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

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN 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
	)	
Universal Service Reform – Mobility Fund	)	WT Docket No. 10-208
	)	

Comments of the

Regulatory Commission of Alaska

Date: February 24, 2012

T.W. Patch, Chairman

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Comments of the Regulatory Commission of Alaska

The Regulatory Commission of Alaska (RCA) appreciates the opportunity to file comments in response to the FCC 11-161 *Report and Order and Further Notice of Proposed Rulemaking* (FNPRM) concerning the Reform of Intercarrier Compensation (ICC).[1]

[1] In the Matter of Connect America Fund, WC Docket No. 10-90, A National Broadband Plan for Our Future, GN 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-

The FCC seeks to impose a uniform national framework for ICC. Yet, the nation is not uniform in terms of telecommunications network infrastructure, geography, climate, construction season, population density or any number of other factors which all have impacts upon intercarrier compensation issues. Since the initial implementation of the Federal Telecommunications Act[2] , Alaska providers and the Alaska commission have been explaining to the FCC how universal service for Alaska cannot be achieved by policies designed for the contiguous United States.

The FCC seeks comment on how best to promote the transition to broadband. For Alaska, the solution is the design of an ICC plan that broadly recognizes the unique challenges Alaska carriers face in providing service, the unique network infrastructure, the high cost of maintaining the existing network and the magnitude of the cost of necessary to expand the network to accommodate broadband services. The RCA again invites the FCC to work in partnership with the RCA and Alaska carriers to design reforms that will not put Alaska universal service and the existing telecommunications infrastructure at risk.

109*,* Universal Service Reform – Mobility Fund WT Docket No.10-208; *Report and Order and Further Notice of Proposed Rulemaking,* FCC 11-161 released November 18, 2011, 76 Federal Register, 73830 (November 29, 2011) (Order)

[2] *Communications Act of 1934*, as amended by the *Telecommunications Act of 1996*, 47 U.S.C. §151 et seq., Pub.L.No. 101-104, 110 Stat. 56 (1996)

In brief, these comments urge the FCC to:

1) Use the knowledge and experience of the RCA and Alaska providers to develop an ICC plan tailored for Alaska and other noncontiguous states;
2) Clarify both how bill-and-keep rules are intended to apply to Alaska and also whether negotiated interconnection agreements will be permitted; especially for transport of traffic between exchanges in a study area;
3) Establish pause points in the ICC reform schedule for assessment of impacts and clarification of future transition steps to allow carriers and the RCA an opportunity make informed investment and regulatory decisions.

I. The FCC's ICC Reforms, as currently drafted, cannot be effectively applied to Alaska's network structure

The Alaska telecommunications network is not based on a LATA structure

The FCC's reforms appear designed for the LATA network architecture but there are no LATAs in Alaska. There are no tandems in Alaska. Many of Alaska's rural ILEC study areas consist of noncontiguous exchanges that can be hundreds of miles apart and are not connected by a road system or other

infrastructure. Facilities based interexchange carriers provide transport between exchanges,[3] and in many areas the transport is provided via satellite.

Many Alaska study areas are composed of scattered islands of facilities

Consider rural ILEC Alaska Telephone Company (ATC) which serves 20 noncontiguous exchanges with a total of roughly 24,400 access lines.[4] These twenty exchanges are separated by a distance of roughly 763 miles but are contained in a single study area.

Consider also the exchanges in the Sitka study area of ACS of the Northland (ACS-N).[5] The fifty three exchanges in the Sitka study area are even more widely dispersed than ATC's and a significant number are served solely by satellite. The remaining exchanges, except for Sitka, are served by microwave. The community of Hughes in the northwest is 1,025 miles distant from the community of Kasaan in the southeast. The community of Atka on the Aleutian chain is nearly 1,694 miles from Kasaan. Many of the Sitka exchanges contain populations of less than 200 people.

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[3] General Communications Inc. (GCI) and AT&T Alaska (AT&T) provide IXC service over their own facilities; Alaska Communications Systems, Inc. (ACS)- Long Distance provides IXC service using its own facilities in part.

[4] ATC serves 1 exchange with 2615 access lines, 3 exchanges with 1500-1800 lines, 1 community with 500-999 lines, 1 community with 230 lines, 4 communities with 50-100 lines and 7 communities with less than 50 lines.

[5] The Sitka study area includes the exchanges of Akhiok, Akutan, Angoon, Atka, Border City, Chignik, Chignik Lagoon, Chignic Lake, Coffman Cove, Cube Cove, Egegik, Elfin Cove, English Bay, False Pass, Gustavus, Halibut Cove, Hobart Bay, Hoonah, Hughes, Huslia, Ivanoff, Kake, Kakhonak, Kaltag, Karluk, Kasaan, Kazakof Bay, Klawock, Kooyukuk, Larsen Bay, Meshik, Nelson Lagoon, Nikolski, Nondalton, Northway, Nulato, Old Harbor, Ouzinkie, Pedro Bay, Pelican, Perryville, Pilot Point, Point Baker, Port Alexander, Port Alsworth, Port Graham, Port Protection, St. George, St. Paul, Sitka, Tenakee Springs, Thorne Bay, and Yakutat.

Exhibit 1 contains an Alaska map superimposed over a map of the contiguous United States to emphasize the distances between exchanges within the ATC and ACS-N study areas. If the ACS-N exchanges were in the lower 48 States, they would range from Arizona to Georgia to southern Minnesota. No other state has study areas with these exchange characteristics.

The differences in network configuration and the reliance on satellite and microwave infrastructure between exchanges of a study area require a different approach to reform in Alaska than the approach designed for the contiguous United States. The LATA-based system at the heart of the FCC's ICC reforms will not achieve a successful result for Alaska.

Transport involves long distances, limited facilities and significant costs

Terrestrial facilities connecting rural exchanges within a study area are the exception in Alaska rather than the rule. Tandem switches are not part of Alaska's network configuration and transport between central offices can involve fiber, microwave or satellite facilities that are usually owned and operated by an interexchange carrier rather than the local exchange carrier.

Instead of making transport within the major trading area (MTA) the responsibility of the LEC,[6] CMRS carriers in Alaska have agreed to use IXC facilities for transport. LECs treat such traffic as cellular and subject to reciprocal compensation rates rather than treating it as long distance traffic subject to

[6] CFR 47 §51.701 describes Non-Access Telecommunications Traffic to include traffic between a LEC and a CMRS provider that originates and terminates within the same MTA and so specifies that reciprocal compensation rates apply to transport and termination.

access charges. Since Alaska is all one MTA, any other arrangement would put too great a financial and technical burden on small LECs. A similar common sense approach is needed for Alaska with regard to the FCC's treatment of transport for wireline traffic.

The Model filed by ACS illustrates Alaska network configurations

The ACS model filed with the FCC in this proceeding[7] includes descriptions of various network configurations that may be helpful to the FCC's understanding of the Alaska telecommunications infrastructure.[8] In its model ACS explains how communities along the road are assumed to be served using fiber middle mile facilities, those along a river system and reasonably close to the road are assumed to be served using microwave and more remote locations are assumed to be served using satellite.[9] Clearly when a single company's model of service provisioning in Alaska includes multiple assumptions about network configuration, the FCC's current ICC plan must be revisited.

[7] ACS filing regarding *Request for Connect America Fund Cost Models,* FCC Public Notice in WC Dockets 10-90 and 05-337, DA 11-2026 (Wireline Competition Bur.rel. Dec. 15, 2011) filed February 14, 2012. (ACS Model)

[8] Another useful illustration is shown in Exhibit 2 containing a map of AT&T's Alaska network infrastructure. This map shows the limited land area of the state that AT&T serves by fiber. http://www.corp.att.com/alaska/docs/sys_map_2008.pdf

[9] ACS Model at page 4.

Exemptions from bill-and-keep rules and/or allowance for negotiated interconnection terms may be required for Alaska providers

In the Order, the FCC determines that a rural LEC is responsible for transport to a CMRS provider's chosen interconnection point within the LEC study area.[10] As explained above, because many Alaska rural LEC service areas are not composed of exchanges with terrestrial infrastructure connecting them, this rule is not workable. The existing agreements between Alaska LECs and CMRS providers already recognize this fact.

The RCA recommends that the FCC provide exemptions from bill-and-keep requirements for carriers serving study areas that are not ubiquitously served with fiber facilities. Alternatively, the FCC should provide for state commissions to obtain blanket waivers for carriers that cannot comply with bill-and-keep regulations because of facility constraints. In either case, carriers must be required to engage in good faith negotiations regarding reasonable interconnection terms and conditions, particularly regarding transport.

II. The FCC should not preempt the rights of rural carriers or the authority of states to set intrastate rates

Rural carriers have the right to seek suspension or modification of rules under Section 251(f)(2)

The bill-and-keep regime implemented by the FCC is a form of reciprocal compensation. The provisions of Section 251(b) provide that telecommunications

[10] Order at ¶999.

carriers have a duty to establish reciprocal compensation arrangements for the transport and termination of telecommunications traffic. The provisions of Section 251(f)(2) allow a rural carrier that meets certain conditions to petition a state commission for a suspension or modification of the application of a requirement or requirements of Section 251subsection (b) or (c).[11]

The FCC "urges" state commissions to not grant petitions from rural carriers seeking to modify or suspend the bill-and-keep provisions adopted in the Order.[12] The FCC cites the Supreme Court decision in *AT&T Corp. v. Iowa Utilities Board* (*Iowa*) as justification for this position.[13] The FCC finds that "the general rulemaking authority recognized by the Court includes authority to adopt reasonable rules construing and implementing section 251(f)."[14]

In *Iowa*, the Supreme Court determined,

> While it is true that the 1996 Act entrusts state commissions with the job of approving interconnection agreements, 47 U. S. C. § 252(e) (1994 ed., Supp. II), and granting exemptions to rural LECs, § 251(f),

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[11] 47 U.S.C. 251(f)(2) provides,
A local exchange carrier with fewer than 2 percent of the Nation's subscriber lines installed in the aggregate nationwide may petition a State commission for a suspension or modification of the application of a requirement or requirements of subsection (b) or (c) of this section to telephone exchange service facilities specified in such petition. The State commission shall grant such petition to the extent that, and for such duration as, the State commission determines that such suspension or modification--
(A) is necessary--
(i) to avoid a significant adverse economic impact on users of telecommunications services generally;
(ii) to avoid imposing a requirement that is unduly economically burdensome; or
(iii) to avoid imposing a requirement that is technically infeasible; and
(B) is consistent with the public interest, convenience, and necessity.

[12] Order at ¶824

[13] Order Footnote No. 1561*, AT&T Corp. v. Iowa Utilities Board*, 525 U.S. 366, 378 (1998) *(Iowa)*

[14] Order at ¶823. The FCC cites the Supreme Court finding that the grant in section 201(b) of the Act means that the FCC has rulemaking authority to carry out the provisions of the Act, including sections 251 and 252.

> these assignments, like the rate-establishing assignment just discussed, do not logically preclude the Commission's issuance of rules to guide the state-commission judgments.[15]

The RCA concedes the Supreme Court decision means that the FCC has authority to promulgate rules "to guide" state commissions' judgment. That is, the FCC may require states to consider the FCC's defined national public interest in evaluating petitions, but, the FCC may not *predetermine or dictate the outcome* of the state's review of Section 251(f) petitions. The FCC's determination that it is "highly unlikely that any attempt by a state to modify or suspend the federal bill-and-keep regime would be 'consistent with the public interest, convenience and necessity' as required under section 251(f)(2)(B)" is just such an attempt to preempt the states' review. The RCA believes that such federal preemption conflicts with the plain language of Section 251(f)(2) and is not consistent with the Supreme Court's ruling in *Iowa*.

We note that the "public convenience and necessity" is not the only standard to be applied to a rural carrier's petition for suspension or modification under 251(f)(A). The statute provides that a state commission "shall grant" such a petition to the extent that it is necessary 1) to avoid a significant adverse economic impact on users of telecommunications services generally; 2) to avoid imposing a requirement that is unduly economically burdensome; or 3) to avoid imposing a requirement that is technically infeasible. To the extent the FCC imposes an ICC framework on Alaska that creates a significant adverse economic impact on end users and providers of telecommunications and, in some instances, is not technically feasible, the RCA must continue to have the

[15] *Iowa* at page 385.

ability to grant suspension and modification consistent with the statutory mandate of 251(f)(2).

The FCC's has authority to set rate methodologies but <u>states</u> determine rates

The FCC states its authority to adopt the bill-and-keep methodology is derived from sections 251(b)(5) and 201(b) of the Act.[16] The provisions of section 251(b)(5) provide that LECs have a duty to establish reciprocal compensation arrangements for transport and termination. The provisions of section 201(b) grant the Commission authority to prescribe such rules and regulations as may be necessary in the public interest to carry out the provisions of the Act.

In *Iowa*, the Supreme Court affirmed the FCC's authority to promulgate standards and rules regarding a pricing methodology for intercarrier compensation under 252(c)(1) and (2).[17] However, the Supreme Court clarified that it is the states that will "apply those standards and implement that methodology, determining the concrete result in particular circumstances."[18]

The RCA holds that bill-and-keep is not a methodology but rather an intercarrier compensation rate of zero. In this regard, the FCC's adoption of bill-and-keep as the reciprocal compensation rate for intrastate access traffic is not consistent with the Supreme Court's ruling in *Iowa*.

[16] Order at ¶760

[17] *Iowa* at page 385.

[18] *Iowa* at page 384.

III. The FCC should delay implementation of ICC reforms until appeals are settled and the support mechanism is established

The full impact of ICC reform cannot be assessed until the Order is clarified

The RCA held a Technical Conference with members of the Alaska telecommunications industry to discuss the effects of the FCC's ICC Reform.[19] Nearly three months after release of the FCC Order, carriers are still trying to assess how the reform will work and the magnitude of the impact of revenue reductions on their operations. Some degree of uncertainty is due to differences between interstate and intrastate access rate structures. Uncertainty is also due to the FCC's implementation of reform without specifying the details involved in the various support calculations. The details of how carriers will qualify for future CAF support have yet to be determined and various FCC Bureaus have been delegated the responsibility for developing these details and identifying conflicts with current regulations. Finally, numerous entities have filed appeals or petitions for clarification, or requests for reconsideration that are not yet resolved. Uncertainty reigns. It comes as no surprise that carriers are still working to fully understand the implications of the Order.[20] Absent a clear and complete picture of the rules governing reform and the support to be provided, the RCA cannot accurately assess the impacts on telecommunications in Alaska. The current impression is that reduced or eliminated revenues coupled with increased carrier

[19] RCA Technical Conference was held on February 10, 2012. Representatives from ILECs, CLECs, CMRS providers and interexchange carriers attended.

[20] To date, 26 Petitions have been filed seeking reconsideration or clarification of the Order.

obligations will result in irreparable harm to Alaska's telecommunications infrastructure.

The FCC's apparent preemption of state access pooling requires clarification

The provisions of the Alaska Intrastate Interexchange Access Charge Manual require carriers serving noncompetitive areas to participate in the Alaska Exchange Carrier Association (AECA) pool. Carriers serving competitive exchanges calculated their individual company access charges based on revenue requirements and demand at the time of their exit from the pool.[21] The FCC's adoption of requirements for carriers to file intrastate rates based on 2011 switched access data raises the question of preemption of Alaska state access charge policies.[22] If the FCC intends to preempt state policies, all AECA pooling member companies and nonpooling carriers must recalculate access charges based on individual company 2011 data. Such reorganization of the intrastate access charge regime will require time to implement. The RCA requests that the FCC first clarify its filing requirements under 47 CFR 51.909 before implementing other aspects of the transition plan.

[21] The RCA required seven rural ILECs to leave the AECA pool between 2008 and 2010 due to competitive entry. See U-08-32/u-08-41/U-08-43/U-08-44/U-08-45/u-08-46/U-08-47/U-08-48 U-08-49/U-08-50. The four ACS companies' access rates were last set between 2003 and 2008.

[22] 47 CFR 51.909 provides in part that each Rate-of-Return Carrier shall file intrastate access tariff provisions, in accordance with §51.505(b)(2), that set forth the rates applicable to Transitional Intrastate Access Service in each state in which it provides Transitional Intrastate Access Service. (Members of the AECA Pool do not calculate individual company access rates).

Whether or not the FCC intends to preempt pooled carrier access charge rates, compliance with the FCC's immediate implementation of parts of the transition will be extremely difficult. Additional time to implement the changes is needed. The revenue requirement and rate setting methodology followed by the AECA differs from that used by the National Exchange Carrier Association (NECA). NECA calculates access rates annually using current revenue requirements with projected demand and employs a true-up mechanism. In contrast, AECA addresses half of its member carriers each year so that each carrier revises its revenue requirement and demand every other year. Yearly access charges are determined by combining the carriers' respective revenue requirements and historical demand figures. AECA does not employ a true-up mechanism.

The FCC's immediate implementation of certain reductions to terminating access charges does not allow the AECA an opportunity to analyze and apply the rules or to evaluate whether Alaska carriers will recover an appropriate amount from the CAF/ICC Recovery Mechanism.[23] The FCC should allow adequate time for states to adjust their access charge regimes to enable carriers to receive sufficient funding from the CAF/ICC Recovery Mechanism.

[23] The CAF/ICC Recovery Mechanism is to begin July 1, 2012 based on 2011 interstate access revenue requirements and 2011 intrastate switched access revenues. See Order at ¶ 868 and ¶899).

IV. The FCC's ICC reforms create uncertainty

ICC reforms place major sources of Alaska carrier revenues at risk

As noted above, Alaska providers are assessing the financial impact of the ICC reform. Given the amount of revenues that Alaska ILECs have historically derived from interstate access and USF support, the impacts of reform will be significant. Absent adequate replacement support, the reforms will likely compromise future broadband deployment as well as current operations. This situation is compounded by the fact that Alaska recently reformed its intrastate access charges and shifted the common line costs to end users through a combination of a Network Access Fee (NAF) and Alaska Universal Service Fund (AUSF) support.[24] Further increases will likely result in rates that are not affordable or comparable to urban areas.

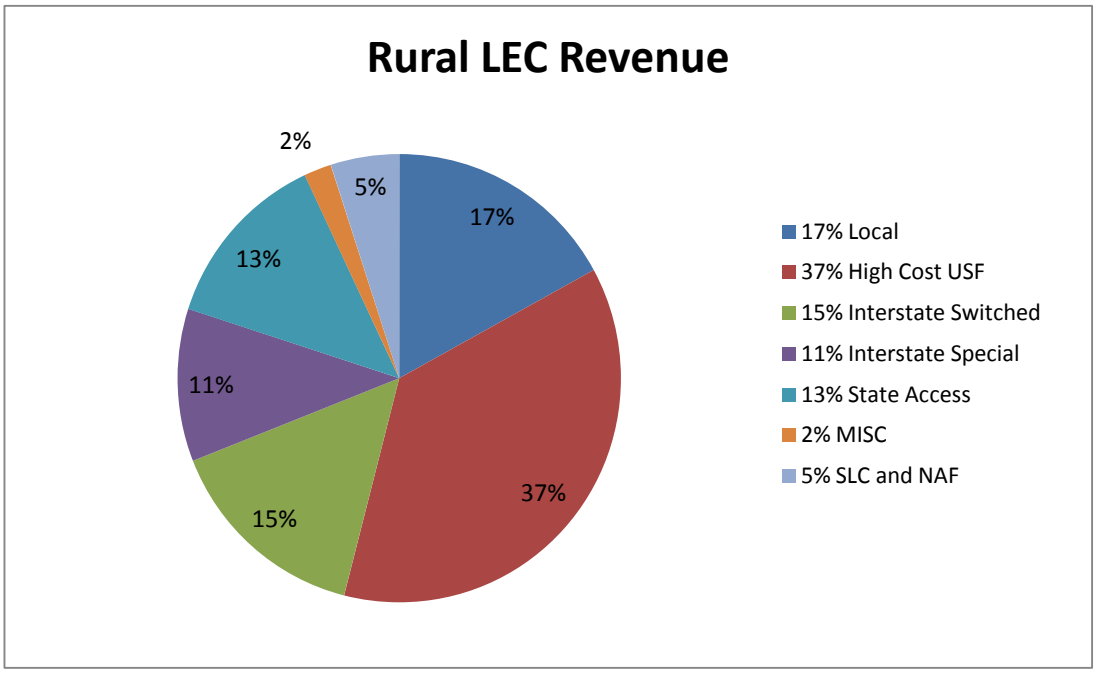
The Chart below shows the relative percentages of revenue sources for four Alaska rural carriers.[25] The FCC's transition to bill-and-keep, combined with reductions to USF support, will compromise the largest sources of revenue for Alaska carriers. While this chart represents revenue sources for four rural rate of return carriers, the FCC ICC reforms will significantly impact revenue streams for Alaska's CLECs and price cap carriers as well

[24] The Network Access Fee or NAF is applied to end user billing and is designed to recover in part the carrier common line revenue requirement.

[25] Average % 2010 revenues for 4 small Alaska noncompetitive LECs: Adak Telephone Company; Alaska Telephone Company, Inc.; OTZ Telephone Cooperative, Inc.; and Summit Telephone and Telegraph Company, Inc. Note these figures do not include the effect of access charge reform which increased Network Access Fee (NAF) charges to end users and moved the recovery of carrier common line costs to the AUSF.

NECA estimates that the interstate access revenue requirement for Alaska carrier members is $21 million.[26] Interstate common line support (ICLS) for Alaska NECA member carriers is roughly $28.6 million annually.[27] Elimination of these revenue streams will require significant amounts of replacement support if Alaska carriers are to maintain current networks and make investments necessary to provide broadband services.

Again, the RCA urges the FCC to take a more measured approach to reform and to access accurately the support required to meet new broadband obligations before implementing reductions to existing critical support.



[26] Roughly $16.6 million of this revenue requirement is switched access and $4.5 million is transport. Nearly $10 million of the $16.6 million in switched access is currently recovered through Local Switching Support.

[27] Order at ¶1330-1332 The FCC seeks comment on elimination of ICLS support.

CAF/ICC support is not predictable or sufficient as required by Section 254(b)[28]

Section 254(b) requires that there should be specific, predictable and sufficient Federal and State support mechanisms to preserve and advance universal service. The FCC is imposing new broadband requirements on carriers prior to establishing mechanisms that provide sufficient support. Alaska providers are trying to determine the effects of reform on their ability to provide broadband and, in some instances, to continue their ability to provide quality voice services. By capping the total USF at $4.5 billion, the FCC is ignoring its own cost estimates developed in the National Broadband Plan (NPB). In the NBP, the FCC estimated a cost of nearly $14 billion to provide terrestrial broadband services to the most expensive 250,000 unserved housing units.[29] Many of these unserved units will be in Alaska. The FCC's allotment of $100 million annually for the Remote Areas Fund – less than 1% of the FCC's own earlier estimate – pales by comparison.

The proposed CAF/ICC support is designed to cover only a portion of eliminated access revenues and will phase out over time. Eligible carriers will be required to provide broadband service in addition to voice services with reduced revenue and support. As drafted, the FCC's reforms would violate the principle that support must be sufficient and predictable.

[28] Section 254(b)(5) provides that there should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.

[29] FCC10-58 at ¶22.

FCC ICC Reforms create uncertainty for investment and for reasonable returns

The FCC established a rebuttable presumption that CAF/ICC support and Access Recovery Charge proceeds will allow LECs to earn a reasonable return.[30] The RCA sees no data in the Order supporting this presumption especially with regard to rural Alaskan carriers. The FCC allows that carriers may petition for increased support through a total Cost and Earnings Review.[31] The total earnings review places the burden of proving that support is or is not sufficient on the affected Alaska carriers. The RCA believes the FCC, as the author of the reforms, should bear the burden of proving that the results of its reforms will allow carriers to earn a reasonable return.

The FCC states that the support mechanism is predictable enough to allow providers to make investment decisions based on a full understanding of their revenues from ICC for the next several years.[32] In reality, ICC revenues and the CAF/ICC Recovery Mechanism calculation is not clear in part due to differences between intrastate and interstate access charge systems and differences in network architecture. Also, the details of the CAF support mechanisms have yet to be determined. The short construction season in Alaska will be lost for 2012 before carrier support amounts can be determined.

[30] Order at ¶924.

[31] Order at ¶ 924-932.

[32] Order at ¶847

One indicator of increased financial uncertainty is the revised loan requirements recently announced by the Rural Utilities Service (RUS).[33] This lender's response to the FCC's reforms may result in reduced capital available to carriers at the very time when the FCC has increased carrier obligations to include provision of broadband services.

V. Transition and recovery

The transition of originating access and dedicated transport should not begin until the impacts of terminating access reform are known

The FCC seeks comment on timelines for reducing originating access and dedicated transport to bill-and-keep.[34] This transition should be delayed at least until the impacts of reductions to terminating access charges are fully known and the RCA is willing to participate in determining a timeline for this transition. To the extent the FCC is unable to craft an ICC plan that encompasses the realities of Alaska's telecommunications network, ICC reforms should be delayed indefinitely.

The FCC should not set a sunset date for the ARC

The ARC will provide a small measure of cost recovery for eligible carriers. According to our calculations, 15 of the 28 Alaska LECs will have rates

[33] February 3, 2012 Open Letter from the Assistant Administrator at http://www.rurdev.usda.gov/supportdocuments/LetterReInfrastructureLoanApps

[34] Order at ¶ 1299,1302

below the $30 rate cap and will be eligible to charge the first year $.50 ARC. The RCA notes however that the FCC's $30 rate cap does not include the federal USF surcharge amounts which in some instances contribute significantly to consumer billings. (See rates in Exhibit 3) To the extent Alaska carriers choose to apply the ARC to their customer billings, the charge contributes to recovery of costs and the FCC should not sunset the charge.

FCC proposals to eliminate Subscriber Line Charges (SLC) and Interstate Common Line Support (ICLS) ignore real network costs and create economic uncertainty

The FCC has set a transition path for the reduction of access charges to zero. In addition the FCC has determined it will end Local Switching Support (LSS) as a separate support mechanism as of July 1, 2012 and this support instead will be provided in part through the CAF/ICC support mechanism.[35] Given the uncertainty of the amount of CAF/ICC recovery available to Alaska carriers, the SLC should not be eliminated as a source of recovery. Likewise, ICLS support should not be eliminated.[36] ICLS enables carriers an opportunity to recover the costs of outside plant which has long depreciation lives. Elimination of ICLS support will lead either to extremely high rates or to significant stranded investment. Neither of these outcomes is consistent with universal service goals.

Local exchange carriers incur very real and legitimate costs to deploy and maintain Alaska's traditional telephone networks. Network capacity must be

[35] Order at ¶257

[36] Alaska carriers received roughly $82 million in ICLS support in 2009 according to the 2010 Monitoring Report.

sized to handle the traffic it is likely to experience at peak times and much of this existing traffic is interexchange traffic. Under a broadband regime, local networks must also expand to accommodate the geometrically growing demand of consumers as they utilize technologies that require greater bandwidth. The costs to provide and maintain the traditional telephone networks will not disappear. Given that further investment is required to comply with FCC broadband requirements, there must be sufficient finding to achieve both objectives.

VI. Interconnection

The best way to promote Internet Protocol interconnection (IP-to-IP interconnection) is to provide adequate funding for the transition

The FCC seeks comment on the best way to promote IP to IP interconnection.[37] The most obvious way to incent carriers to install IP-capable facilities is to provide continued funding for that purpose. Through thoughtful use of High Cost USF support, many wireless and wireline carriers in Alaska, except for those serving the smallest and most remote areas, have implemented IP capability within their networks. Further upgrades of existing IP facilities and deployment of additional IP infrastructure will be compromised by the FCC's current policy of implementing change without first assessing the costs of its broadband mandate. The FCC should evaluate comments in this proceeding as well as cost models and other data submitted by Alaska carriers to fully assess the cost of transitioning Alaska carriers to IP based services. Funding mechanisms for Alaska should be sized accordingly.

[37] Order at ¶1301, 1335

Alaska carriers must be permitted to negotiate alternative interconnection agreements

The incremental cost of termination of telecommunications traffic is not nearly zero as the FCC assumes.[38] Networks are sized for the traffic they must manage; the cost of facilities depends on features and functionality needed for interexchange service as well as the expected peak traffic volume. Peak traffic volumes for broadband services are not predictable like the traditional telephone Mother's Day peak. Networks must be designed to handle sudden changes in demand for bandwidth and there are costs associated with this capability.

The FCC should clarify that carriers will always be able to negotiate alternative intercarrier compensation agreements that provide for cost recovery during and after reform.

Under bill-and-keep it is reasonable to expect tariffs to give way to interconnection agreements

The FCC seeks comment on whether it is reasonable to assume that access tariffs should give way to interconnection agreements. To the extent that carriers are required to negotiate in good faith to establish reasonable interconnection agreements, the RCA agrees that tariffed access rates may become less useful. State commissions should remain involved in resolving interconnection disputes that involve intrastate traffic.

[38] Order at ¶753.

The RCA should be involved in defining rules for interconnection and defining the network edge for Alaska carriers

The FCC seeks comment on a variety of IP interconnection issues such as defining points of interconnection and the network edge as well as rules governing IP to TDM[39] interconnection.[40] As noted earlier, the Alaska telecommunications network configuration is not comparable to network architecture in the lower 48 states. The FCC's proposals regarding the obligation of a carrier to pay for the transport of traffic to the network edge of the terminating carrier comes with enormous costs. Consider again the examples above for the ATC and ACS-N study areas composed of exchanges that may be hundreds of miles apart. Alaska rural carriers need to continue to be allowed to terminate traffic within their currently defined local exchange areas.

With regard to IP to TDM interconnection, Alaska rural carriers facing decreased support and other revenues along with continuing high costs of providing service should not also be penalized for requiring interconnection on a TDM basis absent support to fund the transition to IP. As with current interconnection rules, rural exemptions or waiver requests directed to the state commission should remain an option.

In general, the formulation of rules governing management of telecommunications traffic in Alaska requires an Alaska specific solution. The RCA urges the FCC to allow additional time for the RCA, together with Alaska

[39] Time Division Multiplexing (TDM)

[40] ¶ 1320-1321 and ¶1361-1364

providers, to determine rules addressing Alaska specific problems in promoting IP to IP interconnection.

Call signaling rules are problematic for some rural Alaska carriers

As with other network architecture related rules, the FCC's proposed call signaling rules create implementation problems in Alaska.[41] Many rural carriers use MultiFrequency (MF) signaling rather than SS7 signaling due to the high cost of satellite links needed for database dips. The MF format does not have a privacy indicator to allow the customer to block caller ID. Apparently switches were designed to suppress caller information if MF signaling is used to protect customer privacy. Alaska carriers propose that caller ID functions could therefore be circumvented if carriers were to force caller information into the call stream.

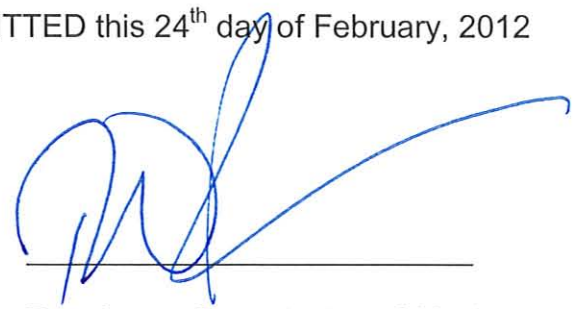
We realize the FCC requirements are part of the solution to phantom traffic problems. We are not aware of phantom traffic problems in rural Alaska where the MF signaling is used. While we understand the FCC's reluctance to grant waiver of its requirements for carriers to forward called party information, we seek such waiver for rural carriers that use MF signaling due to the inordinate costs associated with SS7 satellite links. Until a less expensive signaling protocol becomes available, these rural carriers will be technically and financially unable to comply with the FCC's requirements.

[41] Order at ¶710

VII. Conclusion

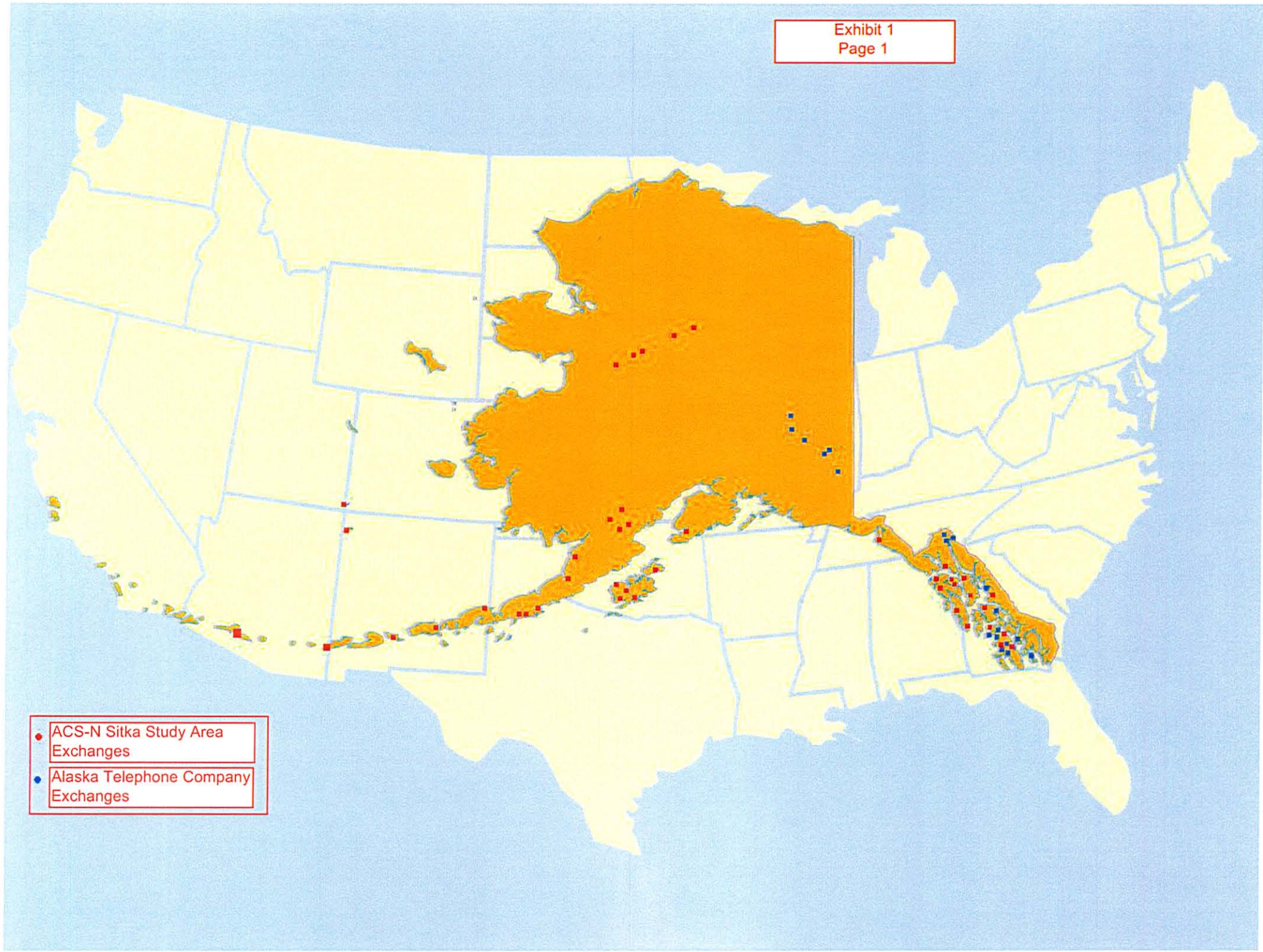
Alaska carriers – ILEC, CLEC, IXC and CMRS – have worked together through voluntary negotiations to develop fair approaches to intercarrier compensation that reflect the state's unique network infrastructure. The FCC reforms should recognize the unique character of Alaska and allow flexibility for carriers to negotiate agreements that will allow investment and broadband deployment while also permitting cost recovery. Rather than preempting state authority and mandating changes to intercarrier compensation, the FCC should utilize the knowledge of the RCA and Alaska providers to implement ICC reform that will work for Alaska. The RCA urges the FCC to pause in its implementation of reforms to clarify newly adopted rules and to understand the impacts of these rules before mandating further change. Through partnership, a thoughtful Alaska-specific course may be charted to accomplish the FCC's advanced broadband vision. If Alaska's unique circumstances are not recognized, the current course for reform creates the very real possibility that Alaska will never realize the opportunities envisioned by the FCC's broadband goals.

RESPECTFULLY SUBMITTED this 24th day of February, 2012



Regulatory Commission of Alaska
T.W. Patch, Chairman

Exhibit 1
Page 1



ACS of the Northland Sitka Study area exchanges:

Akhiok, Akutan, Angoon, Atka, Border City, Chignik, Chignik Lagoon, Chignik Lake, Coffman Cove, Cube Cove, Egegik, Elfin Cove, English Bay, False Pass, Gustavus, Halibut Cove, Hobart Bay, Hoonah, Hughes, Huslia, Ivanoff Bay, Kake, Kakhonak, Kaltag, Karluk, Kasaan, Kazakof Bay, Klawock, Koyukuk, Larsen Bay, Meshik, Nelson Lagoon, Nikolski, Nondalton, Northway, Nulato, Old Harbor, Ouzinkie, Pedro Bay, Pelican, Perryville, Pilot Point, Point Baker, Port Alexander, Port Alsworth, Port Graham, Port Protection, St. George, St. Paul, Sitka, Tenakee Springs, Thorne Bay, and Yakutat.

From Kasaan (southeastern most exchange) to Hughes (northern most exchange) is 1025 miles (between coordinates)

From Atka (farthest Aleutian chain exchange) to Hughes is 1180 miles

From Kasaan to Atka is 1694 miles

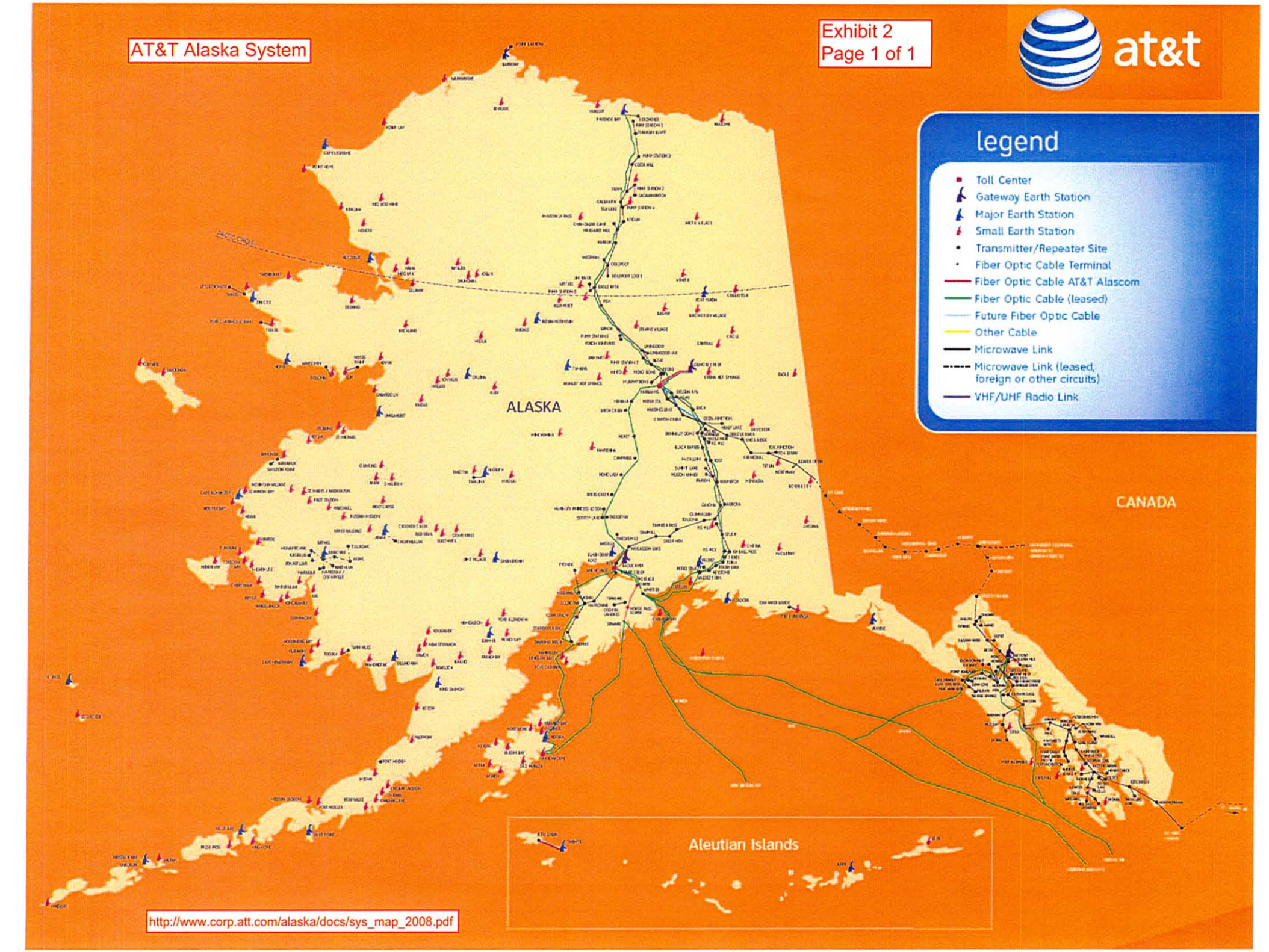
Alaska Telephone Company Study area exchanges:

Chisana, Craig, Dot Lake, Dry Creek, Edna Bay, Haines, Healy Lake, Hollis, Hydaburg, Hyder, Klukwan, Metlakatla, Myers Chuck, Naukati, Petersburg, Skagway, Tetlin, Tok, Whale Pass, Wrangell.

Healy Lake (northern most exchange) to Metlaktla (southern most exchange) – 763 miles

AT&T Alaska System

Exhibit 2
Page 1 of 1



http://www.corp.att.com/alaska/docs/sys_map_2008.pdf

Comments of the Regulatory Commission of Alaska

Rate impact of Access Recovery Charge (ARC and proposed elimination of ICLS)

EXHIBIT 3

	Incumbent Alaska Local Exchange Carriers	Residential Local Rate	TRS Surcharge	2012 State Network Access Fee	0.95 Alaska USF Surcharge	EAS Surcharge	E911 Surcharge	State Total	Subscriber Line Charge	Total rate subject to $30 rate cap	ARC permitted	Rate including ARC	rate elements not included in $30 cap: 17.90% Federal USF Surcharge	rate elements not included in $30 cap: Alaska Regulatory Cost Charge	Carrier per line impact if ICLS is eliminated	Actual charges to residential LEC customer
1	ACS of Alaska, Inc. (Juneau)	$ 11.75	$ 0.12	$ 3.88	$ 1.12		$ 0.75	$ 17.61	$ 6.50	$ 24.11	$0.50	$ 24.61	$ 2.10	$ 0.09	$3.09	$ 29.90
2	ACS of Alaska, Inc. (Greatland)	$ 11.75	$ 0.12	$ 3.88	$ 1.12		$ 0.75	$ 17.61	$ 6.50	$ 24.11	$0.50	$ 24.61	$ 2.10	$ 0.09	$4.93	$ 31.74
3	ACS of Anchorage,Inc.	$ 12.05	$ 0.12	$ 3.69	$ 1.14		$ 1.50	$ 18.51	$ 6.50	$ 25.01	$0.50	$ 25.51	$ 2.16	$ 0.09	$3.31	$ 31.07
4	ACS of Fairbanks,Inc.	$ 12.25	$ 0.12	$ 4.25	$ 1.16		$ 1.90	$ 19.69	$ 6.50	$ 26.19	$0.50	$ 26.69	$ 2.19	$ 0.10	$8.17	$ 37.15
5	ACS of the Northland, Inc. (Glacier State)	$ 14.50	$ 0.15	$ 4.25	$ 1.38			$ 20.27	$ 6.50	$ 26.77	$0.50	$ 27.27	$ 2.60	$ 0.11	$10.49	$ 40.47
6	ACS of the Northland, Inc. (Sitka)	$ 14.50	$ 0.15	$ 4.25	$ 1.38			$ 20.27	$ 6.50	$ 26.77	$0.50	$ 27.27	$ 2.60	$ 0.11	$8.62	$ 38.60
7	ACS of the Northland, Inc. (Cube Cove)	$ 38.40	$ 0.38	$ 4.25	$ 3.65			$ 46.68	$ 6.50	$ 53.18		$ 53.18	$ 6.87	$ 0.30	$8.62	$ 68.98
8	Adak Eagle Enterprise	$ 40.60	$ 0.41	$ 4.25	$ 3.86			$ 49.11	$ 6.50	$ 55.61		$ 55.61	$ 7.27	$ 0.32	$413.99	$ 477.19
9	Alaska Telephone Co.	$ 18.30	$ 0.18	$ 4.25	$ 1.74			$ 24.47	$ 6.50	$ 30.97		$ 30.97	$ 3.28	$ 0.14	$14.00	$ 48.39
10	ASTAC	$ 29.00	$ 0.29		$ 2.76			$ 32.05	$ 6.50	$ 38.55		$ 38.55	$ 5.19	$ 0.23	$29.35	$ 73.31
11	Bettles Telephone Co., Inc.	$ 18.30	$ 0.18	$ 4.25	$ 1.74			$ 24.47	$ 6.50	$ 30.97		$ 30.97	$ 3.28	$ 0.14	$9.04	$ 43.43
12	Bristol Bay Telephone Coop	$ 18.15	$ 0.18		$ 1.72			$ 20.06	$ 6.50	$ 26.56	$0.50	$ 27.06	$ 3.25	$ 0.14	$29.88	$ 60.33
13	Bush-Tell, Inc.	$ 21.50	$ 0.22	$ 4.25	$ 2.04			$ 28.01	$ 6.50	$ 34.51		$ 34.51	$ 3.85	$ 0.17	$33.06	$ 71.59
14	Circle Telephone	$ 13.50	$ 0.14		$ 1.28			$ 14.92	$ 6.50	$ 21.42	$0.50	$ 21.92	$ 2.42	$ 0.11	$33.58	$ 58.02
15	Copper Valley Telephone Coop., Inc.**	$ 13.45	$ 0.13	$ 4.25	$ 1.28		$ 0.75	$ 19.86	$ 6.50	$ 26.36	$0.50	$ 26.86	$ 2.41	$ 0.11	$66.62	$ 96.00
16	Cordova Telephone	$ 13.00	$ 0.13		$ 1.24			$ 14.37	$ 6.50	$ 20.87	$0.50	$ 21.37	$ 2.33	$ 0.10	$49.11	$ 72.90
17	Interior Telephone Co.*	$ 20.35	$ 0.20	$ 4.25	$ 1.93		$ 1.50	$ 28.24	$ 6.50	$ 34.74		$ 34.74	$ 3.64	$ 0.16	$26.31	$ 64.85
18	Ketchikan Public Utilities	$ 9.40	$ 0.09	$ 4.25	$ 0.89			$ 14.64	$ 6.50	$ 21.14	$0.50	$ 21.64	$ 1.68	$ 0.07	$27.60	$ 50.99
19	Matanuska Telephone Assoc., Inc.***	$ 13.20	$ 0.13	$ 4.25	$ 1.25		$ 1.50	$ 20.34	$ 6.50	$ 26.84	$0.50	$ 27.34	$ 2.36	$ 0.10	$17.97	$ 47.77
20	Mukluk Telephone Co., Inc*	$ 16.05	$ 0.16	$ 4.25	$ 1.52		$ 2.00	$ 23.99	$ 6.50	$ 30.49		$ 30.49	$ 2.87	$ 0.13	$23.21	$ 56.69
21	North Country Telephone, Inc.	$ 18.30	$ 0.18	$ 4.25	$ 1.74			$ 24.47	$ 6.50	$ 30.97		$ 30.97	$ 3.28	$ 0.14	$23.25	$ 57.64
22	Nushagak (Dillingham)	$ 25.11	$ 0.25	$ 4.25	$ 2.39			$ 32.00	$ 6.50	$ 38.50		$ 38.50	$ 4.49	$ 0.20	$26.09	$ 69.28
23	Nushagak (remaining)	$ 31.61	$ 0.32	$ 4.25	$ 3.00			$ 39.18	$ 6.50	$ 45.68		$ 45.68	$ 5.66	$ 0.25	$26.09	$ 77.68
24	OTZ Telephone Coop., Inc.	$ 16.56	$ 0.17	$ 4.25	$ 1.57			$ 22.55	$ 6.50	$ 29.05	$0.50	$ 29.55	$ 2.96	$ 0.13	$28.62	$ 61.26
25	Summit Telephone Co.	$ 20.15	$ 0.20	$ 4.25	$ 1.91	$ 1.40	$ 0.75	$ 28.67	$ 6.50	$ 35.17		$ 35.17	$ 3.61	$ 0.16	$145.96	$ 184.89
26	United-KUC, Inc.	$ 13.80	$ 0.14	$ 4.25	$ 1.31			$ 19.50	$ 6.50	$ 26.00	$0.50	$ 26.50	$ 2.47	$ 0.11	$19.04	$ 48.12
27	United Utilities, Inc.	$ 19.23	$ 0.19	$ 4.25	$ 1.83			$ 25.50	$ 6.50	$ 32.00		$ 32.00	$ 3.44	$ 0.15	$19.04	$ 54.63
28	Yukon Telephone	$ 17.00	$ 0.17	$ 4.25	$ 1.62			$ 23.04	$ 6.50	$ 29.54	$0.46	$ 30.00	$ 3.04	$ 0.13	$29.77	$ 62.94

TRS surcharge is $.01 residential; $.02 business as of 9/11/11

AUSF Surcharge is 9.5% as of 8/1/11

Network Access Fees are $3.75 in 2011 increasing to $4.25 in 2012, rising to $5.75 in 2015.

1st Quarter 2012 Federal USF Surcharge is 17.9% FCC does not include this in caluclation of $30 cap.

Regulatory Cost Charge Rate as of 7/1/2011 for Local Service is .787%. Order U-11-66(3). The FCC does not include this in the calculation of the $30 rate cap

According to FCC 11-13, paragraph 172, the nationwide averge urban rate is $15.47.

* E911 surcharge in Seward and Moose Pass only

* Mukluk E911 surcharge applies in Nome only

**CVTC E911 surcharge applies in Valdez only.

***MTA E911 surcharge: Per Line: $1.50 for Eagle River/Chugiak customers; $0.85 for Mat-Su Borough; $1.50 for Tyonek exchange.

Your submission has been accepted

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Proceedings

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09-51	In the matter of a National Broadband Plan for Our Future.
07-135	In the Matter of Establishing Just and Reasonable Rates for Local Exchange Carriers. .
05-337	In the Matter of Federal -State Joint Board on Universal Service High-Cost Universal Service Support. .. .
01-92	Developing a Unified Intercarrier Compensation Regime.
96-45	FEDERAL-STATE JOINT BOARD ON UNIVERSAL SERVICE
03-109	In the Matter of Lifeline and Link-Up
10-208	In the Matter of Universal Service Reform Mobility Fund.

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