000 children in K-12 for ~26,000 square miles compared to ~282,000 children in K-12 in the entire state of West Virginia with ~24,000 square miles.

Native Alaskans have shorter life expectancies, higher maternal, child and infant death rates, as well as uninsured rates twice the national average.

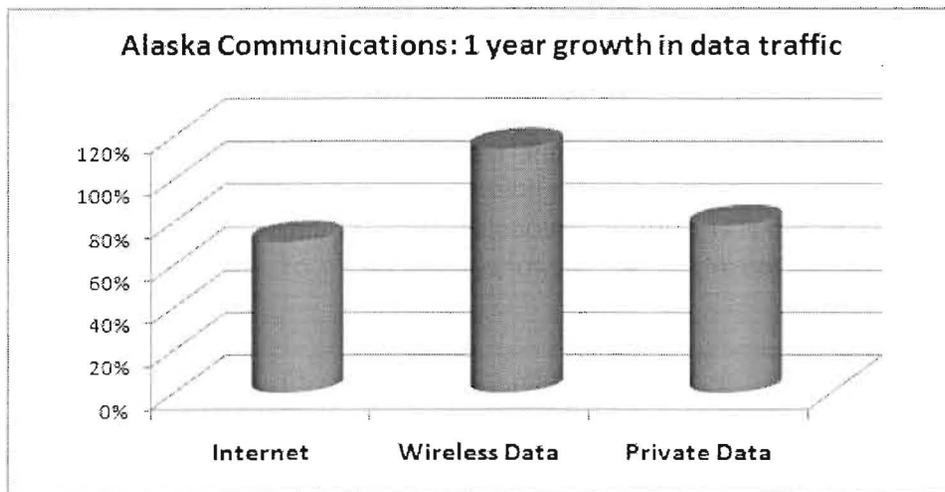
Quality of care depends heavily on **communication powered technologies**, including: **Telemedicine, Remote Patient Monitoring, Electronic Health Records** and continuing medical education.

Alaska's waters are estimated to contain more than 30% of the nations known recoverable offshore resources. Supporting investments in our energy independence requires investment in telecom.

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

REDACTED FOR PUBLIC INSPECTION

Yet, the appetite for broadband is no different in Alaska ...



Over 300 communities not the road system puts a premium on communications.

From remote learning to telemedicine, from telemetry for the oil pipeline to sensitive military data, **telecommunications is critical to Alaska**, as it is for the rest of the country.

Alaska has traditionally had one of the **highest rates of Internet use** in the nation – ~80% in Alaska compared to ~72% in all of the US (Source: NTIA CPS Internet Use 2010)

Over the last decade, Alaska based telecommunications companies have **invested over \$1.5 Billion** in infrastructure connecting Alaskans to each other and the rest of the world. Assuming a rational support mechanism policy, **hundreds of millions in additional investments are proposed** over the next 5 years to bring 4G Wireless and the latest in broadband technologies to the state. Unlike national players doing business in Alaska, we do not cherry pick our markets – we live and work in the neighborhoods we serve. **We rely on support mechanisms** designed by the FCC and the RCA to recover these investments.

Approximately **3,000 Alaskans are directly employed** by telecommunications companies in the state.

Federal and state based policies/support mechanisms drive private investment.

Collectively, we create jobs and vital infrastructure.

We have the track record to prove it – and we need to continue this partnership.

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

REDACTED FOR PUBLIC INSPECTION

Because of the high cost build, Alaskan telecom companies rely on support dollars to operate and invest in networks

1. Because of the high cost to build, we rely on state and support mechanism.
2. With about 20 service providers in the state, **support dollars**, including access revenues, represent anywhere **between 25% - 90% of service provider revenues**.
3. Investments in communications infrastructure goes beyond the last mile:
 1. **In-state middle mile and long haul in Alaska is most challenging** – and is a combination of fiber, microwave and satellite.
 2. **Inter-state long haul is submarine fiber** – with two Alaskan companies, ACS and GCI, owning and operating 2 cable systems each
4. **National providers** in the Alaska market (AT&T Mobility) or seeking to enter the Alaska market (VZW) do not have the same reliance on support mechanism because they **cherry pick the markets they serve**, and there has been no track record of national providers stepping in to meet the universal service obligations.
5. Contemplated policy **cuts current High Cost Fund support from approximately [REDACTED FOR PUBLIC INSPECTION]** in 2010 to an amount ranging from **[REDACTED FOR PUBLIC INSPECTION]** under the proposed **Connect America Fund**. This will cause Alaskan companies to significantly retrench our investments.
 1. This will **weaken vital infrastructure** in the State, and
 2. **Impact jobs** of many Alaskans
6. ACS, in collaboration with other leading telecom providers in Alaska, has **proposed mechanisms to cap support dollars** and yet create a **sustainable public policy approach for broadband in Alaska**. So far, this proposal appears to have been ignored by the FCC

REDACTED FOR PUBLIC INSPECTION

In Summary

1. Alaska is a state unique in its characteristics. **Alaska's Kenai Peninsula Borough School District has ~9,000 children in K-12 for ~26,000 square miles compared to ~282,000 children in K-12 in the entire state of West Virginia with ~24,000 square miles.**
2. **Sound public policy over the last decade has enabled rational investments** in broadband infrastructure in Alaska. In the last decade, Alaska based telecommunications companies have invested over **\$1.5 Billion in infrastructure** connecting Alaskans to each other and the rest of the world. Assuming a rational support mechanism continues, **hundreds of millions in additional investments are proposed over the next 5 years** to bring 4G Wireless and the latest in broadband technologies to the state.
3. **The current National Broadband Plan policy being contemplated**, with no consideration for the needs of Alaska, is **extremely detrimental to future private investment, Alaska infrastructure and jobs.**
4. **Alaska's providers have proposed a policy approach** to provide a continued rational framework:
 1. Freeze the amount of support to curtail growth at 2010 levels
 2. Shift support over time from urban to rural areas
 3. Use the reallocation to fund growth in wireless, especially wireless broadband
 4. Continue support of existing providers, and
 5. Tie support to broadband deployment where feasible (based on terrestrial transport capability)

Alaska Communications requests incorporation of our proposal into proposed FCC policy.

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