KAREN BRINKMANN PLLC
TELECOM, MEDIA & TECHNOLOGY LAW

555 Eleventh Street, NW
Mail Station 07
Washington, DC 20004-1304
Sender's Direct Line: 202.365.0325
KB@KarenBrinkmann.com

October 24, 2011

BY ELECTRONIC FILING
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 – **Exempt from Sunshine Prohibition Pursuant to 47 C.F.R. §§1.1203(a)(1) & 1.1204(a)(10)**

Dear Ms. Dortch:

This afternoon, October 24, 2011, on behalf of Alaska Communications Systems Group, Inc. and its operating subsidiaries ("ACS"), I spoke with Bradley Gillen of the Commission's Wireline Competition Bureau at his request, concerning the FCC's proposed universal service reforms in the above-captioned dockets. This notice is filed pursuant to Sections 1.1203(a)(1) and 1.1204(a)(10) of the Commission's rules.

Mr. Gillen requested input from ACS concerning a possible two-year grace period before non-urban[1] Alaska CETC support is phased down. I suggested that the best way to incentivize continued investment by CETCs in rural Alaska would be to set a statewide cap on total non-urban Alaska CETC funding, based on the amounts all Alaska CETCs receive in calendar year 2011, and then develop for each individual CETC a fixed per-line amount of support based on the total such support for such carrier divided

[1] Letter from Anand Vadapalli and Ronald Duncan to FCC Chairman Genachowski and Commissioners Copps, McDowell and Clyburn, filed Oct. 21, 2011 in CC Docket 01-92 *et al.,* notes 3 & 4 (defining "urban" Alaska as consisting of: the Municipality of Anchorage, which includes the ACS of Anchorage study area (SAC 613000); portions of the Matanuska Telephone Authority study area (SAC 619003) covering Eagle River and Chugiak; ACS of Fairbanks disaggregation zone 1 as a proxy for the City of Fairbanks; and the Borough and Municipality of Juneau, in the ACS Alaska - Juneau study area (SAC 613012); and defining the remainder of Alaska as rural).

by line counts as of September 30, 2011, which will be filed in March 2012. On this frozen per-line basis, CETCs that continue to increase their customer counts during the two-year grace period would see an increase in total non-urban Alaska CETC funding. In the event that, due to growth in the total number of non-urban Alaska CETC customers during the two-year grace period, "demand" for non-urban Alaska CETC funding should exceed the statewide cap described above, ACS believes that the Commission could impose a fixed percentage reduction in per-line non-urban Alaska CETC funding across all Alaska CETCs.

In response to his inquiry, I told Mr. Gillen that, to be sufficient, the Commission's proposed Mobility Fund II and Tribal Fund II would have to be in place by the end of the two-year grace period, and would have to yield enough support for Alaska broadband providers to ensure that they can continue to invest in Alaska at the same levels as they have invested in 2011. If the Mobility II Fund and Tribal II Fund are not ready for distribution at the end of the two-year grace period, the phase-down of all Alaska CETC support should be suspended until such time as those funds are available for distribution to Alaska CETCs. Further, in response to Mr. Gillen's request for input on criteria for the Mobility II and Tribal II Funds, I told Mr. Gillen that these funds ought to be designed to address the unique needs of Alaska and, consistent with the Tribal Lands Exemption, should provide for sufficient funding that is substantially similar to 2011 levels so CETCs may recover their investment and continue to extend and operate their broadband networks serving the state.

Similarly, any model serving to predict the amount of support to be phased in for price cap carriers such as ACS's ILEC subsidiaries should produce support at levels at least equal to the amounts they receive in 2011, so that ACS may recover its broadband investment and continue to expand and operate its broadband networks. Further, existing support mechanisms should be frozen and remain in place until the new support mechanism is in place and available for distribution. In response to a question from Mr. Gillen, I told him that ACS continues to believe that no such model developed for the country as a whole is likely to accurately predict costs in Alaska, but that a commitment from the Commission to "hold harmless" the Alaska network operators for a minimum of ten years would go a long way to bringing about much-needed stability in the investment climate in the state. I explained that ten years is the minimum amortization period for the assets required for broadband deployment.

Moreover, in response to Mr. Gillen's inquiry about future support being available only in census block areas that are not served at all by an unsupported competitor, I expressed the view that such a rule will likely deny needed broadband funding to many households. In Alaska, uniquely harsh terrain and short building seasons make it impossible to serve many locations at affordable rates in the absence of support. Frequently, some but not all households in a census block can be reached affordably. The Commission thus should not deem a census block in Alaska to be "served" by broadband unless all of the customer locations in the census block are reached by an existing, unsupported provider.

Mr. Gillen requested input about a possible requirement that price cap carriers seeking to exercise a right of first refusal for CAF support accept mandatory broadband build-out requirements on a statewide basis rather than study area or wire center basis. I told him that robust, high-bandwidth services cannot be provided to certain locations in Alaska using technology currently available, for example, backhaul that relies on satellite or terrestrial point-to-point microwave technology. While some non-fiber-based technologies such as microwave may be adequate for some network operations in other parts of the country, microwave links must be individually powered, and in hundreds of locations in Alaska they are not located on any electric grid, which means that diesel fuel must be flown in by helicopter at an extremely high cost per location. Moreover, terrestrial microwave, unlike fiber optic cable, is susceptible to weather-related service interruptions that are far more likely to occur in Alaska's extreme climate than in the Lower 48 states. For this reason, I argued that the Commission should tie any mandatory broadband build-out obligations in Alaska to the availability of affordable (*i.e.,* competitively priced), fiber-based terrestrial backhaul capability.[2] Moreover, because circumstances vary widely from one part of the state to another, mandatory statewide build-out requirements do not make sense in Alaska. ACS believes that such requirements likely would result in a large proportion of the state receiving no access to broadband, whereas applying the obligation on a more granular level would result in significantly more homes and businesses having access to broadband.

ACS continues to believe that the solutions it has advocated in its comments and recent *ex parte* filings in this proceeding would best serve the interests of Alaska's consumers, and reflect the most reasonable compromise on the Alaska-specific issues raised in this proceeding. ACS provides the views set forth herein at the request of the Commission staff, and ACS would be happy to provide any additional information needed by the Commission. Please direct any questions regarding this matter to me.

Very truly yours,

Karen Brinkmann
Counsel to ACS

cc: Bradley Gillen

[2] *See* Letter from Karen Brinkmann to Marlene H. Dortch, FCC Secretary, in CC Docket No. 01-92 *et al*., filed Oct. 21, 2011, note 2 ("Affordability could be determined on a case-by-case basis, but the Commission should articulate some logical guidelines. For example, if terrestrial backhaul is available to a particular area only at a price closer to satellite backhaul prices than to typical terrestrial backhaul rates, then effectively no viable backhaul solution is available to that area").