



## **I. Introduction.**

The Alaska Rural Coalition (“ARC”) files Comments in this proceeding pursuant to the *Order and Further Notice of Proposed Rulemaking* (“FNPRM”) issued by the Federal Communications Commission (“Commission”) on January 31, 2014 announcing and seeking comment on voluntary Service-Based Experiments for rural areas.<sup>1</sup> The ARC commends this effort by the Commission to deploy broadband in rural areas and gather data on best practices for future deployment and support mechanisms.<sup>2</sup> As the Commission recognized in the FNPRM, rural areas present many challenges for service providers and require specific and innovative solutions and funding in order to “make sure that rural Americans are not left behind.”<sup>3</sup> The ARC believes that the flood of Expressions of Interest from rural service providers demonstrates rural areas’ hunger for robust and affordable broadband infrastructure and illustrates the need to direct greater high-cost support to these communities.

The ARC membership consists of essentially all of the Rate of Return (“RoR”) incumbent rural local exchange carriers (“RLECs”) in Alaska, who share unified interests regarding the Rural Broadband Experiments and how they will affect future distribution of support for rural areas. Many ARC companies have submitted Expressions of Interest for Rural

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<sup>1</sup> See *Order, Report and Order and Further Noticed of Proposed Rulemaking, Report and Order, Order and Further Notice of Proposed Rulemaking, Proposal for Ongoing Data Initiative*, GN Docket No. 13-5, GN Docket No. 12-353, WC Docket No. 10-90, CG Docket No. 10-51, CG Docket No. 03-123, WC Docket No. 13-97 (Jan. 31, 2014) (“FNPRM”).

<sup>2</sup> See FNPRM at paras. 92-93.

<sup>3</sup> FNPRM at paras. 87-88 (recognizing that rural areas are geographically dispersed, with low population density, and that service providers in rural areas must cope with “geographical and topographical challenges, extreme seasonal and meteorological conditions, a higher percentage of elderly residents, and a disproportionate number of low-income Americans”).

Broadband Experiments.<sup>4</sup> The ARC companies serve small communities in the remote, extremely rural high cost areas of Alaska. These carriers depend on ongoing high-cost support to offer robust, affordable services to their rural customers. The ARC members continue to be concerned that reductions in support will leave them without the funds and infrastructure necessary to meet the Commission’s service benchmarks now and in the future.<sup>5</sup> The

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<sup>4</sup> See *Copper Valley Telephone Cooperative, Inc. Expression of Interest RE: Connect America Fund*, WC Docket No. 10-90; *Technology Transitions*, GN Docket No. 13-5 (Mar. 5, 2014); *City of Ketchikan d/b/a KPU Telecommunications Expression of Interest Re: WC Docket No. 10-90* (Mar. 6, 2014); *Matanuska Telephone Association Expression of Interest—Rural Trials*, Docket No. 10-90 (Mar. 7, 2014); *OTZ Telephone Cooperative, Inc., WC Docket No. 10-90 Expression of Interest in Rural Trials* (Mar. 10, 2014).

<sup>5</sup> 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*”) at 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.”); see also *Comments of Alaska Communications Systems Group, Inc., in the matter of Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act*, before the FCC, GN Docket No. 12-228 (Sept. 20, 2012) (“*ACS GN Comments*”) at 2 (“In Alaska, nearly 49 percent of rural residents lack access to broadband. Inadequate funding is the primary reason.” (citing *Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act*, Eighth Broadband Progress Report, GN Docket No. 11-121, FCC 12-90, P. 1 (rel. Aug. 21, 2012) (“*Eighth Broadband Progress Report*”))); *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 Mar. 11 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.”).

Commission's announcement of Rural Broadband Experiments for RoR carriers is encouraging, but such experiments must be carefully structured to ensure that they provide the best data possible and do not inadvertently jeopardize the already uncertain future of carriers in our nation's remotest areas.

## **II. The ARC Encourages the Commission to Maximize Its Investment And Include Rural Alaska In Projects Selected for Funding.**

Broadband and other telecommunications services are especially critical for customers in Remote Alaska, where the benefits of broadband access have the potential to strengthen village economies and overall quality of everyday life.<sup>6</sup> High-speed broadband access is even more important in Alaska than in the Lower 48 because of many communities' remote, isolated nature.<sup>7</sup> The full benefits of broadband will not be realized in rural Alaska without funding

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<sup>6</sup> *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&\\_r=0](http://www.nytimes.com/2011/02/18/us/18broadband.html?pagewanted=all&_r=0) (“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 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.*

<sup>7</sup> *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

targeted at building out the terrestrial middle mile facilities necessary to support robust and reliable high-speed connections.<sup>8</sup> The ARC urges the Commission to select at as many as possible, but no fewer than one project from Alaska for Rural Broadband Experiment funding in order to provide the Commission with critical data and experience with the unique circumstances of telecommunications carriers serving “extreme rural” areas.<sup>9</sup> To facilitate the inclusion of Alaska carriers, the ARC urges the Commission to prioritize remote and Tribal areas.

The Commission indicated in the FNPRM that it seeks to test the assumption that “the geographic and demographic characteristics of certain rural areas...economically preclude the deployment of high-capacity fiber-based services that deliver higher speeds to those communities, absent some level of governmental support.”<sup>10</sup> The ARC believes that the enormous interest in Rural Broadband Experiment participation demonstrates that there are many

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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.”).

<sup>8</sup> Comments of the Alaska Rural Coalition Concerning the Remote Areas Fund, WC Docket No. 10-90, before the FCC (Feb. 19, 2013) at 7-13, and at 7 (“Assigning a portion of the Remote Areas Fund to address the lack of middle mile in Alaska would bring real and sustainable change to the broadband map by completing the already in place, cost-effective last-mile infrastructure that is already capable of delivering broadband services.”); *Comments of General Communication, Inc. On Design of the Remote Areas Fund, WC Docket No. 10-90, before the FCC (Feb. 19, 2013)* at 4 (“In Alaska, the key to maximizing broadband-deployment benefits is directly or indirectly (through supporting ETC capacity purchases) supporting the continued development and deployment of middle-mile facilities capable of sustaining both mass-market and community anchor tenant broadband services.”).

<sup>9</sup> See Rhonda McBride, “FCC Chairman Sees Rural Realities in Southwest Alaska,” KTUU.com, available at [http://articles.ktuu.com/2011-08-29/fcc-chairman-julius-genachowski\\_29943392](http://articles.ktuu.com/2011-08-29/fcc-chairman-julius-genachowski_29943392) (“[Alaska] is not like any other community (in the Lower 48). You can’t get to it. You can’t drive to it. You need to create this access,” said Begich, who later told a state task force on broadband access that there needs to be a new definition of rural for communities that are off the road system. Begich says he calls it “extreme rural.”).

<sup>10</sup> FNPRM at para. 94.

providers, both incumbent and non-incumbent, with the skills and knowledge to successfully deploy high-speed broadband in rural areas, but who have been unable to do so because of lack of funding to build large-scale fiber projects. The record in this proceeding demonstrates that satellite technologies are not capable of providing the robust connections necessary to deliver the full promises of broadband access in Alaska, while very few providers in rugged and remote areas have access to the capital necessary to build out fiber infrastructure to their communities.<sup>11</sup> Rather than demonstrating that fiber deployment is possible in rural areas without governmental support, the ARC believes that the Rural Broadband Experiments already demonstrate the voracious need for governmental support to deploy infrastructure in rural areas.<sup>12</sup>

The ARC supports the Commission's proposal to direct a limited amount of unallocated funding in the Connect America reserve fund towards Rural Broadband Experiments for both

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<sup>11</sup> See *GCI Comments* at fn. 9; *GCI USF Comments* at 5 (“Advanced telemedicine, distance learning, and other many enterprise broadband services will require the deployment of terrestrial middle-mile facilities: satellite services cannot support applications that tolerate only very low latency.”); and at 26 (“Satellite capacity is also extremely expensive and non-scalable; satellite costs rise directly in proportion to capacity needs. Therefore, unless terrestrial middle-mile networks can be built, the cost to the USF will continue to rise as consumers’ demand increases. The only alternative would be to either increase the cost to consumers—which would likely render rates unaffordable and not reasonably comparable to urban areas—or render the services not reasonably comparable due to much lower amounts of included usage than in urban areas.”); see also Abhishek Shukla, 7 Reasons Why Tablets or Smart phones Can't Replace Laptops, TECHiFire (Jan. 16, 2012), <http://www.techifire.com/gadgets/phones/7-reasons-why-tablets-or-smartphones-cant-replace-laptops/>. For reasons the ARC has previously explained to the Commission, Alaska’s relatively extreme latitude and weather mean that satellite broadband will be an inadequate solution to providing its rural areas broadband service. See also *ARC USF Comments* at 25 (“Satellite service is notoriously unreliable in Alaska for many reasons including inclement weather and geographic limitations based on line of sight.”) and at 32 (“Unfortunately, providing the speed, latency or capacity required by the Commission for CAF support for satellite service is not yet capable in most areas of Alaska.”); *ACS USF Comments* at 8.

<sup>12</sup> See *supra* note 4. The largest terrestrial middle mile project in Alaska, TERRA, was made possible by substantial federal funding.

price cap and rate of return areas.<sup>13</sup> Given the strong interest in the program and great need for fiber deployment to reach rural citizens, it makes sense for the Commission to distribute unallocated Connect America funding rather than continuing to hold those funds in reserve. The ARC believes that the Commission will receive the best return on its investment in the Rural Broadband Experiments if a wide and diverse variety of projects are funded through the Experiment program, and therefore supports the allocation of at least \$100 million or more in reserve funding to this endeavor.<sup>14</sup> The ARC supports apportioning funding for both recurring and non-recurring support, and for both price cap and RoR areas. Many Alaska parties have expressed their concerns that CAF high-cost support will not provide RoR carriers with the support they need to build out the middle mile infrastructure necessary to meet the Commission's speed and latency benchmarks for broadband services.<sup>15</sup> In Remote Alaska and other extremely rural areas, additional federal funding directed at deploying large-scale infrastructure will be necessary to provide robust high-speed broadband that keeps pace with the evolution of technology.<sup>16</sup> While the Rural Broadband Experiments cannot fully meet this need, the ARC is

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<sup>13</sup> *FNPRM* at para. 203.

<sup>14</sup> *Id.* at para. 204.

<sup>15</sup> *ACS USF Comments* at 8 (“The Commission’s model ignores the costs of extremely long haul middle mile transport in Alaska, especially by satellite and undersea cable, which are necessary to support delivery of the broadband speeds mandated by the Commission.”); *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) at 28 (“As discussed above, middle-mile costs will be a significant (but not the only) component of the high costs of delivering any type of broadband – whether fixed or mobile – to Remote Alaska...middle mile is an essential component of providing affordable and reasonably comparable broadband services to rural Alaska, and of creating a communications infrastructure that can support critical public health, education and safety needs.”); *RCA Comments* at 19 (“Funding for middle mile infrastructure is essential to deployment of broadband in Alaska.”).

<sup>16</sup> *Comments of Alaska Rural Coalition 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.

optimistic that the experiments can provide a model for a future replacement for the now-eliminated safety net additive, and encourages the Commission to create such a replacement.

The ARC urges the Commission to work with state regulatory authorities when distributing Experiment funding to ensure that other carriers are able to access Rural Broadband Experiment-built networks on a wholesale basis at reasonable rates. The ARC proposes that a condition of accepting Experiment funding should be an agreement to offer other carriers regulated, reasonable access to new facilities built with public funds. Building out infrastructure in rural areas will only promote competition and foster further economic development in distressed communities if a wide variety of parties, not only the party building the facilities, has access to these new high-speed networks.

### **III. The ARC Supports the Commission’s Priorities for Experiments, But Believes the Process Must Be Carefully Structured.**

The Commission has identified important priorities and concerns in the methodology it has developed for the Rural Broadband Experiments. The ARC generally supports the structure of the Commission’s methodology, and offers comment on several specific aspects of the program. The Commission seeks comment on whether the Commission should provide incumbent RoR carriers an initial window to submit applications for the experiment in advance of other parties, and whether the Commission should allow the RoR carrier to undertake the

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01-92, CC Docket No. 96-45, WC Docket No. 03-109, before the FCC (Jan. 18, 2012) (“*ARC USF Comments*”) at 4-5 (“Access to Affordable Middle Mile is Critical to Extend Broadband into Remote Areas of Alaska...The *CAF Order* recognizes that many areas of Alaska lack the viable backhaul options necessary to provide broadband services.”); *GCI’s Comments Regarding the FCC’s Notice of Proposed Rulemaking in the matter of Investigation into the Impact on Alaska Consumers and Carriers of Universal Service Reform by the Federal Communications Commission*, Docket No. R-10-03, before the Regulatory Commission of Alaska (Dec. 30, 2011) at 8 (“In rural Alaska, the most significant barrier to higher speed broadband services of any type - wireline or wireless - is the lack of sufficient broadband middle-mile that has the capability to expand with demand. Satellite capacity is limited and will not grow cost-effectively as demand expands.”).

same deployment proposed by a non-incumbent for the same or lesser support.<sup>17</sup> The ARC supports both of these proposals. It is important that the Rural Broadband Experiment process not disrupt or overbuild the networks already in place in remote and rural areas, where incumbent RoR carriers have already built the last-mile and local networks that will be critical to deploying broadband to end-user customers. The ARC believes that RoR RLECs have the best experience with network construction and maintenance in their service areas, and best know how to structure services to optimize service availability and quality. Finally, RoR carriers already have significant public interest obligations associated with their ETC status and state regulatory requirements. Allowing RoR carriers to “match” proposals submitted by non-incumbent entities avoids the possibility of investment dilution among several competing entities serving a rural area and provides the companies who are best equipped to serve these communities with the opportunity to do so.

The Commission seeks comment on whether the current Phase II cost model could be used to identify places in RoR areas that should be eligible for Rural Broadband Experiment support. The ARC and other rural parties have amply described the cost model’s inaccuracy and inadequacy in capturing Remote Alaska and other rural areas for the record, so the ARC is skeptical that the cost model should represent the authority on whether an area is eligible for Rural Broadband Experiment support.<sup>18</sup> The ARC proposes that the Commission use the cost

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<sup>17</sup> *FNPRM* at para. 207.

<sup>18</sup> *See, e.g., Comments of Alaska Communications Systems, Inc. in the matter of Connect America Fund*, WC Docket No. 10-90 (Jan. 9, 2013) at 6-7 (“*ACS Comments*”) (“[i]dentifying] 1991 census blocks that are correctly listed as unserved, but that do not appear in the data set of unserved census blocks available for download from the National Broadband map web site.”); *Comments of the National Telecommunications Cooperative Association, The National Exchange Carrier Association, Inc., The Organization for the Promotion and Advancement of Small Telecommunications Companies, and the Western Telecommunications Alliance, in the matter of Connect America Fund*, WC Docket No. 10-90 (Jan. 9, 2013) at 3 (“[The data must be]

model as one of several methods of identifying eligible rural areas, and cautions that the cost model must not be the exclusive means of determining an area's eligibility for Experiment funding. While the cost model may accurately capture the rural areas best suited for Experiment funding in parts of the Lower 48, other measurements including but not limited to population density, percentage of Tribal population, and access to the road systems must be used to assess an area's eligibility in Alaska. Similarly, because census tracts/boroughs can be extremely large in Alaska and other Remote Areas, the ARC supports the Commission's proposal to accept RoR carriers' applications at the census block level rather than the census tract level.<sup>19</sup> Narrowing the geographic footprint of a proposal will maximize the benefit of the investment.

The Commission seeks comment on the potential selective factors it has identified for selection of Experiments.<sup>20</sup> The ARC agrees that cost-effectiveness, robustness and scalability of networks, and the extent to which Tribal lands will be offered high-capacity services are all

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subjected to thorough review, data-driven (re)calibration, and vigorous procedural safeguards before being used in any form or format to eliminate, reduce, or otherwise modify USF support.”); *ARC Unserved Census Block Reply Comments* at 5 (“This data is simply too important, both to the survival of rural carriers and to the future deployment of voice and broadband services to unserved areas, to be determined only through a 30-day comment cycle. Future telecommunications deployment for citizens in rural and remote areas cannot be determined based on data that is widely acknowledged to contain significant factual errors.”). The ARC remains concerned about potential application of the price cap cost model to RoR companies. See *Reply Comments of the Alaska Rural Coalition in the matter of Connect America Fund*, WC Docket No. 10-9, WC Docket No. 05-337 (July 23, 2012) at 4-8 (“The ARC concurs with other commenters that the application of the CAF Phase II cost model to RoR companies will undermine basic and advanced telecommunications in rural areas. The CAF Phase II cost model was intended by the Commission to apply to Price Cap carriers.”).

<sup>19</sup> See *Transformation Order* at para. 347. “In Alaska, the average census block is more than 50 times the size of the average census block in the other 49 states and the District of Columbia, such that the large size of census areas poses distinctive challenges in identifying unserved communities and providing service.” *Id.*

<sup>20</sup> *FNPRM* at paras. 211-216.

important criteria for Experiment selection.<sup>21</sup> The ARC is concerned that it will be difficult to compare cost-effectiveness and robustness/scalability across projects aimed at areas with significantly different costs of construction and service. For example, due to Alaska's high costs of materials and labor and short construction season, a project in Alaska will always likely face substantially higher costs than a project in the Lower 48.<sup>22</sup> When the Commission selects projects for the Rural Broadband Experiments, it should prioritize areas with the greatest need, not areas with the lowest costs of buildout.

The ARC offers several proposals to address these issues with measuring proposals' cost-effectiveness. First, the ARC proposes that the Commission incorporate an additional measure of cost-effectiveness and project robustness/scalability that incorporates the degree of improvement in services that a project could bring to an area. A project that will take a rural area from low-speed DSL services to the Commission's 4/1 Mbps benchmarks, for example, should be given more weight than a project that takes an area from existing 4/1 service to higher speeds and better latency. The Commission should incorporate this "degree of improvement" measure into its metric for cost-effectiveness in order to better capture the overall worth of the project to its area in relation to the project's costs.

Because project needs and costs vary so greatly by region, the ARC also suggests that the

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<sup>21</sup> See *id.*

<sup>22</sup> The U.S. Department of Agriculture's Forest Service also recently emphasized the unique costs of conducting business in Alaska. The Forest Service explained that in "order to manage national forests in Alaska to a standard consistent with the rest of the agency, 'unit cost funding' for the Alaska Region must be higher than regions in the Lower 48." Specifically, "[h]igher salaries, higher cost of materials and supplies, and higher transportation costs all combine to increase our unit costs of providing goods and services to our customers and reduce the portion of our budget we can "get to the ground." See U.S. Forest Service, *Cost of Doing Business in Alaska* (April 2012), available at <http://www.fs.usda.gov/Internet/FSE.../stelprdb5252557.pdf>; see also *Northwest Arctic Regional Energy Summit Report*, "Findings," available at [http://apps1.eere.energy.gov/tribalenergy/pdfs/nana\\_strategic%20planning\\_final\\_report\\_first\\_steps.pdf](http://apps1.eere.energy.gov/tribalenergy/pdfs/nana_strategic%20planning_final_report_first_steps.pdf) at 2 ("Construction season is short and construction costs are higher.").

Commission consider grouping project proposals geographically, and basing its evaluations of project cost-effectiveness on comparisons between projects located in the same region of the country, rather than comparing projects against one another nationwide. Evaluating projects that are similarly situated geographically against one another will lead to fairer results, a greater geographic diversity of project builds, and a more effective determination of a project's true cost-effectiveness. Finally, since the area in which a project is located may be the most important factor affecting whether the project developers seek one-time or recurring funding for the build, the Commission should not use the difference between requests for one-time or recurring funding as a selective factor for the Rural Broadband Experiments.<sup>23</sup>

While the ARC fully supports cooperation between carriers and non-Federal sources of funding, the ARC is concerned about this proposed metric for evaluating Rural Broadband Experiments. Often states or localities with the greatest need for broadband deployment are the places least likely to have state and local sources of funding available for such cooperation. It does not make sense to penalize areas with the greatest needs for broadband in the Experiment selection process because they lack alternative sources of funding to supplant Federal support. The ARC generally supports the importance of partnership between carriers and non-federal government and organizations, such as (for ARC members) the Regulatory Commission of Alaska and the Alaska Broadband Taskforce. However, the ARC is concerned that only projects proposed in wealthier states and municipalities that are able to contribute funds will be able to

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<sup>23</sup> For example, Alaska's construction season is so short that it is extremely unlikely that a project could be built in one year with one-time funding. See Richard Seifert, University of Alaska Fairbanks Cooperative Extension Service, *Permafrost: A Building Problem in Alaska*, HCM-00754, available at <https://www.uaf.edu/files/ces/publications-db/catalog/eeh/HCM-00754.pdf> at 1 ("Constructing buildings in Alaska requires specific knowledge about permafrost and specialized building techniques. Disturbing permafrost carelessly may cause melting, resulting in uneven founding settling and disastrous consequences for the building. It is not always possible to safely build on permafrost.").

satisfy this selection factor.<sup>24</sup> This would have the adverse effect of diverting Experiment funds from rural areas with greater low-income populations and would not ultimately advance the Commission's goal of universal service.

The ARC strongly supports the Commission's proposal to give weight to whether applicants propose to offer high-capacity services to Tribal lands, and believes that the Commission should accord this factor significant weight.<sup>25</sup> The Commission has recognized that Tribal communities are significantly underserved by next-generation telecommunications services, as evidenced by its adoption of the Tribal Mobility Fund and other mechanisms directed at deploying broadband to Tribal lands.<sup>26</sup> The promises of broadband access on Tribal lands mean that the Commission should accord whether a project proposes to serve Tribal lands or customers equal weight as the project's cost-effectiveness and robustness/scalability.

The ARC supports the Rural Broadband Experiments' model of leveraging local providers' and local government expertise about their service areas and customers, particularly for communities in Remote Alaska and other extremely rural areas.<sup>27</sup> The ARC cautions the Commission, however, that Tribal governments are not centralized in Alaska as they are in the

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<sup>24</sup> The short schedule for Rural Broadband Experiments anticipated by the Commission will also make it difficult to obtain state and local funding sources. While partnership with state and local entities should be encouraged, it should not be used as a selection factor for projects.

<sup>25</sup> *FNPRM* at para. 216.

<sup>26</sup> When establishing the Tribal Mobility Fund Phase I, the Commission concluded that apportioning additional support for unserved Tribal lands is necessary because of the "special challenges involved in deploying mobile broadband on Tribal lands." *Transformation Order* at para. 482; *see also Transformation Order* at para. 479 ("[T]he Commission acknowledged the relatively low level of telecommunications deployment on Tribal lands and the distinct challenges in bringing connectivity to these areas. The Commission observed that communities on Tribal lands have historically had less access to telecommunications services than any other segment of the population. The *Mobility Fund NPRM* also noted that Tribal lands are often in rural, high-cost areas, and present distinct obstacles to the deployment of broadband infrastructure.").

<sup>27</sup> *FNPRM* at para. 97.

Lower 48, but rather consist of many small villages scattered throughout remote parts of the state.<sup>28</sup> While none of the ARC companies are affiliated with Tribal government, many of the ARC companies' are cooperatives with elected boards composed of majority Native Alaskan citizens, and many of the ARC members serve primarily Native Alaskan customers.<sup>29</sup> The ARC believes that, in order to include Native Alaskan citizens in the benefits of the Rural Broadband Experiments, providers who serve predominantly Native or Tribal customers or communities should benefit from the priority given to projects explicitly developed with Native input.

Finally, the ARC strongly supports the role of diversity in terms of project geography and technologies in the selection process for the Rural Broadband Experiments.<sup>30</sup> The Commission will reap the best data and knowledge for the future from funding a wide variety of projects across technology platforms and across the country. The ARC further suggests that, given the ongoing issues with high-cost support funding and middle mile deployment specific to the state of Alaska, the Commission consider selecting as many as possible, but no fewer than one Alaska project for funding. The ARC believes that tangible experience with project funding and buildout in Alaska will provide the Commission with invaluable knowledge of how to proceed with high-cost funding and overall broadband deployment in the state that is necessary to bring universal service to its citizens.

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<sup>28</sup> *Transformation Order* at P. 125, n. 197. *See also* 47 C.F.R. §§ 1.2100 and 54.400(e) (defining tribal lands to include "Alaska Native regions established pursuant to the Alaska Native Claims Settlement Act").

<sup>29</sup> *See, e.g., Ex Parte Notice re: Connect America Fund, OTZT Telephone Cooperative, Inc.* (Nov. 21, 2013) ("*OTZT 2013 Ex Parte*"). All of OTZT's Board members, nearly all of its members, and the vast majority of OTZT's employees are Inupiaq Eskimo.

<sup>30</sup> *FNPRM* at para. 217.

#### **IV. The Commission Has Identified Key Additional Considerations for the Rural Broadband Experiments.**

The Commission seeks comment on the specific numerical measure that it should use to determine whether the extent of competitive overlap in an eligible area is *de minimis*.<sup>31</sup> The ARC recognizes that it is important to minimize funding projects in areas in which services are already available, but believes that very few eligible rural areas will raise this concern. The ARC proposes that the Commission consider there to be competitive overlap in an area where a competitor provides at least 25% geographic overlap, offering the same level of services as the proposed Experiment. This metric properly evaluates whether the competitor truly offers services that are competitive to the Experiment proposal, while ensuring that duplicative infrastructure is not built.

The Commission seeks comment on whether to limit the amount of support available in census tracts where the average cost per location is higher than the preliminary extremely high cost threshold to the amount per location equal to that preliminary extremely high cost threshold.<sup>32</sup> The ARC believes this proposal will not advance the Commission's goals of universal service in remote and extremely high-cost areas.<sup>33</sup> Some areas of the country, including parts of Remote Alaska, have construction and maintenance costs that far exceed the vast majority of the U.S. These locations are few and far between, so the ARC recommends that the Commission evaluate the amount of funding that should be available in extremely high-cost areas based on comparisons of the costs in proposals submitted by entities serving those locations. If the average proposal cost far exceeds the extremely high-cost threshold for a

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<sup>31</sup> *FNPRM* at para. 219.

<sup>32</sup> *FNPRM* at para. 220.

<sup>33</sup> *Transformation Order* at para. 3.

specific area, then that is a clear sign that greater funds beyond the threshold will be needed to bring broadband to those citizens. To eliminate the participation of the highest cost areas threatens the ability of these areas to ever catch up and only deepens the digital divide the Commission worries about.<sup>34</sup>

The ARC does not believe that the Commission should adopt federal rules regarding the ETC designation process specifically for the Rural Broadband Experiments.<sup>35</sup> Since the Commission seeks to develop data that will be useful going forward, it makes sense to rely on the existing ETC designation and service rules. Obtaining data that reflects the current state of carriers serving rural areas will prove more fruitful in the long term. Altering the ETC designation process during these experiments risks creating an “observer effect,” in which accurate data is not obtained because the experiment does not reflect the realities facing RoR carriers and other ETCs. The ARC additionally cautions against requiring Irrevocable Letters of Credit or other additional financial security for an entity to receive Experiment funding. If a carrier is an ETC in good standing with the Commission, who has a history of proper use of high-cost support and no record of waste, fraud and abuse, that should be sufficient security to ensure that the carrier will properly utilize Experiment funds.

The Commission seeks comment on whether areas served by Experiments should be

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<sup>34</sup> See Matt Hamblen, FCC Says 93M in US lack broadband, digital divide grows, *Computerworld* (Feb. 10, 2010), [http://www.computerworld.com/s/article/9160738/FCC\\_says\\_93M\\_in\\_U.S.\\_lack\\_broadband\\_digital\\_divide\\_grows](http://www.computerworld.com/s/article/9160738/FCC_says_93M_in_U.S._lack_broadband_digital_divide_grows) (“In the 21st century, a digital divide is an opportunity divide ... job creation and American competitiveness abroad require that all Americans have the skills and means to fully participate in the digital economy.”); see also Songphan Choemprayong, *Closing Digital Divides: The United States’ Policies*, 56 *Libri* 201 (2006) (“Since the emergence of information technology, the gap between information ‘haves’ and ‘have-nots’ has been broadening: the information rich become richer, while the information poor are poorer.”).

<sup>35</sup> *FNPRM* at para. 222.

excluded from Phase II competitive bidding.<sup>36</sup> The ARC disagrees with this proposal. High-cost support is necessary to carriers in rural areas not to build out future networks, but to maintain existing infrastructure, and rates for rural customers. Absent high-cost support, carriers who already serve rural areas will not be able to sustain the services they already provide, and telecommunications deployment in rural areas will actually slide backwards. Excluding Experiment-served areas from Phase II support will also create a strong disincentive for companies in the remotest, rural areas (who depend most heavily on high-cost support) from participating in Rural Broadband Experiments. This too will work against the Commission's universal service goals.

**V. Conclusion.**

The ARC fully supports the Commission's efforts in creating the Rural Broadband Experiments, and is excited about their potential to expand broadband availability in rural and Remote areas and to provide the Commission with valuable data about broadband deployment in rural areas. To best create robust and useful data, the ARC strongly suggests that the Commission select projects with a wide geographic diversity. Because of Alaska's unique challenges and issues regarding middle mile infrastructure and high-cost support, the ARC believes as many as possible, but no fewer than one project selected should be located in Alaska. The ARC looks forward to learning more about the Rural Broadband Experiments as the Commission further develops its process and procedure for selection and project funding.

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<sup>36</sup> *FNPRM* at para. 223.

Respectfully submitted on this 31<sup>st</sup> day, March 2014.

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