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Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Connect America Fund, WC Docket No. 10-90
High-Cost Universal Service Support, WC Docket No. 05-337

Dear Ms. Dortch:

On April 25, 2012, Mr. Berberich and I met with Commissioner Clyburn as well as Angela Kronenberg and Rebecca Goodheart, wireline legal advisors to Commissioner Clyburn. That same day, Mr. Berberich and I also met with David Goldman, Senior Advisor to Commissioner Rosenworcel, and Nicholas Degani, legal advisor to Commissioner Pai. Both meetings focused on the Quantile Regression Model ("Model") adopted in the Wireline Competition Bureau's *Benchmarks Order* and specifically how the Model unfairly penalizes Alaska.

As MTA explained in these meetings—and as detailed in the attachment that MTA distributed at the meetings and includes here—Paragraph 23 of the *Benchmarks Order* seeks to create an Alaskan coefficient in response to comments that highlighted the additional costs that broadband providers will face in deploying and providing broadband in Alaska.[1] But—contrary to the approach that the Bureau intended to take in Paragraph 23—the Model results in a -0.6223 Alaskan CapEx coefficient that penalizes rural carriers in Alaska that realized higher costs of network deployment.

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[1] *In the Matter of Connect America Fund; High-Cost Universal Service Support*, Order, WC Docket Nos. 10-90, 05-337, Order, 27 FCC Rcd 4235, ¶ 23 (rel. Apr. 25, 2012) ("We also agree with commenters who emphasized that carriers serving particular areas such as Alaska, Tribal lands, and national parks could face unique challenges … Alaskan commenters argued that Alaska is unique because of its harsh climate and other factors; accordingly, the methodology now includes a variable indicating whether or not the study area is in Alaska.").

Please do not hesitate to contact me with any questions.

Sincerely,

Thomas J. Navin
Counsel for Matanuska Telephone Association

Enclosure

cc: Nicholas Degani
David Goldman

ATTACHMENT A

THE BUREAU'S IMPLEMENTATION OF THE COMMISSION'S USF REFORM ORDER CONTRADICTS THE UNIVERSAL ACKNOWLEDGEMENT THAT ALASKAN CARRIERS FACE HIGHER COSTS

- Paragraph 508 of the *2011 USF Reform Order* states:

  "[I]t is important to ensure our approach is flexible enough to take into account the unique conditions in places like Alaska…, such as its 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."

- Paragraph 23 of the *Benchmark Order* purports to create an Alaskan coefficient in response to comments that highlighted the unique costs that broadband providers will face in deploying and providing broadband in Alaska in the future.

  "We also agree with commenters who emphasized that carriers serving particular areas such as Alaska, Tribal lands, and national parks could face unique challenges … *Alaskan commenters argued that Alaska is unique because of its harsh climate and other factors; accordingly, the methodology now includes a variable indicating whether or not the study area is in Alaska.*" *Benchmarks Order*, ¶ 23 (emphasis added).

- But—contrary to the approach that the Bureau indicated it would take in Paragraph 23—the Model uses a -0.6223 Alaskan CapEx coefficient that penalizes rural carriers in Alaska.

- The negative Alaska CapEx variable assumes that deploying capital infrastructure in Alaska is over 46% less costly than deploying the same infrastructure in the rest of the country.

- We believe the Quantile Regression Analysis (QRA) implementation misinterpreted the Commission's intent and the facts supported in the record.

  - The assumption conflicts directly with both intuition and with a ten-year study by the U.S. Army Corp of Engineers that shows capital projects in Alaska cost 19% more than the average of those in the Lower 48 states.

  - The assumption also conflicts with a bevy of reports and data that show that doing business in Alaska is significantly more costly than doing business in the rest of the country. That the QRA actually adopted a *negative* CapEx coefficient should be corrected.

- Both Chairman Genachowski and Commissioner Clyburn have testified before Congress and stated that the Bureau's QRA should accommodate the higher costs of deployment in areas like Alaska.