

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Lifeline and Link Up Reform and Modernization)	WC Docket No. 11-42
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link Up)	WC Docket No. 03-109
)	
Advancing Broadband Availability through Digital Literacy Training)	WC Docket No. 12-23
)	

Comments of Alaska Communications Systems

Alaska Communications Systems (“ACS”),¹ hereby submits these comments in response to the Commission’s Public Notice (“Public Notice”)² issued in the above-captioned proceedings, seeking comment on the Petition of General Communication, Inc. (“GCI”) for clarification of the Commission’s rule requiring Eligible Telecommunications Carriers (“ETCs”) annually to recertify the continued eligibility of each of their Lifeline subscribers to participate in the Lifeline program (the “GCI Petition”). In these comments, ACS urges the Commission to grant the GCI Petition and clarify the Lifeline certification rule as GCI proposes.

¹ In these comments, “Alaska Communications Systems” signifies the operating subsidiaries of Alaska Communications Systems Group, Inc., which include the incumbent local exchange carriers (“ILECs”), ACS of Alaska, Inc., ACS of Anchorage, Inc., ACS of Fairbanks, Inc., and ACS of the Northland, Inc., as well as the additional operating subsidiaries, ACS Wireless, Inc., ACS Long Distance, Inc., ACS Internet, Inc., ACS Cable, Inc., Alaska Fiber Star, and WCI Cable. Together, these ACS 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 Public Notice, WC Docket Nos. 11-42, 03-109, 12-23, CC Docket No. 96-45, *Wireline Competition Bureau Seeks Comment on GCI’s Petition For Clarification Of Annual Recertification Rule*, DA 12-1699 (Wir. Comp. Bur., rel. Oct. 23, 2012) (“Public Notice”).

ACS understands the importance of eliminating waste, fraud, and abuse in the Commission's universal service programs. The Commission and USAC bear an important fiduciary responsibility to act as responsible stewards of the funds collected from universal service assessments on industry participants. Carriers incur the cost of these assessments in the course of operating their businesses, and therefore must recover these costs, like other costs of providing services, charges presented on customer bills. Waste, fraud, and abuse in the disbursement of universal service support create unjustified increases in the demand for universal service support, causing customer bills to increase (as a result of increased universal service assessments on service providers), or deplete support that could have been used for valid purposes. In either case, inadequate safeguards can erode the public interest benefits the Commission seeks.

In imposing safeguards against waste, fraud, and abuse, however, it is also important for the Commission to temper its efforts by evaluating the costs and benefits of its various monitoring and reporting requirements. Carrier costs of regulatory compliance also must ultimately be reflected in charges for services appearing on customer bills. There is no "shareholder of last resort" who will long suffer investment losses or donate funds for extraordinary regulatory costs that cannot otherwise be recovered from operation of the carrier's ongoing business. High costs of compliance can also damage the public interest by driving up the price of telecommunications services for all or, in some cases, by driving providers from the market. These effects may cause particularly acute damage in the case of the Lifeline program, where highly price sensitive consumers rely on the program to gain essential access to basic telecommunications services.

As the Commission has already recognized, the costs of compliance with the Lifeline recertification rules are extraordinarily high. The Commission itself has estimated that the costs of compliance with its new Lifeline safeguards are over \$624 million,³ with nearly \$420 million attributable to the annual recertification and related reporting requirements alone.⁴ Several Lifeline recipients have pointed out that this estimate of compliance costs, already over one-third of the \$1.75 billion size of the entire low-income support mechanism,⁵ understate the actual total by a considerable margin.⁶

Given the extraordinary compliance costs associated with the Commission's new Lifeline certification requirements, the Commission should embrace any reasonable opportunity to implement these requirements as efficiently as possible. GCI's proposed interpretation of the annual recertification rule is reasonable, would create meaningful compliance savings for carrier recipients of Lifeline support, and create no meaningful amount of additional risk to the integrity of the Lifeline support mechanism. GCI proposes that the Commission clarify its new rule

³ GCI Petition at 2 n.2.

⁴ See Federal Communications Commission, Supporting Statement (OMB Control Number 3060-0819) (Sept. 2012), at 11 (showing \$419,300,000 for the annual recertification requirement and \$564,000 for the annual reporting requirement, in addition to related costs for recordkeeping and resolving duplicative Lifeline claims) (available <http://www.reginfo.gov/public/do/DownloadDocument?documentID=346743&version=2>).

⁵ See Universal Service Administrative Company, 2011 Annual Report, at 1 (Mar. 2012), available at <http://www.usac.org/res/documents/about/pdf/annual-reports/usac-annual-report-2011.pdf>).

⁶ See Comments of Smith Bagley, Inc., United States Cellular Corporation, and PR Wireless, Inc. d/b/a Open Mobile to Nicholas A. Fraser, Office of Management and Budget, OMB Control Number: 3060-00819; WC Docket Nos. 12-23, 11-42, 03-109, CC Docket No. 96-45 (filed Oct. 1, 2012), at 7-10 (available at: <http://www.reginfo.gov/public/do/DownloadDocument?documentID=355104&version=1>).

requiring all ETCs to “annually re-certify all subscribers.”⁷ Under GCI’s requested interpretation, ETCs would be permitted to perform the required recertification of each Lifeline subscriber at least once per calendar year, as opposed to a more rigid timetable within 12 months of each subscriber’s last recertification.

GCI’s proposed reading of the rule comports with the most natural reading of the word “annual,” to mean an event that takes place once per year, rather than one that must take place within one year or less of its previous occurrence. Further, there is nothing in the Commission’s *Lifeline Order* to suggest that the Commission intended to impose a rigid timetable based on the subscriber’s previous recertification date. To the contrary, the *Lifeline Order* requires only that, “[o]ngoing eligibility of Lifeline subscribers must continue to be verified annually.”⁸

Interpreting this requirement to require recertification of each subscriber once per calendar year simplifies the business process and recordkeeping requirements for Lifeline program participants by establishing a uniform deadline, December 31, by which the entire annual recertification must be complete. In contrast, it would complicate the recertification process, as well as the recordkeeping requirement, to tie the recertification deadline for each individual subscriber to the happenstance date on which he or she happened to respond to carrier’s previous Lifeline recertification query. GCI’s proposed flexible interpretation will also permit carriers to process recertification requests (and de-enrollment, in cases where the subscriber fails to respond) in batches, resulting in greater efficiency and lowering costs.

⁷ 47 C.F.R. § 54.410(f)(1).

⁸ *Lifeline and Link Up Reform and Modernization; Lifeline and Link Up; Federal-State Joint Board on Universal Service; Advancing Broadband Availability Through Digital Literacy Training*, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11, 27 FCC Rcd. 6656 (2012) (“*Lifeline Order*”), at ¶ 133.

Particularly for carriers that lack access to automated recertification options through the eligibility and income databases identified in Section 54.410(f)(2)(i-ii) of the Commission's rules, such flexibility will incrementally lower compliance costs, to the benefit of the Lifeline program, carriers, and Lifeline subscribers alike.

Importantly, these savings can be achieved with minimal risk to the integrity of the Lifeline mechanism. Either interpretation requires regular and periodic recertification of Lifeline subscribers. And, in most cases, each subscriber's recertification is likely to take place at roughly 12-month intervals, under either interpretation of the rule. Only in extreme cases would one interpretation or the other offer make a difference, but neither has a clear advantage. Taking a hypothetical subscriber who is recertified in January 2013 and subsequently loses Lifeline eligibility, mere chance appears to affect the timing of his or her de-enrollment more than the interpretation of the Lifeline rule. Under the rigid interpretation (requiring the subscriber's recertification within 12 months of the prior recertification), the carrier is likely to attempt to engineer its recertification effort to get as close to the 12-month mark as possible, in order to minimize recertification costs. If the subscriber loses eligibility during 2013, that fact will be detected until the end of 2014 or early 2015. In contrast, a carrier permitted to operate under the "once per calendar year" rule will face no particular incentive to delay recertification until the end of 2014, and may pick up the loss of eligibility sooner.

What is apparent is that the recertification rule, under either interpretation, would sharply limit the Lifeline mechanism's exposure to waste, fraud, and abuse, as compared to the safeguards in place prior to the adoption of the *Lifeline Order*. Any modicum of incremental protection afforded by the rigid interpretation of the rule to require recertification "within 12

months of the prior recertification” imposes far more costs than the benefits it would produce.

Therefore, the Commission should interpret the rule to permit such certification once per calendar year, as requested by GCI.

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For the foregoing reasons, ACS hereby requests that the Commission grant the GCI Petition and clarify the Lifeline recertification rule as GCI proposes.

Respectfully submitted,

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