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AUG - 5 2013

Federal Communications Commission
Office of the Secretary

August 5, 2013

BY HAND DELIVERY
Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street S.W.
Washington, D.C. 20554

Re: *Connect America Fund, High-Cost Universal Service Support,*
WC Docket Nos. 10-90, 05-337

Dear Ms Dortch:

Alaska Communications Systems ("ACS"), as defined in the accompanying letter, hereby files certain information that is confidential to CostQuest under the terms of the Third Supplemental Protective Order in WC Docket No. 10-90.[1] Accordingly, ACS has marked each page of its Highly Confidential Filing with the legend required by the Third Supplemental Protective Order, to indicate that the document contains such confidential information.

Please find herewith one copy of ACS's Stamped Confidential and Stamped Highly Confidential Filing, plus two copies addressed to Katie King in the Wireline Competition Bureau, and two copies redacted for public inspection. The Appendices to the letter are confidential in their entirety are accordingly omitted in the redacted version. One copy of the Highly Confidential Filing is being served on CostQuest's counsel in accordance with the Third Supplemental Protective Order.

Please direct any questions regarding this matter to me.

Very truly yours,

Richard R. Cameron

cc: Katie King, Wireline Competition Bureau
Margaret Avril Lawson, Counsel to CostQuest

[1] *Connect America Fund, High-Cost Universal Service Support,* Third Supplemental Protective Order in WC Docket No. 10-90, DA 12-1995 (Wir. Comp. Bur., rel. Dec. 11, 2012).

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445 Twelfth Street S.W.
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Re: *Connect America Fund, High-Cost Universal Service Support,*
WC Docket Nos. 10-90, 05-337

Dear Ms Dortch:

On July 30, 2013, Alaska Communications Systems ("ACS"),[1] filed supplemental information in response to certain questions raised by the staff of the Wireline Competition Bureau (the "Bureau") regarding its July 9, 2013 *ex parte* letter seeking specific adjustments to the Connect America Cost Model ("CAM"), as it is being used to estimate the cost of broadband deployment in Alaska.

That July 30 supplement states that:

> ACS calculates . . . that the adjustments proposed by ACS increase the CAM's estimated cost of deploying fiber optic cable in Alaska (not including any submarine cable investment) from **[BEGIN CONFIDENTIAL]** ******* **** **[END CONFIDENTIAL]** by only **[BEGIN CONFIDENTIAL]** ***** ********** **[END CONFIDENTIAL]**.[2]

In response to a request from a member of the Bureau staff, ACS hereby provides additional information to support that calculation.

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1 In this letter, ACS signifies the four incumbent local exchange carrier ("ILEC") subsidiaries of Alaska Communications Systems Holdings, Inc. (ACS of Alaska, LLC, ACS of Anchorage, LLC, ACS of Fairbanks, LLC, and ACS of the Northland, LLC).

2 Letter from Leonard A. Steinberg and Richard R. Cameron, ACS, to Marlene H. Dortch, FCC, WC Docket Nos. 10-90 and 05-337 (filed July 30, 2013), at 3-4.

The calculations are based on information received from CostQuest in response to ACS's special queries requesting information on the total cost and amount of fiber the CAM estimates for Alaska, and are summarized in **CONFIDENTIAL EXHIBIT A.**

A. Baseline CAM Inputs

To calculate the per-foot cost generated by CAM version 3.1.4. using the baseline set of inputs on which the Bureau's illustrative funding scenarios were based,[3] ACS asked CostQuest to determine "[h]ow many fiber transport (middle mile) miles . . . the model build[s] for [ACS.]"[4] In response, CostQuest determined that, "[i]n AK, CACM builds **[BEGIN CONFIDENTIAL]** ********** **[END CONFIDENTIAL]** of middle mile, including the use of the tree to redundant ring factor. This does NOT include any undersea segments to the mainland. Of this shared statewide system, **[BEGIN CONFIDENTIAL]** ****** **[END CONFIDENTIAL]** is assigned to ACS."[5] Based on this response, the CAM assigns **[BEGIN CONFIDENTIAL]** ********* **[END CONFIDENTIAL]** of middle mile fiber to ACS.

ACS also asked CostQuest to provide the total investment in middle mile transport estimated by the CAM. In response, CostQuest determined that, "by special query, [i]f we sum just the cabling and repeaters, CACM shows **[BEGIN CONFIDENTIAL]** ********** **[END CONFIDENTIAL]** of investment for ACS, post the middle mile sharing."[6] CostQuest further explained that, "[t]he value represents the total investment (material, labor, loadings and the impact of sharing). This would be the final value before the ACFs are applied to turn it into a monthly cost."[7]

By converting the total number of miles of fiber transport assigned to ACS into feet, and dividing into the total investment, ACS calculates that the CAM estimates a per-foot cost of fiber middle mile transport in Alaska of **[BEGIN CONFIDENTIAL]** ***** **[END CONFIDENTIAL]**.

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3 S20130620CAM314ACF9UnSubCompSBI6Voice.

4 See **CONFIDENTIAL EXHIBIT B**, CostQuest responses to queries submitted under Ticket No. 397 (submitted June 26, 2013).

5 *Id.*

6 *Id.*

7 *Id.*

B. ACS Solution Set 52 Inputs

ACS asked CostQuest to perform a similar calculation of the total investment in middle mile fiber transport using the input adjustments proposed by ACS in Solution Set 52.[8] In response, CostQuest stated, "[t]he comparable value, summing **[BEGIN CONFIDENTIAL]** ********** ********** ********** ********** **[END CONFIDENTIAL]**.[9]

Dividing the total feet of fiber transport estimated by the CAM into this new investment figure produces cost estimate of middle mile fiber optic transport for Alaska of **[BEGIN CONFIDENTIAL]** ********** **[END CONFIDENTIAL]**.

C. Discussion

The **[BEGIN CONFIDENTIAL]** ******** **[END CONFIDENTIAL]** increase in the per-foot cost of middle mile fiber deployment created by Solution Set 52 appears reasonably to reflect the input adjustments ACS proposes. ACS proposes a 10 percent increase in the capital cost of broadband facilities and equipment, and two other changes – to the Alaska plant mix and soil type – that would have an additional, likely smaller, effect on the total capitalized cost of materials and placement in Alaska. Taken together, therefore, ACS views its calculation that these adjustments produce a **[BEGIN CONFIDENTIAL]** ********* **[END CONFIDENTIAL]** increase in the per-foot cost of middle mile fiber deployment as reliable.

As indicated in ACS's July 30 supplemental letter, these per-foot cost estimates fall far below what ACS actually experiences in deploying fiber anywhere in Alaska. The support levels the CAM produces, therefore, similarly fall far below the level that ACS would need to actually construct a fiber-to-the-premises network on a greenfield basis covering the required number of locations in Alaska. Nevertheless, with the adjustments proposed in Solution Set 52 and the incorporation of the costs of the undersea fiber optic cable system necessary to connect Alaska to the lower 48 states, ACS believes that the CAM could produce support sufficient to enable it to upgrade its

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8 SS20130626PBAInputsSet52, on file with the Commission. *See* Letter from Karen Brinkmann, Counsel to ACS, to Marlene H. Dortch, FCC, WC Docket Nos. 10-90 and 05-337 (filed July 25, 2013).

9 *See* Email message from Mark Guttman, CostQuest Associates, to David Blessing, Jul. 8, 2013, attached hereto as **CONFIDENTIAL EXHIBIT C.**

existing network in order to reach the broadband speed and performance targets required under the Commission's CAF Phase II framework in Alaska.

ACS continues to request that the Bureau direct CostQuest to adjust the CAM structure and inputs as proposed in its letters of July 9 and July 30, 2013, and as discussed herein. Doing so would enable the CAM more accurately reflects the costs of delivering broadband in Alaska, and the support levels required to achieve the Commission's CAF Phase II goals.

Very truly yours,

Richard R. Cameron

cc: Katie King, Wireline Competition Bureau
Margaret Avril Lawson, Counsel to CostQuest

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Exhibit A

Spreadsheet Showing Calculation of CAM Estimate of
Fiber Optic Cable Transport Cost Per Foot
(REDACTED IN ITS ENTIRETY)

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Exhibit B

CostQuest responses to queries submitted under Ticket No. 397
(submitted June 26, 2013).
(REDACTED IN ITS ENTIRETY)

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Exhibit C

Email message from Mark Guttman, CostQuest Associates, to David Blessing, Jul. 8, 2013
(REDACTED IN ITS ENTIRETY)