

**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 an 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
	)	
<u>Universal Service Reform – Mobility Fund</u>	)	WT Docket No. 10-208

**INTERCARRIER COMPENSATION REPLY COMMENTS**  
**OF THE ALASKA RURAL COALITION**

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Alaska Telephone Company	Arctic Slope Telephone Association Cooperative, Inc.
Bettles Telephone, Inc.	Bristol Bay Telephone Cooperative, Inc.
Bush-Tell, Inc.	Circle Telephone & Electric, LLC
Cordova Telephone Cooperative, Inc.	Copper Valley Telephone Cooperative, Inc.
City of Ketchikan, Ketchikan Public Utilities	Matanuska Telephone Association, Inc.
OTZ Telephone Cooperative, Inc.	Interior Telephone Company
Mukluk Telephone Company, Inc.	North Country Telephone Inc.
Nushagak Electric and Telephone Company, Inc.	The Summit Telephone and Telegraph Company, Inc.
Yukon Telephone Company, Inc.	

## **I. Introduction.**

The Alaska Rural Coalition<sup>1</sup> (“ARC”) files its Reply Comments in this proceeding pursuant to the *Further Notice of Proposed Rulemaking* (“FNPRM”) issued by the Federal Communications Commission (“Commission”) on November 18, 2011.<sup>2</sup> The ARC filed Comments on January 18, 2012 and Reply Comments on February 17, 2012 regarding universal service reforms proposed by the Commission in its November 18, 2011 *USF/ICC Transformation Order*. The ARC filed Comments replying to Sections XVII.L-R of the *FNPRM* and addressing intercarrier compensation issues on February 24, 2012. The ARC’s Reply Comments examine common concerns among other rural carriers, as well as other Alaska carriers, and highlight key differences where they exist.

The ARC membership consists of essentially all of the rate of return incumbent rural local exchange carriers (“RLECs”) in Alaska,<sup>3</sup> who share unified interests regarding the impacts of further proposed changes in universal service funding and access charge revenues to the state.

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1 The ARC is composed of Alaska Telephone Company; Arctic Slope Telephone Association Cooperative, Inc.; Bettles Telephone, Inc.; Bristol Bay Telephone Cooperative, Inc.; Bush-Tell, Inc.; Circle Telephone & Electric, LLC; Cordova Telephone Cooperative, Inc.; Copper Valley Telephone Cooperative, Inc.; City of Ketchikan, Ketchikan Public Utilities; Matanuska Telephone Association, Inc.; OTZ Telephone Cooperative, Inc.; Interior Telephone Company; Mukluk Telephone Company, Inc.; North Country Telephone Inc.; Nushagak Electric and Telephone Company, Inc.; The Summit Telephone and Telegraph Company, Inc. and Yukon Telephone Company, Inc.

2 See *Connect America Fund*, WC Docket No. 10-90, *A National Broadband Plan for our Future*, 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 an 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, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011) (“*Transformation Order*” and “*Transformation FNPRM*”).

3 Other ILECs in the state include the ACS companies, which are all price cap, and United Utilities, Inc., a rural ILEC that is wholly owned and controlled by GCI.

The ARC urges the Commission to focus on creating stability in the regulatory environment as it implements the details necessary to effectuate the change outlined in the *Transformation Order*.<sup>4</sup>

## **II. Transitioning All Rate Elements to Bill and Keep Will Endanger Critical Recovery of Legacy Network Investment Made by Rural ILECs.**

Commenters expressed serious concerns with the *Transformation Order*'s planned transition of "all telecommunications traffic" to bill and keep.<sup>5</sup> Eliminating rural ILECs' call termination and originating access revenues ignores the unique costs of network maintenance and investment in Rural America and Remote Alaska. Rural carriers, including all of the ARC companies, must continually invest substantial resources in order to build and maintain their legacy networks.<sup>6</sup> The *Transformation Order*'s plan to transition to bill-and-keep without a

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<sup>4</sup> Shawn Buckley, *FCC Goes Public with Its Ambitious Connect America Fund*, Fierce Telecom (Nov. 21, 2011), <http://www.fiercetelecom.com/story/fcc-goes-public-its-ambitious-connect-america-fund/2011-11-21> ("It is essential that the order and the final outcome of the further notice of proposed rulemaking eliminate lingering regulatory uncertainty so that small rural carriers can attract capital and operate high-quality rural broadband networks[.] . . . That uncertainty has a near and long-term effect on how rural service providers can expand broadband to more of their users."); see also Ross Boettcher, *Shift for Rural Telecoms*, OMAHA WORLD-HERALD, Nov. 22, 2011, available at <http://www.omaha.com/article/20111102/MONEY/711029925> ("U.S. Rep. Lee Terry, vice chairman of the Energy and Commerce Committee's subcommittee on Communications, Technology and the Internet, said he realizes the lack of predictability is an issue.").

<sup>5</sup> See *Transformation FNPRM* at para. 1297; *Comments of the Regulatory Commission of Alaska in the matter of Connect America Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208 (Feb. 24, 2012) ("*RCA Comments*") at 8-10, 15; *Initial Comments of the National Exchange Carrier Association, Inc., et. al. in the matter of Connect America Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208 (Feb. 24, 2012) ("*NECA Comments*") at 4-14; *Comments of General Communication, Inc. on Sections XVII.L-R of the CAF/ICC Further Notice of Proposed Rulemaking in the matter of Connect America Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208 (Feb. 24, 2012) ("*GCI Comments*") at 2.

<sup>6</sup> Legacy, wireline networks in rural areas provide the backbone of the larger network. Other providers depend on the legacy network for call completion and transport services essential to

mechanism to reasonably compensate rural carriers for these investments creates serious doubt that adequate funding will be available to maintain those networks, let alone to connect those broadband-capable last mile legacy networks to the internet backbone.<sup>7</sup>

The Commission's approach places a substantially larger responsibility for funding network investment on end users.<sup>8</sup> Since Alaska has already undergone comprehensive access reform in which access charges were lowered considerably and substantial cost was shifted to end users, the ARC's end users cannot afford to bear additional cost shifts that would result from a bill and keep system, nor can the ARC companies absorb this lost revenue and continue to survive.<sup>9</sup> Unless the Regulatory Commission of Alaska ("RCA") is given jurisdiction over

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wireline and wireless calls. Underfunding these networks will undermine the Commission's larger goal of deploying broadband in rural areas. See Shirley Bloomfield, Chief Executive, Nat'l Telecomm. Coop. Ass'n, Letter to the Editor, *Rural Broadband*, N.Y. TIMES, Feb. 28, 2011, available at <http://www.nytimes.com/2011/03/01/opinion/l01broadband/html> ("We must remember that it is because of the current system that 95 percent of consumers have access to some form of broadband. Under the existing subsidy system, small, independent companies serving rural communities are the innovators that have made it possible for the global economy to reach remote areas, creating jobs, investment and opportunity."); see also Edwin B. Parker, *Closing the Digital Divide in Rural America*, 24 TELECOMM. POL'Y 281, 284 (2000) ("In general, the best rural service is provided by rural telephone cooperatives and small independent telephone companies that are eligible for construction loans from the Rural Utilities Service and cost reimbursement from the Federal Communications Commission's (FCC) high-cost fund.").

<sup>7</sup> See also Open Letter from David J. Villano, Assistant Administrator, Telecommunications Program, Rural Utilities Service, USDA (Feb. 3, 2012), available at <http://www.rurdev.usda.gov/supportdocuments/LetterReInfrastructureLoanApps.pdf>.

<sup>8</sup> See *Transformation Order* at para. 746. "But bill-and-keep merely shifts the responsibility for recovery from other carrier's customers to the customers that chose to purchase service from that network plus explicit universal service support where necessary."

<sup>9</sup> See *In re Consideration of Modifying Alaska Access Charge Policies and the Use of the Alaska Universal Service Fund to Promote Universal Service in Alaska*, Order Adopting Regulations and Requiring Report, Docket No. R-08-003 (Aug. 18, 2010) ("*Alaska Access Order*"). Alaska carriers participated in an involved and grueling process to reform access charges. The RCA's resulting Order substantially lowered access charges and allocated a portion of the network costs to the end users in the form of a Network Access Fee. Any additional increase in cost to end users will further exacerbate the migration of customers to a wireless platform, further imperiling the wireline system.

Alaska-specific access charge reform, the Commission’s approach will punish carriers in the state for their past efforts to minimize access charges.<sup>10</sup>

**A. Setting the Incremental Cost of Call Termination at Zero And Eliminating Originating Access Revenue Threatens the Survival of Alaska Rural Carriers.**

The Commission’s transition to a bill and keep pricing methodology in which the incremental cost of call termination is zero and originating access revenues are reduced poses a significant threat to the survival of rural carriers, for it does not account for the “very real costs of operating in rural areas and the heavy use of rural networks by carriers who make no contribution to the backbone network.”<sup>11</sup> Indeed, most rural Commenters agree that the ongoing costs of network construction and maintenance in rural areas, especially Alaska, will mean that the incremental costs of call termination and originating access quickly add up to significant, ongoing and unacceptable losses for rural carriers.<sup>12</sup> Revenue generated from call termination and originating access is crucial to reimbursing rural carriers for their continuing investment in network construction and maintenance, as well as ensuring that future broadband deployment is possible in rural areas.<sup>13</sup> Even larger carriers such as Alaska Communications Systems Group,

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<sup>10</sup> *RCA Comments* at 15.

<sup>11</sup> *FNPRM Comments of GVNW Consulting, Inc. ICC Issues in the matter of Connect America Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208 (Feb. 24, 2012) (“*GVNW Comments*”) at 6.

<sup>12</sup> *NECA Comments* at 5; *GVNW Comments* at 9 (“Establishing a zero rate for originating access creates several negative public policy consequences, as neither the IXC nor the customer has a good reason to limit its use of the local circuit. These consequences include the creation of new forms of arbitrage, as IXCs are able to use the network for free”). The RCA created a useful pie chart that articulates the breakdown of revenue for Alaskan ILECs. *See Reply Comments of the Regulatory Commission of Alaska*, WC Docket No. 10-90, Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, before the FCC (Sept. 6, 2011) (“*RCA USF Reply Comments*”) at 8.

<sup>13</sup> *RCA Comments* at 15 (“Absent adequate replacement support, the reforms will likely compromise future broadband deployment as well as current operations.”); *GVNW Comments* at

Inc. (“ACS”) depend on the network infrastructure supported by call termination revenue in order to connect their customers to rural areas.<sup>14</sup> The ARC agrees with most other Commenters that rural carriers must recover this revenue from a sustainable source.<sup>15</sup> In contrast, GCI’s proposal that terminating carriers assess no termination fee, consistent with bill-and-keep, ignores the vital role that call termination revenues play in keeping difficult-to-maintain rural networks stable and reliable.<sup>16</sup>

**B. The Commission Should Not Preempt the Regulatory Commission of Alaska’s Authority to Determine the Specifics of Intrastate ICC Reform.**

Rural carriers and State Commissions concur that the Commission should defer to state ratemaking authorities to determine intrastate access pricing.<sup>17</sup> Historically, access charges have

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7 (“The unrecovered embedded costs of investment in the rural carriers’ network facilities are real costs that will continue to be borne by the rural carriers. If carriers are not permitted to recover these costs, such actions would ultimately be deemed confiscatory and subject to review under the Takings Clause.”).

<sup>14</sup> *Comments of Alaska Communications Systems Group, Inc. in the matter of Connect America Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208 (Feb. 24, 2012) (“*ACS Comments*”) at 4 (“Originating access helps defray the legitimate costs of maintaining local networks in those remote locations, without which the IXCs would have no ability to serve their customers in those areas.”).

<sup>15</sup> *RCA Comments* at 15 (“The FCC’s transition to bill-and-keep, combined with reductions to USF support, will compromise the largest sources of revenue for Alaska carriers.”); *NECA Comments* at 11 (“Above all, the Commission must ensure that any diminished ability of carriers to obtain cost recovery from originating access is matched by sufficient alternative recovery mechanisms.”) *GVNW Comments* at 9.

<sup>16</sup> *GCI Comments* at 6.

<sup>17</sup> *RCA Comments* at 11; *Comments of the Nebraska Rural Independent Companies In Response To Sections XVII. L-R of the Further Notice of Proposed Rulemaking in the matter of Connect America Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208 (Feb. 24, 2012) (“*NRIC Comments*”) at 4; *Comments of the Indiana Utility Regulatory Commission on Further Notice of Proposed Rulemaking Sections XVII L-R in the matter of Connect America Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208 (Feb. 24, 2012) (“*Indiana URC Comments*”) at 2;

been the responsibility of State Commissions because they possess the flexibility and network-specific knowledge necessary to make federal policies work efficiently within their states.<sup>18</sup> The *Transformation FNPRM*'s proposals would strip this authority away from State Commissions, instead applying a general pricing methodology that would actually encumber telecommunications development in rural areas of the country. Principles of federalism, as well as practical reality, indicate that State Commissions must be able to tailor the Commission's methodology to suit the specific needs of telecommunications networks within their state.<sup>19</sup> Indeed, the RCA has already led sweeping access pricing reform among carriers in Alaska,<sup>20</sup> and is best qualified to regulate intrastate access pricing in Alaska's unique telecommunications environment.<sup>21</sup>

The ARC agrees with GCI that Alaska presents unique interexchange challenges, and that transitioning to bill-and-keep will prove problematic for Alaska. However, the ARC remains

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*Comments of the Massachusetts Department of Telecommunications and Cable in the matter of Connect America Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208 (Feb. 24, 2012) ("*Massachusetts Comments*") at 8.

<sup>18</sup> The Commission originally concluded that reciprocal compensation applies "only to traffic that originates and terminates within a local area." *In re Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, First Report and Order, 11 FCC Rcd. 15499, 16013 para. 1034 (1996).

<sup>19</sup> *RCA Comments* at 11; *NRIC Comments* at 4.

<sup>20</sup> See *Alaska Access Order* at 4. ("We further note that the regulations we adopt are the product of over two years of extensive collaborative study and effort by the industry, the Attorney General and [the Regulatory Commission of Alaska].").

<sup>21</sup> See *Comments of General Communication, Inc. in the matter of Connect America Fund*, WC Docket No. 10-90, Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, before the FCC (Jan. 18, 2012) ("*GCI USF Comments*") at 2-4 ("Alaska is a uniquely high-cost area within which to provide any telecommunications, whether traditional telephony, mobile or broadband. Much of remote Alaska lacks even the basic infrastructure critical to most telecommunications deployment, such as a road system and an intertied power grid.").

unconvinced that GCI's interexchange proposal (that a calling party should bear the cost of the interexchange segment of a call transported within Alaska) will be an appropriate solution or venue to resolve these challenges.<sup>22</sup> The ARC believes that LECs will need additional flexibility in the future as technology advances and allows more network efficiencies. The RCA's jurisdictional authority and years of experience with Alaska's unique market make it the proper body to adjudicate Alaska's intrastate network configuration debate.

The ARC agrees with the RCA that the Supreme Court's decision in *AT&T Corp. v. Iowa* does not provide the Commission the authority to "predetermine or dictate the outcome of the state's review" of petitions for Suspension or Modification.<sup>23</sup> In Alaska, Suspension and Modification has proven to be a rarely utilized, but nonetheless essential safety net for rural companies.<sup>24</sup> Indeed, as the RCA suggests, the FCC should consider providing exemptions from bill-and-keep requirements for carriers serving study areas that are not ubiquitously served with middle mile fiber facilities, or provide for state commissions to obtain blanket waivers for carriers that cannot comply with bill-and-keep regulations because of facility constraints.<sup>25</sup> The

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<sup>22</sup> *GCI Comments* at 5-6.

<sup>23</sup> *See Transformation Order* at para. 824; *AT&T Corp. v. Iowa Utilities Board*, 525 U.S. 366, 378 (1998); *RCA Comments* at 10.

<sup>24</sup> In Alaska, Suspension and Modification has been successfully used to transition to the use of Unbundled Network Elements ("UNEs"). *See In re Petition for Suspension and Modification of Certain Section 251(c) Obligations Pursuant to Section 251(f)(2) of the Telecommunications Act of 1996 Filed by Matanuska Telephone Association, Inc.*, Order Granting in Part, Petition for Suspension and Modification and Affirming Electronic Rulings, Docket No. U-05-046 (Dec. 20, 2005) ("*Alaska Suspension and Modification Order*"). In this Order, the RCA granted a limited suspension and modification of section 251 to allow the Matanuska Telephone Association to transition more slowly to the provision of UNEs. The process worked well for all parties and represents a valuable tool for State Commissions when blanket application of federal competition rules would demonstrably harm a rural company.

<sup>25</sup> *RCA Comments* at 8.

ARC echoes the many other Commenters who believe that the Commission's edict to State Commissions oversteps its authority and jurisdiction.<sup>26</sup>

### **III. Transition to a Bill and Keep Pricing Methodology Will Severely Burden Rural ILECs in Alaska.**

The ARC agrees with other Commenters' concerns that the transition to a bill and keep methodology for the remaining rate elements not covered by the *Transformation Order* may further compound the financial insecurity of rural carriers.<sup>27</sup> The ARC urges the Commission to reconsider the cumulative losses of support to rural carriers currently resulting from USF and ICC reforms before further dampening recovery of essential network maintenance and investment for these small, incumbent companies.

#### **A. Reform of Transport and Termination Charges and Interconnection Relationships Highlights Key Differences Between Alaska and Continental United States.**

Commenters have made it clear that access tandem network architecture never developed in Alaska, and therefore that imposing uniform nationwide regulatory changes for tandem switching and transport charges will prove extremely inappropriate for Alaska unless an access

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<sup>26</sup> *RCA Comments* at 8-11; *NECA Comments* at 9-10; *NRIC Comments* at 4.

<sup>27</sup> See *Transformation FNPRM* at para. 1297; *NECA Comments* at 5; *RCA Comments* at 12-13 ("The current impression is that reduced or eliminated revenues coupled with increased carrier obligations will result in irreparable harm to Alaska's telecommunications infrastructure."); *GVNW Comments* at 7 ("The transition to bill-and-keep is not an acceptable outcome in light of current federal law and rational economic theory."). See also BUREAU OF ECON. RES., MO. STATE UNIV., ECONOMIC IMPACT OF REMOVAL OF THE UNIVERSAL SERVICE FUND IN MISSOURI 1-17 (2011) ("MSU STUDY"), available at [http://saveruralbroadband.org/facts/News/Missouri%20Economic%20Impact%20Study.pdf?\\_c=10dcuvrzjh7t8ep&sr\\_t=p&done=.10dcuwfzob758ji](http://saveruralbroadband.org/facts/News/Missouri%20Economic%20Impact%20Study.pdf?_c=10dcuvrzjh7t8ep&sr_t=p&done=.10dcuwfzob758ji) (studying the effects of the FCC's proposed USF reforms on 35 mostly rural ILECs and concluding that a significant number of ILECs will not be able to make up for the lost revenue elsewhere in order to sustain revenues necessary to remain in operation).

tandem network architecture is eventually deployed in the state.<sup>28</sup> The ARC does not have a specific position on tandem switching and transport since our companies do not participate in this regime, but the ARC agrees with NECA that the Commission should take action that will preserve cost recovery for rural ILECs.<sup>29</sup> Given the wide scope and the substantial cost of the regulatory changes rural carriers are being asked to absorb, the Commission should maintain as many sources of network recovery as possible.<sup>30</sup>

Similarly, Commenters have made clear that Alaska's network architecture does not include LATAs as understood by carriers in the Lower 48 states.<sup>31</sup> This means that interconnection agreements as governed by section 251(c)(2)(B) differ in Alaska from most of Rural America, because access to middle mile transport in Alaska is extremely limited and

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<sup>28</sup> *GCI Comments* at 2-3 (“Alaska does not have tandem switches, and also has costly satellite transport between villages, even within the same ILEC study area...A rational bill-and-keep regime in Alaska must take account of all of these differences.”); *RCA Comments* at 6 (“Tandem switches are not part of Alaska’s network configuration and transport between central offices can involve fiber, microwave or satellite facilities...”).

<sup>29</sup> *NECA Comments* at 14 (“If the Commission mandates reductions to tandem switching and transport rate elements,...then it should do so only on a separate transition path that is not compressed within the time frame of any reforms already adopted in the *Order*. This is necessary to avoid ‘flash cuts’ and to ensure an adequate Recovery Mechanism is available.”).

<sup>30</sup> *ACS Comments* at 4 (“New broadband build-out requirements, network testing and reporting requirements, rate structure and tariff changes, changes to customer bills, and changes to call signaling requirements all must be incorporated into internal carrier processes and implemented in accordance with hundreds of pages of new FCC rules. With all due respect to the Commission, carriers are being asked to absorb a great deal.”).

<sup>31</sup> *GCI Comments* at 3; *RCA Comments* at 4 (“The FCC’s reforms appear designed for the LATA network architecture but there are no LATAs in Alaska.”); *see also* Latamaps.com, US LATA Areas (Map), [http://www.latamaps.com/Telecom\\_Maps/Regional\\_LATA\\_maps/Westcoast\\_LATA\\_Map\\_-\\_Maponics.pdf](http://www.latamaps.com/Telecom_Maps/Regional_LATA_maps/Westcoast_LATA_Map_-_Maponics.pdf) (last visited Feb. 22, 2012) (showing that all of Alaska is one big LATA).

expensive.<sup>32</sup> The ARC urges the Commission to take access and pricing of middle mile transport into consideration when crafting reforms of transport and points of interconnection.

**B. State Commissions Must Be Involved In Defining the Network Edge on a Statewide Basis**

ACS and GCI advocate “uniform,” “default” arrangements defining the network edge for intercarrier compensation purposes.<sup>33</sup> However, a uniform nationwide rule defining the network edge would be wholly inappropriate for the unique circumstances of Rural Alaska.<sup>34</sup> Indeed, Alaska’s lack of adequate terrestrial middle mile, absence of LATA network configuration, and dependence on satellite and microwave facilities will make a universal definition of the network edge nearly impossible to identify and regulate.<sup>35</sup> A uniform rule will benefit larger carriers at the expense of small, rural carriers such as the ARC’s members. The ARC agrees with the RCA that Alaska rural carriers need freedom from the financial obligation of transporting traffic to the network edge of the terminating carrier, especially when the network edge is extremely hard to define.<sup>36</sup>

Remote telecommunications infrastructure in Alaska is as unique and varied as the rural landscape itself. Accordingly, defining the network edge must be a flexible and ongoing

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<sup>32</sup> *RCA USF Reply Comments* at 9 (“As all Alaskan parties have repeatedly commented in this proceeding, the major obstacle for broadband deployment in Alaska is access to sufficient, affordable middle mile capacity.”).

<sup>33</sup> *ACS Comments* at 5; *GCI Comments* at 6.

<sup>34</sup> *GCI Comments* at 2 (“In Alaska, because the network architecture differs from that of the Lower 48 contiguous states, network edge rules adopted for the Lower 48 will likely not fit Alaska.”).

<sup>35</sup> *See ARC USF Comments* at 5; *Comments of Alaska Communications Systems Group, Inc.*, WC Docket No. 10-90 et al. (Jan. 18, 2012) (“*ACS USF Comments*”) at 21; *Comments of General Communication, Inc.*, WC Docket No. 10-90 et al. (Jan. 18, 2012) (“*GCI USF Comments*”) at 22–23; *RCA Comments* at 23.

<sup>36</sup> *RCA Comments* at 23, *see also NRIC Comments* at 24.

process. The ARC believes that State Commissions are best suited to tailor the network edge to their individual telecommunications landscapes, as well as to manage disputes about network edge and cost obligations when they arise.

**C. Interconnection Agreements Remain a Valuable Tool For Governing Relationships and Obligations Between Carriers.**

The ARC agrees with the RCA that tariffed access rates will prove less useful than interconnection agreements, and further believes that reforms as proposed under bill-and-keep will significantly disrupt a previously reliable mechanism to recover the cost of network maintenance and investment.<sup>37</sup> Alaska's unique telecommunications infrastructure means that a tariffed offering is unlikely to capture all necessary information regarding billing relationships. However, we agree with GVNW's assertion that tariffs are a valuable tool when interconnection negotiations are not feasible.<sup>38</sup> The ARC agrees with ACS that carriers must be permitted to flexibly negotiate interconnection agreements,<sup>39</sup> and also supports ACS' and other Commenters' assertions that all entities must be obligated to enter into good faith negotiations for interconnection agreements.<sup>40</sup> As carriers struggle to define their network edge, interconnection agreements may prove essential to navigating new obligations created by the *Transformation Order*. State Commissions must retain a vital role in helping carriers navigate Interconnection Agreements where parties enjoy an unbalanced negotiating posture.

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<sup>37</sup> *RCA Comments* at 22.

<sup>38</sup> *GVNW Comments* at 14.

<sup>39</sup> *ACS Comments* at 6; *NECA Comments* at 23.

<sup>40</sup> *ACS Comments* at 6; *RCA Comments* at 22.

**IV. Rural Carriers Question Whether ICC Access Recovery Mechanisms Will Adequately Compensate Carriers For the Use of Their Networks.**

Commenters have expressed serious concerns that the Commission's ICC Access Recovery reforms will leave rural ILECs with support that will be insufficient for maintenance of existing networks, and fail to encourage investment in the advanced technology necessary to meet the Commission's broadband goals.<sup>41</sup> The Access Recovery Charge in no way compensates for the many other losses of access revenue proposed by the Commission.

**A. The Access Recovery Charge Mechanism Is Problematic In Design**

Commenters agree that the Access Recovery Charge, while well-intended, will prove fundamentally flawed in its implementation. First, the limited income from Access Recovery Charges will in no way compensate carriers for the *Transformation Order's* many reductions to intercarrier revenues.<sup>42</sup> Second, and more troublingly, the Access Recovery Charge unfairly places the financial burden for its maintenance on end users<sup>43</sup>, who have already shouldered substantial costs as a result of Alaska's access reform.<sup>44</sup> Further increasing rates for rural consumers will exacerbate rural carriers' loss of customers to wireless migration, which threatens the survival of rural carriers, who are critical to the Commission's goals of universal service and broadband deployment.

The ARC agrees with other Commenters that the Access Recovery Charge should not be scheduled to sunset, at least not until carriers have had the opportunity to implement and "gain

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<sup>41</sup> See *RCA Comments*; *NECA Comments*; *NRIC Comments*; *ACS Comments*.

<sup>42</sup> *NRIC Comments* at 17.

<sup>43</sup> *NECA Comments* at 5.

<sup>44</sup> See, e.g., *Alaskan Access Order* at 43 (imposing, after extensive work by industry and regulators, a Network Access Fee to mitigate the costs of access reform), see also *Massachusetts Comments* at 4.

experience” with the new rate structure.<sup>45</sup> While flawed, the Access Recovery Charge represents one of the few remaining mechanisms for rural carriers to recover costs.<sup>46</sup> At the very least, the ARC agrees with the Nebraska Rural Independent Companies that the Access Recovery Charge should not be discontinued without the Commission’s replacing it with a new source for cost recovery.<sup>47</sup>

The ARC remains deeply concerned that the Commission considers broadband revenues an adequate replacement for the losses resulting from a sunsetted Access Recovery Charge and other ICC and USF reforms.<sup>48</sup> To illustrate this point, we have included a schedule of the per line financial impacts of eliminating ICLS, the SCC, and LSS for the ARC members.<sup>49</sup> The data makes clear that the ARC’s members, like many rural companies, will be unable to make up the lost revenue from ICC and USF reform by offering broadband services. For example, Arctic Slope Telephone Association Cooperative would need to generate over \$60 per line in broadband revenue to offset these losses. Meaningful revenues from broadband services will not be available to rural carriers for many years if ever, given the limited number of potential customers and high poverty rate in rural areas.

**B. Calculation of CAF ICC Recovery Must Be Sufficient, Predictable and State-Specific.**

The Alaska Rural Coalition hopes that the Commission’s final ICC recovery mechanism will provide stable support capable of maintaining existing networks while facilitating additional

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<sup>45</sup> *ACS Comments* at 7; *see also RCA Comments* at 20; *NECA Comments* at 31.

<sup>46</sup> *RCA Comments* at 20.

<sup>47</sup> *NRIC Comments* at 17.

<sup>48</sup> *Transformation FNPRM* at para. 1327.

<sup>49</sup> *See Attachment A, Alaska Rural Coalition, Computation Of Revenue Per Line Lost Under ICC Reform* (2012).

investment in broadband, but until more is known about the calculation of the support, it is difficult to speak with certainty. The ARC agrees with the RCA that the currently limited and uncertain nature of the CAF/ICC Recovery Mechanism calculation doubly “violate[s] the principle that support must be sufficient and predictable” as required by Section 254(b)(5).<sup>50</sup>

The Commission’s ICC recovery reforms must consider the substantial intrastate access reform undertaken by many states, including Alaska.<sup>51</sup> Otherwise, carriers in already-reformed states will recover less from transitional mechanisms than carriers in states where access rates remain artificially high. It would be unreasonable for the Commission to penalize states who have already voluntarily reformed their intrastate access charges.

**C. Subscriber Line Charges Continue to Prove Essential to Network Cost Recovery.**

Commenters agree that Subscriber Line Charges (“SLCs”) in high cost areas provide critical support that cannot be discontinued without the Commission’s first creating a sufficient replacement mechanism for those revenues.<sup>52</sup> The ARC questions the Commission’s assertion that broadband revenues can realistically serve as a replacement.<sup>53</sup> Any additional revenue that Alaska carriers might generate by selling broadband will be wholly overshadowed by the high costs of purchasing middle mile capacity in order to provide broadband.<sup>54</sup> The SLC applied by

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<sup>50</sup> *RCA Comments* at 17. Section 254(b)(5) provides that there should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service. *See also NECA Comments* at 35 (“All of these open issues make RLECs’ future regulated revenue streams highly *unpredictable* and *uncertain* at this time, other than the fact that the resolution of these issues will almost certainly result in far *less* cost recovery from high-cost support and ICC for these carriers than they receive today.”).

<sup>51</sup> *See RCA Comments* at 15.

<sup>52</sup> *NRIC Comments* at 17; *ACS Comments* at 8; *RCA Comments* at 20.

<sup>53</sup> *See Transformation FNPRM* at para. 1330.

<sup>54</sup> *See ARC USF Comments* at 4–8; *ARC USF Reply Comments* at 13–16; *RCA Comments* at 21.

rural ILECs in Alaska is necessary and appropriate for the services provided and should not be eliminated.<sup>55</sup> Rural carriers are already scrambling to cope with the *Transformation Order*'s reductions to support for legacy network infrastructure maintenance. Eliminating yet another reliable source of funding may threaten some carriers' very survival.

**V. Maintaining A Flexible But Comprehensive Regulatory Framework for IP-to-IP Interconnection Is Essential to Survival of Rural Carriers.**

Rural commenters have made clear that the transition to an IP-to-IP regime must include strong regulatory protections for small carriers, and must somehow ensure that adequate middle mile is available to make this possible.<sup>56</sup> The ARC joins these Commenters in urging the Commission to leave all regulatory options open while the telecommunications market adjusts to the *Transformation Order*'s reallocation of high cost support. We strongly disagree with ACS and GCI's assertions that regulatory intervention will not be needed to govern IP-to-IP interconnection.<sup>57</sup> Given the decreases in high-cost support that rural carriers will absorb as a result of USF and ICC reform, the ARC agrees with the RCA that "the most obvious way to incent[ivize] carriers to install IP-capable facilities is to provide continued funding for that purpose."<sup>58</sup> In order for small, rural ILECs to successfully weather the rapidly changing telecommunications landscape, it is essential that the Commission provide both sufficient regulatory oversight of middle mile pricing and adequate financial support.

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<sup>55</sup> See *Transformation FNPRM* at para. 1331.

<sup>56</sup> *NRIC Comments* at 26.

<sup>57</sup> *ACS Comments* at 6.

<sup>58</sup> *RCA Comments* at 21.

**A. In Alaska, Interconnection Is Crucial to Maintaining a Successful Statewide and Nationwide Network.**

Alaska presents special challenges for negotiating interconnection relationships.<sup>59</sup>

Without the benefit of a LATA system, competitors and ILECs must interconnect at every End Office in Alaska, which can create additional expense and complicate interconnection relationships. In this environment, the Commission's long-standing commitment and application of section 251(a)(1) to enforcing interconnection obligations to all carriers is necessary to ensure that rural carriers are able to provide adequate service coverage to their customers.<sup>60</sup>

**B. Without Consistent Regulation of IP-to-IP Interconnection, Rural Carriers Will Be Extremely Vulnerable to Dominant Nonregulated Entities.**

Other Commenters agree with the ARC that interconnection regulation must play an important role in the future of the IP-to-IP market.<sup>61</sup> Larger carriers assert, in contrast, that further deregulation of interconnection agreements will give way to an effective, market-driven interconnection regime.<sup>62</sup> This position is fundamentally flawed.

Rural Commenters have made it clear that interconnection regulation under Sections 251 and 252 of the Act is essential "to make certain that carriers with substantial bargaining power (e.g. large carriers negotiating with small carriers) are not misusing or abusing it."<sup>63</sup> GCI, AT&T and ACS enjoy such bargaining power, and so regulatory oversight is necessary to ensure that rural carriers are guaranteed access to the networks they need, whether using TDM or IP-to-

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<sup>59</sup> As noted earlier in these comments, Alaska did not have a Regional Bell Operating Company and did not develop the LATA infrastructure that dominates the Lower 48. See Latamaps.com, US LATA Areas (Map), [http://www.latamaps.com/Telecom\\_Maps/Regional\\_LATA\\_maps/Westcoast\\_LATA\\_Map\\_-\\_Maponics.pdf](http://www.latamaps.com/Telecom_Maps/Regional_LATA_maps/Westcoast_LATA_Map_-_Maponics.pdf) (last visited Feb. 22, 2012).

<sup>60</sup> See *Transformation FNPRM* at para. 1337-38.

<sup>61</sup> *NECA Comments* at 37-41, *GVNW Comments* at 15.

<sup>62</sup> *ACS Comments* at 8-9.

<sup>63</sup> *NECA Comments* at 37-38. See also *Transformation FNPRM* at para. 1339.

IP technology.<sup>64</sup> All carriers should remain obligated to interconnect their networks in the most efficient configuration possible and negotiate those contractual relationships in good faith, consistent with the Telecommunication Act obligations outlined in section 251.<sup>65</sup>

Continuing to regulate interconnection agreements is necessary and consistent with the historically regulated nature of the telecommunications industry. Removing regulatory protections and requirements will create instability and complications in the telecommunications landscape, especially in Alaska where competition is unlikely to ever produce market efficiencies. Small, independent carriers such as the ARC members depend on comprehensive, reliable regulation of interconnection for survival. Therefore, if the Commission removes these protections, it would undermine even moderate competition in Alaska's telecommunications market. If the Commission limits regulation of interconnection agreements, it will likely leave rural carriers without an appropriate remedy when disputes arise.<sup>66</sup>

## **VI. Conclusion.**

Small, rural carriers, particularly in Alaska, remain extremely concerned about the effects of the *Transformation Order* on their abilities to provide services and survive economically. For the Commission to eliminate network recovery sources that exist through access while also reducing high cost support may prove fatal to some rural carriers. As well, interconnection regulation continues to play an essential role in keeping Alaska and other rural areas connected to the nationwide network. The ARC respectfully beseeches the Commission to implement

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<sup>64</sup> *NRIC Comments* at 28.

<sup>65</sup> *NECA Comments* at 37-41; *GVNW Comments* at 15-16; *NRIC Comments* at 27; *RCA Comments* at 22.

<sup>66</sup> *ARC Comments* at 18.

change in a cautious, measured fashion based upon an adequate record of how the existing changes will affect the marketplace.

Respectfully submitted on this 30th day, March, 2012.

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**Attachment A**

<b>Alaska Rural Coalition</b>								
<b>Computation of Revenue Per Line Lost Under ICC Reform</b>								
<b>SAC</b>	<b>Company Name</b>	<b>USAC Reported Lines</b>	<b>1st Q 2012 Monthly LSS</b>	<b>LSS Per Line</b>	<b>1st Q 2012 Monthly ICLS</b>	<b>ICLS Per Line</b>	<b>Combined Per Line</b>	<b>With \$6.50 SLC</b>
610989	ADAK TEL UTILITY	143	\$ 35,501	\$248.26	\$ 59,200	\$413.99	\$662.24	<b>\$668.74</b>
613001	ARCTIC SLOPE TEL	4,758	\$ 118,152	\$24.83	\$ 139,645	\$29.35	\$54.18	<b>\$60.68</b>
613002	BETTLES TEL CO INC	182	\$ 2,228	\$12.24	\$ 1,645	\$9.04	\$21.28	<b>\$27.78</b>
613003	BRISTOL BAY TEL COOP	1,484	\$ 28,654	\$19.31	\$ 44,345	\$29.88	\$49.19	<b>\$55.69</b>
613004	BUSH-TELL INC.	913	\$ 18,965	\$20.77	\$ 30,185	\$33.06	\$53.83	<b>\$60.33</b>
613005	CIRCLE UTILITIES	64	\$ 872	\$13.63	\$ 2,149	\$33.58	\$47.20	<b>\$53.70</b>
613006	COPPER VALLEY TEL	4,409	\$ 53,772	\$12.20	\$ 293,721	\$66.62	\$78.81	<b>\$85.31</b>
613007	CORDOVA TEL COOP	1,670	\$ 35,289	\$21.13	\$ 82,017	\$49.11	\$70.24	<b>\$76.74</b>
613011	INTERIOR TEL CO INC	6,529	\$ 103,760	\$15.89	\$ 171,795	\$26.31	\$42.20	<b>\$48.70</b>
613013	KETCHIKAN PUBLIC UT	6,605	\$ 20,756	\$3.14	\$ 182,270	\$27.60	\$30.74	<b>\$37.24</b>
613015	MATANUSKA TEL ASSOC	45,323	\$ 67,146	\$1.48	\$ 814,661	\$17.97	\$19.46	<b>\$25.96</b>
613016	MUKLUK TEL CO INC	2,906	\$ 55,826	\$19.21	\$ 67,443	\$23.21	\$42.42	<b>\$48.92</b>
613017	ALASKA TEL CO	9,253	\$ 77,443	\$8.37	\$ 129,576	\$14.00	\$22.37	<b>\$28.87</b>
613018	NUSHAGAK ELEC & TEL	2,027	\$ 26,992	\$13.32	\$ 52,879	\$26.09	\$39.40	<b>\$45.90</b>
613019	OTZ TEL COOPERATIVE	2,835	\$ 91,732	\$32.36	\$ 81,135	\$28.62	\$60.98	<b>\$67.48</b>
613025	YUKON TEL CO INC	519	\$ 36,699	\$70.71	\$ 15,449	\$29.77	\$100.48	<b>\$106.98</b>
613026	NORTH COUNTRY TEL CO	173	\$ 2,520	\$14.57	\$ 4,023	\$23.25	\$37.82	<b>\$44.32</b>
613028	SUMMIT TEL & TEL -AK	228	\$ 13,412	\$58.82	\$ 33,278	\$145.96	\$204.78	<b>\$211.28</b>