

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)
) WC Docket No. 10-90
Connect America Fund)

**REPLY COMMENTS OF ALASKA COMMUNICATIONS SYSTEMS
ON THE PETITION FOR EXTENSION OF TIME TO COMPLY WITH
THE NEW RATE FLOOR**

Alaska Communications Systems (“ACS”)¹ respectfully submit these reply comments in response to the Wireline Competition Bureau’s (“Bureau”) Public Notice² (the “Public Notice”) requesting comments on the March 11, 2014 Petition for Extension of Time (“Petition”) filed by six telecommunications carrier associations (the “Associations”).³ The Petition seeks a six-month extension of time for eligible telecommunications carriers (“ETCs”) to come into compliance with the 2014 local service rate floor, which represents a \$6.46 increase – over 40 percent – above the previous monthly rate floor level. Such relief could be effectuated through an extension of time until the new local rate floor takes effect, or a temporary waiver of Section 54.318(b) of the Commission’s rules,⁴ which mandates reductions in federal high cost universal service support available to ETCs whose rates are below the floor.

¹ In this letter, “ACS” signifies ACS of Anchorage, LLC, ACS of Fairbanks, LLC, ACS of Alaska, LLC, and ACS of the Northland, LLC, which together are the incumbent local exchange carrier subsidiaries of Alaska Communications Systems Group, Inc.

² *Connect America Fund*, WC Docket No. 10-90, Public Notice, “Wireline Competition Bureau Announces Results of Urban Rate Survey for Voice Services; Seeks Comment on Petition for Extension of Time to Comply with New Rate Floor,” DA 14-384 (rel. March 20, 2014) (“Public Notice”).

³ See Petition for Extension of Time by ERTA, ITTA, NECA, NTCA, USTelecom and WTA (collectively, the “Associations”), WC Docket No. 10-90 (filed Mar. 11, 2014) (“Petition”).

⁴ 47 C.F.R. § 54.318(b); *see also* 47 C.F.R. § 54.318(f) (“Schedule”).

ACS strongly supports a delay of one year in the effective date of the new local rate floor and urges the Commission nevertheless to align adjustments to the local rate floor with the existing certification schedule established under Section 54.313(h) of the Commission's rules.⁵ To accomplish this, ACS believes that the Commission should delay the effectiveness of any increase in the local service rate floor for one year, until June 1, 2015, whether or not the Commission determines to implement the increase in multiple steps. In doing so, the Commission will allow ETCs to certify compliance as part of their filing of Form 481, recently created for this purpose, in the ordinary course.

A. A Delay in the Effective Date of the Increase to the Local Rate Floor Is Necessary to Avoid Upheaval in Consumer Local Exchange Markets

The Public Notice announced a 46 percent increase to the local service rate floor, from \$14.00 to \$20.46, and gave affected ETCs only barely more than two months within which to come into compliance. Specifically, the 2014 annual Form 481 compliance certification filing, which implements the requirements of Section 54.313, is due on July 1, 2014, and requires ETCs to report their local exchange voice rates in effect as of June 1, 2014.⁶ Those whose rates are below the floor, including all four ACS ILECs, risk reductions to their high cost universal service support unless they implement substantial rate increases before June 1.⁷

Particularly for an increase of the magnitude required by the 2014 local service rate floor, more time is required. As amply described in the Petition, many ETCs face the

⁵ 47 C.F.R. § 54.313(h).

⁶ 47 C.F.R. § 54.313(h).

⁷ 47 C.F.R. § 54.318(f).

prospect of a full local rate case before the state telecommunications regulator would permit a rate increase of that size. Many ETCs (and state regulators) may not have conducted such a local rate case in years or even decades.⁸ ACS's last local rate revision, for example, was the result of a rate design for ACS of Alaska, ACS of Fairbanks, and ACS of the Northland, and became effective June 24, 2004, nearly ten years ago.

Regardless of the procedural hurdles associated with the increase, ETCs will also need to conduct market assessments to determine the degree to which their customers would be willing or able to afford such an increase, and the best ways to minimize its impact on consumers. For example, ETCs may find it necessary or appropriate to adjust the price of bundled services or other offerings, to introduce new product offerings altogether, or to offer their customers additional options when faced with a sizeable increase in the price of standalone local voice service.

Such work cannot be accomplished before June 1, 2014. Indeed, ACS is skeptical that it can be completed in a thoughtful and comprehensive manner by January 2015. Market research, business planning, and forecasting, as well as any network or systems upgrades necessary to implement the decisions based on such information, will take up to a full year to complete, particularly when coupled with any regulatory processes necessary to effect the underlying basic rate increases. Moreover, the Commission set

⁸ See, e.g., *Revision of ARMIS Annual Summary Report*, CC Docket No. 86-182, Order, DA 14-390 (Wireline Comp. Bur., rel. March 20, 2014), at ¶ 2 (granting an extension of time for FairPoint Communications, Inc. to file certain ARMIS reports, in part due to recognition “that the first complete rate review in 20 years is a proceeding not within the ordinary course of business”).

the local rate sampling date as of June 1 so that it would be relatively close to the annual filing deadline of July 1.⁹ At that time, the Commission concluded that a six-month gap between the sampling date and the reporting date was “too long.” Accordingly, carriers should be permitted to sample rates as of June 1, 2015 for reporting on July 1, 2015.

B. The Commission Should Minimize Disruption to the Form 481 Reporting Schedule in Implementing the Delay

While ACS therefore supports a delay in the effective date of the local service rate floor increase, the delay should be implemented in a way that minimizes the burden on carriers and consumers alike. Thus, rather than the six-month delay sought in the Petition, ACS believes that a one-year delay would better meet these goals than the six-month delay requested in the Petition.

Compliance with the local service rate floor is monitored through one of the mandatory data reports due July 1 of each year and incorporated into Section 54.313 of the Commission’s rules. Specifically, Section 54.313(h) requires ETCs to include their local voice rates in effect as of June 1 of each year in their July 1 reports.¹⁰ The Commission has incorporated this report into new Form 481, which is the vehicle for ETCs to comply with the vast multitude of reporting requirements that the Commission created in Section 54.313.

If the Bureau adopts the Petition’s proposal for a six-month delay in the effective date of the local service rate floor, followed by annual January 2 adjustments to that

⁹ *Connect America Fund et al.*, WC Docket Nos. 10-90 *et al.*, Third Order on Reconsideration, FCC 12-52, 27 FCC Rcd 5622, at ¶ 19 (2012).

¹⁰ 47 C.F.R. § 54.313(h).

floor,¹¹ it should do so only in such a manner as *not* to create a separate, off-cycle reporting requirement for local rate information now required under Section 54.313(h). *First*, doing so would create yet another separate report that would, if the Commission maintained the one-month interval established by Section 54.313(h), be due in early February, separate from the Form 481 filing on July 1. Whatever transient benefits the six-month delay would produce would quickly be outweighed by the ongoing burden created by the need for another report due on a separate cycle from the Form 481.

Second, the January 2 deadline will essentially mean that ETCs will need to obtain approval for and institute the necessary rate increases during the December holiday period. With year-end budgets already tight, December represents a particularly consumer-unfriendly time for the Commission to force ETCs to implement mandatory local rate increases.

Rather, the Commission should delay the effective date of the local service rate floor for one full year, until June 1, 2015, and implement annual adjustments on June 1 of subsequent years. Whether the Commission implements the \$6.46 increase called for in the Public Notice in one step, or phases it in gradually, the annual changes should occur on the existing schedule. Doing so will keep the associated reporting requirement aligned with the current Form 481 schedule, and avoid mandatory rate increases during the year-end holiday period.

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¹¹ Petition at 7.

For the foregoing reasons, ACS urges the Commission to grant a one-year delay in the effective date of the 2014 local service rate floor, and implement future increases as of June 1 of subsequent years.

Respectfully submitted,



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