Alaska Communications Systems
Petition for Waiver of Section 54.313(c) of the Commission's Rules

DECLARATION OF RUTH L.WILLARD IN SUPPORT OF
ALASKA COMMUNICATIONS SYSTEMS
PETITION FOR FLEXIBILITY IN THE USE OF FROZEN HIGH-COST SUPPORT IN
THE ACS ILEC SERVICE AREAS

I, Ruth L. Willard, hereby make the following declarations, under penalty of perjury, in support of the foregoing Petition of Alaska Communications Systems ("ACS") For Waiver of Section 54.313(c) of the Commission's Rules For Flexibility In the Use Of Frozen High-Cost Support In the ACS ILEC Service Areas.

1. I am Director, Billing and Revenue Requirements for Alaska Communications Systems Group, Inc., parent company of the ACS ILECs. As such, I am familiar with the costs and revenues associated with ACS's local exchange and exchange access telecommunications services, including its use of Universal Service high-cost support as well as its overall revenue structure.

2. ACS provides local exchange and exchange access services through four incumbent local exchange carriers ("ILECs") operating in six study areas all in the state of Alaska. The four ACS ILECs are ACS of Alaska, LLC, ACS of Anchorage, LLC, ACS of Fairbanks, LLC, and ACS of the Northland, LLC. ACS of Anchorage and ACS of Fairbanks each operate a single study area. The other two ACS ILECs, ACS of the Northland and ACS of Alaska, operate two study areas each.

3. Prior to the transition from legacy universal service funding programs to the Connect America Fund ("CAF") under the FCC's *USF/ICC Transformation Order*, five

of the six ACS study areas were classified as rural, and their service territories include some of the state's highest-cost, lowest-density areas in the off-road parts of the state known as the Alaska Bush. All of the ACS ILECs were regulated as rate-of-return carriers until their voluntary conversion to price cap regulation in 2009. Therefore, the ACS ILECs receive frozen high-cost support based on legacy High Cost Loop Support ("HCLS"), Interstate Common Line Support ("ICLS"), and Local Switching Support ("LSS").

4. ACS received approximately $19.5 million in frozen high-cost support in 2012 and expects to receive approximately $19.2 million in 2013, after a true up. One-third of $19.2 million, the amount of frozen high-cost support required to be used to build and operate broadband-capable networks in areas substantially unserved by an unsubsidized competitor, is $6.4 million.

5. Of the total amount of frozen high-cost support ACS expects to receive in 2013, approximately $14.77 million represents legacy ICLS and LSS, accounting for more than three-quarters of ACS's total high-cost support and approximately 40% of the ACS ILECs' total interstate revenue. One-third of $14.77 million, which ACS would be required to build and operate broadband-capable networks in areas substantially unserved by an unsubsidized competitor, is roughly $4.92 million.

6. Assuming ACS receives the same amount of frozen high-cost support in 2014, the amount of broadband spending that would be required in areas substantially unserved by an unsubsidized competitor would double to two-thirds. The total spending requirement would increase to more than $12.8 million, of which approximately $9.84 million is associated with legacy ICLS and LSS.

7. All of the ACS frozen high-cost support of $19.2 million, including all of the approximately $14.77 million derived from the ICLS and LSS legacy support, would be required to be devoted entirely to broadband in areas substantially unserved by an unsupported competitor in 2015, unless CAF Phase II is implemented before then.

8. ACS is still mapping served and unserved locations, but believes that compliance with Section 54.313(c) as written is impossible. In 2013, for example, ACS of the Northland will be unable to spend one-third of its allotted frozen high-cost support on broadband in areas substantially unserved by an unsubsidized competitor because the Glacier State study area receives HCLS but purportedly is "served" in some parts by an unsubsidized competitor. In 2014, the problem will become even more acute – if CAF Phase II still has not been implemented and the Section 54.313(c) requirement increases to two-thirds of frozen high-cost support, three of the four ILECs will be unable to comply with the requirement.

9. ACS continues to invest in construction and operation of its public switched voice network as required by state and federal regulation. For example, ACS recently installed a new switch and extended service to a subdivision in Klawock; the cost of this network upgrade, which was necessary to ensure continued availability of public switched voice service to about 400 customers, exceeded $750,000 (including equipment and installation). Such facilities do not support broadband, but they are necessary to maintain local exchange and exchange access services in Alaska Bush communities.

10. Though not entirely clear whether it would be permitted under the *USF/ICC Transformation Order*, ACS management has considered whether it could raise subscriber line charges ("SLCs") to make up for revenue shortfalls from the repurposing

of ICLS under Section 54.313(c). ACS already charges SLCs at the cap for residential and single line business customers. For multi-line business ("MLB") customers, ACS SLC charges are at the cap in only one study area. Thus, it is possible that, in five of the six ACS study areas, ACS may be able to increase the SLCs to $9.20 per line per month, an increase of between $0.04 per line and $1.31 per line per month. Raising all of the MLB SLCs to the cap would yield increased revenues of $145,000 per year. Therefore, even after raising the MLB SLCs to the cap, ACS estimates that it would experience a revenue shortfall of approximately $3,495,000 in 2013 for the portion of the frozen support that must be repurposed to building and operating broadband-capable networks in areas substantially unserved by an unsubsidized competitor. After SLCs reach the cap, no further increase would be permitted. If one-third of frozen CAF Phase I support derived from legacy LSS is required to be spent on broadband in areas substantially unserved by an unsubsidized competitor in 2013, ACS would have a revenue shortfall of $1.28 million.

11. The impact on the ACS ILECs' SLCs would be as follows:

Study Area	Residential & Single-Line Business SLC			Multi-Line Business SLC		
	2012 SLC	**SLC After 1/3 Reduction**	**Change**	**2012 SLC**	**SLC After 1/3 Reduction**	**Change**
Anchorage	6.50	6.50	none	8.95	9.20	+0.25
Sitka	6.50	6.50	none	9.20	9.20	none
Glacier State	6.50	6.50	none	9.08	9.20	+0.12
Greatland	6.50	6.50	none	7.89	9.20	+1.31
Juneau	6.50	6.50	none	9.03	9.20	+0.17
Fairbanks	6.50	6.50	none	9.16	9.20	+0.04

The foregoing is true and complete as of the date hereof, to the best of my information, knowledge and belief.

Ruth L. Willard

April 9, 2013