September 6, 2012

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

Re: Alaska Communications Systems, Notice of *Ex Parte* Communication, WC Docket Nos. 10-90, 07-135, 05-337, 03-109; CC Docket Nos. 02-60, 01-92, 96-45, WT Docket No. 10-208; GN Docket No. 09-51

Dear Ms. Dortch:

Pursuant to the requirements of Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, Alaska Communications Systems ("ACS") hereby discloses that, on September 5, 2012, Leonard Steinberg, Senior Vice President and General Counsel, ACS, and Karen Brinkmann, of Karen Brinkmann PLLC, outside counsel to ACS, together with the undersigned, met with Angela Kronenberg, Legal Advisor to Commissioner Mignon Clyburn.

The materials attached to this letter were distributed during the meeting and summarize the points made in the discussion, which are consistent with ACS's previous advocacy.

In accordance with the Commission's rules, this notice is being filed electronically in the above-referenced dockets. Should you have any questions, please contact the undersigned at (202) 230-4962 or Richard.Cameron@acsalaska.com.

Very truly yours,

Richard Cameron

Digitally signed by Richard R. Cameron
Date: 2012.09.06 21:40:24 -04'00'

Richard R. Cameron
Assistant Vice President and Senior Counsel

# Alaska Communications Systems

September 2012

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# WORLD-CLASS TECHNOLOGY, BUILT FOR ALASKA AND BEYOND.

**CONNECT**

*Connectivity where you need it, when you need it.*

- Alaska's premier full service provider for wireless, wireline, Internet and advanced data network solutions.
- The Power of Two: Two fiber optic paths to the lower 48 and across Alaska offer redundancy and route diversity.
- Unmatched network security with global standards based MPLS and Metro Ethernet.

**HOST**

*Data isn't everything. It's the only thing.*

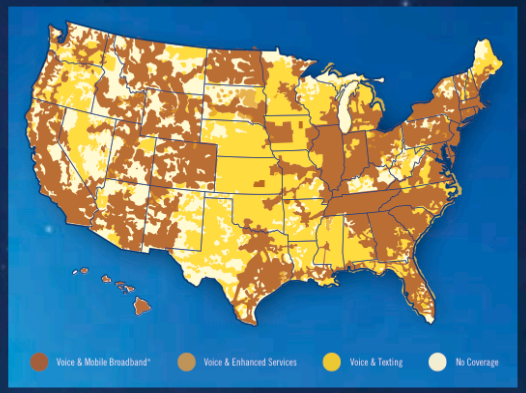
- In and out-of-state Hosted Data Centers support your business continuity and disaster recovery plans.
- Hosting and connectivity, for full, end-to-end data security.
- Ready to grow with you – as your business grows, our service expands with it.

**MANAGE**

*World-class capability begins with world-class people.*

- 24/7/365 network monitoring.
- Two geographically diverse Integrated Network Management Centers.
- Personalized service from implementation to expansion.

## Nationwide Wireless Coverage




## Alaska Communications Northwest Connection

Network Operations Control Center & Remote Data Hosting Center
Local Voice & Data Switch Site
MPLS / Ethernet Locations
Fiber Optic Cable
Microwave Links
Voice & Mobile Broadband*
Voice & Enhanced Services
Voice & Texting
No Coverage

Updated on 10/14/10. This map is a graphical representation and coverage shown is approximate. Coverage includes both owned and leased assets. Service may not be available at all times or in all locations. Equipment, topography, environment or other conditions may adversely affect service. *Network coverage includes planned 2010 coverage enhancements.

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# Annual ETC Report – Waiver of Filing Deadline

- **ACS Wireless Petition for Waiver of USF Report Filing Deadline**
  - On July 16, 2012, ACS filed a petition for waiver of the July 2, 2012 deadline for filing a new mandatory USF report created by USF/ICC Transformation Order
  - Without a waiver, ACS-W faces a loss of $5M for 1Q2013 – a harsh penalty for a minor violation
  - This penalty compounds USF reductions ACS expects from other changes to federal support mechanisms
- **Uninterrupted support is critical to ACS-W capital investment and operational plans**
  - Any loss will harm consumers
  - Support is required to meet RCA commitments
  - New procedures are being implemented to help prevent future filing delays
- **Expedited Commission Action is Critical**
  - Requested waiver is *de minimis* – ACS has not missed any other CETC filing deadlines
  - ACS expects the RCA to timely certify ACS-W's ETC compliance
  - Unless resolved by November 2012, ACS will commence implementation of contingency plans assuming the loss of $5M in January – March 2013

# Annual ETC Report – Waiver of Filing Deadline

- **ACS-W filed the report only five business days late because of an unprecedented convergence of new regulatory mandates**
  - FCC implementation of the new requirement was an evolving process affected by three subsequent Orders/Public Notices; due date changed from April 1 to July 2
  - The FCC ultimately ruled that the 2012 report required only information the ETC collects for state regulators; thus, ACS-W's filing duplicated its April 2012 report to the Regulatory Commission of Alaska
  - The RCA report has been publicly available since that time (April 2012)
  - ACS faced a crush of other regulatory demands in the weeks leading up to and following the July 2 due date:
    - State and Federal Tariff Filings implementing new rate structure
    - FCC Tariff Suspension filing
    - Implementing new Lifeline rules, including recertification of entire subscriber base
    - Multiple sets of comments on ongoing implementation of USF Reform, including CAF Phase II and Contribution Reform
- **The FCC has granted many similar waivers without controversy**

# CAF Phase I Incremental Support

- **USF/ICC Transformation Order provided up to $300 million in incremental support for price cap ILEC deployment of broadband**
  - Each ILEC accepting this support must offer broadband to at least one previously unserved location for each $775 of support it accepts
  - To meet this requirement, the new locations may not already be included in the ILEC's capital investment plan
  - In total, ILECs accepted only $115 million of the $300 million available
- **ACS may be compelled to seek a waiver of the $775/location rule**
  - ACS accepted the full FCC award of $4.2M, so must serve over 5400 new locations
  - ACS accepts that CAF Phase I incremental support is intended to supplement expected ILEC co-investment
  - ACS may need to seek a waiver based on information that has emerged since the July 24 acceptance deadline, including that the FCC staff believes many of ACS's targeted census blocks are ineligible
  - The cost of reaching many unserved locations will exceed $775 such that ACS doubts there is a viable business case for utilizing all of the support on this basis
  - Windstream has already petitioned for a similar waiver

# CAF Phase II Price Cap Carrier Support

- **CAF Phase II replaces traditional USF**
  - ACS currently receives approximately $19M/year of frozen support
  - The FCC's proposal would reduce this to $6.7M/year for only five years and require ACS to offer voice and broadband to all CAF-eligible locations in five years' time
- **The current version of the CQBAT model dramatically understates the level of support Alaska needs**
  - ACS would be required to deliver 4/1 broadband service today, and probably 6/1.5 five years after starting to receive CAF Phase II funding
- **In its present form, the CQBAT model could preclude additional ACS investment in broadband and jeopardize voice service as well**
  - The inputs to the CQBAT model are proprietary, preventing public scrutiny, but ACS believes that they substantially understate costs in Alaska
    - Middle mile transport by undersea cable to Seattle Internet POP
    - Intrastate transport from Anchorage cable landing to isolated end user locations
    - "National" cost inputs unreasonably low that fail to reflect Alaska costs

# CAF Phase II Price Cap Carrier Support

- **ACS Solutions**
  - The Commission should postpone implementation of model-based support for Alaska and other insular areas, leaving CAF Phase I support in place including frozen and incremental support
  - If the Commission proceeds with model-based support, it should adopt the Alaska-specific cost inputs for:
    - The transport elements that are not even included in the proposed model, and
    - The facilities that are in the model but fail to reflect Alaska-specific costs
  - Similarly, if the Commission proceeds with model-based support, it should adopt a model that is fully transparent to the parties

# Concerns Regarding Terra SW Network

- **GCI Is Refusing to Grant ACS and other Competitors Reasonable Access to Federally-Funded Terra SW Facilities**
  - GCI constructed Terra SW using $88 million in RUS Broadband Initiatives Program ("BIP") Grant/Loan Award funds
  - Terra SW provides the only terrestrial middle mile access to 65 communities in southwestern Alaska; the only alternative is via satellite
  - Despite the public subsidy, GCI is offering only small amounts of bandwidth to competitors and charging excessive prices; by keeping prices high, GCI is able to foreclose market competition for its broadband services, defeating one goal of BIP
- **Having Foreclosed Market Competition, GCI Is Seeking Inflated Recovery from Universal Service Mechanisms**
  - Although GCI touts the telemedicine benefits of Terra SW, GCI can also inflate prices for service to rural health care providers using satellite as a price umbrella
  - GCI thus can use support funded by its competitors' USF contributions to expand its own monopoly transport network; in ex parte statements, GCI admits:

    "Further deployment of modern wireless and broadband networks to additional currently unserved communities in rural Alaska . . . depends upon the provision of services to key anchor telemedicine and distance learning customers that are supported by the various programs of the Universal Service Fund as well as continued efforts to leverage this funding to secure other private funding sources." (WC Docket No. 10-90, 7/30/2012)