

September 22, 2014

VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Notice of *Ex Parte* Communication:
Connect America Fund, WC Docket No. 10-90;
Universal Service Reform – Mobility Fund, WT Docket No. 10-208;
ETC Annual Reports and Certifications, WC Docket No. 14-58;
Developing a Unified Intercarrier Compensation Regime, CC Docket No.
01-02: *Establishing Just and Reasonable Rates for*
Local Exchange Carriers, WC Docket No. 07-135

Dear Ms. Dortch:

On Thursday, September 18 and Friday, September 19, 2014, Anand Vadapalli and Leonard Steinberg of Alaska Communications Systems (“ACS”) and I met with the following FCC personnel concerning ACS’s recent Alaska-specific proposals in the above-captioned proceedings: Commissioner Mignon Clyburn, Commissioner Ajit Pai, Priscilla Argeris, Amy Bender, Nick Degani, Rebekah Goodheart, Patrick Halley, Julie Veach, Carol Matthey and Alex Minard.

In these meetings, ACS described its response to the Commission’s request for suggested parameters to permit price cap carriers serving non-contiguous U.S. states and territories (“non-CONUS” areas) to elect frozen support in lieu of model-based support for Phase II of the Connect America Fund (“CAF II”). ACS summarized its proposal to deploy broadband to between 20,000 and 30,000 *unserved* customer locations on the Alaska road system in ACS’s service territory, at speeds of at least 10 Mbps upstream/1 Mbps downstream over a period of ten years, provided that support frozen at current levels is made available for ten years, and provided the Commission grants certain types of flexibility. ACS proposes, *inter alia*, that it should have these options:

- To substitute (or count toward the required number of broadband build-out locations) some number of unserved locations in partially-unserved census blocks for unserved locations in wholly-unserved census blocks. ACS suggests this type of substitution

could be capped at 25 percent of all required deployment locations. ACS noted that it would be appropriate to conduct a challenge process for any such locations in partially-served census blocks (they would not have been subject to the challenge process previously conducted by the Bureau for nominally unserved census blocks) but this second challenge process should not take place until the end of the second year of CAF Phase II, by which time ACS expects to have completed its broadband build-out plan for the total number of required locations, and will have had a chance to fully explore the most efficient options for network infrastructure deployment.

- To reduce ACS’s total deployment commitment by no more than 10 percent of the total number of required broadband build-out locations, in exchange for a corresponding percentage reduction in total annual CAF support. ACS suggests that the Commission could ensure that ACS is not overpaid by holding back the appropriate portion of the final year’s payment until the company certifies the percentage of total locations actually served.
- To deploy 1 Gbps broadband capability to a certain number of community anchor institutions (“CAIs”) in lieu of deploying 10 Mbps broadband capability to a certain number of individual customer locations, where each CAI served at 1 Gbps would “count” in lieu of 150 locations served at 10 Mbps. ACS noted that it is assessing how many unserved CAIs are located in currently unserved census blocks.
- To meet build-out milestones that are reasonably staggered to reflect scarce resources and the very short Alaska construction season, to wit:

Year	4	7	10
Build-Out Required	30%	60%	100%

ACS also requested that the Commission acknowledge that a portion of CAF II support, whether model-based or frozen, will be used for operating expenses rather than capital expenses. Consistent with assumptions made under the Connect America Model, where approximately 50 percent of supported costs are assumed to be operating expenses, ACS is modeling approximately 50 percent of CAF Phase II support to be devoted to OpEx overall, though the mix of CapEx and OpEx is expected to change each year. ACS’s commitment to deploy broadband to 20,000 – 30,000 unserved locations, noted above, is predicated on the assumption that support could be allocated between CapEx and OpEx in these proportions.

ACS observed that, today, the company’s service revenues associated with the provision of traditional voice services and broadband services to residential consumers represent about 20 percent of the company’s wireline revenues, yet a disproportionate percentage of its wireline OpEx is directed towards the provision of such services. It is ACS’s ability to collect access charges (declining annually under the Commission’s rules) and high-cost Universal Service support (frozen at present) that permit ACS to mitigate this imbalance. High-cost funding thus is

fulfilling the Communications Act's objective of allowing the provision, maintenance and upgrading of supported services in high-costs areas such as Alaska. If ACS accepts the obligations associated by the Commission with CAF Phase II support, a substantial portion of the support will be allocated to new broadband deployment in supported locations, but ACS still would need to allocate approximately 50% of any high-cost support towards OpEx throughout its network.

ACS indicated that it is willing to work with the Commission to develop an appropriate solution that will benefit Alaskans and stimulate infrastructure investment in the state. ACS is eager to bring new broadband service to as many customers as possible using the frozen support amount available. ACS cautioned, however, that failure to develop a workable solution would likely result in a substantial loss of high-cost support – and sharp declines in infrastructure investment and service maintenance – in many parts of the state.

Additional description of ACS's proposals may be found in ACS's most recent comments and reply comments on file in the above-captioned dockets.¹

Please direct any questions concerning this filing to me.

Very truly yours,



Karen Brinkmann
Counsel for ACS

cc: Commissioner Mignon Clyburn
Commissioner Ajit Pai
Daniel Alvarez
Priscilla Argeris
Amy Bender
Nick Degani
Rebekah Goodheart
Patrick Halley
Julie Veach
Carol Matthey
Alex Minard

¹ *Connect America Fund*, WC Docket No. 10-90, *et al.*, Comments of Alaska Communications Systems (filed Aug. 8, 2014) & Reply Comments of Alaska Communication Systems (filed Sept. 8, 2014).