

I. Introduction.

The Alaska Rural Coalition¹ (“ARC”) files its Comments in this proceeding pursuant to the *Public Notice* issued by the Federal Communications Commission (“Commission”) on May 16, 2013 seeking comment on options to promote Rural Broadband in rate-of-return (“RoR”) areas.² The ARC believes it is critical for the Commission to make universal service funds available to support broadband lines even when customers choose not to purchase voice telephony service. The evolving nature of telecommunications technology and the growing market in Voice over Internet Protocol (“VoIP”) and other voice technologies supported by a broadband connection mean that the Commission’s high-cost support program must also evolve to fit consumer needs. Additionally, the ARC believes that the Commission should allow RoR carriers to opt in to Connect America Phase II, but must preserve as much flexibility for these carriers as possible.

The ARC membership consists of essentially all of the RoR incumbent rural local exchange carriers (“RLECs”) in Alaska, who share unified interests regarding the impacts of

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.; and The Summit Telephone and Telegraph 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, *Wireline Competition Bureau Seeks Comment on Options to Promote Rural Broadband in Rate-of-Return Areas*, WC Docket No. 10-90; (May 16, 2013) (“*Public Notice*”).

further proposed changes in universal service funding to the state. Many of the ARC companies provide some form of broadband service in the remote, high cost areas of Alaska and are very dependent on continued support to maintain viable and affordable service. The ARC urges the Commission to focus on creating stability in the regulatory environment as it implements the details necessary to effectuate the change outlined in the *Transformation Order*.³

II. Supporting Standalone Broadband Lines Is Crucial To Achieving The Commission's Goal of Universal Service.

The Commission seeks comment on the Rural Carrier Associations' proposal that the Commission should provide high-cost support for standalone broadband loops provided by rate-of-return carriers.⁴ The ARC strongly supports the Rural Associations' proposal because it will facilitate the deployment of broadband technology throughout currently unserved areas and so advance the Commission's goal of universal service.⁵ In the *Transformation Order*, the Commission fundamentally revised the definition of universal service to include access to

³ Shawn Buckley, *FCC Goes Public with Its Ambitious Connect America Fund*, Fierce Telecom (Nov. 21, 2011), <http://www.fiercetelecom.com/story/fcc-goes-public-its-ambitious-connect-america-fund/2011-11-21> ("It is essential that the order and the final outcome of the further notice of proposed rulemaking eliminate lingering regulatory uncertainty so that small rural carriers can attract capital and operate high-quality rural broadband networks[.] . . . That uncertainty has a near and long-term effect on how rural service providers can expand broadband to more of their users."); see also Ross Boettcher, *Shift for Rural Telecoms*, OMAHA WORLD-HERALD, Nov. 22, 2011, available at <http://www.omaha.com/article/20111102/MONEY/711029925> ("U.S. Rep. Lee Terry, vice chairman of the Energy and Commerce Committee's subcommittee on Communications, Technology and the Internet, said he realizes the lack of predictability is an issue.").

⁴ *Public Notice* at para. 2.

⁵ 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."); *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 14.

broadband internet service at reasonable rates.⁶ In that context, it would be nonsensical for the Commission not to provide high-cost support for broadband deployment even when customers choose not to purchase voice service. The Commission must design its high-cost support policies to maximize deployment of the infrastructure necessary to support high-speed broadband regardless of customers' choice of voice interface.

The nature of voice telephony services in the United States is changing rapidly as new technologies develop that allow consumers to completely forego traditional landline services.⁷ Many voice customers are "cutting the cord" and solely depending on wireless services, VoIP, Skype, or some other form of nontraditional voice services made possible by a broadband connection.⁸ The cost savings to customers and access to nationwide and international services facilitated by these new technologies have the potential to transform the telecommunications market and eventually make traditional landline voice services obsolete.

Most of these emerging voice technologies depend on the availability of a robust, high-speed broadband connection for their success. The Commission's current exclusion of standalone broadband lines from high-cost loop support effectively excludes the customers who are migrating to these technologies from the benefits of the Universal Service Fund. Unless the Commission revises its approach and extends the promise of universal service to customers who only desire a broadband connection, it is unlikely that the Commission will reach its goal of

⁶ *Transformation Order* at para. 5.

⁷ *See, e.g.*, Shawn Knight, "More than half of Americans use mobile phones instead of landlines," Techspot.com (Dec. 28, 2012), *available at* <http://www.techspot.com/news/51190-more-than-half-of-americans-use-mobile-phones-instead-of-landlines.html>.

⁸ *See id.*

ensuring that “broadband is available at affordable, reasonably comparable rates for consumers in high-cost areas.”⁹

Nowhere is standalone support for broadband-only lines more important than in Alaska.¹⁰ Alaska’s network is struggling to add critical middle mile facilities to allow a robust last mile broadband product. In areas where there is adequate connection for broadband-ready last mile networks, the need for high-cost support for standalone broadband service is critical. Videoconferencing technologies are crucial to providing services like distance learning (especially higher education) and telemedicine.¹¹ Many of these remote areas of Alaska

⁹ *Transformation Order* at para. 126.

¹⁰ *Comments of the Regulatory Commission of Alaska, in the matter of Connect America Fund, et. al.*, 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 5 (“Yet there is no place in America that can benefit more from the promise of advanced telecommunications. Broadband can make a difference to the remote parts of Alaska beyond what it can anywhere else in the country. Broadband is the modern thoroughfare of Alaska’s future. It will allow a medical doctor to traverse the wilderness between Anchorage and Kotzebue in moments. It will allow an Alaska Native to work for a California high technology firm without ever leaving his subsistence lifestyle behind. It will allow economic development to flow freely between the world outside and our rural communities.”).

¹¹ *Comments of the Alaska Rural Coalition*, GN Docket No. 12-228, before the FCC (Sept. 20, 2012) (“*ARC Broadband Standards Comments*”) at 3 (“The remote nature of these unserved locations in Alaska means that their residents have the greatest need for advanced telecommunications, especially regarding vital services like emergency response, telemedicine and distance learning.”); *see, e.g.*, Kim Severson, *Digital Age is Slow To Arrive in Rural America*, N.Y. Times, (February 17, 2011), available at http://www.nytimes.com/2011/02/18/us/18broadband.html?pagewanted=all&_moc.semit (“In rural America, only 60 percent of households use broadband Internet service.”); *see also Alaska Rural Telehealth Network*, <http://www.nrtrc.org/about/network-profiles/artn/> (last visited Sept. 13, 2012) (“In Alaska, the healthcare workers practicing in hospitals, clinics, and community health centers are essential to the delivery of acute and primary care services to small, rural, and remote communities. Although the majority of Alaska’s population is located outside the greater Anchorage area, the majority of healthcare providers in Alaska (e.g., physicians, PAs, RNs, physical therapists) are located in its three largest cities. As a result, rural clinicians practice in a generalist’s environment, but where they often need to have specialty knowledge and expertise. This dichotomy is further complicated when you consider the limited opportunities for

currently lack access to a high-speed terrestrial broadband network due to lack of access to affordable middle mile.¹² The Regulatory Commission of Alaska, Alaska carriers, and other Rural Associations have made clear to the Commission that substantial support will be needed to meet the Commission's goals for broadband access and speed in Alaska.¹³ In light of Alaska's current lack of infrastructure and high costs of service, failing to revise the Commission's policies and provide support for standalone broadband further impairs carriers from recovering their investment in the Commission's vision of robust broadband and IP networks.

continuing education and access to specialty consultations available because of travel costs, geographical and weather restrictions, and a general lack of or inability to arrange for clinical coverage during absences." *Id.*

¹² See *Eighth Broadband Progress Report, Appendix C*; see also *ACS GN Comments* at 4 ("Among the 51 percent of rural Alaskans who are believed to have some form of broadband access, many are underserved, with access to a form of broadband deemed a bare minimum under the Commission's standards—nothing close to the 4 Mbps the Commission wants incumbent local exchange carriers ("ILECs") to deploy in exchange for CAF support, not to mention the 10 Mbps to 100 Mbps that is available to most urban Americans.").

¹³ See *Reply Comments of the Regulatory Commission of Alaska, in the matter of Connect America Fund*, et. al., 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 (Feb. 17, 2012) ("*RCA Reply Comments*") at 7 ("Extremely limited fiber facilities and lack of access to the Internet are unique to Alaska and require unique solutions."); *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.").

III. The Commission Should Allow Carriers To Receive Phase II Model-Based Support, But Should Preserve Maximum Flexibility For Carriers.

The Commission seeks comment on whether to create a voluntary pathway to Connect America Phase II model-based support.¹⁴ The ARC supports this option for carriers whose needs are accurately predicted by the Phase II cost model. The ARC further supports the Commission’s desire to “provide additional incentives for deployment of broadband-capable networks.”¹⁵

It is well established in the record that the cost model produces inaccurate results for Alaska carriers, which suggests that the Commission should proceed with caution.¹⁶ This new method of distributing support represents a large-scale regulatory experiment with extremely high stakes for both carriers and telecommunications customers. The Commission should therefore preserve maximum flexibility for carriers as it designs this voluntary path for RoR carriers.

The Commission seeks comment on whether RoR carriers should be required to convert to price cap regulation in order to receive Phase II support.¹⁷ The ARC supports the Commission’s alternative proposal to allow RoR carriers to elect model-based support but otherwise remain regulated under RoR regulation.¹⁸ Many RoR carriers are small businesses without the resources necessary to undergo their companies’ conversion to an entirely new regulatory scheme. Some of these carriers have already faced significant loss of support since

¹⁴ *Public Notice* at para. 8.

¹⁵ *Public Notice* at para. 10.

¹⁶ *ARC USF Comments* at 5.

¹⁷ *Public Notice* at para. 12; para. 19.

¹⁸ *Public Notice* at para. 19.

the *Transformation Order*.¹⁹ The ARC respectfully urges the Commission to carefully consider the significant economic impact that conditioning Phase II support on a carrier's conversion to price-cap regulation will have on small entities, as required by the Regulatory Flexibility Act of 1980.²⁰ The ARC also urges the Commission to provide for mechanisms by which small rural carriers will be allowed to recover their prudently incurred embedded investment and repay the debt incurred for that investment.

Should the Commission require conversion to price cap regulation as a condition for transition to Phase II support, the ARC believes it is unlikely that many RoR carriers will elect this option. The ARC respectfully suggests that the Commission allow companies to return to RoR regulation and High-Cost Loop Support (“HCLS”)/ Interstate Common Line Support (“ICLS”). Allowing carriers this flexibility, perhaps on an annual basis, will encourage participation and provide an important safety net for carriers should they find that the transition to Phase II support does not meet their customers' needs.

¹⁹ See *Comments of General Communication, Inc. on the Public Notice Regarding Non-Contiguous Areas Under CAF Phase II, in the matter of Connect America Fund*, WC Docket No. 10-90 (Mar. 11, 2013) at 2 (“*GCI Comments*”) (“[F]or Alaska, across the Connect America Fund mechanisms, the Commission should not focus on mechanisms that will ultimately transfer support from Alaska to the Lower 48, but, instead, the Commission must focus on optimizing at least existing funding levels within Alaska.”); *Comments of Alaska Communications Systems, Inc., in the matter of Connect America Fund*, WC Docket No. 10-90 (Mar. 11, 2013) at 3-4 (“*ACS Comments*”) (“ACS, like other price cap carriers, would face significant increases in its costs of service to deploy, operate, and maintain the facilities necessary to deliver broadband meeting the Commission's CAF Phase II standards throughout its service area covered by CAF Phase II support. ACS would be unable to meet these service commitments based on its current level of legacy support, let alone the sharply reduced levels of support currently suggested by recent CACM model results.”).

²⁰ See 5 U.S.C. § 603.

IV. Conclusion.

The nature of communications technology is currently evolving at an unprecedented pace. The ARC views the Commission's redefinition of universal service to include broadband as a reflection of these changes. Continuing to limit high-cost loop support to those customers who elect to purchase traditional landline voice services would ignore the fact that many Americans no longer purchase a traditional landline. The ARC is encouraged by the Commission's extension of Phase II support to RoR carriers, but believes that this will only succeed if the Commission provides carriers maximum flexibility.

Respectfully submitted on this 17th day, June 2013.
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