

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
<u>Universal Service Reform – Mobility Fund</u>)	WT Docket No. 10-208

REPLY COMMENTS OF THE ALASKA RURAL COALITION

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I. Introduction.

The Alaska Rural Coalition¹ (“ARC”) files its Reply Comments in this proceeding pursuant to the *Further Inquiry* issued by the Federal Communications Commission (“Commission”) on November 27, 2012.² The ARC appreciates the Commission collecting additional comments on the Mobility Fund Phase II award process, however, the ARC also offers comments on Tribal Mobility I as it remains concerned that the Tribal Mobility I process has yet to be implemented. Alaskan companies need to factor in the awards made in Tribal Mobility Fund Phase I before they can meaningfully participate in Mobility Fund Phase II.

The ARC membership consists of essentially all of the rate of return incumbent rural local exchange carriers (“RLECs”) in Alaska,³ who share unified interests regarding the impacts of further proposed changes in universal service funding and access charge revenues to the state. Many of the ARC companies also provide wireless service in the remote, high-cost areas of Alaska and are very dependent on continued support to maintain viable and affordable service.

¹ The ARC is composed of 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.; Alaska Telephone Company; 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 “*FNPRM*”); Federal Communications Commission, Public Notice, *Further Inquiry Into Issues Related to Mobility Fund Phase II*, WC Docket No. 10-90; WT Docket No. 10-208 (Nov. 27, 2012) (“*Further Inquiry*”).

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

II. Alaska Carriers Concur That Additional Investment Is Essential to Alaska.

The ARC and other Alaska parties have made clear to the Commission that Alaska is a unique area wholly unlike the rest of the country.⁴ Alaska's vast, harsh terrain, difficult climate and lack of roads and other infrastructure taken for granted in the Lower 48 means that carriers serving Remote Alaska face significantly higher costs to operate and maintain their existing networks.⁵ Many areas of remote Alaska also lack the wireline middle mile infrastructure necessary to provide reliable and affordable broadband at the Commission's required speeds.⁶

⁴ See *Reply Comments of the Alaska Rural Coalition*, WC Docket No. 10-90, WC Docket No. 05-337, before the FCC (July 23, 2012) ("*ARC Reply Comments*") at 9 ("[T]he lack of roads, extreme climate and harsh geography of Alaska must remain in the forefront of the discussion when considering the role the Remote Areas Fund will play in Alaska"); *Comments of Alaska Communications Systems, 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) ("*ACS USF Comments*") at 3, n. 4 ("Almost everything about providing communications services in Alaska is unique and sets its service providers apart from what other carriers across the country experience.") *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.").

⁵ See *Comments of the Regulatory Commission of Alaska 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) ("*RCA Comments*") at 4-5 ("Alaskans may be left behind by the FCC's reforms to universal service, which do not adequately consider our state's unique challenges. The FCC has heard it many times: Alaska is different. Our vast size, small population, extreme weather and landscapes, and high costs have been described in numerous filings.").

⁶ *ACS USF Comments* at 8 ("The Commission's model ignores the costs of extremely long haul middle mile transport in Alaska, especially by satellite and undersea cable, which are necessary to support delivery of the broadband speeds mandated by the Commission."); *GCI USF Comments* at 28 ("As discussed above, middle-mile costs will be a significant (but not the only) component of the high costs of delivering any type of broadband – whether fixed or mobile – to Remote Alaska...middle mile is an essential component of providing affordable and reasonably comparable broadband services to rural Alaska, and of creating a communications infrastructure that can support critical public health, education and safety needs."); *RCA Comments* at 19 ("Funding for middle mile infrastructure is essential to deployment of broadband in Alaska.").

Alaska carriers, including the ARC members, have made substantial investments in second mile and last mile networks in an effort to bring reliable broadband to their customers throughout rural Alaska.⁷ The Commission has recognized that failing to adequately fund the middle mile buildouts necessary to connect these local networks to the larger Internet backbone risks stranding Alaska carriers' investments and placing Alaska consumers in danger of permanently falling behind.⁸ The ARC agrees with General Communication, Inc. ("GCI") that the "combination of high costs and low population density—and few roads—means that under almost any formulation, the amount of support Alaska will need will be extremely high in comparison to the rest of the United States."⁹

⁷ *RCA Comments* at 19 ("Funding for middle mile infrastructure is essential to deployment of broadband in Alaska."); and *Comments of Alaska Rural Coalition 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) ("*ARC USF Comments*") at 4-5 ("Access to Affordable Middle Mile is Critical to Extend Broadband into Remote Areas of Alaska...The *CAF Order* recognizes that many areas of Alaska lack the viable backhaul options necessary to provide broadband services.").

⁸ *See Transformation Order* para. 101, n. 158 ("Even if the modest speeds of 4 Mbps down/1 Mbps up are adopted by the FCC as target throughput speeds, substantial construction of terrestrial facilities and expansion of satellite capacity will be needed to create the backhaul capability that will be necessary to deliver broadband at those speeds in Alaska.").

⁹ *Comments of General Communication, Inc. on Mobility Fund Phase II in the matter of Connect America Fund*, WC Docket No. 10-90, *Universal Service Reform – Mobility Fund*, WT Docket No. 10-208 ("*GCI Comments*") at 5; *see also GCI USF Comments* at 6-7.

The ARC shares GCI's concern that Alaska carriers have not, via Phase I, yet received the levels of support necessary to achieve the Commission's goals.¹⁰ However, the ARC does not also share GCI's belief that the Commission must decide between supporting legacy wireline services and supporting deployment of mobile services in Alaska.¹¹ Alaska consumers, like consumers in the rest of the country, deserve access to *both* mobile and fixed wireline services. Each type of service provides unique benefits and drawbacks, and one cannot serve as a complete substitute for the other.

Terrestrial infrastructure is key to making mobile services reliable and successful. Though GCI now suggests that satellite may be an adequate replacement for terrestrial networks in some areas, GCI has previously recognized that satellite simply cannot effectively replace the speed, capacity and reliability of terrestrial infrastructure.¹² Satellite service in Alaska may be less reliable and available given the possibility that AT&T may not recommission its existing Alaska satellite at the end of its term, so depending on satellite backhaul as a solution to serve Alaska is a risky proposition.¹³

¹⁰ *GCI Comments* at 5-6 (“Accordingly, the results of Phase I do not provide any reason to believe that a nationwide Phase II auction will provide Alaska with the support needed to ensure that it does not fall even farther behind the rest of the country with respect to mobile services”).

¹¹ *See GCI Comments* at 8.

¹² *See GCI Comments* at fn. 9; *GCI USF Comments* at 5 (“Advanced telemedicine, distance learning, and other many enterprise broadband services will require the deployment of terrestrial middle-mile facilities: satellite services cannot support applications that tolerate only very low latency.”); and at 26 (“Satellite capacity is also extremely expensive and non-scalable; satellite costs rise directly in proportion to capacity needs. Therefore, unless terrestrial middle-mile networks can be built, the cost to the USF will continue to rise as consumers’ demand increases. The only alternative would be to either increase the cost to consumers—which would likely render rates unaffordable and not reasonably comparable to urban areas—or render the services not reasonably comparable due to much lower amounts of included usage than in urban areas.”); *see also* Abhishek Shukla, 7 Reasons Why Tablets or Smart phones Can't Replace Laptops, *TECHiFire* (Jan. 16, 2012), [http://www.techifire.com/gadgets/phones/7-reasons-why-tablets-or-smartphones-cant-replace-laptops/...](http://www.techifire.com/gadgets/phones/7-reasons-why-tablets-or-smartphones-cant-replace-laptops/) For reasons the ARC has previously explained to the Commission, Alaska's relatively extreme latitude and weather mean that satellite broadband will be an inadequate solution to providing its rural areas broadband service. *See also ARC USF Comments* at 25 (“Satellite service is notoriously unreliable in Alaska for many reasons including inclement weather and geographic limitations based on line of sight.”) and at 32 (“Unfortunately,

The Commission should not use Alaska’s rural and remote characteristics or its current lack of wireline deployment as reasons to consign Alaska to a standard of telecommunications less than that found in the rest of the United States. Additional investment in basic middle mile infrastructure will be necessary to provide Alaska consumers with broadband and mobile services comparable to those available in the Lower 48.¹⁴ If the Commission chooses to create a specific set-aside from the Mobility and Tribal Mobility funds for Alaska, those funds would be best used to invest in middle mile infrastructure, which will support both mobile *and* fixed broadband services.

The ARC continues to share the concern of most small carriers about the Commission’s use of a reverse auction method of distributing support.¹⁵ The Mobility Phase I auction did little to calm those fears.¹⁶ Alaska in particular received little funding, which raises particular warning

providing the speed, latency or capacity required by the Commission for CAF support for satellite service is not yet capable in most areas of Alaska.”); *ACS USF Comments* at 8.

¹³ Petition Filed by ALASCOM, INC. d/b/a AT&T ALASKA to be Relieved of its Carrier of Last Resort Responsibilities in Certain Locations in Southwest Alaska, Docket No. U-12-127, before the Regulatory Commission of Alaska, AT&T Alaska’s Petition for COLR Relief in 65 Locations in Southwest Alaska (Sept. 7, 2012) (“*AT&T Petition*”).

¹⁴ See *ARC Comments* at 13-14; *ACS USF Comments* at 8 (“The Commission’s model ignores the costs of extremely long haul middle mile transport in Alaska, especially by satellite and undersea cable, which are necessary to support delivery of the broadband speeds mandated by the Commission.”); *GCI Comments* at 28 (“As discussed above, middle-mile costs will be a significant (but not the only) component of the high costs of delivering any type of broadband – whether fixed or mobile – to Remote Alaska...middle mile is an essential component of providing affordable and reasonably comparable broadband services to rural Alaska, and of creating a communications infrastructure that can support critical public health, education and safety needs.”); *RCA Comments* at 19 (“Funding for middle mile infrastructure is essential to deployment of broadband in Alaska.”).

¹⁵ See, e.g., *RTG Comments* at 15.

¹⁶ *Comments of Competitive Carriers Association in the matter of Connect America Fund*, WC Docket No. 10-90, *Universal Service Reform – Mobility Fund*, WT Docket No. 10-208 (Dec. 21, 2012) (“*CCA Comments*”) at 5-7.

signals.¹⁷ The ARC encourages the Commission to explore other mechanisms for distributing Mobility Fund Phase II funds, especially in Alaska.

III. Identification of Eligible Areas Is Critical To Rural Consumers.

The ARC concurs with several other Commenters, especially other rural carriers, who have expressed concerns about the reliability and accuracy of the Mosaik data the Commission proposes to use in determining eligibility for Mobility Phase II support.¹⁸ As the Rural Telecommunications Group (“RTG”) has indicated, the Mosaik data is especially unreliable for remote areas served by small rural carriers, since a) most rural carriers do not report data to Mosaik; and b) larger carriers instead report inaccurate, unverified estimates of smaller, rural carriers’ coverage.¹⁹ The ARC joins nearly all other Commenters in urging the Commission to establish a process by which carriers can challenge the Mosaik data, as “[Phase II Mobility support] is far too important to base support grants on data that may be incorrect or incomplete.”²⁰ Similarly, the ARC agrees with RTG that the Commission’s process in awarding Mobility Phase II funds must include adequate time and sufficient process to challenge the accuracy of the determination of whether a Census Block is eligible for support.²¹

¹⁷ *GCI Comments* at 5.

¹⁸ *Comments of the Blooston Rural Carriers in the matter of Connect America Fund*, WC Docket No. 10-90, *Universal Service Reform – Mobility Fund*, WT Docket No. 10-208 (Dec. 21, 2012) (“*Blooston Comments*”) at 4 (observing the “noted inaccuracies in the Mosaik database”); *Comments of Verizon and Verizon Wireless in the matter of Connect America Fund*, WC Docket No. 10-90, *Universal Service Reform – Mobility Fund*, WT Docket No. 10-208 (Dec. 21, 2012) (“*Verizon Comments*”) at 2; *Comments of CTIA—The Wireless Association in the matter of Connect America Fund*, WC Docket No. 10-90, *Universal Service Reform – Mobility Fund*, WT Docket No. 10-208 (Dec. 21, 2012) (“*CTIA Comments*”) at 5 (noting the Mosaik data is “not perfect”); *Comments of Rural Telecommunications Group, Inc. in the matter of Connect America Fund*, WC Docket No. 10-90, *Universal Service Reform – Mobility Fund*, WT Docket No. 10-208 (Dec. 21, 2012) (“*RTG Comments*”) at 4.

¹⁹ *RTG Comments* at 4.

²⁰ *Blooston Comments* at 5; *see also Verizon Comments* at 3; *CTIA Comments* at 5-6; *RTG Comments* at 4

²¹ *RTG Comments* at 3.

The Commission must establish clearer procedures for challenging its findings and awards of support, including determining a specific and low burden of proof for such challenges.²² Setting clear standards for challenges and allowing sufficient time for carriers to prepare them will ultimately allow the Commission to more effectively and accurately support deployment of mobile services.²³ The ARC also supports the Blooston Rural Carriers' proposal to allow interested parties a limited "free look" at the Mosaik database to allow carriers to verify and correct the accuracy of service data without incurring substantial out-of-pocket costs.²⁴

The ARC agrees with other Commenters that the proposed centroid method for determining Mobility Phase II support must be evaluated carefully, and is unlikely to accurately predict needs for support in Remote Alaska and other very rural areas.²⁵ Use of the centroid method would produce totally inaccurate results in Alaska, where service territories are extremely large, and often are composed of one large community alongside thousands of miles of sparsely populated terrain.²⁶ GCI's suggested change to the centroid method to include the largest community in a census block will only exacerbate the method's anomalous results for Alaska.²⁷ Including the largest community could skew the results to minimize the broader reach of rural carriers serving a given area.

²² See *id.*; *AT&T Comments* at 8; *Verizon Comments* at 2-3.

²³ See *Blooston Comments* at 5; *Verizon Comments* at 2-3; *CTIA Comments* at 5-6; *Comments of AT&T in the matter of Connect America Fund*, WC Docket No. 10-90, *Universal Service Reform – Mobility Fund*, WT Docket No. 10-208 (Dec. 21, 2012) at 6-9; *RTG Comments* at 5.

²⁴ See *Blooston Comments* at 4-5.

²⁵ See *ARC Comments* at 7-8; *ACS USF Comments* at 16; *Comments of the Rural Telecommunications Group, Inc.* 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) at 12-13. *CTIA Comments* at 5; *RTG Comments* at 6.

²⁶ See *ARC Comments* at 8.

²⁷ See *GCI Comments* at 9.

The ARC continues to believe, along with other carriers serving rural areas, that a proportional method of determining Mobility Phase II support will produce the most accurate results.²⁸ The ARC supports RTG's proposal that the Commission institute a proportional exception to the centroid method, in which "cases where 50 percent or more of a census block is unserved, even though the centroid is covered, the entire census block should be classified as unserved and eligible for bidding."²⁹ At the very least, the Commission should consider instituting a method that includes a proportional exception to the standard centroid approach for Alaska and other rural areas with very large census blocks.³⁰

IV. The Commission Should Prioritize Underserved Rural Areas For Support.

Underserved rural areas deserve dedicated funding to ensure that all Americans have access to advanced telecommunications. The ARC agrees with GCI that the Commission should prioritize areas for support that lack access to the National Highway System.³¹ Lack of access to the National Highway System is indeed a "strong proxy" for rural areas with a low population that are likely to be unserved by wireless, terrestrial backhaul or an unsubsidized provider.³² These areas are the most likely to lack internet access altogether, or to depend on the limited capabilities of satellite broadband.³³ Given the likely lack of a business case for building out terrestrial backhaul in these areas, it is critical that the Commission provide sufficient support for

²⁸ *ARC Comments* at 8-9; *RTG Comments* at 6.

²⁹ *See RTG Comments* at 6.

³⁰ *See RTG Comments* at 6-7.

³¹ *See GCI Comments* at 9; *GCI USF Comments* at 17-19.

³² *See id.*

³³ *See id.*; *see also Transformation Order* at para. 101. "Recognizing that satellite backhaul may limit the performance of broadband networks as compared to terrestrial backhaul, we relax the broadband public interest obligation for carriers providing fixed broadband that are compelled to use satellite backhaul facilities."

terrestrial middle mile if these areas are truly to attain services and rates that are “reasonably comparable with urban areas.”³⁴ The ARC agrees with GCI that bidding credits based on lack of National Highway System access represent an appropriate way to account for these areas.³⁵

The ARC believes that if the Commission chooses to use road miles as a metric, it must include the alternative roads found in the most rural and Remote Areas, including 4 wheel drive vehicular trails, service drives, private roads for service vehicles and intervillage snowmachine trails.³⁶ Nonetheless, the ARC remains concerned that, given the lack of support awarded to Alaska in the Mobility Phase I Auction thus far,³⁷ including all these tertiary roads will not be enough to account for Alaska’s general dearth of roads in comparison to the rest of the nation.³⁸ The ARC strongly supports GCI’s proposal to use river miles as a metric for Alaska, and encourages the Commission to consider replacing the road miles metric entirely with a river miles metric for Alaska.³⁹ Making this substitution would represent a unique solution for a unique state, and would account for the need to build middle mile infrastructure to connect Alaska communities separated by large swaths of wilderness.

³⁴ 47 U.S.C. § 254(b)(3).

³⁵ *GCI Comments* at 10.

³⁶ *Id.*

³⁷ *Id.* at 5.

³⁸ *See ARC Comments* at 14 “As the ARC has explained before, populated communities in Alaska are often separated by enormous wilderness areas that contain no roads. Travel between remote and populated areas generally occurs via methods more suited to the state’s variable terrain, such as airplane, ATV, snow machine, boat or regional commercial aircraft. If the Commission were to determine Alaska’s need for Mobility II funding based on road miles, the resulting data would likely suggest that Alaska is a very small state with little need for Mobility funds. Nothing could be further from the truth.”

³⁹ *See GCI Comments* at 10.

V. Flexible Performance Obligations Make Sense For Remote and Rural Areas.

Meeting stringent performance obligations is difficult in rural and remote areas struggling to improve service. The ARC supports GCI's proposal to reduce the five-year interim broadband performance requirement of 512/128 in areas dependent on satellite backhaul.⁴⁰ An interim requirement would be consistent with the Commission's previous recognition that satellite backhaul is more expensive and less available than terrestrial middle mile options.⁴¹ Both the Regulatory Commission of Alaska ("RCA") and the ARC have previously expressed concern that the Commission would rely on satellite as a safety net in Alaska.⁴² Relaxing the five year requirement for areas that depend on satellite is not a long-term solution for universal service in Alaska. However, in the short term, it would prevent a situation in which practical reality places Alaska carriers in violation of federal standards that are impossible to meet, possibly losing high-cost support.

The Commission should preserve maximum flexibility in its performance standards. The ARC also supports RTG's proposal to institute 10-year evolving performance obligations.⁴³ Allowing the Commission to reevaluate in year 5 of the 10 year cycle whether its performance obligations should be revised will address the unknowability of the exact future of telecommunications, both in terms of broadband deployment and in terms of evolving

⁴⁰ *GCI Comments* at 11.

⁴¹ *Transformation Order* at para. 101. "Recognizing that satellite backhaul may limit the performance of broadband networks as compared to terrestrial backhaul, we relax the broadband public interest obligation for carriers providing fixed broadband that are compelled to use satellite backhaul facilities."

⁴² *See, e.g., RCA Comments* at 6. "Many Alaska communities will be denied access to universal service comparable to what is enjoyed elsewhere in the nation if they are required to rely on satellite communications only." *Id.* The ARC has provided the Commission with a study commissioned by TelAlaska supporting this position. *See* Martin & Baugh Consulting Group, *Satellite Internet Review* (Jan. 30, 2012), attachment to Shannon M. Heim, *Ex Parte Notice*, before the FCC (June 12, 2012).

⁴³ *RTG Comments* at 10.

technology.⁴⁴ The ARC also agrees with RTG that additional spectrum will likely be required in order for carriers to fulfill additional performance obligations.⁴⁵ “[A]ttempts to modify the performance requirements in any way during the term of support will not be practical if adequate spectrum is not available.”⁴⁶ It is essential that the Commission strike a balance between its admirable service goals and the practical realities of providing service at those speeds.

Given the widening gap between small carriers serving rural areas and large carriers in urban areas, the ARC supports RTG’s proposal that the Commission’s buildout requirements be adjustable and flexible.⁴⁷ Adopting a phased 4G schedule with yearly benchmarks and the flexibility to adjust those benchmarks based on the realities of building out infrastructure will better ensure that the Commission’s goals are met.⁴⁸ This approach will best ensure that the Commission’s long-term goals are met in the areas that need support the most.

VI. Definition of Bidding and Coverage Units Will Play a Significant Role In Directing Funds to the Neediest Areas.

The Commission must prioritize rural and Remote Areas in order to distribute funding where it will have the greatest impact. Based on the initial results of Mobility Phase I, small carriers and carriers serving the nation’s most rural areas face being left behind without the support necessary to meet the Commission’s performance obligations at all, let alone build out the infrastructure necessary to provide comparable service in the long term.⁴⁹ Unless the

⁴⁴ See *RTG Comments* at 10-11.

⁴⁵ See *RTG Comments* at 11-12.

⁴⁶ *RTG Comments* at 12.

⁴⁷ *Id.* at 9.

⁴⁸ See *id.*

⁴⁹ *GCI Comments* at 5.

Commission institutes some solution to these problems, it risks creating a telecommunications landscape in which there is no place for small businesses serving rural areas. Failing to do so will directly contravene the Telecommunications Act's express mandate to serve consumers in rural, insular, and high-cost areas.⁵⁰

The ARC believes that RTG's proposed categories of bidding credits represent a workable, easily implemented solution to this problem.⁵¹ Bidding credits represent the easiest and most straightforward way to direct investment to the places it will do the most good. Specifically, the ARC supports the RTG's proposed mechanisms to award bidding credits to small businesses, carriers already providing mobile wireless service to rural areas, carriers with a history of offering telecommunications services to rural markets and carriers who seek to serve unserved areas (i.e. areas where there is no 3G or better service). Few ARC members are currently able to provide their customers with robust, widespread mobile service at or above 3G, and most are small businesses serving rural areas. RTG's proposed bidding credits would address the core concerns affecting the ARC members' very survival. AT&T's position on small business credits reflects its status as one of the largest carriers in America, and does not reflect the reality that AT&T currently serves very few of our nation's remotest and most rural areas.⁵²

The ARC is intrigued by RTG's proposal to use a cost model to award funding to areas unsuccessful in Phase I bidding.⁵³ Though this concept would need to be further explored and developed, the ARC strongly agrees with the fundamental premise that not all areas deserving of

⁵⁰ 47 U.S.C. § 254(b)(3).

⁵¹ *RTG Comments* at 13-14 (small businesses, carriers already providing mobile wireless service to rural areas, carriers with a history of offering telecommunications services to rural markets, and carriers who seek to serve unserved areas (i.e. areas where there is no 3G or better service)).

⁵² *AT&T Comments* at 13.

⁵³ *RTG Comments* at 15.

investment will receive it due to factors beyond their control.⁵⁴ A follow-up cost model would likely ensure that the rural and remote areas most in need of support actually receive it regardless of the regulatory pitfalls of the Commission's current support distribution proposals.

VII. A 10 Year Support Horizon Encourages Predictability in Funding.

The ARC agrees with RTG that a 10 year term for Phase II support will provide the predictability carriers need to make the network investments necessary to meet the Commission's goals in rural areas.⁵⁵ The ARC respectfully disagrees with AT&T, one of the largest carriers nationwide, that a five year term of support will provide sufficient stability to allow smaller carriers to make the investments necessary to bring high-speed broadband to remote and rural areas.⁵⁶ For the ARC members, some of whom are small, member-owned rural cooperatives, 10 years is barely enough time to adequately plan and secure funding for the substantial middle mile buildouts necessary to enable mobile broadband service and meet the Commission's speed requirements.

Dependence on high-cost support in Remote Alaska currently hampers financial predictability for small carriers. The ARC agrees with the CoBank, ACB's ("CoBank") concerns about managing financial burdens for small carriers.⁵⁷ The Commission's desire to insert accountability is overshadowed by the unintended consequence of erecting barriers to participation. The ARC agrees with CoBank and the Blooston Carriers that the current LOC

⁵⁴ *Id.*; *AT&T Comments* at 3-4 ([I]t is unclear how ["using an expanded version of the Mobility Fund Phase I methodology"] will be effective in identifying those areas requiring ongoing support, as opposed to areas requiring one-time support or no support at all...AT&T suggests that the Commission give additional thought and seek additional comment on how to identify areas that are uniquely in need of *ongoing* Mobility Fund support").

⁵⁵ *See ARC Comments* at 15; *RTG Comments* at 7.

⁵⁶ *See AT&T Comments* at 9-10.

⁵⁷ *See Comments of CoBank, ACB in the matter of Connect America Fund*, WC Docket No. 10-90, *Universal Service Reform – Mobility Fund*, WT Docket No. 10-208 (Dec. 20, 2012) ("*CoBank Comments*").

requirements are completely unworkable for small carriers,⁵⁸ and that CoBank should be allowed to issue LOCs if the Commission is committed to maintaining the LOC requirement in its current form.⁵⁹ This relief should also be extended to the Rural Utilities Service, since it is not a commercial bank, but has traditionally been an important lender to small rural carriers. Maintaining barriers to entry for smaller carriers' eligibility for support contravenes the Commission's goals of providing service in rural areas.

VIII. Participation by Small Telecommunication Carriers Is Critical To Fulfilling The Commission's Intent For The Mobility Phase II Fund.

High-cost support is designed to provide service to Americans living in rural and Remote Areas that would otherwise be denied access to telecommunications due to the sheer expense. The ARC echoes RTG's assertion that Rural America is falling further behind in the deployment of advanced telecommunications services.⁶⁰ As RTG indicates, "many RTG members are just beginning to upgrade to 3G networks and only a handful have begun to build out 4G networks in more populated rural areas. Meanwhile, their urban counterparts are touting 4G and turning down their 2G networks."⁶¹ The same is true for the ARC members.

It is key that the Commission support small carriers serving rural areas if our nation's most rural and Remote Areas are to truly have access to the same standard of telecommunications found in urban areas at reasonable rates. Many of these small carriers are member-owned cooperatives or small businesses key to their local economies and communities. The Commission's commitment to serving rural, remote areas necessarily means supporting

⁵⁸ *ARC Comments* at 18-19.

⁵⁹ *See CoBank Comments, Blooston Comments* at 13.

⁶⁰ *RTG Comments* at 8.

⁶¹ *Id.*

small carriers, as the high cost of telecommunications deployment in these areas means that most larger carriers have little interest in serving these isolated communities.

VIII. Tribal Priority Units Are Critical To Providing Mobile Service To Alaska, But Must Be Carefully Constructed To Reflect The Realities of Alaska.

The ARC continues to believe that awarding Tribal priority units in Alaska as presently defined by the *Transformation Order* would result in a lack of essential investment in needed infrastructure.⁶² The unique Tribal governance structure in Alaska makes Tribal priority units unworkable.⁶³ The disparate situations in Tribal governance in the Lower 48 and Alaska justify a unique approach for Alaska to fulfill the goals articulated by the Commission.⁶⁴ The ARC concurs with GCI that the allocation of Tribal priority units in Alaska “would fail to produce any reasonable expectation for a long-term, efficient service solution.”⁶⁵

Tribal communities, particularly in Alaska, still need substantial investment to improve access to telecommunications services.⁶⁶ The fundamental lack of middle mile facilities remains

⁶² *ARC Comments* at 19-20.

⁶³ *See Reply Comments of the State of Alaska*, Re: WC Dockets No. 10-90, No. 07-135, No. 05-337, No. 03-109, No. 10-208; GN Docket No. 09-51; CC Dockets No. 01-92, No. 96-45 (Feb. 17, 2012) at 1-2 (“Without an explicit disclaimer such as the language we suggest below, the definition of the term “Tribal lands” in the Order may unintentionally leave the impression that Alaska tribes have sovereignty over territories where they do not have such sovereignty, and may suggest that reservations exist in Alaska outside of the one reservation, Annette Islands Reserve, occupied by the Metlakatla Indian Community. This impression is contrary to the nature of the settlement achieved in ANCiA and the legal principles established in *Alaska Native Village of Venetie v. State*, 522 U.S. 520 (1998)”). *GCI Comments* at 12-13. GCI rightly cites the Congressional history of the Alaska Native Claims Settlement Act, Pub. L. No. 92-203, 85 Stat. 688-716 (1971).

⁶⁴ *Further Notice* at para. 20; *Transformation Order* at para. 1171.

⁶⁵ *GCI Comments* at 13.

⁶⁶ *See ARC Comments* at 20; *ACS USF Comments* at 6; *GCI Comments* at 13; *see also Tanana Chiefs Conference Comments*, Report and Order and Further Notice of Proposed Rule Making: 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. 17, 2012) (“*Tanana Chiefs Conference Comments*”) at 1-2 (“None of the rural TCC communities have access to acceptable broadband services delivered by robust terrestrial middle mile infrastructure, a fact that impacts the economic, physical and educational well-being of these rural communities.”).

the single largest obstacle to advanced wireless and wireline services in Alaska. Absent the TERRA-SW middle mile facility owned by GCI, there is little access to robust mobile or fixed broadband outside urban areas and other communities on the major road systems in the state. The investment anticipated by the Tribal Mobility Funds, Phase I and II, provide a real opportunity to build needed middle mile infrastructure and thereby build real and lasting access to the digital world most Americans take for granted.

The distribution of funds to build middle mile facilities should be awarded separately from any Mobility funding that an Alaskan carrier may win in a reverse auction for last mile wireless service. Determining the appropriate party to build middle mile infrastructure is less important than ensuring that the federally funded infrastructure is made available to all common carriers at a fair and reasonable price on a nondiscriminatory basis.⁶⁷ The ARC suggests that the Commission impose more stringent regulatory public interest obligations on companies accepting Tribal Mobility funding for middle mile infrastructure, or in the alternative require those companies to offer regulated, cost-based rates for the wholesale services offered in those areas.

The RCA is well equipped to provide needed oversight and enforcement of regulatory requirements.⁶⁸ The ARC has consistently advocated that the RCA should play a significant role in administering the Commission's new Connect America Fund programs.⁶⁹ The Alaska market would better realize the Commission's goals with a more tailored approach that the RCA could provide.

⁶⁷ A private monopoly middle mile system does not serve the public interest. *See ARC USF Comments* at 5-6.

⁶⁸ *See RCA Comments* at 18-19.

⁶⁹ *See, e.g., ARC USF Comments* at 13.

IX. Conclusion.

To make a meaningful difference in Alaska, Mobility II investment will have to take into account the unique attributes of the state. The digital divide threatens to leave an irreparable gulf between the Lower 48 and Alaska unless the Commission takes significant action to bring desperately needed infrastructure to Alaska.

Due to the vast, remote nature of most of the state, Alaskan consumers depend relatively more on telecommunications than do average American consumers, often for vital services including healthcare, education, and emergency care. This fact heightens the importance of deploying advanced telecommunications to these areas. Without adequate support for building terrestrial middle mile, as well as affordable access to existing middle mile, Alaska carriers face a future in which loss of high-cost support permanently threatens their ability to connect their customers to the outside world.

Respectfully submitted on this 7th day of January, 2013.

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