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

Reply Comments of the Regulatory Commission of Alaska

Date: September 6, 2011

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 reply comments in response to the FCC's DA11-1348, *Further Inquiry into Certain Issues in the Universal Service Intercarrier Compensation Transformation Proceeding* (Notice) concerning the Connect America Fund (CAF), Universal Service Fund (USF) issues, and Intercarrier Compensation (ICC) mechanisms.[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

The FCC seeks further comment on specific proposals for reform filed by the State Members of the Federal-State Universal Service Joint Board (State Members Plan),[2] the Joint Rural Associations (RLEC Plan),[3] and six Price Cap Companies (America's Broadband Connectivity Plan or ABC Plan).[4] In addition, the FCC seeks comment on a specific set of USF reform proposals for Alaska proposed by GCI (Alaska Plan).[5]

Few elements of the three national plans named above, would ensure deployment of broadband services in Alaska. Rather, the proposals would result in deterioration of current voice services- both wireline and wireless- and would not facilitate deployment of a twenty-first century broadband infrastructure. Our reply comments, filed in support of comments from the Alaska Rural Coalition (ARC),[6] General Communication, Inc. (GCI)[7] and Alaska Communications

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No. 01-92, Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Lifeline and Link-Up, WC Docket No. 03-109, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, FCC 11-13, released February 9, 2011. 76 Fed. Reg. 11632, dated March 2, 2011.

[2] *See* Comments by State Members of the Federal State Joint Board on Universal Service, WC Docket No. 10-90 et al., dated May 2, 2011.

[3] *See* Comments of the National Telecommunications Cooperative Association; Organization for the Promotion and Advancement of Small Telecommunications Companies; and Western Telecommunications Alliance; Concurring Associations, WC Docket No. 10-90 et al., dated April 18, 2011.

[4] *See* Letter from AT&T, CenturyLink, FairPoint Communications, Frontier Communications, Verizon and Windstream to FCC Commissioners, WC Docket No. 10-90 et al., dated July 29, 2011.

[5] *See* Letter from Christopher Nierman, GCI, to Marlene Dortch, FCC, WC Docket No. 10-90 et al., dated August 1, 2011.

[6] *See* Comments of the Alaska Rural Coalition, WC Docket No. 10-90 et al., dated August 24, 2011 (ARC Comments).

[7] *See* Comments of General Communication, Inc., WC Docket No. 10-90 et al., dated August 24, 2011 (GCI Comments).

System Group, Inc. (ACS)[8] further outline the need for an Alaska-specific plan if we are to preserve existing voice services and achieve the level of broadband services envisioned by the FCC. The ABC Plan and RLEC Plan are designed for conditions in the contiguous United States and do not address the specific challenges to deployment of broadband capable networks in Alaska.

Alaska providers face many unique and unusual factors that preclude the provision of voice and broadband services absent federal funding.

We are encouraged by the FCC's consideration of a separate plan for Alaska within its reform of the USF. An Alaska plan is supported by the numerous comments filed in this proceeding attesting to the challenges faced by telecommunications providers in our state.

Our previous comments in this proceeding have highlighted many of the unique challenges to providing telecommunications services in Alaska. The vast distances between cities and towns, combined with the lack of a comprehensive statewide road system, low population density,[9] extreme arctic weather conditions, limited construction season, and challenging topography[10] make the deployment and provisioning of telecommunications services extremely challenging and expensive. The unique challenges Alaska's service providers face lead to significantly greater deployment costs, capital expenditures and

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[8] *See* Comments of Alaska Communications Systems Group, Inc., WC Docket No. 10-90 et al., dated August 24, 2011 (ACS Comments).

[9] The statewide average population density is 1.2 persons per square mile. *See* 2010 U.S. Census data at http://2010.census.gov/2010census/data.

[10] Alaska has many mountainous areas including 17 of the 20 highest peaks in the U.S., over 3,000 rivers, over 3 million lakes, and over 5,000 glaciers. *See* Alaska Facts http://www.commerce.state.ak.us/ded/dev/student_info/learn/facts.htm

operating expenditures. Many rural locations in Alaska would not have voice services today, let alone broadband, absent the fact of federal funding.

We share ACS' concern that the unique constraints of the Alaska market impose financial barriers to investment in uneconomic rural areas without USF or some comparable form of support.[11] GCI's comments identify the challenges emanating from underdeveloped infrastructure, lack of a statewide intertied electric grid, and the topography that complicates comprehensive satellite coverage in unserved rural areas.[12]

Reliable telecommunications are critical and essential to Alaskans.

The Alaska situation is unique in that the same characteristics of the state that create the challenges for the provision of telecommunications services, also engender a desperate need for reliable and affordable telecommunications. Alaskans are heavily reliant on telecommunications for access to emergency and medical services, employment opportunities, educational services, and government and social services.

In a state where travel and face to face interaction are not always practical or possible, reliable telecommunications is essential. Historical universal service policies have enabled deployment and maintenance of reliable voice services throughout the state. We emphasize ACS comments that various reform proposals will reduce support to Alaska carriers and act as a disincentive for

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[11] *See* ACS Comments, Executive Summary at i.

[12] *See* GCI Comments at 8-12.

additional investment in broadband deployment.[13] We urge the FCC to ensure that new universal service policies do not endanger achievements in developing and maintaining a comprehensive telecommunications network in Alaska.

GCI highlights progress made to date in deployment of broadband for distance learning and telemedicine. Proposals for USF reform based on a national model will not provide funding for the network expansions necessary for Alaska to keep pace with technological improvements for these and other services that are taken for granted in most of the nation.[14]

We comment below on specific aspects of USF and ICC reforms that should be considered in formulating an Alaska-specific solution.

Intercarrier Compensation (ICC) Reform

1. Alaska recently completed intrastate access charge reform.

In August of this year, regulations became effective in Alaska that significantly reformed the intrastate access charge regime and established a replacement mechanism for carriers charged with Carrier of Last Resort (COLR) responsibilities. The reform effort required concerted effort from us, the telecommunications industry and the state's designated consumer advocate, to overhaul the access charge system.

The reform reduces intrastate access charges to parity with interstate charges by eliminating the intrastate carrier common line (CCL) charges to Interexchange Carriers (IXCs). Local Exchange Carriers (LECs) are eligible to

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[13] *See* ACS Comments at 8.

[14] *See* GCI Comments at 22.

receive support from the Alaska Universal Service Fund (AUSF) to replace the lost CCL revenues.[15] As a result, the Alaska USF surcharge has increased from 1.32 percent to 9.5 percent of retail end user revenues.[16] The network access fee (NAF), the State equivalent of the federal subscriber line charge, will increase in increments over a five year period from $3.00 to a maximum amount of $5.75 per month.[17] This reform moves recovery of roughly $40 million in CCL costs from the intrastate market to the AUSF and the subscriber NAF.

The chart below indicates the source of revenues averaged for five representative Alaska Incumbent Local Exchange Carriers (ILECs).[18] State access charges account for 10% of ILEC revenues on average. Our recent reform of intrastate access moved recovery of a major portion of these costs to the AUSF and telecommunications subscribers. These reforms resulted in the increases to subscriber rates as shown in Exhibit 1. Alaska subscribers cannot be expected also to provide the source for recovery of the interstate access revenues that will be lost if the FCC reduces interstate rates as proposed.[19] We and Alaska carriers have taken seriously the need to do our part for reform; a

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[15] In Alaska, intrastate common line costs were rated under a Carrier Area Specific Bulk Bill (CASBB) system where common line costs were paid by IXCs based on relative market share. The common line costs were not paid on a per minute basis.

[16] The AUSF surcharge became effective August 1, 2011.

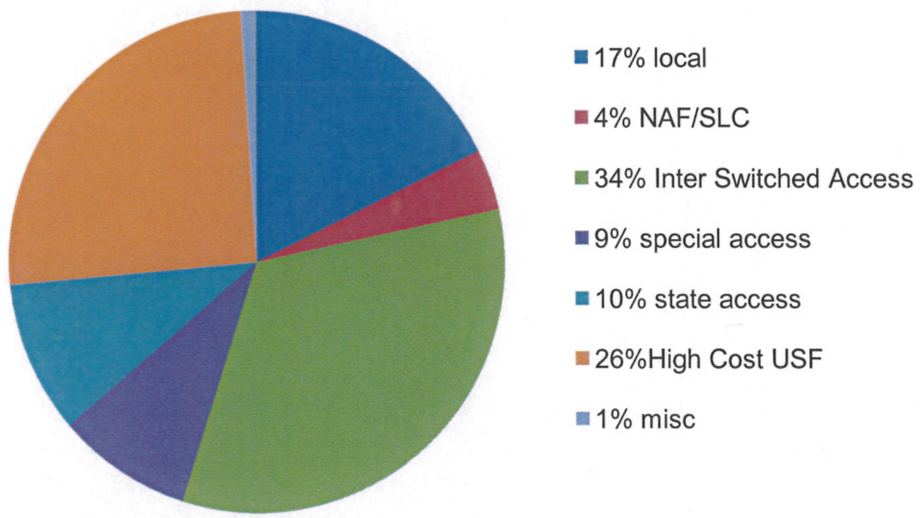
[17] Increases to the NAF will be balanced with reductions to the USF surcharge over the five year phase-in period.

[18] The data for the chart consists of averaged 2009 USF monitoring report information and revenue information from 2009 annual reports for 5 rural Alaska incumbent LECs: Summit Telephone and Telegraph, Alaska Telephone Company, Inc., OTZ Telephone Cooperative, Inc., Interior Telephone Company, Inc. and Yukon Telephone Company, Inc.

[19] *See* Notice at 13.

national reform plan should not penalize Alaska subscribers while accommodating other states that have not implemented their own reforms.

Average % of Alaska Rural ILEC Revenues



Many Alaska IXCs have reduced intrastate long distance rates in response to our intrastate access reform.[20] Some carriers also have implemented flat rate long distance calling plans to replace per minute charges. The FCC should consider the effects of its proposed intercarrier compensation reforms on states such as Alaska that have already modified their intrastate access charge regimes.

[20] The facilities based IXCs have reduced rates and several IXC resellers have also filed rate reductions.

2. The FCC should adopt a state-federal framework for ICC reform.

The FCC should follow a collaborative state-federal framework approach in reforming intercarrier compensation as proposed in the State Members Plan[21] and supported by the National Association of State Utility Consumer Advocates (NASUCA)[22] and the ARC.[23] Federal statute gives states clear authority over intrastate telecommunications and the FCC should not introduce preemptive policies that will create jurisdictional disputes that would delay the ICC and USF reform process.[24] Rather, the FCC should rely on the specialized knowledge of state commissions about local conditions and intrastate needs when pursuing reform.

3. The FCC should pursue ICC reform in incremental steps with "pause points" between steps.

As a state that has completed significant intrastate access charge reform, we urge the FCC to pursue reform one jurisdiction at a time and not set a glide path for reform of interstate rates until other states have similarly reformed intrastate rates.[25] This approach comports with the RLEC Plan to schedule

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[21] *See* Notice at 12.

[22] *See* Initial Comments of the National Association of State Utility Consumer Advocates on further inquiry into certain issues in the Universal Service-Intercarrier Compensation Transformation proceeding, WC Docket No. 10-90 et al., dated August 24, 2011, at 23-35 (NASUCA Comments).

[23] *See* ARC Comments at 3-5.

[24] *See* 47 U.S.C. 251(d)(3).

[25] *See* Notice at 13.

"pause points" to reevaluate the effects of intrastate reform before implementing interstate reform.[26]

The intrastate reforms adopted in Alaska will be phased in over a period of five years. A "pause" on the part of the FCC would allow our reform to advance without disruption and would enable a more accurate assessment of the impact of interstate reform on Alaska carriers and their subscribers.

4. Interstate ICC reform would require a separate federally-funded restructure mechanism for Alaska carriers and subscribers.

The effects of our recent access charge reform on subscriber local rates is shown in Exhibit 1. With the current $6.50 Subscriber Line Charge (SLC) added in, no rate of return ILECs have rates below the $25 benchmark ceiling mentioned in the Notice.[27] Thus, there is no "room" under the proposed cap for Alaska carriers to recover proposed interstate revenue reductions from end users through increases to the SLC as proposed in the ABC Plan.[28] We join AARP and NASUCA in opposing any proposal to accomplish interstate access reform through increases to the federal SLC.[29]

Should the FCC pursue interstate access reform, we fully support the creation of a restructuring mechanism to compensate carriers for lost interstate revenues. The $25 and $30 benchmark rate ceilings, below which carriers would

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[26] *See* RLEC Plan at 22, footnote 52.

[27] *See* Notice at 11.

[28] *Id.* at 16.

[29] *See* Ex Parte Comments, AARP, WC Docket No. 10-90 et al., dated August 24, 2011, at 2 (AARP Comments). *See* NASUCA Comments at 57-61.

not receive support, as described in the Notice, may be a reasonable tool to regulate a competitive market.[30] However, we note that any calculation of qualifying subscriber rates should include all charges to consumers, including the NAF and AUSF surcharge at the fully phased-in levels. ACS comments that this is not the case for the ABC Plan proposal.[31]

We join the ARC and ACS in urging that the FCC not adopt a restructuring mechanism that derives support from current USF high cost funding or from the Alaska USF for reasons noted in preceding sections of this document.[32] As noted in ACS' comments, imposing increased retail prices in Alaska through federal SLC hikes could potentially lead to LEC customers migrating to other technologies with lighter regulatory burdens.[33]

5. Any Federal matching funds should be available to states that have completed access reform.

If federal matching funds are introduced as incentive for states to pursue access charge reform, the matching funds should also apply to states, such as Alaska, that have already instituted reform.[34] If some level of state contribution is ultimately required in designing a restructuring mechanism, such as the $2 per line proposed in the State Members Plan, the FCC should exempt Alaska from

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[30] *See* ARC Comments at 6.

[31] ACS states that the ABC Plan omits the following subscriber charges: contribution to Federal USF, Federal E911 surcharge, TRS charge, Alaska Regulatory Cost Charge and Federal excise tax. See ACS Comment at 21, footnote 40.

[32] *See* ARC Comments at 11. *See* ACS Comments at 20.

[33] Wireless providers are not subject to the Alaska NAF, and VOIP providers generally do not pay access charges. *See* ACS Comments at 21.

[34] *See* Notice at 12.

additional contributions in consideration of the subscriber contributions already required by our recent intrastate reform.[35]

No matter the final form of the restructure mechanism, Alaska carriers and their subscribers will require support. Alaska subscribers cannot be expected to absorb the cost of interstate reform on top of the costs of intrastate reform already completed.

6. Absent support, Interstate ICC reform would require significant increases to local rates in Alaska.

The State Members and the National Exchange Carriers Association (NECA) analyzed the effect of various ICC reform proposals on individual state subscriber rates. The results of this analysis hint at the size of the revenue deficiencies that would result in Alaska should the FCC pursue the proposed interstate access rate reductions.[36]

- If intrastate access rates were reduced to interstate levels, NECA's analysis reported that Alaska subscribers would experience an average rate increase of $16.29, with at least 10% of subscribers experiencing a rate increase of $30 or more. These increases would be the highest in nation.[37] (Alaska has already implemented this reform).
- If intrastate rates were reduced to a reciprocal compensation rate of $.0128, Alaska subscribers again would be the hardest hit with average

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[35] *Id.* at 12.

[36] *See* State Members Plan at 102-105.

[37] *Id.* at 102-104.

rate increases of $25.15 with 10% of subscribers experiencing an increase of $30 or more.[38]

- If ICC were eliminated under a bill and keep regime, Alaska subscribers would see an average increase of $31.54, with 25% of subscribers experiencing a rate increase of $30 or more.[39]

No matter how ICC reform is accomplished, Alaska subscribers will be significantly impacted absent federal support.

7. Voice Over Internet Protocol (VOIP) providers and any others using the Public Switched Telephone Network (PSTN) should be included in the ICC Regime.

The RLEC Plan, State Members Plan and the ABC plan all call for action on the part of the FCC to require all traffic, including interconnected VOIP services, originating from or terminating to the PSTN to be subject to intercarrier compensation obligations.[40] The plans differ on the actual access charges to be applied to interconnected VOIP traffic but the need to assess reasonable charges is clearly stated. We support including VOIP providers and any other telecommunications providers using the PSTN to be included in the FCC's intercarrier compensation regime.

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[38] *Id.* at 103-104.

[39] *Id.* at 104-105.

[40] *See* State Members Plan at 19-22. See RLEC Plan at 7. See ABC Plan at 10.

Universal Service Fund (USF) Reform

1. Establish an Alaska Plan first, with operational details to be determined.

We join GCI, ACS, and ARC in their support of a general framework for an Alaska Plan.[41] The FCC sought specific proposals and GCI provided a plan specific to Alaska.[42] We and Alaska carriers generally support a cap on current high cost funding at 2010 levels that would encourage the deployment of state infrastructure sufficient to support both voice and broadband capable facilities.[43] While we and Alaska carriers recognize that reductions to support will be necessary if future support levels exceed this cap, a procedure for applying such reductions has not been definitively developed. Aspects of the GCI proposal as amended have merit; however, more careful consideration of the details is required. We urge the FCC to allow more time for determination of the details of how an Alaska Plan would be administered.

We do support ACS' comments that an Alaska specific plan should require the FCC to select a point in time to evaluate the progress of broadband deployment and service penetration in Alaska, with the goal of evaluating whether funding should continue at the same level.[44]

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[41] *See* ARC Comments at 8. *See* GCI Comments at 24-27. *See* ACS Comments, Executive Summary at I-ii..

[42] GCI proposed modifications to its earlier Alaska Plan in an effort to build consensus among providers in the state *See* GCI Comments at 24.

[43] 2010 USF support disbursements to Alaska were $218 million. GCI Comments Appendix 1, page 1.

[44] *See* ACS Comments at 15.

The need for continued USF support under an Alaska-specific plan is clear and the details of how such a plan would work can be more clearly articulated in the near future.

2. USF reforms designed for the contiguous United States could disrupt Alaska's newly adopted state access charge policies and universal service fund.

As noted above, Alaska has already taken the initial step towards the FCC's goal of reforming and modernizing the intercarrier compensation system. Applying USF reforms designed for the contiguous U.S. to Alaska could disrupt phase-in of the state's newly adopted regulations modifying state access charge polices and universal service fund. An Alaska-specific set of universal service reforms that better reflect the operating conditions and recent state ICC reforms is necessary and welcome.

3. Reforms must consider state Carrier of Last Resort (COLR) obligations.

An important issue to consider in designing a USF distribution plan in Alaska is state COLR obligations. As part of our access charge reform, we recently adopted regulations defining the duties of COLRs and establishing support from the state USF to allow COLRs in competitive areas an opportunity to replace revenues that may be lost as line counts are reduced.[45] COLRs rely heavily on USF support to provide reliable quality voice services throughout their study areas.

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[45] Section 53.345 of Title 3 of the Alaska Administrative Code (3 AAC 53.345) provides an opportunity for competitive carriers to be designated as COLRs in the study areas they serve.

The chart shown on page 8 of these comments indicates the percentage of rural ILEC revenues that are derived from federal high cost USF support. We must be certain that a reformed USF regime does not fail to recognize the continuing need for support to all carriers serving high cost remote areas of Alaska where other carriers choose not to serve.

4. Both Eligible Telecommunications Carrier (ETC) and Competitive Eligible Telecommunications Carrier (CETC) support is essential to deployment of a complete and efficient network for voice and broadband.

In Alaska, CETCs have been responsible for the deployment of wireless services to remote rural areas of the state. Over the past two years, CETCs have deployed over 160 new cell sites in rural areas of the state. This deployment would not have occurred and will not continue without USF support. Importantly, GCI notes that this recent deployment involves largely 2G services and, even with this level of build out, Alaska still does not have a statewide interconnected 2G wireless network. GCI emphasizes that the rest of the nation is deploying 3G and 4G networks and reductions to CETC support will cause Alaska to fall further behind the rest of the nation in wireless as well as broadband deployment.[46] As detailed by ACS, a new USF distribution plan must not cut short the much needed deployment of wireless services in Alaska, nor reduce the number of service providers eligible to receive support in any area.[47]

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[46] *See* GCI Comments at 16.

[47] *See* ACS Comments at 13.

As noted in the RLEC Plan, fixed (wireline) and mobile facilities are both needed and valued by customers.[48] Fixed networks have the capacity to connect wireless sites and regional networks and to transport high volumes of data and video that wireless networks do not handle. In high cost areas, support to both wireline and wireless networks is the best way to ensure there is a reliable network to maintain current voice services and to provide future broadband services.

5. Funding for middle mile infrastructure is essential to deployment of broadband in Alaska.

The record in this proceeding is replete with comments emphasizing the need to fund adequate and affordable middle mile infrastructure in Alaska if broadband is to be deployed successfully. All Alaska providers agree on this point.[49] GCI comments include technical data on its broadband related middle mile projects and aptly describe the enormity of the challenge to deploy affordable, reliable terrestrial infrastructure in Alaska.[50] Other Alaska providers have pursued grant funding and loans to contribute to this cause. We repeatedly urge the FCC not to overlook this critical issue when designing support for Alaska.

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[48] *See* RLEC Plan at 83-84.

[49] *See* GCI Comments at 10. *See* ACS Comments at 2. *See* Comments of the Alaska Telephone Association, WC Docket No. 10-90 et al., dated April 18, 2011 at 10-11.

[50] *See* GCI Comments at 18-20.

6. Continued primary reliance on satellite middle-mile is not a viable broadband solution for Alaska.

We reiterate past comments on the inadequacy of satellite middle mile technology to deliver statewide broadband services to Alaska subscribers. GCI outlines the limitations of satellite capacity and the problems of latency that make it unsuitable for many broadband communications and ultimately not suitable for delivering mass market broadband service. The inherent latency causes problems for real time applications such as telemedicine, videoconferencing and distance learning.[51]

ACS notes that high prices, limited throughputs, weather related complications and coverage limitations are significant obstacles to deploying broadband via satellite.[52] Providers in Alaska agree that satellite technology alone is not a viable or affordable replacement for terrestrial-based services in the state.

Conclusions

We applaud the FCC for its earnest consideration of an Alaska-specific Plan for USF and ICC Reform. We have attempted in our reply comments to highlight the challenges that providers of telecommunications face when serving in Alaska. We emphasize that Alaska carriers are working diligently to formulate a proposal for an Alaska-specific Plan that will enable Alaska to participate in

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[51] *See* GCI Comments at 21-23.

[52] *See* ACS Comments at 17.

nationwide broadband deployment, while meeting the FCC's stated goals for operating within reasonable budgets.

We are confident that an Alaska Plan will better and more equitably ensure that consumers in Alaska will benefit from broadband and voice services at affordable rates. Without special consideration, we fear that Alaska will be deemed too expensive to serve and will be left further and further behind as the nation moves toward a broadband future.

RESPECTFULLY SUBMITTED this 6th day of September, 2011.

Regulatory Commission of Alaska
T.W. Patch, Chairman

EXHIBIT 1

Incumbent Alaska Local Exchange Carriers (economically regulated)	Residential Local Rate	TRS Surcharge	State Network Access Fee	Alaska USF Surcharge	Regulatory Cost Charge	State Total	Subscriber Line Charge	Total with SLC
ACS of Alaska, Inc.	$ 11.75	$ 0.05	$ 3.88	$ 0.87	$ 0.17	$ 16.72	$ 6.50	$ 23.22
ACS of Anchorage,Inc.	$ 12.05	$ 0.05	$ 3.69	$ 0.89	$ 0.17	$ 16.85	$ 6.50	$ 23.35
ACS of Fairbanks,Inc.	$ 12.25	$ 0.05	$ 5.75	$ 0.91	$ 0.17	$ 19.13	$ 6.50	$ 25.63
ACS of the Northland, Inc. (most areas)	$ 14.50	$ 0.05	$ 5.75	$ 1.07	$ 0.20	$ 21.58	$ 6.50	$ 28.08
ACS of the Northland, Inc. (Cube Cove)	$ 38.40	$ 0.05	$ 5.75	$ 2.84	$ 0.54	$ 47.58	$ 6.50	$ 54.08
Adak Eagle Enterprise	$ 40.60	$ 0.05	$ 5.75	$ 3.00	$ 0.57	$ 49.98	$ 6.50	$ 56.48
Alaska Telephone Co.	$ 17.35	$ 0.05	$ 5.75	$ 1.28	$ 0.25	$ 24.68	$ 6.50	$ 31.18
Bettles Telephone Co., Inc.	$ 17.35	$ 0.05	$ 5.75	$ 1.28	$ 0.25	$ 24.68	$ 6.50	$ 31.18
Bush-Tell, Inc.	$ 21.50	$ 0.05	$ 5.75	$ 1.59	$ 0.30	$ 29.19	$ 6.50	$ 35.69
Copper Valley Telephone Coop., Inc.*	$ 13.45	$ 0.05	$ 5.75	$ 1.00	$ 0.19	$ 20.44	$ 6.50	$ 26.94
Interior Telephone Co.	$ 20.35	$ 0.05	$ 5.75	$ 1.51	$ 0.29	$ 27.94	$ 6.50	$ 34.44
Matanuska Telephone Assoc., Inc.	$ 13.20	$ 0.05	$ 5.75	$ 0.98	$ 0.19	$ 20.16	$ 6.50	$ 26.66
Mukluk Telephone Co., Inc.	$ 16.05	$ 0.05	$ 5.75	$ 1.19	$ 0.23	$ 23.26	$ 6.50	$ 29.76
North Country Telephone, Inc.	$ 17.35	$ 0.05	$ 5.75	$ 1.28	$ 0.25	$ 24.68	$ 6.50	$ 31.18
OTZ Telephone Coop., Inc.	$ 16.55	$ 0.05	$ 5.75	$ 1.22	$ 0.23	$ 23.81	$ 6.50	$ 30.31
Summit Telephone Co.	$ 20.15	$ 0.05	$ 5.75	$ 1.49	$ 0.28	$ 27.73	$ 6.50	$ 34.23
United-KUC, Inc.	$ 13.80	$ 0.05	$ 5.75	$ 1.02	$ 0.19	$ 20.82	$ 6.50	$ 27.32
United Utilities, Inc.	$ 19.23	$ 0.05	$ 5.75	$ 1.42	$ 0.27	$ 26.72	$ 6.50	$ 33.22
Yukon Telephone Company, Inc.	$ 17.00	$ 0.05	$ 5.75	$ 1.26	$ 0.24	$ 24.30	$ 6.50	$ 30.80

Regulatory Cost Charge Rate in 2009 for Local Service is 1.413%.

Order U-10-27(2).

*economically deregulated in 2009

The AUSF surcharge in 2011 is 9.5% of revenues and is estimated to be reduced to 7.4% in five years. (Calculations above use 7.4%)

The calculations above include the AUSF surcharge on basic local calling only; customers will pay the AUSF surcharge on all intrastate calling

Network Access Fees are estimated at 3.75 in 2011, rising to 5.75 over four years.

Data above reflects after 4 year transition.

1st Quarter Federal USF Surcharge is 15.5%

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

EXHIBIT 1

RCA Comments re DA11-1348

revised 8-25-2011