

**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

**Reply Comments of the
Regulatory Commission of Alaska**

Date: March 30, 2012

T.W. Patch, Chairman

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Reply Comments of the Regulatory Commission of Alaska

The Regulatory Commission of Alaska (RCA) appreciates the opportunity to file additional comments in response to Sections XVII L-R of the *Report and Order and Further Notice of Proposed Rulemaking* (FCC Order) concerning the Reform of Intercarrier Compensation (ICC).¹

¹ FCC11-161, *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;

Alaska carrier comments on the FCC Order were consistent with the themes addressed by the RCA's initial comments.² The RCA and Alaska carriers urged the FCC to consider an ICC reform plan that recognizes the unique challenges Alaska carriers face in providing services in some of the nation's most rural, high cost locations. The RCA and Alaska Carriers emphasized the characteristics of carrier study areas that often cover hundreds of square miles and are comprised of scattered islands of noncontiguous exchanges as shown in Exhibit 1.³ The RCA and Alaska carriers discussed how the physical geography of these exchange locations has led to a telecommunications network architecture that differs radically from networks in the lower 48 states and makes the application of bill-and-keep intrastate access rates problematic. These network differences also support the need for waiver of certain rules governing call signaling and interconnection.⁴

The RCA, Alaska RC, and GCI explained important differences between intrastate and interstate access charge elements and procedures that complicate the calculation of Transitional Intrastate Access charges. Alaska carriers, other state commissions, and rural carrier consulting firms joined with the RCA in

Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 released November 18, 2011, 76 Federal Register, 73830 (November 29, 2011) (FNPRM)

² *Comments of the Regulatory Commission of Alaska* filed February 24, 2012 (RCA Comment); *Comments of Alaska Communications Group (ACS Comment)* filed February 24; *Comments of General Communications, Inc. on Sections XVII L-R of the CAF/ICC Further Notice of Proposed Rulemaking*, filed February 24, 2012. (GCI Comment); and *Intercarrier Compensation Comments of the Alaska Rural Coalition* filed February 24, 2012 (Alaska RC Comments)

³ Exhibit 1, showing the exchanges included in the ACS of the Northland, Inc. and Alaska Telephone Company study areas, was also included in RCA Comment on FCC11-161.

⁴ Alaska Carrier petitions for waiver of call signaling rules are discussed in later sections of this Reply.

asserting that reductions in universal service funding and ICC revenues as a result of the FCC's reforms, absent replacement support will jeopardize the provision of telecommunications voice and broadband services in rural areas where there is no business case for providing these telecommunications services.

Comments indicate the need for pause points and an extension of timelines for implementation of FCC ICC reforms

A number of commenters urge the FCC to slow its schedule for implementing ICC reform.⁵ A number of requests for clarification are awaiting response from the FCC and procedural schedules addressing appeals are being established. Alaska carriers and others throughout the nation are scrambling to understand the reforms adopted by the FCC. We are concerned that current deadlines for filings in compliance with newly adopted rules, the phase out of access revenues, and the lack of established rules for obtaining CAF and ICC support create an environment of economic uncertainty.⁶

Success in reforming USF and ICC requires that the FCC allow time for carriers and state commissions to digest the hundreds of pages in the FCC Order and to adjust company and state procedures and policies accordingly. Carriers

⁵ *FNPRM Comments of GVNW Consulting, Inc. ICC Issues* (GVNW Comment) at page 6 and 16; *Comments of Moss Adams, LLC, et. al.* (Moss Adams et.al.) at page 5.

⁶ Since the issuance of the FNPRM, the FCC established a July 1, 2012 filing date for Transitional Intrastate access charges, an April 1 date for implementation of revised Lifeline support, Comment and Reply NPRM on Lifeline, NPRM on Mobility, Notices on waiver requests and clarifications.

are being asked to absorb a great deal.⁷ The RCA agrees with the GVNW Comment that the FCC's pledge to avoid "flash cuts" indicates that a pause in the implementation process is warranted and urgently needed. The RCA joins other commenters in urging the FCC to delay implementation of additional reforms, at least for the remainder of 2012, to assess the impacts of adopted reforms and to be certain that unintended consequences do not frustrate the principles of universal service.

Bill-and-keep rates are not reasonable for rural carriers and the FCC should be prepared to grant waivers or exemptions

Numerous commenters representing rural interests challenge the reasonableness of a bill-and-keep ICC rate structure for rural areas and the FCC's authority to implement it.⁸ One basis for these arguments is that rural carriers incur very high costs to build and maintain networks and are entitled to recovery of those costs plus a reasonable rate of return.⁹ Carriers originating, transiting or terminating traffic on another carrier's network impose real costs on

⁷ ACS Comment at page 4. ACS states, "new broadband buildout requirements, network testing and reporting requirements, rate structure and tariff changes, changes to customer bills, and changes to call signaling requirements all must be incorporated into internal carrier processes and implemented in accordance with hundreds of pages of new FCC rules."

⁸ GVNW Comment at pages 7-8; Moss Adams et. al. at page 4. *Comments of the National Association of State Utility Commissioner Advocates, Maine Office of the Public Advocate, The New Jersey Division of Rate Counsel, and The Utility Reform Network on Sections XVII L-R of the Further Notice of Proposed Rulemaking* at pages 3-6 (NASUCA et.al. Comment).

⁹ GVNW at page 3. GVNW asserts that "Any ultimate Commission decision that would prevent a rural carrier from a compensatory return would violate the carrier's due process under the law and undermine its legitimate, investment-backed expectations. Such interference with carrier property rights in a manner that undermines such expectations constitutes a taking."

that carrier and the cost of intercarrier compensation cannot be zero.¹⁰ In Alaska in particular, most, if not all, of the newer communications services, such as wireless and some Internet Protocol (IP) based services, rely on the underlying physical facilities of the rural LECs to complete calls. If the underlying rural LEC is so adversely affected by the FCC's proposed changes, necessary maintenance and operation of those underlying facilities will be greatly reduced or eliminated, and universal service will suffer.¹¹

The prescription for keeping communications in rural areas viable is to continue to follow the principles identified by the Rural Task Force in 2000.¹² The Rural Task Force identified the many unique characteristics of rural areas that exist and will continue to exist into the future. "The rural difference is a valid consideration in developing intercarrier compensation public policy in 2012. Any reform to intercarrier compensation for rural carriers must reflect the diversity of costs between rural and non-rural carriers, and among the subset of rural carriers."¹³

Moss Adams et.al. provide data showing the significant impact the FCC's USF and ICC reforms will have on a sampling of rural carrier revenues. They state that, "such reductions, even if phased in over several years, would be

¹⁰ GVNW at page 9, referencing NASUCA Comments filed in CC Docket No. 01-92, on December 14, 2004.

¹¹ *Comments of the Indiana regulatory Commission on Further Notice of proposed rulemaking Sections XVII L-R* at page 3. (Indiana Comment). GVNW Comment at page 6.

¹² GVNW Comment at page 10, referencing "The Rural Difference", Rural Task Force White Paper 2, released January 2000.

¹³ GVNW Comments at pages 9-10.

devastating to rural carriers and would significantly impair a company's ability to service debt and may lead to insolvency. All of which does not bode well for the provision of voice and broadband services in rural America."¹⁴

Should the FCC's authority to implement bill-and-keep rates be upheld, the RCA recommends that the FCC provide exemptions from bill-and-keep requirements for all Alaska carriers serving rural study areas. At a minimum, the FCC should not preempt the authority of state commissions to grant suspension or modification of rules under Section 251(f)(2).¹⁵

Alaska's telecommunications network is uniquely different from the network in the lower 48 states

In its comments, the RCA urged the FCC to consider seriously the unique characteristics of the Alaska telecommunications network architecture that make application of bill and keep rates problematic. Alaska carriers' comments reiterate these concerns and provide valuable details regarding the Alaska telecommunications network and how carriers use it.¹⁶

ACS filed a model for deployment of broadband services in Alaska.¹⁷ The ACS model demonstrates the variety of location specific network architectures that are necessary to deploy broadband facilities throughout the state.

¹⁴ Moss Adams et.al. at page 7.

¹⁵ RCA Comment at pages 8-9; Alaska RC Comment at page 6.

¹⁶ GCI Comment at pages 2-4. *Intercarrier Compensation Comments of the Alaska Rural Coalition* filed February 24, 2012 (Alaska RC Comments) at p7-10

¹⁷ *Alaska Communications Broadband Network Cost Study Model* filed February 14, 2012 in WC Docket No. 10-90.

Specifically, broadband services in the ACS ILEC study areas will require transport by fiber, microwave and satellite facilities. The ACS model includes cost estimates for deployment of these facilities which presumably demonstrates the funding necessary for sufficient and predictable support that will enable ACS to meet the FCC's broadband standards.

These cost estimates, when joined with those of other carriers serving rural areas, should inspire the FCC to reconsider the wisdom of setting an arbitrary cap on CAF and ICC support without first assessing the actual cost of broadband deployment. In addition, numerous commenters suggest the FCC's budget restraints are unreasonable when broadband deployment costs have not yet been fully assessed.¹⁸ The RCA urges the FCC to consider seriously the information provided in the ACS model when adopting rules and procedures for distributing support in accordance with universal service standards.

The Alaska network architecture requires flexibility for implementation of bill-and-keep rates

The RCA and carrier comments emphasized aspects of the Alaska network that differ from networks in the lower 48 states. Specifically, Alaska has no LATAs¹⁹ and LECs often serve numerous noncontiguous exchanges with small populations.²⁰ Exchanges may be separated by hundreds of miles, and

¹⁸ RCA Comment at page 17, Alaska RC Comment at page 13. Moss Adams et.al. at page 10.

¹⁹ Local Access and Transport Area (LATA)

²⁰ GCI Comment at page 3. Alaska RC Comment at pages 7-10.

carriers use costly satellite transport between villages, often within the same ILEC study area. GCI explained that there are no tandems in Alaska; rather IXCs have interconnection points in each LEC wire center.²¹ Traffic exchange in Alaska frequently involves three carriers — an originating carrier, an IXC and a terminating carrier — often within a single ILEC study area. The RCA joins Alaska carriers in reiterating that any bill-and-keep implementation must reflect this reality, both with respect to financial responsibility of carriers and the location of points of interconnection between carriers.

The FCC should consider the unique Alaska network architecture and allow flexibility for IP to IP interconnection and designation of the network edge in Alaska

As noted above, the Alaska network architecture requires that carriers interconnect in every rate center which can create additional expense and complicate interconnection relationships.²² Also, the fact that many rural LECs serve study areas comprised of scattered islands of exchanges covering sometimes hundreds of square miles means significant additional expenses may be incurred for rural Alaska carriers that are now required to provide broadband services. Transport of broadband traffic outside of exchanges not on the road system requires middle mile transport to peering points located in Seattle, Washington or Oregon. A requirement for LECs to carry traffic to the Network

²¹ GCI Comment at page 5.

²² Alaska RC Comment at page 16. GCI Comment at page 3.

Edge, if located outside of particular exchange boundaries means enormous costs for rural carriers.²³

The RCA agrees with the GVNW recommendation that rural carriers be required to carry traffic to their exchange boundary or existing meet point and should not have the financial obligation to deliver their originating traffic to destinations beyond their established network interconnection points.²⁴ In Alaska, transport between communities is handled by IXCs rather than LECs and this practice will likely be continued in an IP world. If FCC determinations result in designation of the IP Network edge such that LECs' costs are increased, then CAF support should be provided for middle mile transport. If middle mile transport is not competitively offered, then a certain level of regulation may be appropriate.

IP to IP interconnection rules should apply to all carriers and should not unduly burden rural carriers

Many rural Alaska carriers operate using TDM technology.²⁵ While many such carriers have upgraded to IP capable switches, a complete conversion will take years absent support dedicated for that purpose. Rural carriers should not be saddled with increased connection costs to accommodate a provider requesting IP interconnection.

²³ FCC Order at ¶1310 and ¶1320-1321.

²⁴ GVNW Comment at page 14.

²⁵ Time Division Multiplexing (TDM) is circuit based technology and requires a conversion or gateway to interact with IP based technologies.

We agree with ACS comments that the FCC should not immediately adopt rules governing IP to IP interconnection.²⁶ Interconnection obligations should however, apply to all carriers that are eligible for CAF support.²⁷ The Section 251 and 252 requirements for carriers to interconnect and to negotiate in good faith, with state commissions mediating disagreements, should suffice until more experience is gained with IP based telecommunications. Should rule changes be implicated, the FCC should conduct a proceeding to build a record on IP interconnection issues prior to adopting specific rules.²⁸

The FCC should not preempt State COLR obligations²⁹

The FCC, state commissions and carriers must be permitted to evaluate fully the impact of USF and ICC reforms on services provided in high cost rural areas. Given adequate time, the RCA may evaluate COLR obligations and address changes, if needed, to ensure that reliable voice services are provided to all consumers in Alaska, especially those in remote locations where there is no business case for providing service. Preemption of state authority, or disregard for the needs of citizens in remote locations, absent a full assessment of the costs and logistics of providing voice services, can realistically result in

²⁶ ACS Comment at page 6. GVNW Comment at page 15.

²⁷ FCC Order at ¶1324.

²⁸ GVNW Comment at page 15 re FCC ¶ 1335.

²⁹ FCC Order at ¶15 and¶75. The FCC states it does not seek, at this time, to modify state authority to establish COLR obligations.

elimination of reliable, affordable telecommunications services. Such a result directly conflicts with the principles of universal service.

The RCA acknowledges the concerns of COLRs that potentially may lose significant revenues as a result of the FCC's reforms. The RCA recently adopted regulations governing COLR duties in Alaska.³⁰ The Alaska USF provides state support for these carriers who petitioned for COLR designation in their study areas. When adopting rules for disbursement of USF and ICC support, the FCC must not lose sight of the Section 254(b)(3) principle requiring reasonably comparable services to customers in rural areas of the nation and the role that COLR obligations play in ensuring realization of this principle.

Broadband revenues will not immediately offset lost access revenues

The RCA joins the Alaska RC in its concern that the FCC is basing reforms on an assumption that broadband services will generate sufficient additional revenue to offset the substantial losses imposed by the current ICC reform measures.³¹ Increases in revenue from broadband services will take years to realize in Alaska. The Alaska RC further notes that there is no evidence in the record to support the idea that new broadband services will generate the positive cash flow necessary to offset access revenue losses and to fund carrier investment in broadband services in the highest cost areas.³²

³⁰ See Docket No. R-08-003.

³¹ Alaska RC Comment at page 12.

³² Alaska RC Comment at page 12.

The FCC should not phase out the ARC and CAF/ICC Support³³

Commenters agree that phase out of the ARC and CAF/ICC support is not reasonable at this time.³⁴ GVNW states it is premature and possibly confiscatory to schedule a phase out of these elements prior to their implementation.³⁵ GVNW proposes that the FCC evaluate the impacts of these recovery mechanisms for at least three years before taking any further action.

The Alaska RC states that the ARC may provide rural carriers with some measure of stability as they adjust to the transition of terminating access to bill-and-keep even though the ARC will provide minimal recovery to carriers.³⁶ The RCA joins the Alaska RC in its recommendation that the ARC and CAF/ICC support should not be phased out until their role in funding broadband deployment can be evaluated.

The FCC should address reform to the North American Numbering Plan rules to effectuate numbering resource conservation while accommodating a transition to IP based networks

Alaska successfully implemented numbering resource conservation measures aimed at prolonging the life of the 907 area code.³⁷ Alaska providers

³³ FCC Order at ¶1326. The FCC seeks comment on phase out of the ARC and CAF/ICC support.

³⁴ RCA Comment at page 10.

³⁵ GVNW Comment at page 15.

³⁶ RC Comments at pages 11-12.

³⁷ See Dockets No. U-09-004 and U-10-067 implementing mandatory thousands-block number pooling in Alaska.

participated in these proceedings and have voluntarily negotiated interconnection agreements that maximize efficient use of numbering resources. We agree with Wisconsin Commission comments that the FCC should remain aware of the need to conserve numbering resources when considering rules addressing points of interconnection among carriers in IP based networks.³⁸

As noted earlier, the Alaska demographics and network architecture differ from that in the lower 48 states. Current numbering administration practices, designed for the wireline network, do not allow for efficient distribution of resources among providers serving exchanges with small populations. The lack of access tandems and distances between exchanges in Alaska requires that interconnecting carriers establish an LRN³⁹ in every rate center in the state. Alaska carriers have collaborated on interconnections that avoid assignment of numerous central office codes to an exchange and maximize sharing of numbers. The FCC should take care not to implement interconnection rules that will require increased use of central office codes, particularly in states that have worked hard to conserve numbering resources.

Absent reform of the national numbering system, the FCC should not allow direct access to numbering resources by VoIP carriers without also requiring these carriers to follow federal numbering rules, to register with state commissions, and to participate in state-specific strategies that conserve numbering resources. Alternatively, the FCC should address reforms to the numbering system rules to accommodate changes in telecommunications

³⁸ *Comments of the Public Service Commission of Wisconsin* at page 3.

³⁹ Location routing number (LRN)

technologies and transition to IP based networks Revised numbering rules could eliminate elements of the legacy numbering resources allocation system that are inherently wasteful. The RCA recommends that the FCC open a proceeding to redesign the numbering system rules to recognize and accommodate new technologies that are not constrained by geographical network deployment.⁴⁰

The FCC should provide a limited waiver to rural carriers of certain call signaling requirements

GCI, ACS and the Alaska RC have filed petitions for limited waiver of the newly adopted call signaling rules.⁴¹ The basis of the waiver is the unique Alaska telecommunications architecture and technologies described in Alaska carrier comments. Many parts of the Alaska network depend upon Multi Frequency (MF) signaling which presents problems with implementing certain call signaling requirements.⁴² As GCI and ACS explain, much of the rural network is dependent upon DAMA facilities which use MF signaling.⁴³ Also, due to cost

⁴⁰ Under current rules, central office codes are assigned to a specific rate center location.

⁴¹ 47 C.F.R. §64.1601(a)(1)-(2). *General Communication, Inc. Petition for Limited Waiver*, filed into WC Docket 10-90 et.al. on February 27, 2012 (GCI Petition); *Alaska Communications System Group, Inc. Petition for Limited Waiver* filed into WC Docket 10-90 et.al. on March 16, 2012. (ACS Petition); The Alaska Rural Coalition Petition for Limited Waiver, filed March 23, 2012.

⁴² MF signaling is in band signaling (occupies the same circuit as voice) as distinct from SS7 signaling which is out of band signaling.

⁴³ GCI Petition at page 2; ACS Petition at page 4.

constraints, many rural carriers do not use the SS7 signaling that is required to implement the FCC's call signaling rules.⁴⁴

As described in RCA Comment and, in more detail in the GCI and ACS petitions, MF signaling protocol does not include a provision for passing privacy indicators.⁴⁵ If Alaska providers are required to pass calling number information, DTMF signaling will not allow use of number blocking features and consumers' personal privacy measures will be compromised.⁴⁶ Also, ACS notes that there are not currently signaling standards for IP traffic. It would be premature to require carriers to upgrade facilities now when industry has not yet identified the best solutions for IP traffic.

While we understand the FCC's reluctance to grant a waiver of its requirements for carriers to forward called party information, we reiterate the need for 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 call signaling requirements under 47 C.F.R. §64.1601(a)(1)-(2).

⁴⁴ Signaling System 7 (SS7) carries call management information on a separate circuit from voice. Some rural carriers cannot afford upgrades to SS7 signaling while others do not use it because database dips would occur over expensive satellite links.

⁴⁵ RCA Comment at page 24 and GCI Petition at page 6.

⁴⁶ GCI notes at page 6 of its Petition that, for many victims of domestic violence, reliable caller ID blocking is a critical tool for maintaining their personal safety.

Conclusion

The RCA appreciates the opportunity to file Reply Comments on Sections XVII.L-R of the FCC's Order and FNPRM. We again urge the FCC to recognize the unique character of Alaska and to allow flexibility in its ICC reform so that carriers can continue negotiating agreements that may better enable investment and broadband deployment while permitting cost recovery.

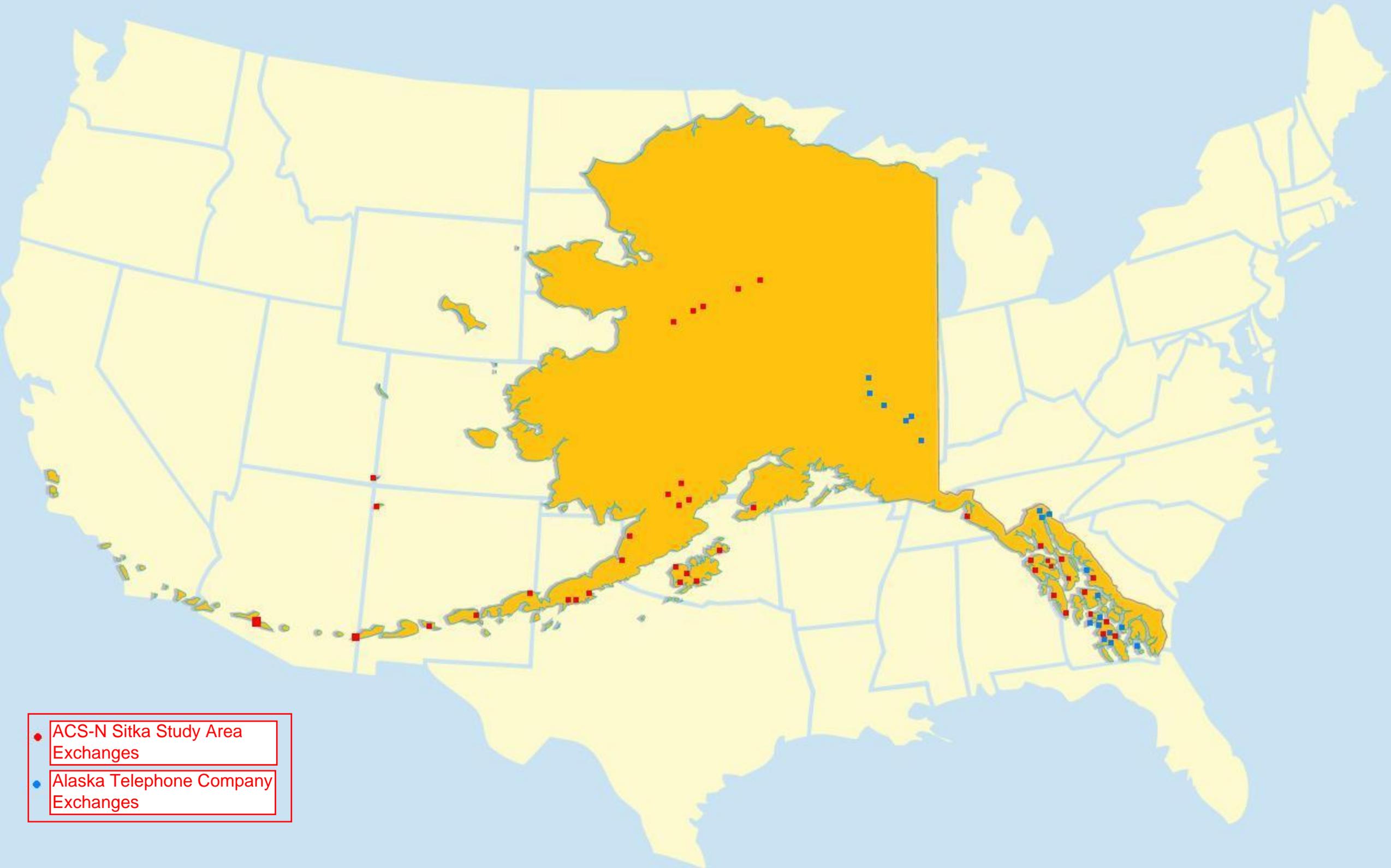
Rather than preempting state authority and mandating changes to intercarrier compensation, the FCC should utilize the knowledge of the RCA and Alaska providers to implement ICC reform that will work for Alaska. The RCA urges the FCC to pause in its implementation of reforms to clarify newly adopted rules and to understand the impacts of these rules before mandating further change. Through partnership between the FCC and RCA, a thoughtful Alaska specific plan for reform may be developed to ensure that Alaska consumers have the opportunity to participate in the FCC's advanced broadband vision.

RESPECTFULLY SUBMITTED this 30th day of March, 2012

REGULATORY COMMISSION OF ALASKA



T.W. Patch
Chairman



- ACS-N Sitka Study Area Exchanges
- Alaska Telephone Company Exchanges

RCA Comment re FCC 11-161

Exhibit 1 page 2

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