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Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Connect America Fund, WC Docket No. 10-90
High-Cost Universal Service Support, WC Docket No. 05-337

Dear Ms. Dortch:

On August 1, 2012, Greg Berberich, CEO of Matanuska Telephone Association ("MTA") and the undersigned met with the following individuals: (1) Commissioner Clyburn, Angie Kronenberg, Wireline Legal Advisor for Commissioner Clyburn, and Seth Atkison, intern for Commissioner Clyburn; (2) Michael Steffen, Legal Advisor to Chairman Genachowski, Julie Veach, Chief of the Wireline Competition Bureau ("WCB"), Carol Mattey, Deputy Chief of the WCB, and Amy Bender, Deputy Division Chief of the Telecommunications Access Policy Division; and (3) Commissioner McDowell and Christine Kurth, Policy Director and Wireline Counsel for Commissioner McDowell.

As MTA explained in these meetings—and as detailed in the attachment that MTA distributed at the meetings and includes here—Paragraph 23 of the *Benchmarks Order* seeks to create an Alaskan coefficient in response to comments that highlighted the additional costs that broadband providers will face in deploying and providing broadband in Alaska.[1] But—contrary to the approach that the Bureau intended to take in Paragraph 23—the Model results in a -0.6223 Alaskan CapEx coefficient that penalizes rural carriers in Alaska that realized higher costs of network deployment.

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[1] *Id.* at ¶ 23 ("We also agree with commenters who emphasized that carriers serving particular areas such as Alaska, Tribal lands, and national parks could face unique challenges … Alaskan commenters argued that Alaska is unique because of its harsh climate and other factors; accordingly, the methodology now includes a variable indicating whether or not the study area is in Alaska.").

Please do not hesitate to contact me with any questions.

Sincerely,

Thomas J. Navin
Counsel for Matanuska Telephone Association

Enclosure

Cc: Commissioner McDowell
Commissioner Clyburn
Seth Atkisson
Amy Bender
Angie Kronenberg
Christine Kurth
Carol Mattey
Michael Steffen
Julie Veach

ATTACHMENT A

THE MODEL'S NEGATIVE ALASKAN CAPEX COEFFICIENT RUNS COUNTER TO THE *BENCHMARK ORDER'S* ACKNOWLEDGMENT THAT ALASKAN BROADBAND PROVIDERS WILL FACE UNIQUE COSTS

- Paragraph 23 of the *Benchmark Order* purports to create an Alaskan coefficient in response to comments that highlighted the unique costs that broadband providers will face in deploying and providing broadband in Alaska in the future.

    - "We also agree with commenters who emphasized that carriers serving particular areas such as Alaska, Tribal lands, and national parks could face unique challenges … *Alaskan commenters argued that Alaska is unique because of its harsh climate and other factors; accordingly, the methodology now includes a variable indicating whether or not the study area is in Alaska.*" *Benchmarks Order*, ¶ 23 (emphasis added).

- But—contrary to the approach that the Bureau indicated it would take in Paragraph 23—the Model uses a -0.6223 Alaskan CapEx coefficient that will penalize rural carriers in Alaska.

- Alexicon, an independent consulting firm, recently analyzed the impact of the negative Alaska CapEx variable in the calculation of the CapEx limit for HCLS. Alexicon concluded that the negative Alaska CapEx variable assumes that deploying capital infrastructure in Alaska is over 46% less costly than deploying the same infrastructure in the rest of the country.

- We believe the QRA assumption misinterpreted the Commission's intent and the facts supported in the record.

    - The assumption conflicts directly with both intuition and with a ten-year study by the U.S. Army Corp of Engineers that shows capital projects in Alaska cost 19% more than the average of those in the Lower 48 states.

    - The assumption also conflicts with a bevy of reports and data that show that doing business in Alaska is significantly more costly than doing business in the rest of the country. That the QRA actually adopted a *negative* CapEx coefficient should be corrected.

- Importantly, removing the Alaska CapEx cost bias from the equation brings MTA's CapEx within the limits set by the Commission. Even if one assumes that costs are the same for Alaska as the lower 48 states—which itself is not true, Alaska's costs are much higher—*MTA's CapEx limit would be $28.6 million compared to actual CapEx of $20 million.*