Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Matanuska Telephone	)	WC Docket No. 10-90
Association Petition for	)	WC Docket No. 05-337
Waiver of CapEx Benchmark	)	

COMMENTS OF THE
NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION

The National Telecommunications Cooperative Association[1] ("NTCA") submits these comments in response to the Wireline Competition Bureau's Public Notice[2] seeking comments on the Matanuska Telephone Association ("MTA") Petition for Waiver ("Petition") of the CapEx benchmark as applied to MTA. Specifically, MTA requests a waiver of the rule limiting reimbursable capital and operating expenses for High Cost Loop Support ("HCLS"). NTCA supports MTA's waiver request to prevent harm to the company and the rural consumers it serves. NTCA adheres to the position that providers

[1] NTCA is the premier industry association representing rural telecommunications providers. Established in 1954 by eight rural telephone companies, today NTCA represents nearly 600 rural rate-of-return regulated telecommunications providers. All of NTCA's members are full service local exchange carriers (LECs) and many of its members provide wireless, cable, Internet, satellite, and long distance services to their communities. Each member is a "rural telephone company" as defined in the Communications Act of 1934, as amended (Act). NTCA's members are dedicated to providing competitive modern telecommunications services and ensuring the economic future of their rural communities. Border to Border Communications, Inc. is a NTCA member.

[2] *Wireline Competition Bureau Seeks Comments on Matanuska Telephone Association Petition for Waiver of CapEx Benchmark, WC Docket No. 10-90, WC Docket No. 05-337,* DA 12-1425, Public Notice (rel. August 30, 2012).

who serve high-cost areas should receive support sufficient to achieve the purposes of Section 254 of the Communications Act of 1934, as amended.[3]

MTA has sufficiently demonstrated good cause for the Commission to waive its rules. The Commission made a waiver process available for circumstances where its new rules would reduce a carrier's support to a point that it "would not be 'sufficient to achieve the purposes of [Section 254] of the Act.'"[4]

MTA serves approximately 9,000 square miles in remote areas of Alaska and has committed to providing high quality service to its customers. Absent adequate universal service funding, its customers could not receive the voice and broadband service they now enjoy. As MTA explains, its capital costs are higher when compared to other Alaskan rural carriers because MTA's service territory is significantly larger and its customers are disbursed over greater distances.[5]

The Commission, in enacting universal service reform, explained that "it is important to ensure [its] approach is flexible enough to take into account the unique conditions in places like Alaska, . . . such as remoteness, lack of roads, challenges and costs associated with transporting fuel, lack of scalability per community, satellite and backhaul availability, extreme weather conditions, challenging topography, and short construction season."[6] MTA's Petition cites several sources confirming the extreme high

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[3] 47 U.S.C. § 254.
[4] *Connect America Fund,* Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 10-90, FCC 11-161, ¶ 540 (rel. Nov. 18, 2011).
[5] Petition, p. 9.
[6] *In the Matter of Connection America Fund, et al.,* WC Docket No 10-90, *et al.,* Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17828, ¶ 509 (rel Nov. 18, 2011).

cost of serving Alaska, and the unique circumstances it faces even as compared to other carriers operating there.[7]

The requested waiver is justified. Although the Quantile Regression Analysis Model ("Model") attempts to ensure that it accounts for the high costs of serving Alaska, the Model's negative Alaskan coefficient for the CapEx regression results in a CapEx benchmark that operates to the contrary. According to MTA, the Alaska CapEx coefficient translates into a cost of deploying capital infrastructure in MTA's service area that is approximately 46% less costly than deploying the same infrastructure in the rest of the country.[8] Despite the high cost of serving MTA's territory, the company has committed to reduce operating expenses over the past few years and use the resulting savings to deploy broadband-capable infrastructure, a capital expenditure. When MTA's capital and operating expenses are added together, the resulting amount is lower than the total costs that MTA could be reimbursed if the CapEx and OpEx benchmarks were added together. Specifically, MTA's actual capital cost per line is $103 more than the CapEx benchmark, but its actual operating cost per line is $115 less than the OpEx benchmark.[9] The Commission's rules punish MTA for concentrating its efforts and financial resources to make efficient business tradeoffs in serving its customers.

MTA demonstrates that the CapEx benchmark as applied to MTA is contrary to the Commission's stated intention to account for the high cost of serving Alaska. Given the unique and challenging circumstances faced by MTA and the devastating effects

[7] Petition, pp 5-8.
[8] Petition, p. 9.
[9] Petition, p. 11.

adherence with the rules would have on the company and consumers it serves, a waiver is necessary to preserve and advance universal service.

NTCA therefore respectfully requests that the MTA Petition be granted. MTA has show good cause for relief and grant of the instant petition would be in the public interest.

Respectfully submitted,

NTCA
NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION
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