



August 24, 2013

**BY ELECTRONIC FILING**

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:

On July 9, 2013, Alaska Communications Systems (“ACS”),<sup>1</sup> filed a letter seeking specific adjustments to the Connect America Model (“CAM”), to estimate the cost of broadband deployment in Alaska,<sup>2</sup> and stated that the support threshold in Alaska should be lower than it is in other states, because of the virtually unique presence of a subsidized broadband competitor in ACS’s markets.<sup>3</sup> This filing expands on that point.

In the most recent illustrative CAM results, using CAM version 3.1.4, the Wireline Competition Bureau (“Bureau”) uses an illustrative support threshold of \$52 to calculate CAM support for Connect America Fund (“CAF”) Phase II broadband deployment. To reach that figure, the Bureau assumes the affordability of a \$65 Average Revenue Per Use and an 80 percent take rate across supported locations; these figures are multiplied to produce a \$52 support threshold.<sup>4</sup>

The Bureau’s approach to computing the support threshold should be modified to reflect the unique conditions prevailing in Alaska due to the presence of a subsidized

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<sup>1</sup> 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).

<sup>2</sup> 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 9, 2013) (the “July 9 Letter”).

<sup>3</sup> July 9 Letter at 17, n.35.

<sup>4</sup> See Wireline Competition Bureau, WCB Cost Model Virtual Workshop 2012 – Support Thresholds, May 17, 2013, Question 3 (available at: <http://www.fcc.gov/blog/wcb-cost-model-virtual-workshop-2012-support-thresholds>).

fixed broadband competitor where most of ACS's local exchange service is provided,<sup>5</sup> which will directly and substantially affect ACS's take rate.

ACS has previously advocated that, under the model, the take rate for Alaska should not exceed 50 percent, which is significantly higher than what ACS has experienced to date.<sup>6</sup> ACS acknowledges that with the proposed investments enabled by the CAF Phase II program, improved take rates from historical levels are likely. Nevertheless, we believe the likely take rate will be significantly lower than the 80% currently provided in the model due to subsidized competition.

ACS proposes that a lower support threshold be integrated into the CAM through an adjustment to the reporting module that would begin by calculating Alaska support at a lower dollar threshold, then calculate support for the remaining states at the standard threshold. In discussions with ACS representatives, CostQuest has confirmed that the CAM could be modified in this manner, if the Bureau so directs.

Accordingly, ACS respectfully requests that the Bureau direct CostQuest to adjust the CAM structure to provide for a lower support threshold for Alaska, reflecting the presence of a subsidized competitor across substantial portions of the Alaska price cap service areas. As a complement to the other changes ACS has requested to the CAM structure and inputs, this lower support threshold would enable the CAM more accurately to calculate the support levels required to achieve the Commission's CAF Phase II goals in Alaska.

Very truly yours,

/s/

Richard R. Cameron

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<sup>5</sup> For its competitive fixed wireline services, GCI received over \$105 million in federal universal service support from January 2003 to June 2013, or an average of over \$10 million per year. See USAC data for Study Area Codes 619001 and 989004, obtained from USAC High Cost Disbursement Data Search Tool (available at: <http://www.usac.org/hc/tools/disbursements/default.aspx>).

Because it receives federal high cost support, the Bureau has correctly found that GCI does not meet the definition of an "unsubsidized competitor." *Public Notice*, WC Docket No. 10-90, "Wireline Competition Bureau Announces Availability of Version 3.1.3 of the Connect America Fund Phase II Cost Model," DA 13-1340 (rel. June 7, 2013).

<sup>6</sup> WCB Cost Model Virtual Workshop 2012, "Support Thresholds," Submission of Robin Tuttle, Counsel to ACS, responding to Question 2 (available at: <http://www.fcc.gov/blog/wcb-cost-model-virtual-workshop-2012-support-thresholds>).