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May 31, 2013

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MAY 31 2013

VIA HAND DELIVERY

Federal Communications Commission  
Office of the Secretary

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, DC 20554

Re: **WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, GN DOCKET NO. 09-51, CC DOCKET NOS. 01-92, 96-45, WT DOCKET NO. 10-208 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION Adak Eagle Enterprises, LLC and Windy City Cellular, LLC Submission of Further Supplemental Information**

Dear Ms. Dortch:

On behalf of Adak Eagle Enterprises, LLC (“AEE”) and Windy City Cellular, LLC (“WCC”), pursuant to the procedures outlined in the Third Protective Order adopted in the above referenced proceedings, please find enclosed an original and one copy of AEE and WCC’s Public version of their Submission of Further Supplemental Information filed in the aforementioned dockets. The [[ ]] symbols denote Confidential Information. A Confidential version is also being filed separately with the Secretary’s Office. Furthermore, additional copies of the Confidential version are being delivered to the Wireline Competition Bureau.

Should you have any questions concerning the foregoing request, please contact the undersigned.

Sincerely,



Monica S. Desai  
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Counsel for Adak Eagle Enterprises, LLC and  
Windy City Cellular, LLC

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Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

Re: **Submission of Further Supplemental Information**  
**WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45,**  
**GN Docket No. 09-51, WT Docket No. 10-208**  
**Petitions for Waiver – Adak Eagle Enterprises (filed May 22, 2012) and Windy**  
**City Cellular (filed April 3, 2012)**

Dear Ms. Dortch:

Adak Eagle Enterprises, LLC (“AEE”) and Windy City Cellular, LLC (“WCC”) appreciate the tremendous amount of consideration that has been given to the AEE and WCC waiver requests.<sup>1</sup> Staff has requested that the companies focus on further reductions to operating expenses. The companies appreciate receiving this feedback and having the opportunity to submit the attached revised proposal implementing further expense cuts.<sup>2</sup> In response, AEE and WCC have developed the attached revised plan to reduce annual operating expenses by at least [REDACTED] from pre-USF/ICC Transformation Order levels, and potentially more.<sup>3</sup>

This reduction in expenses is a result, in part, of dramatically reducing the companies’ original staff from 19 full-time employees down to nine full-time and two part-time employees, largely eliminating travel and training expenses, relocating WCC’s retail store, exploring a combined lease agreement for AEE’s administrative building, and voluntarily reducing and freezing executive salaries. Additional savings – such as lower supply costs – will also be realized going forward as a result of the elimination of employee positions but have not yet been quantified. With these cuts, WCC can sustain operations at 70% of prior 2011 funding levels, while AEE can sustain operations at 95% of

<sup>1</sup> See Petition for Waiver of Adak Eagle Enterprises, LLC, WC Docket No. 10-90, *et al.*, filed May 22, 2012 (“AEE Petition”); Petition for Waiver of Windy City Cellular, LLC, WC Docket No. 10-90, *et al.*, filed April 3, 2012 (“WCC Petition”).

<sup>2</sup> See Attachment 1 (Chart of Expense Reductions).

<sup>3</sup> See *Connect America Fund, et al.*, WC Docket No. 10-90, *et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161, 26 FCC Rcd 17663 (2011) (“USF/ICC Transformation Order”).

2011 levels. Furthermore, as a result of the expense cuts and the depreciation of AEE's assets, over the next [REDACTED] years, the companies will be able to transition even closer to the monthly \$250 per line cap.

The companies' revised plan for reducing operating expenses is detailed below and additional details are included in the attached chart.

**I. Elimination and/or Reduction of Employee Positions and Reallocation of Duties to Remaining Employees.**

Through the elimination of employee positions and the reallocation of duties, the companies will dramatically reduce its original staff of 19 employees (including the CEO and COO) down to nine full-time and two part-time employees (seven full-time in Anchorage; two full-time and two part-time on Adak Island). In total, the elimination and reduction of these staff positions will result in salary and benefits savings of approximately [REDACTED]:

**a. Eliminated / Reduced Positions:**

- (1) Accounting Assistant Manager / Payroll – Salary/benefits savings: [REDACTED]
- (2) Accountant – Salary/benefits savings: [REDACTED]
- (3) Accounting Clerk – Salary/benefits savings: [REDACTED]
- (4) Accounting Clerk – Salary/benefits savings: [REDACTED]
- (5) Chief Financial Officer – Salary/benefits savings: [REDACTED]
- (6) IT Administrator – Salary/benefits savings: [REDACTED]
- (7) Customer Service Representative – Salary/benefits savings: [REDACTED]
- (8) Customer Service Representative – Salary/benefits savings: [REDACTED]
- (9) Human Resources Director – Salary/benefits savings: [REDACTED]
- (10) Combination Technician – Salary/benefits savings: [REDACTED]
- (11) Facilities Maintenance Technician – Salary/benefits savings: [REDACTED] (The net savings realized from elimination of this position were offset by the lower salary paid to the Mechanic Assistant, who was hired to help perform duties previously handled by the Facilities Maintenance Technician, Combination Technician, and Mechanic.)
- (12) Retail Clerk (reduced to part-time) – Salary/benefits savings: [REDACTED]
- (13) Mechanic (reduced to part-time) – Salary/benefits savings: [REDACTED]

As a result of these cuts, the companies' remaining personnel, listed below, have agreed to take on additional duties previously handled by the eliminated positions, without any corresponding increase in salaries.

**b. Remaining Personnel:**

**(1) Chief Executive Officer (full-time)**

The CEO is on call 24 hours a day, every day, to respond to outages, perform maintenance and repair, and run the daily operations of the companies. His regular CEO responsibilities include total management of the companies, including planning, direction of future projects, decision-making related to ongoing projects, responding and handling emergencies, making decisions regarding equipment or other purchases, and interfacing with the FCC, RUS, RCA, and other organizations.

In addition to these duties, the CEO also has agreed to take on the following additional duties without a corresponding increase in pay (and indeed has volunteered to take both a pay cut and a pay freeze) that were previously handled by positions that have been eliminated to cut costs:

Maintenance/Repair Duties on Adak Island: The CEO has regularly assisted with taking on the duties of the Facilities Maintenance Technician on Adak Island, including repair of all facilities such warehouses, offices, and the telex, and assisting the Mechanic with labor-intensive vehicle and equipment maintenance.

Technician Duties on Adak Island: The CEO has been performing additional labor-intensive duties on Adak Island previously performed by the Combination Technician position. Given that much of the work performed by AEE's technicians – such as laying fiber, installing optical network terminal boxes, climbing towers, repositioning the satellite dish, and wiring customers' homes – would be unsafe or impossible for an individual technician to perform alone, the CEO has been assisting the Plant Manager, the only technician on Adak Island, with these duties.

Additionally, the CEO serves as backup for job responsibilities handled by the COO.

**(2) Chief Operations Officer (full-time)**

The COO also is on call 24 hours a day, every day, to oversee details of running the companies, respond to outages, provide customer support, IXC support and respond to any emergencies impacting the companies' operations. The COO's regular responsibilities include handling all regulatory filings (20-30 per quarter), overseeing and preparing the companies' budgets and forecasting activities, rate cases, state access charge filings, tariff filings, overseeing audit preparations, waiver items and requests, analyzing and interfacing with USAC, RUS, FCC, AUSF, NECA & AECA on rules and regulations, overseeing plant facilities and managing all administrative duties.

In addition to her regular duties, the COO also has agreed to take on the following additional duties without a corresponding increase in pay (and indeed has volunteered to take both a pay cut and a pay freeze) that were previously handled by positions that have been eliminated to cut costs:

Accounting Duties: Due to the elimination of accounting employees, the COO has agreed to handle additional accounting duties, including but not limited to maintaining accounting records, bank and intra-company reconciliations, payables, GL postings, revenue tracking, expense coding, flux preparation and reports, developing and maintaining accounting practices and procedures to ensure accurate and timely financial statements, preparing monthly reports, handling CAM allocations, meeting deadlines for the preparation of the general ledger, financial reporting, financial audit preparation, depreciation calculation, work order and purchase order processing, month end closing, reviewing and acting as back-up for payroll, and performing tax liability calculations.

Customer Service Duties: Due to the elimination of Customer Service Representative positions, the COO has taken on additional customer service duties, including but not limited to managing service orders, ASR IXC, plant tracking, billing reconciliation, receipt of payments, answering the companies' customer service line, billing inquiries, installation requests, disconnect requests, and sometimes answering the companies' main phones, opening and sorting mail, and handling all deliveries, including equipment that must be stored before being shipped to Adak Island.

Human Resources Duties: Due to the elimination of the Human Resources Director position, the COO has taken on all additional human resources duties, including but not limited to maintaining health benefits records, workers compensation compliance, maintaining personnel records, coordination of employee training classes, safety compliance, and maintenance of all company forms for equipment use and software access.

Additional Administrative Duties: The COO also handles any additional administrative duties that arise on a daily basis, and serves as backup if the accounting, IT and customer service employees are out of the office.

**(3) IT Technician** (full-time)

This position is responsible for essential duties, including but not limited to serving as the primary contact for the Internet IT helpdesk, implementing and maintaining LAN/WAN and related equipment, and providing AEE's employees with technical and computer support. This position also receives all service order requests for broadband, maintains minutes of use records for billing, and performs computer maintenance.

Additional IT Duties: In addition to his regular duties, this position will take over the duties previously handled by the IT Administrator, once that position is eliminated. These duties include but are not limited to managing and overseeing the companies' IT operations, implementing software installations, maintaining plant records, addressing all employee IT issues, and performing switch maintenance.

**(4) Customer Service Supervisor** (full-time)

This position is essential because the employee manages the day-to-day operations and supervision of all areas of the customer service department. This employee's responsibilities also include, but are not limited to, intercompany billing, recordkeeping, billing and collections

related to customers, accounts receivable, promotions of services, employee evaluations, and maintaining the AEE website.

Additional Customer Service and Front Desk Duties: Due to the elimination of the only remaining Customer Service Representative, the Customer Service Supervisor will also take on additional duties previously handled by that position, including but not limited to managing service orders, receipt of payments, answering the companies' customer service line, billing inquiries, handling installation and disconnect requests, answering all phone calls, and sorting mail.

**(5) Accounting Manager** (full-time)

This position is essential to support the COO and the companies' accounting operations. Critical responsibilities include, but are not limited to, accurately maintaining AEE's accounting records and payroll as assigned by the COO. This employee also prepares entries to general ledger accounts to include proper documentation of business transactions, codes and enters information into AEE's accounting software, maintains vendor folders for all invoices and check copies, and processes quarterly reports.

Additional Accounting Duties: In addition to these regular duties, the Accounting Manager will also have to help the COO with additional duties previously handled by the eliminated Accounting Assistant Manager / Payroll, including but not limited to developing and maintaining accounting practices and procedures to ensure accurate and timely financial statements, preparing monthly reports, handling CAM allocations, and meeting deadlines for the preparation of the general ledger.

**(6) Accounting Clerk** (full-time)

This position's responsibilities include accounting data entry and overseeing accounts payable. The Accounting Clerk also assists with accounting record-keeping and supports all aspects of the companies' accounting operations.

Additional Accounting Duties: In addition to these regular duties, the Accounting Clerk also must assist the COO take on additional accounting duties previously handled by the Accounting Assistant Manager / Payroll, including but not limited to maintaining accounting practices and procedures to ensure accurate and timely financial statements, filing and organizing of records, inventory tracking, meeting deadlines for the preparation of the general ledger, and financial audit preparation.

**(7) Administrative Assistant** (full-time)

This position's responsibilities include maintaining office logs and supplies, filing corporate documents, record-keeping, researching and executing purchase requests for supplies and equipment, and performing bank runs. Because it is vital that the Administrative Assistant position is filled, AEE transitioned one of its employees from the accounting department to fill this position rather than incur additional expenses to hire another employee. Consequently, the COO has had to take on additional accounting duties previously handled by this employee,

including reviewing all reconciliations and purchase orders, and performing accounting record-keeping duties.

**(8) Plant Manager** (full-time on Adak Island)

The Plant Manager currently is the only technician employed by any company on Adak Island able to perform the necessary maintenance to support telecommunications operations. Duties include labor-intensive work such as laying fiber, installing optical network terminal boxes, climbing towers, repositioning the satellite dish, and wiring customers' homes. Due to the elimination of AEE's second Technician position, the Plant Manager has had to take on duties typically performed by two employees.

Additional IT Duties: In addition, the Plant Manager will also take over the duties previously handled by the IT Administrator, once that position is eliminated. These duties include but are not limited to managing and overseeing the companies' IT operations, implementing software installations, maintaining plant records, addressing all employee IT issues, and performing switch maintenance.

Additional Maintenance/Repair Duties: Furthermore, after the Facilities Maintenance Technician was laid off, the Plant Manager has assisted with repair of all facilities, including warehouses, offices, and the telex, and assisting the Mechanic with labor-intensive vehicle and equipment maintenance.

**(9) Mechanic Assistant** (full-time on Adak Island)

AEE hired the Mechanic Assistant in light of the upcoming retirement of AEE's Mechanic – the only mechanic on Adak Island, who has been reduced to part-time status. This position assists the Mechanic with physically demanding labor, including engine and tire repair, which are unsafe or impossible for one individual to perform alone. Because the Mechanic has been reduced to part-time status, the Mechanic Assistant has taken on additional labor-intensive duties previously performed by the Mechanic.

Additional Maintenance/Repair Duties: The Mechanic Assistant also has taken on critical duties previously performed by the Facilities Maintenance Technician, including maintenance and repair of all facilities including warehouses, offices and the telex.

Technician Duties: Furthermore, the Mechanic Assistant also performs duties of an Assistant Combination Technician. Since AEE has been operating with only one technician on Adak Island, the Mechanic Assistant has taken on job duties to support the Plant Manager in performing maintenance and repair work that would be impossible for the technician to complete alone.

**(10) Mechanic** (part-time on Adak Island)

As noted above, the Head Mechanic position has been reduced to part-time status. Responsibilities include, but are not limited to, performing physically demanding labor such as engine and tire repair, operating heavy equipment such as cranes, graders, bulldozers, and

backhoes, and performing duties such as removing snow and participating in routine maintenance.

**(11) Retail Clerk/Customer Service Representative** (part-time on Adak Island)

This employee is responsible for operating WCC's retail store. She is the only retail clerk on Adak Island, and responsibilities include the sale of handsets to customers, providing customer support at the retail store, provisioning customers' cell phones by adding minutes and troubleshooting, and overseeing the free WiFi stations available for public use at the retail store. Additionally, in light of the elimination of the Facilities Maintenance Technician position, the Retail Clerk also assists with cleaning the companies' facilities. WCC's Retail Clerk has been reduced to part-time status, and her health benefits have been eliminated.

Additional Customer Service Duties: The companies plan to train the Retail Clerk to take over additional customer service duties, once the remaining Customer Service Representative position is eliminated. These duties include managing service orders, receipt of payments, answering customer service calls, billing inquiries, installation requests, and disconnect requests.

**II. Executive Salaries.**

As detailed in previous filings, the companies' CEO and COO have taken a voluntary [REDACTED] salary reduction and a [REDACTED] pay freeze in order to reduce costs.<sup>4</sup> Given the high cost of living and working in Alaska, the numerous additional job responsibilities that the CEO and COO have had to absorb as a result of eliminating other employee positions, and because their salaries are already in range with comparable salaries as reflected in the attached chart, the companies believe that these salaries are justified and that a more significant reduction in executive salaries is unwarranted.

In their ex parte of April 12, the companies provided a chart comparing the CEO's and COO's 2012 and 2013 salaries to the salary range data provided by NTCA and the Alaska Department of Labor.<sup>5</sup> This chart is attached hereto as Attachment 2. The actual executive salary figures in the comparison chart are lower than the figures contained in the company-wide salary chart provided at Attachment 1 of the April 12 ex parte because the salary figures in Attachment 1 included vacation payouts (on average, approximately [REDACTED] hours per year because only [REDACTED] may be carried over), as well as additional salary that is allocated to non-regulated entities. The NTCA and Alaska Department of Labor salary figures reflect only base pay. When the vacation payouts and additional salary amounts allocated to non-regulated entities are not included in the AEE/WCC executive salary figures listed in the comparison chart, the CEO's 2013 base salary is reduced to [REDACTED], and the COO's 2013 salary is reduced to [REDACTED].

Significantly, the salaries listed for AEE and WCC executives do not reflect their entire salary history during which the CEO and COO did not take any salary for the first two years of operations.

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<sup>4</sup> See Letter from Monica Desai, Counsel, AEE and WCC, to Marlene H. Dortch, Secretary, FCC, Notice of Ex Parte, WC Docket No. 10-90, *et al.*, 4, dated Feb. 28, 2013 ("AEE/WCC Feb. 28 Ex Parte"); Letter from Monica Desai, Counsel, AEE and WCC, to Marlene H. Dortch, Secretary, FCC, Notice of Ex Parte, WC Docket No. 10-90, *et al.*, 6, dated April 12, 2013 ("AEE/WCC April 12 Ex Parte").

<sup>5</sup> See AEE/WCC April 12 Ex Parte, Attachment 2.

Moreover, unlike approximately [REDACTED] of other presidents/general managers and [REDACTED] of other managers/supervisors at companies surveyed by NTCA, AEE and WCC executives do not receive any cash bonuses. Additionally, it is important to note that the salary ranges provided by the Alaska Department of Labor are not specific to the telecommunications industry and reflect salary data from non-specialized industries, as well. Taking all these factors into account, and in particular all of the additional duties the CEO and COO have absorbed, the chart demonstrates that AEE and WCC executive salaries are reasonable and in line with salaries for comparable positions.

Based on this analysis, given the extremely high cost of living and working in Alaska, and the numerous additional job duties absorbed by the CEO and COO as a result of elimination of staff positions, AEE and WCC believe their executive salary levels are appropriate.

**III. Other Cost-Cutting Measures.**

In addition to the elimination of employee positions, and the reduction and freeze on executive salaries, AEE and WCC also propose cuts to operating expenses in the following areas.

**a. Travel / Training Expenses.**

Prior to the *USF/ICC Transformation Order*, total travel and training expenses for both companies was approximately [REDACTED]. AEE cut its travel and training expenses by approximately [REDACTED] in 2012.<sup>6</sup> For 2013, AEE has not approved any employee travel or training expenses with the exception of essential travel to Adak Island and to meet with FCC staff in connection with the waiver petitions.

AEE has implemented these cuts despite the fact that training is critical for staff working in the specialized and highly regulated telecommunications industry. For example, training is necessary for employees to stay current with changing state and federal regulations, accounting standards, tax laws, loan obligations, NECA updates, FCC requirements, industry and technical developments, OSHA rules and other evolving legal requirements. Further, training is essential for the companies' technical and IT positions, which demand up-to-date expertise in a highly technical field.

The companies are exploring utilizing alternative training formats that can provide essential training at reduced costs, such as online training when possible.

They also have reduced expensive travel to Adak Island because they have two full-time and two part-time employees on the island, which, in the long run, is less expensive.

As a result, going forward, the companies have budgeted [REDACTED] for travel and training, but plan to use only a small fraction of this amount.

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<sup>6</sup> See AEE/WCC April 12 Ex Parte at 11, Attachment 5.

**b. Retail Store, Eliminate Separate Space.**

In order to further reduce costs, the companies propose to move WCC's retail store to a shared location on Adak Island. They propose to use that same location to provide free Internet service for residents, and to store routers, chargers, cases and other related items for customers.

Had WCC known at the time it was planning the retail store that the FCC would slash its funding overnight by 84%, it would not have invested significant resources in the retail store. Given that significant planning and investment was made in order to open the store, and given that continued operational costs are minimal and can be further reduced by relocating the store to a shared location, WCC believes it makes fiscal sense to continue store operations after relocation, and have the part-time Retail Clerk take on additional customer service duties as described above and in the attached chart.

**c. AEE Administrative Building.**

In response to staff concerns regarding expenses associated with AEE's administrative building in Anchorage, AEE is exploring the possibility of breaking its current lease with L&A Property and investigating combined lease agreements with other communications carriers to house AEE's administrative facilities. AEE has dropped plans to purchase the administrative building from L&A Property, which is owned by Larry Mayes, Chief Executive Officer of AEE and WCC, and Andilea Weaver, Chief Operations Officer of AEE and WCC. Instead, L&A Property would place the building on the open market for sale.

As previously explained, Mr. Mayes and Ms. Weaver initially tried to find a building to rent to house the operations of AEE, but no one would extend them credit to rent a building because AEE did not have credit established when they started the company.<sup>7</sup> As a result, Ms. Weaver and Mr. Mayes used personal funds to purchase the building. Ms. Weaver took money from her 401(k) plan, and Mr. Mayes refinanced his home in order to make it possible for AEE to lease space. RUS has reviewed and approved this lease arrangement.

Furthermore, Mr. Mayes and Ms. Weaver do not make a profit from leasing the administrative building to AEE. AEE's monthly lease payment for the building is the same amount as L&A Property's monthly mortgage payment for the property. Moreover, the rent charged to AEE has never been increased since Mr. Mayes and Ms. Weaver purchased the building in 2007. Indeed, from the time L&A Property purchased the building, it has charged rent significantly lower than the rent advertised for the building by its previous owner at the time of purchase.<sup>8</sup>

AEE analyzed the cost impact of moving its administrative offices into another leased building in Anchorage instead of leasing its current building from L&A Property. AEE provided an independent third-party appraisal of market rents for comparable buildings.<sup>9</sup> This analysis reflects

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<sup>7</sup> See AEE/WCC April 12 Ex Parte at 10-11; AEE/WCC Feb. 28 Ex Parte at 7-8.

<sup>8</sup> See AEE/WCC April 12 Ex Parte at 10-11; AEE/WCC Feb. 28 Ex Parte at 7-8.

<sup>9</sup> See AEE/WCC April 12 Ex Parte, Attachment 3, AEE Administrative Building Rent Comparison.

that the monthly lease payment per rentable square foot, currently paid for AEE's administrative building is below the fair market monthly rent per rentable square foot that could be charged for the building. The analysis also reflects that the current rent per square foot paid by AEE is below the market rents per square foot charged for comparable or inferior buildings in Anchorage.

As staff is aware, the building was purchased several years before the *USF/ICC Transformation Order* was issued, at a time when growth in customers and in AEE's operations was anticipated. This specific building was chosen with the idea that AEE would be growing over time, with the fishery and other private and government operations expanding, and parallel growth in population. As explained by the companies, even with the now reduced number of employees resulting from the jarring funding cuts, AEE and WCC still fully utilize the space provided in the current administrative building to house not only its staff but also the companies' customer service, IT, accounting, storage of all corporate paperwork, files, servers, and computers, and storage of all equipment that is then shipped to Adak for maintenance and repair operations when needed.<sup>10</sup> Because the companies utilize virtually all of the current space to support their operations, it would be impractical to sublease space to a third party.

**d. "Gifts".**

The companies have eliminated this expense altogether. They emphasize that no USF funds are ever used to support lobbying expenses.

**e. Cancellation of Clam Lagoon Site.**

WCC also canceled construction of its Clam Lagoon cell site, which was planned for the purpose of providing improved coverage to the northern portion of WCC's study area and network redundancy needed to prevent service interruptions that would otherwise occur if another cell site experiences operational problems, a result that often occurs because of the severe weather on Adak Island.

The Clam Lagoon site also would have offered expanded service on the island. WCC had already undergone six months of planning and expended [REDACTED] but canceled construction to reduce expenses, thereby saving the company the projected [REDACTED] cost of completing construction of the site after the FCC's unexpected funding cuts.

**f. Delayed Construction of Warehouse.**

To further reduce costs, the companies have postponed the construction of a warehouse that is needed to house equipment, vehicles, and maintenance operations in a heated facility protected from the severe weather conditions on Adak Island. The equipment and vehicles, valued at over [REDACTED], are essential for the companies' operations and include items such as fiber, outside plant equipment, a fiber blower, conduit, concrete for road repairs, a concrete saw, snow removal equipment, a splicing van, and utility trucks. Currently, the equipment and vehicles are stored in three smaller, unheated warehouses that leak and do not provide adequate protection from the island's severe weather. As a result, the essential equipment and vehicles are deteriorating and at risk of ruin.

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<sup>10</sup> See AEE/WCC Feb. 28 Ex Parte at 7.

As previously discussed, currently, the companies pay a total of [REDACTED] per month to lease the three unheated warehouses. The cost of completing construction of the new warehouse would be approximately [REDACTED], resulting in a monthly payment of approximately [REDACTED], assuming an estimated loan interest rate of [REDACTED]. This would result in long-term savings of approximately [REDACTED] per year going forward. Significantly, AEE planned construction of this warehouse before its funding was cut by the *USF/ICC Transformation Order*, and RUS already approved the construction. Moreover, the concrete needed to build the warehouse is already on location and will ruin if not used in the near future. AEE already paid a significant expense of [REDACTED] to have the concrete and other necessary building materials for the warehouse purchased and shipped to Adak Island by barge and is unable to incur the expense of transporting these materials off the island. The companies continue to believe this is a good long-term investment for the companies that would result in long-term savings.

**g. Temporary Reduction in Redundant Backhaul.**

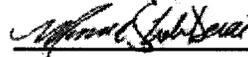
As a result of the funding cuts, WCC has been forced to operate without essential backhaul redundancy. Without this redundancy, all WCC customers are left without service when outages occur. Indeed, the lack of redundant backhaul has resulted in several outages during which service was lost. Restoring this redundancy would initially cost approximately [REDACTED] but would then require [REDACTED] per month on an ongoing basis. The companies believe it is critical that they receive adequate funding to restore this essential redundancy. If staff disagrees, however, the companies will continue operating without this expense going forward despite the detrimental impact of doing so.

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AEE and WCC appreciate the opportunity to submit this revised proposal and thank staff for the tremendous amount of consideration that has been given to the companies' waiver petitions. AEE and WCC reiterate that providing the opportunity for the companies to discuss the revised proposal with staff and receive specific feedback would be a fair way to proceed if staff disagrees with this proposal or believes it is inappropriate to provide the companies with exact directions regarding specific cost reductions.

The companies stand ready – as they have throughout the entire waiver review process – to provide any additional information or explanation that staff desires. As reflected in the recent letter of support from the Southwest Alaska Municipal Conference<sup>11</sup> – as well as the other numerous letters submitted in support of the companies’ waiver petitions<sup>12</sup> – the services provided by AEE and WCC are vital to the Adak community. To ensure that these services are maintained, the companies look forward to working with staff to reach a long-term resolution of their waiver requests as quickly as possible.

Respectfully submitted,



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*Counsel to Adak Eagle Enterprises, LLC  
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cc:

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Michael Steffen  
Julie Veach  
Margaret Wiener

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<sup>11</sup> See Attachment 3, Letter of Support from Southwest Alaska Municipal Conference, dated May 23, 2012.

<sup>12</sup> See AEE Petition at Attachment A and AEE/WCC April 12 Ex Parte at Attachment 8 (Letters of Support filed by Sen. Mark Begich; Sen. Lisa Murkowski; Congressman Don Young; the City of Adak; Marine Exchange of Alaska; Aleut Corporation; Adak Community Development Corporation; Alaska Maritime National Wildlife Refuge, U.S. Department of the Interior, Fish and Wildlife Service; Icicle Seafoods, Inc.; Eastern Aleutian Tribes; National Telecommunications Cooperative Association; U.S. Geological Survey; and the Adak Police Department).

# **Chart of Expense Reductions**

## **Attachment 1**

**ENTIRE EXHIBIT REDACTED FOR PUBLIC INSPECTION**

# Salary Comparison Chart

## Attachment 2

**REDACTED - FOR PUBLIC INSPECTION**

**ENTIRE EXHIBIT REDACTED FOR PUBLIC INSPECTION**

# Letter of Support

## Attachment 3



Southwest Alaska Municipal Conference

3300 Arctic Boulevard, Suite 203 Anchorage, AK 99503 p: 907.562.7380 www.swamc.org

Alaska Peninsula  
Aleutian Chain  
Bristol Bay  
Kodiak Island  
Pribilof Islands

May 23, 2013

FILED/ACCEPTED

MAY 31 2013

Federal Communications Commission  
Office of the Secretary

Marlene H. Dortch, Secretary  
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445 12th Street, SW  
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Washington, DC 20554;

RE: Support of Petitions for Waiver Filed By Adak Eagle Enterprises and Windy City Cellular to Ensure the Continued Provision of Telecommunication Services in Adak, Alaska; WC Docket No. 10-90

Dear Ms. Dortch,

The Southwest Alaska Municipal Conference (SWAMC) is writing to urge the Commissioners of the Federal Communications Commission (“FCC”) to grant the Petitions for Waiver filed by Adak Eagle Enterprises LLC d/b/a Adak Telephone Utility (“AEE”) and its affiliate Windy City Cellular LLC (“WCC”).<sup>1</sup> AEE provides modern local exchange, broadband, and Internet services in Adak, Alaska through a digital fiber-optic network, while WCC provides wireless cellular service on the Island. SWAMC understands that the FCC has revised its rules to reduce Universal Service Fund (“USF”) support for providers such as AEE and WCC, which provide vital telecommunications services throughout the island of Adak.<sup>2</sup> Without the requested waivers, the companies will be forced to go out of business which will cause devastating consequences to the entire Adak community.

SWAMC is responsible for economic development planning and programs in Southwest Alaska. We are a federally designated Economic Development District by the Economic

<sup>1</sup> See Petition for Waiver of Adak Eagle Enterprises, LLC, WC Docket No. 10-90, *et al.*, filed May 22, 2012; Petition for Waiver of Windy City Cellular, LLC, WC Docket No. 10-90, *et al.*, filed April 3, 2012.

<sup>2</sup> See *In the Matter of Connect America Fund*, WC Docket No. 10-90, *et al.*, Report and Order FCC 11-161, adopted on October 27, 2011 and released on November 18, 2011. In this Report and Order, the FCC adopted rules that fundamentally alter federal Universal Service Fund (“USF”) support for carriers that provide telecommunications services in rural, high-cost areas of the country.

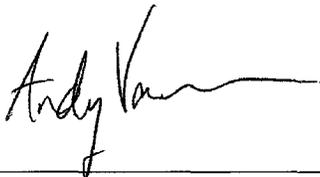
SWAMC – FCC letter

Development Administration, and understand the critical importance of telecommunications on business activities and quality of life. As a regional development organization, we can attest to the fact that Adak is one of the most remote, isolated, and climactically inhospitable communities in the United States. As a result, the costs and challenges of doing business on the island are extraordinary. In fact, due to the extremely high costs of providing service in Adak, the effect of the FCC's new rules may be felt more strongly in Adak than any other place in the nation. It has only been through federal USF support that AEE and WCC have been able to construct, operate, and maintain the necessary facilities to provide modern telecommunications services to the people of Adak, and to do so at affordable rates. However, due to the dramatically slashed subsidy levels caused by the recently revised USF rules, AEE and WCC will be forced to discontinue service on Adak unless their Petitions for Waiver of the new rules are granted by the FCC.

Without the waivers, there will be dire consequences felt by nearly the entire island of Adak, including Adak residents, critical government entities operating on Adak including the U.S. Fish and Wildlife Service, The City of Adak, the Marine Exchange (which is responsible for monitoring fishing vessels in the Bering Sea and the Pacific Ocean), the USGS Albuquerque Seismological Laboratory, and the Alaska Volcano Observatory, as well as The Aleut Corporation (one of thirteen Alaska Native Regional Corporations with shareholders primarily of Aleut descent) and its subsidiaries, government contractors, tourists, hunters, and fishermen. The overall safety, growth and economic development of this remote island will be jeopardized.

To avoid this devastating outcome, which cannot have been the intent of the USF reforms, it is vital that the FCC Commissioners grant the Petitions for Waiver filed by AEE and WCC. We respectfully urge the FCC to please take into consideration the unique factors involved in servicing Adak and to grant the requested waivers to AEE and WCC in order to off-set the high cost of operating in such a remote area with extreme weather conditions. Universal access to telecommunications and the internet is a longstanding principle that is critical to integrating small remote communities like Adak into the modern economy and ensuring its people have access to the rest of the world. The FCC should affirm this fundamental principal and grant the requested waivers so that the Adak community will continue to have access to reliable telecommunications services that are necessary for it to grow, be safe, and connect with the world.

Sincerely,



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Andy Varner  
Executive Director

# **Declaration of Andilea Weaver**

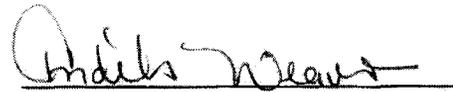
## **Attachment 4**

**DECLARATION OF ANDILEA WEAVER**  
**ADAK EAGLE ENTERPRISES, LLC AND WINDY CITY CELLULAR, LLC**

I, Andilea Weaver, declare the following is true and correct to the best of my knowledge and belief:

I am the Chief Operations Officer of Adak Eagle Enterprises, LLC and Windy City Cellular, LLC. I have reviewed the Submission of Further Supplemental Information and attachments and attest, under penalty of perjury, that the facts contained therein are known to me and are accurate.

Executed on this 31<sup>st</sup> day of May 2013.

A handwritten signature in black ink that reads "Andilea Weaver". The signature is written in a cursive style and is positioned above a horizontal line.

Andilea Weaver  
Chief Operations Officer  
Adak Eagle Enterprises, LLC and  
Windy City Cellular, LLC