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Anchorage, Alaska
December 23rd, 2004

Commissioner Kate Giard, Chair
Program Administrator, Rural Alaska Broadband Internet Access Program
Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501

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RE: Comments on request by United Utilities, Inc for supplemental grant funding

Dear Commissioner Giard:

Arctic Slope Telephone Association Cooperative, Inc (ASTAC) is a telecommunications cooperative offering local telephone service and dial-up Internet on a cooperative, not-for-profit basis in nine locations on the North Slope (Anaktuvuk Pass, Atqasuk, Barrow Deadhorse-Prudhoe Bay, Kaktovik, Nuiqsut, Point Hope, Point Lay, and Wainwright).

ASTAC submits these comments in response to the Commission's public notice of the request by United Utilities, Inc. (UUI) to increase its grant funding from the Rural Alaska Broadband Internet Access Program by \$4,661,000 to a new total of \$7,198,000 which is nearly three times the size of the original reward.

ASTAC strongly supports the ultimate end of the program: to bring broadband service to rural Alaska. In fact, to that end, ASTAC has provisioned all nine of the exchanges named above with local access, dial-up Internet service and, in addition, has provisioned Point Hope with broadband DSL service as a pilot project. ASTAC suggests that the means that have been adopted by the RCA to reach the Rural Alaska Broadband Internet

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Access Program objective require a critical reappraisal in light of more recent national policy and practice changes concerning deployment of broadband Internet access to rural America.

Is awarding UUI another \$4.6 million and bringing the UUI award to nearly 50% of the total grant funds available, the best means to bring broadband service to rural Alaska? The committee making the grant awards should look hard both at UUI's request and the overall means of bringing broadband service to rural Alaska.

ASTAC finds it difficult to accept the proposition that UUI's original grant award of \$2,537,000 dollars now needs a 'supplemental' grant of \$4,661,000 dollars due to 'project approval delays', 'discovery of warm permafrost', 'high installation costs due to new engineering', and 'increase in the prices for steel and transportation'. Does this apparent lack of planning, precision and soundness in the original grant application deserve to be rewarded with a 183% bonus?

Before awarding half of the total program funds to UUI, the Committee should at least satisfy itself that UUI's initial application and the supplemental request are well supported by the facts. Given the errors and omissions in UUI's initial submittal, the committee, before awarding any additional funds, should, as a minimum, satisfy itself through a careful review that the supplemental is more accurate and better prepared than the original application. Otherwise, the committee creates perverse incentives that send the message to all current and potential grant awardees that it is acceptable to under-cost a proposed project; to receive a grant award and then to come back later to increase the amount of the award. The committee should, as a minimum, clearly articulate the standards it will apply in increasing awards because, if it awards the additional funding to UUI, it will be creating a precedent that it will be forced to either honor or find reasons to breach in the future.

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Arguing that there is no other 'eligible' use for the funding is not good enough for two reasons.

First, the committee has never solicited a second round of applications, even though the initial awards came to less than one third of the total funding available. The committee has done nothing to further encourage use of the grant funds since the notice of awards in May of 2004, over six months ago. ASTAC believes that it is appropriate to at least give other potential grantees another chance before using a large portion of the remaining funds to remedy one applicant's flawed application.

Second, ASTAC contends that the committee should at least address its policy limiting use of the funding to villages without dialup before awarding further funds. It is ASTAC's understanding that the Regulatory Commission of Alaska (RCA) and the grant committee perceive themselves to be prohibited by the language and conditions stated in 7 U.S.C. 1926 Section 306 (a) (20) (E) from modifying the current rules for the Rural Alaska Broadband Internet Access Program grants from USDA/RCA in order to allow the provision of broadband to an otherwise eligible community. They claim that they are compelled by the law cited to continue to restrict grants to applications from/for eligible communities that have no Internet access, and, further, that communities that presently have local access, dial-up Internet service are not eligible for grant funding, nor can they be unless the 'law', as cited above, is amended.

Such logic leads to the position that the lack of applications from 'eligible' applicants for the remaining funds (of the original fifteen million dollars) compels Alaska USDA/RCA to consider only supplemental grant applications from exiting grantees. They would thus award the supplemental UUI request for \$4.6 million in order to 'use up the funds' on an applicant that meets the criteria that they see stated in the law as cited above.

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ASTAC believes that the public interest throughout rural Alaska would be better served by a concerted effort to get the law and/or related rules amended so that the remaining funds can be used to offer broadband in communities that are currently served by dial-up Internet access, and furthermore, that the committee should take a position on the issue of the reinterpretation or amending of the law cited above, setting forth the reasons for its conclusions, in a public forum.

To do otherwise leaves the state of Alaska sadly behind national policy and deployment practice trends regarding broadband availability in rural areas. Instead, given our geography, demographics, economics and necessary telecommunications infrastructure, Alaska should be in the lead rather than sitting on a pot of money it seems unable to direct towards increasing rural broadband availability. ASTAC finds this RCA response and interpretation difficult to understand since the USDA/RUS has itself moved beyond the original restriction that allowed grant applications only from 'non-Internet served' communities. RUS now, even though it is the source of the fifteen million dollar grant to the Alaska USDA/RCA agency, allows grants for rural communities that do have local access, dial-up Internet and wish to upgrade to broadband. The most recent list of RUS Rural 'Community Connect' Broadband grant recipients is evidence of this. In fact, it includes a grant to ASTAC for a broadband Internet access provisioning upgrade in our Nuiqsut exchange.

We find the RCA's and committee's interpretation limiting the use of the grant funds only to rural Alaska villages that do not have dial-up Internet unrealistic and wasteful of this limited and valuable financial resource. The reality is that there has been an extensive and accelerating deployment of local access, dialup Internet service to rural Alaska communities over the past four years. Along with much of the rest of the state,

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the nation and the world, residents of these villages now, having 'tasted' and adopted low-speed dialup access, anticipate and expect higher speed broadband access.

Finally it certainly contradicts current rural broadband access development policy positions of the RUS, (USDA), the White House, the Congress and the FCC. Would it not be a better use of the remaining funds to bring broadband Internet access to as many parts of rural Alaska communities as possible rather than to pile one-half of the total available funds onto one project that has a nearly 200% cost overrun?

Sincerely,

A handwritten signature in black ink that reads "David S. Fauske". The signature is written in a cursive, flowing style.

David S. Fauske
General Manager/CEO

Cc: Steve Hamlen, UII
Rich Gazaway, RCA