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
	)	
Universal Service Reform – Mobility Fund	)	WT Docket No. 10-208

REPLY COMMENTS OF ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.

Alaska Communications Systems Group, Inc., on behalf of its operating subsidiaries ("ACS"),[1] hereby replies to comments filed on the inter-carrier compensation ("ICC") portions of the Commission's *Further Notice of Proposed Rulemaking* in the above-captioned dockets.[2]

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1 In this proceeding Alaska Communications Systems Group, Inc. represents four local exchange carriers, ACS of Alaska, Inc., ACS of Anchorage, Inc., ACS of Fairbanks, Inc., and ACS of the Northland, Inc. (the "ACS ILECs"), as well as ACS Long Distance, Inc., ACS Cable, Inc., ACS Internet, Inc., and ACS Wireless, Inc. Together, these companies provide retail and wholesale wireline and wireless telecommunications, information, broadband, and other services to residential and business customers in the State of Alaska and beyond, using ACS's intrastate and interstate facilities.

2 *Connect America Fund et al.,* Report and Order ("*CAF/ICC Order*") and Further Notice of Proposed Rulemaking ("*FNPRM*") in WC Docket Nos. 10-90 *et al.,* FCC 11-161 (rel. Nov.

I. INTRODUCTION & SUMMARY

ACS advocated in its Comments on the Commission's *FNPRM* that, before the Commission orders any further reductions in inter-carrier compensation, it should allow a reasonable period of time to evaluate the impacts of all of the changes enacted in the *CAF/ICC Order*. Further, ACS argued that the elimination of unnecessary and burdensome regulation has not kept appropriate pace with the phasing out of regulated revenue streams. Many other parties agree with both themes. Further, parties familiar with the challenges of providing advanced telecommunications and information services in Alaska point out that significant differences between Alaska and the rest of the country argue in favor of a modified approach to inter-carrier compensation reform. ACS supports such changes to FCC policies where they will result in appropriate, not excessive, regulation.

II. DISCUSSION

A. The FCC Should Adopt Alaska-Specific Solutions Where Necessary To Further the Goals of Universal Service

The Commission has adopted a unified nationwide approach to inter-carrier compensation, which necessarily is based on a number of assumptions about the nature of inter-carrier arrangements for access to networks, interconnection, and transport and termination of telecommunications traffic, and the network facilities used in these functions. The record amply demonstrates, however, that such arrangements in Alaska differ from those commonly found in the Lower 48 states. This suggests that the unified inter-carrier compensation rules adopted by the Commission ought to be adjusted in some respects for the unique Alaska environment.

18, 2011). As requested by the Commission, these Reply Comments address the issues raised in Sections L through R of the *FNPRM*.

Each of the Alaska-based parties that filed comments on the FNPRM agrees that network configuration and inter-carrier arrangements in Alaska are unique to the state, and do not appear well suited to some of the Commission's inter-carrier compensation reforms. The Regulatory Commission of Alaska ("RCA") observes:

> The FCC's reforms appear designed for the LATA network architecture [of the Lower 48 states] but there are no LATAs in Alaska. There are no tandems in Alaska. Many of Alaska's rural ILEC study areas consist of noncontiguous exchanges that can be hundreds of miles apart and are not connected by a road system or other infrastructure. Facilities based interexchange carriers provide transport between exchanges, and in many areas the transport is provided via satellite.[3]

The RCA cites as an example ACS of the Northland's Sitka study area, which includes a number of exchanges serving fewer than 200 customers each, separated by thousands of miles of roadless terrain, connected to ACS's infrastructure via satellite capacity that ACS must lease from third-party providers, or point-to-point microwave links that generally are not suitable for broadband service.[4] As the RCA points out, if ACS of the Northland's designated service areas were superimposed on a map of the Lower 48 states, its exchanges would be scattered from Arizona to Georgia to Minnesota: "No other state has study areas with these exchange characteristics."[5]

Similarly, LEC-CMRS arrangements have developed in a manner different from the national default rule because the entire state of Alaska is defined by the Commission as a single

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[3] Comments of the Regulatory Comm'n of Alaska in WC Docket No. 10-90 *et al.*, filed Feb. 24, 2012 ("RCA Comments") at 4-5. *See also* Comments of General Communication, Inc. in WC Docket No. 10-90 *et al.*, filed Feb. 24, 2012 ("GCI Comments") at 2-4 (observing that Alaska has no LATAs, and intrastate calls typically require the participation of three different carriers, and often involved satellite-based transport between villages); Intercarrier Compensation Comments of the Alaska Rural Coalition in WC Docket No. 10-90 *et al.*, filed Feb. 24, 2012 ("ARC Comments") at 7 ("access tandem architecture never developed in Alaska. Rather than an ILEC tandem switch, carriers must connect to ILECs at their individual End Office Switches").

[4] RCA Comments at 5-6.

[5] RCA Comments at 6.

Major Trading Area ("MTA") – an area equivalent to about one-fourth of the entire land mass of the Lower 48 states, covering distances which would stretch from California to Georgia and from Texas to Minnesota. As the RCA points out, Alaska's CMRS carriers typically have agreed not to impose on the LEC the responsibility for all transport within the MTA; instead, CMRS carriers have agreed to pay interexchange carriers for intrastate transport to a terminating LEC's network.[6]

In both wireline and wireless transmissions, inter-office transport – whether fiber, microwave or satellite-based -- most often is owned *not by the ILEC* but by one of the state's two largest facilities-based interexchange carriers, AT&T and GCI.[7] This is in marked contrast to intra-LATA communications in the Lower 48, which typically do not require the purchase of services from interexchange carriers, and rarely (if ever) require the lease of satellite capacity.[8]

Because of these and other unique challenges to serving Alaska, which have been discussed at length throughout this proceeding by ACS, the RCA, and other parties, and because the reforms undertaken by the Commission threaten to compromise Alaska's network operators' most important revenue sources,[9] Alaska-based commenters have urged the Commission to more carefully tailor its inter-carrier compensation rules to reflect the dearth of local infrastructure in the state. ACS believes that some of these Alaska-specific modifications have merit. For example, the RCA proposes that the Commission exempt from the mandatory progression to bill-and-keep those carriers serving study areas not ubiquitously served by fiber inter-office

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6 RCA Comments at 6-7. *Cf.* GCI Comments at 4 ("If a CMRS carrier has no local number resources in the local exchange area, it generally terminates calls to the LEC by routing calls to an IXC that completes the call, bills the CMRS carrier for long distance services, and pays intrastate terminating access charges to the LEC").

7 RCA Comments at 5-6 & n. 3; GCI Comments at 3.

8 GCI Comments at 2.

9 RCA Comments at 15-16.

facilities.[10] ACS agrees that the Commission must either exempt carriers in Alaska from bill-and-keep or provide sufficient universal service support for the construction, maintenance, and upgrade of network facilities to the network "edge" in high-cost areas.[11] Failure to do so, as the RCA observes, will put Alaska's infrastructure – and universal service within the state – at risk.[12] Carriers simply will not have adequate resources to construct the facilities necessary to deliver traffic to its intended destination. Postponing the implementation of bill-and-keep for Alaska carriers that lack inter-office facilities would permit them to continue to charge for the use of their existing facilities while investing in additional infrastructure. Such relief could be predicated on carriers submitting a five-year plan, as ETCs must do, and demonstrating progress in network deployment (or explaining the limitations on their ability to do so, such as lack of affordable terrestrial middle mile services) on an annual basis.[13] ACS urges the Commission to adopt this limited modification to its inter-carrier compensation transition in order to address the unique difficulties that Alaska has experienced and bring the benefits of universal service to Alaska's consumers.

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[10] RCA Comments at 8. In the alternative, the RCA proposes that the FCC permit the state to exempt carriers that "cannot comply with bill-and-keep regulations because of facility constraints." While ACS believes that this idea needs further fleshing out, ACS supports the principle of tailoring the inter-carrier compensation regime to reflect the constraints of available network facilities in Alaska.

[11] Comments of ACS in WC Docket No. 10-90 *et al.*, filed Feb. 24, 2012 ("ACS Comments") at 3-5. *See* 47 U.S.C. §254(b)(3)(consumers in all regions, including in rural, insular and high-cost areas, should have access to telecommunications and information services that are reasonably comparable to those provided in urban areas, at rates reasonably comparable to those charged for similar services in urban areas); §254(b)(5) (universal service support should be "specific, predictable and sufficient" to "preserve and advance universal service").

[12] RCA Comments at 3.

[13] *See* 47 C.F.R. §54.313(a).

B. Alaska Carriers Should Not Be Subject To Inconsistent State and Federal Rules

ACS does not agree with the RCA's view that the state must continue to play a significant role in inter-carrier compensation regulation even under the FCC's sweeping nationwide reforms.[14] With due respect to the RCA's expertise on state matters, ACS fears being caught between burdensome new federal requirements and potentially conflicting or duplicative state requirements. ACS has urged the Commission to accompany the access charge phase-down that is at the core of the Commission's inter-carrier compensation reforms with the elimination of other regulations that have become unnecessary or unduly burdensome.[15] The role of the state in regulating ILECs, like the role of the FCC, should be diminished as ILEC facilities no longer pose a bottleneck and rates increasingly are determined by market forces.

C. Further Rate Reductions Should Be Postponed In Alaska

The *FNPRM* seeks comment on yet another round of rate reductions for ILECs, even while carriers such as ACS are wrestling with the implementation of the access charge reductions just ordered in the *CAF/ICC Order*. Alaska commenters generally agree that the Commission ought to proceed incrementally, and not adopt any further rate reductions until carriers and the Commission have had an opportunity to assess the impacts of the reforms already being implemented pursuant to the *CAF/ICC Order*.[16] The RCA notes that the recent rule changes by themselves will likely have harsh consequences for Alaska's network operators, requiring local rate increases on top of increases that recently took effect under state reforms.[17] Further, the *CAF/ICC Order* requires all ILECs to undertake broadband build-out without a clear indication

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[14] *E.g.,* RCA Comments at 11 (the FCC may mandate rate methodology, but the states must set rates).

[15] ACS Comments at 8-10.

[16] RCA Comments at 19-21; ARC Comments at 12-15; ACS Comments at 4-5, 7-8.

[17] RCA Comments at 15.

that adequate support will be made available. The result is a threat not only to the advanced services the FCC hopes will be deployed throughout the nation but also to the existing services on which Alaska residents rely.[18] ACS and the RCA agree that it would be inappropriate at this stage to contemplate further revenue reductions, such as in originating access or dedicated transport charges, for Alaska carriers.[19] Nor should the FCC consider the sunset of the Access Recovery Charge or the Subscriber Line Charge until the impact of the recent reforms can be analyzed.[20]

D. **The Best Way To Promote IP-to-IP Interconnection Is To Offer Support For That Purpose**

The Commission seeks to promote IP-to-IP interconnection, but this presupposes that all service providers have Internet Protocol ("IP") capability throughout their networks. This is not the case in Alaska. In fact, ACS shares the concern of the RCA that deployment of new IP-based infrastructure, and upgrade of existing IP facilities, could well be compromised rather than encouraged by the FCC's current policies.[21] Investment is likely to be severely constrained in light of the dramatic impacts that the *CAF/ICC Order* is expected to have on carrier revenues, coupled with the host of outstanding questions that remain concerning many aspects of the new rules, from the adequacy of support to the difficulty of meeting broadband commitments, to the new network arbitrage that "bill and keep" almost certainly will engender. However, ACS does not agree that the solution is more state-ordered obligations, such as a requirement to maintain

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[18] RCA Comments at 15 ("Absent adequate replacement support [for reduced interstate access revenues and universal service support], the reforms will likely compromise future broadband development as well as current operations").

[19] RCA Comments at 19; ACS Comments at 4-5.

[20] RCA Comments at 19-20; ARC Comments at 12; ACS Comments at 7-8.

[21] RCA Comments at 21.

existing TDM-based infrastructure.[22] Rather, ACS urges the Commission to promote IP-to-IP interconnection by ensuring that adequate support is made available for the construction, maintenance and upgrade of IP-based networks. Correspondingly, outmoded requirements such as the continued maintenance of TDM-based networks and services should be preempted.

E. **Call Signaling Rules Must Be Modified For the Alaska Environment**

Since the release of the *CAF/ICC Order* and *FNPRM*, a number of Alaska-based carriers have requested limited waiver of the Commission's new call signaling rules.[23] Designed to address the problem of "phantom traffic" that has plagued other regions of the United States, certain aspects of the new call signaling rules cannot be implemented in Alaska as intended by the Commission. For ACS, compliance with the new rules is not technically feasible in that their Signaling System 7 ("SS7") switches and multi-frequency ("MF") signaling trunks are not capable of generating or passing the required information in all cases. GCI and the ARC express similar concerns in their waiver petitions about the infeasibility of compliance in some instances. In the Comments, the RCA advocates grant of these petitions because local network configurations render the FCC call signaling requirements impossible to implement in Alaska.[24] Moreover, the RCA states that it is unaware of any phantom traffic problem in rural Alaska,

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22 *See* RCA Comments at 23-24.

23 *See* Wireline Competition Bureau Seeks Comment on Alaska Communications Systems Group, Inc. Petition for Limited Waiver of Call Signaling Rules, Public Notice in CC Docket No. 01-92 *et al.,* DA 12-453 (rel. Mar. 23, 2012); Wireline Competition Bureau Seeks Comment on General Communication, Inc. Petition for Limited Waiver of Call Signaling Rules, Public Notice in CC Docket No. 01-92 *et al.,* DA 12-321 (rel. Mar. 1, 2012). *See also* Alaska Rural Coalition's Petition for Limited Waiver in WC Docket No. 10-90 *et al.,* filed Mar. 23, 2012.

24 RCA Comments at 24.

where MF signaling commonly is employed.[25] The FCC should incorporate these comments in to the record of the Alaska waiver petitions, and expeditiously grant the requested relief.

F. Further Deregulation Is Necessary To Realize the Benefits of ICC Reform

Finally, since ACS filed its initial comments on the *FNPRM*, the Commission invited comment on a petition from United States Telecom Association seeking forbearance for all ILECs from seventeen categories of telecommunications regulations.[26] While comments on that petition will be filed in a separate docket, ACS notes that the petition supports, *inter alia*, the elimination of the Part 32 Uniform System of Accounts, which ACS has advocated in this proceeding.[27] The USTA Petition cites the duplicative nature of the Part 32 accounting rules, the costs they impose on ILECs, and their inconsistency with other, widely accepted accounting requirements.[28] ACS submits that the Commission need not await resolution of the USTA Petition to eliminate these unnecessary and burdensome regulations. ACS urges the Commission to grant immediate relief to all carriers that conduct their accounting in accordance with GAAP. Such relief would be consistent with the Commission's intent to eliminate outmoded regulation and promote more efficient operation by ILECs.

III. CONCLUSION

For the foregoing reasons, ACS supports deregulatory measures that keep pace with all of the new reforms the Commission has adopted. Further, ACS urges the Commission to tread cautiously in the area of inter-carrier compensation, and take adequate time before adopting any

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25 RCA Comments at 24.

26 Pleading Cycle Established for Comments on United States Telecom Association Petition ("USTA Petition") For Forbearance From Certain Telecommunications Regulations, Public Notice in WC Docket No. 12-61, DA 12-352 (rel. Mar. 8, 2012).

27 USTA Petition at 34-43; ACS Comments at 8.

28 USTA Petition at 36, 39-42.

new rules that could further deplete limited resources for investment in telecommunications networks in Alaska.

Respectfully submitted,

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