

**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
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**COMMENTS OF THE
REGULATORY COMMISSION OF ALASKA**

Date: January 18, 2012

T.W. Patch, Chairman

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COMMENTS OF THE REGULATORY COMMISSION OF ALASKA

The importance of high cost support to maintaining existing services and improving access to broadband services in Alaska cannot be overstated. 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 Connect America Fund (CAF) and

universal service fund (USF) issues.¹ The FNPRM is the next step in reforming the USF mechanisms following numerous changes adopted in the Federal Communications Commission's (FCC) November 18, 2011 Order (CAF Order), which accompanied the FNPRM. Both the USF and ICC changes continue the process to "modernize and refocus USF and ICC to make affordable broadband available to all Americans and accelerate the transition from circuit switched to IP networks, with voice ultimately one of many applications running over fixed and mobile broadband networks."²

The RCA provides the following comments in response to questions raised in sections A–K of the FNPRM regarding issues that impact Alaska. As additional data pertaining to our comments becomes available, we will provide it to the FCC in subsequent comments.

I. Reform of high cost mechanisms will make or break maintenance and deployment of telecommunication services in Alaska.

Although well intentioned, the recent CAF Order substantially decreased the high cost support in Alaska. The FCC is well aware of the fundamental needs of the state, but the reforms enacted and proposed raise significant concern about the future of investment in remote areas of Alaska.

A. Proposed changes to support mechanisms will have detrimental impacts on Alaska.

Alaskans may be left behind by the FCC's reforms to universal service, which do not adequately consider our state's unique challenges. The FCC has

¹In 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. *Report and Order and Further Notice of Proposed Rulemaking*, FCC 11-161 released November 18, 2011. 76 Fed. Reg. 73830 (Nov. 29, 2011).

²Notice of proposed rulemaking released February 9, 2011 page 10.

heard it many times: Alaska is different. Our vast size, small population, extreme weather and landscapes, and high costs have been described in numerous filings.³ FCC Chairman Genachowski as well as all current and many former FCC commissioners have traveled to our state and seen for themselves the vast distances and challenging terrain.⁴ They've travelled to remote villages, not by car over a paved thoroughfare but by the only transportation available: an airplane. In the process they've had experiences that have provided insight into some of the things that make Alaska different.⁵

The RCA appreciates the effort the FCC has made to learn more about our state; however, since their winter experiences have been limited, they may not have a full appreciation of the challenges living in Alaska can present. Something unique to Alaska is the fact that rural communities with only water access must plan to have materials landed several months in advance – before the long winter begins – to avoid the high cost of air freight. All across America utilities plan for contingencies, but in Alaska, when things don't go according to plan, the repercussions can be serious.⁶

We understand the very real need to reform the universal service support mechanisms and appreciate the difficulty of the FCC's task of determining what changes to make. We remain concerned that the proposed support levels for

³See, e.g., Regulatory Commission of Alaska comments filed April 18, 2011 in the FCC WC Docket 10-90.

⁴The last 15 FCC commissioners have all visited Alaska.

⁵After his plane got stuck on a sandbar in a remote village of Alaska, a FCC Chairman tried to place a call with his cell phone only to find that he had no bars. In fact, the only bars for hundreds of miles were the type that caused the Chairman's plane to get stuck.

⁶An example of this has been in the national news lately due to a fall storm that prevented a planned pre-winter fuel delivery to Nome. If gasoline were flown in as supplies ran out, the price would rise to \$9 per gallon. To avoid such a price increase, Nome's Native village corporation arranged for a Russian tanker, in conjunction with a Coast Guard icebreaker, to transport fuel to the city.

Alaska are insufficient to sustain the provision of “plain old telephone service” (POTS) let alone allow for the deployment of robust broadband services.

Yet there is no place in America that can benefit more from the promise of advanced telecommunications. Broadband can make a difference to the remote parts of Alaska beyond what it can anywhere else in the country. Broadband is the modern thoroughfare of Alaska’s future. It will allow a medical doctor to traverse the wilderness between Anchorage and Kotzebue in moments. It will allow an Alaska Native to work for a California high technology firm without ever leaving his subsistence lifestyle behind. It will allow economic development to flow freely between the world outside and our rural communities. The reform to the universal service support mechanisms that brings the promise of improved infrastructure to other parts of America should not leave Alaska behind.

The RCA encourages the FCC to rethink Alaska’s needs as it makes further decisions to reform universal service support mechanisms.

B. A partnership between the FCC and state commissions is essential in formulating the transition to and implementation of the CAF.

In spite of firsthand experience in Alaska, the FCC would be severely challenged, no matter how earnestly it may try, to make informed decisions regarding Alaskan matters. Issues like waiver requests and reductions in performance obligations, assessing penalties on carriers for lack of regulatory compliance, determining whether the CAF Phase II price cap model funding is sufficient and the extent to which support should be reduced for a carrier who has an unsubsidized competitor serving in part of its service area all require an in-depth understanding of Alaska-specific facts. The RCA’s involvement is critical to protecting Alaska consumers and this concept underpins observations made throughout our comments. The only way the FCC can effectively address Alaskan

issues is to allow the RCA to fully participate and aid the FCC in its determinations. The RCA supports NARUC's resolution of July 20, 2011:

RESOLVED, That the FCC should always take advantage of the expertise and insight of State commissioners on key issues, acknowledge and give appropriate weight and deference to the carefully considered and record-based State Members' comments, and refuse to place undue reliance on the *ex parte* process or disregard the formal notice-and-comment procedure to the extent such practice would marginalize either the opportunity for meaningful participation in any reform efforts by the States or effective deliberation on the part of the commissioners therein.

C. Satellite facilities are not sufficient as the technology of last resort to bring broadband services to Alaska.

The FCC's proposed Remote Areas Fund (RAF) assumes that satellite services will provide a "safety net" for serving very high cost and remote areas. Many Alaska communities will be denied access to universal service comparable to what is enjoyed elsewhere in the nation if they are required to rely on satellite communications only. An Anchorage satellite communication systems company,⁷ states that only one advanced generation Ka band satellite will be offering service in Alaska (ViaSat-1) in the foreseeable future and it will be covering only about 1/5 of the state.⁸ The RCA urges the FCC to verify that satellite-based service is, indeed, available at affordable rates before relying on a technology that is not available to 4/5 of the state – particularly the far North.⁹

⁷From website: <http://www.satellitetvanchorage.com/>

⁸See also, *Comments of Microcom*, filed January 5, 2012 in the FCC WC Docket 10-90.

⁹From website: <http://www.glorystar.tv/p/faq>

Satellite signals will not travel through leaves, branches buildings or overhangs. There must be a direct line of sight to the satellite to receive Glorystar channels. In North America, the satellites are always located to the South. Imagine a point in the sky that is located over the equator in line with Mexico and Texas. If you live in the East, the satellites will be located Southwest of your location, If you are in the West, the satellites are Southeast. In Mexico the satellites are very high in the sky, but in Canada, Alaska and Hawaii, the satellites are very low near the horizon.

In addition to the fact that satellite facilities simply aren't available in some parts of Alaska, satellites have significant drawbacks for delivery of broadband. As we stated in reply comments to the FCC's August 2011 Notice,¹⁰

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.

ACS notes that high prices, limited throughputs, weather related complications and coverage limitations are significant obstacles to deploying broadband via satellite. Providers in Alaska agree that satellite technology alone is not a viable or affordable replacement for terrestrial-based services in the state. (footnotes omitted)¹¹

D. The waiver process needs to be streamlined.

The FCC has provided an option for providers to obtain a waiver from its provisions established in the CAF Order in instances of dire need. Alaska includes many difficult-to-serve and high-cost locations; therefore, the RCA anticipates a higher percentage of Alaska's carriers may need to avail themselves of waivers than in other states. For this reason, we are concerned that the decisional timeline for waivers not be unnecessarily lengthy or the process unduly complicated. To the extent the reason a waiver is needed is systemic (i.e., the lack of terrestrial backhaul coupled with insufficient satellite capacity), the RCA requests that the FCC accept a waiver request from the RCA on behalf of impacted areas and/or

From website: http://www.inmarsat.com/Services/Land/Services/Low_speed_data/IsatM2M.aspx under Global coverage. "All three satellites cover all surfaces of the earth, except for extreme polar regions."

¹⁰Notice DA 11-1348, Comments of the Regulatory Commission of Alaska, September 6, 2011, pages 17–18.

¹¹Reply comments to FCC Notice DA-11-1348 filed September 6, 2011 pages 17–18.

review such waiver requests on a “fast track” timeline of six months or less and apply the waiver to all impacted carriers.¹²

II. The role of state regulation must be maintained and respected.

A. The FCC should not preempt state authority to designate and define obligations of Carriers of Last Resort (COLRs) and Eligible Telecommunications Carriers (ETCs).

The FCC seeks comment on (1) whether it has authority under Section 214(e)(6) to designate satellite or other providers as ETCs, (2) whether it should change its determination that ETCs must first seek designation from the states, and (3) whether it should streamline the process of granting providers a multi-state or nationwide ETC designation.¹³

Whether or not satellite providers are made eligible for ETC designation, the FCC should not preempt state authority to designate these and other providers. The FCC should not grant nationwide ETC status to providers as the states have the local knowledge needed to assess a provider’s commitment and capability to provide the services it proposes. It is unlikely that the FCC can adequately evaluate whether an ETC applicant’s proposed technology is the most efficient and cost effective means of serving Alaska locations given Alaska’s unique characteristics. Also, the RCA annually examines reports from all designated ETCs on the use of federal and state support and the adherence to facilities deployment plans. State commissions can more effectively review ETC adherence to obligations made upon designation and should continue in this role.

The FCC states it will not preempt state COLR obligations at this time.¹⁴ However, the RCA is concerned the new support paradigm proposed by the FCC

¹²Additional concerns regarding the waiver process were raised by the Alaska Rural Coalition in its December 29, 2011, Petition for Reconsideration page 15: “The administrative and financial burden of meeting that waiver standard . . . is a remedy as painful to the carrier as the problem.”

¹³FNPRM paragraph 1235.

¹⁴CAF Order paragraph 82.

undermines voice COLR obligations in parts of Alaska. It is essential that COLR voice obligations remain intact. The FCC's option to allow price cap CAF recipients (and thus ETCs) to propose service areas that differ from established study areas could have serious implications for Alaska consumers. For example, it is unclear how state COLR obligations may be affected if the CAF recipient is also a COLR and its CAF service area does not coincide with the area for which it has COLR obligations. Likewise, a COLR that does not ultimately receive CAF support and has its legacy support phased out may be unable to maintain its COLR obligations.

While the FCC claims it is not directly preempting state COLR obligations at this time, indirect preemption may occur as the distribution of CAF support progresses. Therefore, state commissions must maintain their current role in designating ETCs so they can be proactive in coordinating ETC and COLR obligations. Federal and state roles must be coordinated to ensure that universal service is maintained and that consumers are protected.

B. Connect America Fund for rate-of-return carriers.

Rate of return carriers are generally small, rural providers of telecommunications services. The Connect America Fund significantly cuts funding for these carriers while dramatically increasing their obligations. Several proposals put forward by the FCC may create further barriers to maintaining the service currently provided to Alaskan consumers and make deploying additional broadband service very difficult.

1. *The interstate rate-of-return should be responsive to changing economic conditions and small carrier profiles should be considered when revising the interstate rate of return.*

The FCC seeks comment on the appropriate approach for calculating the interstate rate of return for rate-of-return carriers.¹⁵ The FCC states that a preliminary analysis suggests the interstate rate of return should be no more than 9 percent.¹⁶

The RCA has two concerns regarding the FCC's preliminary rate-of-return analysis, (1) it appears to be tied to current economic conditions and (2) it appears to consider only very large entities. When the economy turns around, the rate of return set by the FCC in this proceeding may not be adequate to enable small rural providers to attract capital. Subsequent regulatory lag may not allow for timely adjustment to the prescribed rate. The RCA suggests mitigating this issue by allowing adjustments to the risk free interest rate component of the cost of capital by tethering it to the prime interest rate. This would allow some limited variation based on changing economic conditions until the FCC revisits the represcription issue.¹⁷

The FCC is aware that smaller carriers are generally perceived to be riskier than larger ones and, therefore, that investors in smaller carriers may require a higher rate of return. Alaska has many small carriers that would be impacted by a rate of return that is inadequate when compared to their perceived riskiness. For this reason the RCA proposes the inclusion of small company data in any FCC analysis to determine a new interstate rate of return that will be applied to Alaska

¹⁵CAF Order paragraph 1044.

¹⁶FNPRM paragraph 1057: A preliminary analysis based on public data for AT&T and Verizon results in a rate of return in the range of 6 to 8 percent and suggests that the interstate rate of return should be no more than 9 percent.

¹⁷This suggestion is responsive to the question posed in FNPRM paragraph 1047: "We seek comment on means by which the rate of return can be adjusted automatically based on some set of financial triggers, and how any such triggers would operate."

providers. As an alternative, the FCC should consider developing separate interstate rates of return for large and small carriers or a tiered rate of return for various sized companies. Recognizing the impact of the size of a carrier on its rate of return is a component of the Capital Asset Pricing Model (CAPM).¹⁸ The FCC requests comment on the use of the CAPM in the FNPRM.¹⁹ The FCC also requests comment on other approaches such as the discounted cash flow, which relies on stock prices. None of Alaska's rate of return carriers is publicly traded and the small size and unique operating conditions of these carriers make surrogates unavailable.

2. State Commissions are in the best position to determine areas of overlap between carriers and need to be involved in decisions regarding elimination of support for areas with an unsubsidized competitor.

The FCC seeks comment on a methodology for determining areas of overlap between an incumbent rate of return carrier and an unsubsidized competitor for purposes of reducing the incumbent's support.²⁰

Alaska is perhaps unique in that it does not currently have any unsubsidized competitors.²¹ This may not remain the case in Alaska, if the FCC implements the components of its Order eliminating identical support. It is not known whether carriers will be able to provide service in some or all of the areas they now serve once support is eliminated. The RCA is concerned that the

¹⁸For an explanation of CAPM and the use of a size premium for utilities, see *Public Utilities Reports Fortnightly*: <http://www.pur.com/pubs/1034.cfm>

¹⁹FNPRM paragraph 1055.

²⁰ FNPRM paragraph 1061. How should the FCC determine and measure the overlap of a carrier's study area with the serving area of an unsubsidized competitor? What process should the FCC adopt for affected Eligible Telecommunications Carriers ("ETCs") to challenge the accuracy of the purported overlap? How should support be adjusted for areas of less than 100% overlap?

²²FNPRM paragraphs 1062-1070. We seek comment on whether this [an analysis based on TeleAtlas Wire Center Boundaries and data from the State Broadband Initiative] is an appropriate methodology for determining areas of overlap, which will result in adjustments to support levels for the rate-of-return ETC.

support may be taken first from the competitive carrier and then from the CAF recipient when neither may be able to sustainably provide service without support.

State commissions are already positioned to make determinations regarding the overlap of service areas and the ability of providers to continue serving without support. A one-size-fits-all formula is not the best approach. Should the FCC conclude that an established procedure must be adopted instead of allowing state commission determinations, the RCA recommends a “pause period” to assess whether unsubsidized service is viable in a particular location before support is removed from the CAF recipient.

3. The preliminary FCC analysis to identify areas with unsubsidized competitors may have been based on inaccurate data for Alaska.

The FCC seeks comment on the applicability of data from the State Broadband Initiative and TeleAtlas Wire Center Boundaries in determining areas of overlapping carrier service areas.²²

The RCA suspects the Alaska data used in the FCC’s analysis is not reliable. Prior comments from the RCA and Alaska providers have noted that maps and other data on Alaska service providers and levels of service are flawed.²³ GCI provided a map of broadband facilities in its comments to the RCA.²⁴ This map compares Alaska’s broadband facilities projected by the FCC’s

²²FNPRM paragraphs 1062-1070. We seek comment on whether this [an analysis based on TeleAtlas Wire Center Boundaries and data from the State Broadband Initiative] is an appropriate methodology for determining areas of overlap, which will result in adjustments to support levels for the rate-of-return ETC.

²³See, Comments of Microcom filed January 5, 2012 referencing paragraph 1230 and comments of the RCA on FCC10-182 filed January 18, 2011, pages 10, 11. See Also, e.g., the FCC’s Rate of Return Resources map of Regulatory Type at the Holding Company Level by Study Area indicates AT&T Alascom as the LEC in some parts of the state where it functions only as an interexchange carrier.

²⁴GCI’s Further Comments Regarding the FCC’s Further Notice of Proposed Rulemaking, filed January 13, 2012 in Docket R-10-3 (GCI Further Comments) page 5. This map is included in these RCA comments as Exhibit A.

model to those that actually exist in our state. Obviously any determination the FCC would make based on a model that so inaccurately represents the existing facilities in our state would be unacceptably flawed. GCI's Further Comments state that part of the reason for the FCC model's gross exaggeration of fiber facilities is the incorrect assumption that "Alaska has the same Local Access and Transport Area ("LATA") network typology found almost everywhere else in the United States. But this, of course is not the case."²⁵

Before the FCC makes decisions about the availability of service in the state – or, indeed, before the FCC uses a model that purports to represent Alaska for *any* purpose – the RCA requests that it, with the help of industry, be allowed to analyze and verify the data upon which the FCC proposes to rely. Assisting in determining the extent of competitive overlap is one of the areas for which the local knowledge of state commissions will be essential to the fairness and accessibility of the process.

The RCA also suggests the need to incorporate parameters to define what the FCC considers "service" by an unsubsidized competitor. For example, if one location within a community is able (both physically and financially) to subscribe to broadband, should that be taken as an indication that the entire community is being served? If defined in such a manner, the RCA believes that such service may not actually be available throughout the area or, if it was deployed to meet the needs of a business, it may not be affordable to the average person in the community. These factors must be taken into account.

²⁵GCI Further Comments page 5.

C. A national model for calculating support reductions is not appropriate for Alaska.

The FCC seeks comment on the appropriateness of using a cost model to create a presumptive reduction in support levels for rate-of-return carriers serving areas partially overlapped by an unsubsidized competitor.²⁶

The RCA reiterates prior comments regarding the problem of applying a national model to rural areas in Alaska:

No national model has ever been developed that predicts accurately the cost of service throughout rural Alaska. Any model must consider the variety of factors that affect our cost of service including rugged terrain, extreme arctic weather, the presence of permafrost, the lack of road access, a widely dispersed population, remote and insular locations and reliance on satellite transport.

Modeling Alaska's broadband service is made more difficult by differences in network design compared to other states. In Alaska, there are no LATAs and rural interexchange transport is typically provided through interexchange satellite transport and not through local eligible telecommunications carrier (ETC) networks. As a result, models based on network structures and technologies applicable in the Contiguous United States would be inapplicable to Alaska. Further, few individuals, including those developing cost support models, are likely to have the experience necessary to develop a model that accurately predicts costs of construction in arctic conditions, especially given the variation in those conditions for a state the size of Alaska.

It has not been shown that models are successful at predicting costs of service throughout rural Alaska. Errors or incorrect assumptions, having only minor impact on large companies, may be devastating for small, rural Alaska companies given their limited resources. In addition, small rural Alaska companies often lack the resources and expertise needed to develop proposals and advocate for changes that may be needed so that a nationally based model will reasonably predict their costs.²⁷

Absent the ability to analyze the actual model, the RCA urges the FCC to proceed with caution. The Rural Task Force recommended that the Hybrid Cost

²⁶FNPRM paragraph 1076.

²⁷Comments of the Regulatory Commission of Alaska In the Matter of Connect America Fund (WC Docket No. 10-90), A National Broadband Plan for Our Future (GN Docket No. 09-51) and High-Cost Universal Service Support (WC Docket No. 05-337), pages 3, 4.

Proxy Model used to determine support levels for the urban parts of the country not be applied to the rural areas because of the difficulty in modeling rural areas. The RCA requests that the FCC allow it and affected providers an opportunity to assess the proposed model with regard to Alaska, before it is finalized and implemented. In the alternative, the FCC should consider an Alaska specific model the RCA is willing to develop an Alaska-specific model for this purpose.

D. State Commissions should have input on decisions regarding support adjustments.

The FCC asks whether it should seek input from relevant state commissions on whether support amounts should be adjusted, and how that would impact consumers in the relevant communities.²⁸ The RCA strongly advocates for state commissions being involved in decisions about adjusting support amounts. Even if state commissions are afforded the opportunity to vet the model being developed as suggested earlier, issues not factored into the model may need to be considered. The RCA is familiar with the characteristics of particular locations in the state, the carriers serving them and the consumers living there and is better positioned to assess whether proposed reductions are appropriate.

III. Fair administration of the Mobility Fund is important for broadband deployment in Alaska.

A. Modification of performance requirements should not result in substandard or unacceptable service quality.

The FCC asks whether performance obligations should be modified for providers in Alaska that depend on satellite backhaul and have no affordable fiber-based terrestrial transport.²⁹

²⁸FNPRM paragraph 1077.

²⁹FNPRM paragraph 1168:

[T]o the extent that providers in Alaska may be dependent on satellite backhaul for middle mile, should we modify our Mobility Fund II performance obligations for some limited period of time, similar to what we adopt more generally as a performance obligation for ETCs? Should a similar accommodation be made for

Performance obligations for satellite-based services are an issue for services supported by both the Mobility Fund and the RAF. The extent of the funding made available will impact the quality of services deployed. The RCA believes the timeline for meeting performance obligations may need to be modified; however, funding levels should not be reduced to a level where service quality and capacity performance decline and put the health and safety of communities at risk. Performance obligations may not need to be modified significantly if adequate funding is available. Microcom commented that providers are likely to take a subsidy only if it is sufficient to meet performance requirements.³⁰

The RCA is concerned that funding may not be adequate to ensure a reasonable level of universal service, particularly with regard to the RAF. By determining the funding level of \$100 million at the outset, the FCC constrains the level of service that can be deployed. Although the determination of what locations will be funded by the RAF has not yet been made, it is certain that parts of Alaska will be included and be subject to whatever reduced performance obligations this funding will support.

B. Local connectivity must continue during satellite outages.

The FCC seeks comment on whether funded deployments should be required to maintain local connectivity, if satellite backhaul fails.³¹

areas in which there is no affordable fiber-based terrestrial backhaul capability? If so, how should the Commission define affordability for these purposes? Further, in areas with only satellite backhaul, should we require funded deployments to be able to support continued local connectivity in case of failure in the satellite backhaul? (footnote omitted)

³⁰Comments from Microcom to the Regulatory Commission of Alaska dated December 30, 2011 in Docket R-10-3 page 5, “This is a money issue not a technical issue in areas served by satellite backhaul. They [satellite service providers] will provide the level of service they can afford. Determine the money and then you can determine the performance.”

³¹FNPRM paragraph 1168.

Local connectivity must be maintained for both mobile and RAF networks in the event of satellite failure to ensure uninterrupted local communications. Local communications are essential for emergency services and other necessary communications, particularly during times of crisis. The technology exists to do this and should be required. For example, GCI has deployed wireless services to remote communities using stand alone local switches that provide local connectivity in the event of satellite failure.

In previously-referenced comments, Microcom described the difficulties that would ensue if residents in remote communities with VoIP services could call each other only over dual hop satellite. Microcom concludes that satellite is a viable means of reaching the rest of the world, but it is not effective in serving the needs within a community.³² This statement is consistent with prior RCA comments that ***satellite circuits should not replace existing local exchange land lines as the funded means of providing local voice service in the highest-cost areas absent state concurrence.*** We discussed the problems of service quality and the expense of satellite-based service while acknowledging that it may be the best option for some parts of Alaska.³³

³²Microcom's FCC Comments page 2:

While satellite broadband is certainly capable of supporting VOIP, anyone who has ever placed a dual hop satellite telephone call understands the problems with this service. By making VOIP a standalone obligation of ETCs that are satellite broadband carriers, the Commission creates the possibility of creating a collection of users with common interests in a remote area whose only method of calling each other is over dual hop satellite. Rural Alaska has faced this dual hop problem since the 1970's with the advent of a state wide C-band satellite network. Only later did regional hubs with DAMA type services eliminate some of the dual hop telephone traffic. In our previous comments, we indicated there is some value in local broadband networks. Handling VOIP is just one of those functions. Satellite is a viable means of reaching the rest of the world, but it is not effective serving the needs within a community.

³³Regulatory Commission of Alaska Comments on FCC11-13, filed April 18, 2011 page 23.

The RCA concurs with Microcom's closing statement, that satellite is not an effective means of serving the needs within a community. For locations that have access to satellite (see *supra* footnote 5), it may be part of the solution to providing broadband and telecommunications affordably, but satellite does not replace the need for a local internet and/or telephone network. Both needs – for local connectivity and for connection to the outside world – are part of universal service and must be included in the FCC's funding mechanisms.

C. Funding for Alaska is needed if broadband is to be deployed in remote areas

The FCC seeks comment on setting aside a portion of Tribal funding for carriers serving Alaska. The FCC seeks comment on an appropriate amount of funding and whether it should be focused on middle mile connectivity.³⁴

The RCA applauds the FCC's willingness to set aside funds specifically for Alaska. This action is consistent with the RCA's request that the FCC recognize the unique and challenging circumstances that face Alaska as it joins the FCC in developing policies that will advance deployment of broadband infrastructure. The RCA will require additional time to assess cost estimates before suggesting an amount for such funding to the FCC but is confident in stating that it could spend the entire \$100 million budget for Mobility II funding of Tribal lands and still not have services that are comparable to the rest of the country. Therefore, the RCA asks that the FCC target as much as possible to our state.

Regarding the question of whether funding should focus on middle mile connectivity, the RCA has filed comments regarding the need for middle mile funding throughout this proceeding:

³⁴FNPRM paragraph 1172: "Should an amount of any Tribal funding be set aside only for carriers serving Alaska to ensure some minimal level of funding representative of the need in that state?" If so, what should the size of that set aside be? If there is a funding amount set aside for Alaska, should it be focused on middle mile connectivity?

- The RCA expressed concern that middle mile costs are missing from the proposed Mobility Fund support calculation methodology.³⁵ These comments referenced our comments on the National Broadband Plan on July 12, 2010 stating that “the main obstacle to deployment of advanced services in Alaska is the cost of building the middle mile network...”
- In a later set of comments we pointed out that “...the lack of unsubsidized broadband to most areas of rural Alaska demonstrates that there is no business case for this service.”³⁶ The comments include a statement that the areas with broadband service comprise roughly 1/4 of the state.
- The need for middle mile was explained extensively under the heading “**Funding for middle mile infrastructure is essential to deployment of broadband in Alaska.**”³⁷ These comments cite supporting detail from Alaska’s carriers regarding the need for and challenges of deploying terrestrial infrastructure in Alaska.

IV. CAF support for price cap carriers is important for improved deployment of advanced services.

A. Price cap carriers should be eligible to participate in reverse auctions.

The FCC seeks comment on whether price cap carriers that decline to make a state-level commitment should be eligible to participate in reverse auctions.³⁸

³⁵Comments of the Regulatory Commission of Alaska in FCC 10-182 filed January 18, 2011 pages 8-9.

³⁶Comments of the Regulatory Commission of Alaska in FCC 11-13 filed April 18, 2011 page 24.

³⁷Comments of the Regulatory Commission of Alaska in DA11-1348 filed September 6, 2011 page 17.

³⁸FNPRM paragraph 1198. The proposed framework will provide the winner with the universal service support for the area it pledges to serve in accordance with required service specifications for a period of 5 years. The suggested term for support, the obligations assumed and all other details are open to comment. The specific question in this paragraph is whether the incumbent carrier, after declining to make a statewide commitment to serve wherever it is certificated in a state should still be allowed to participate by bidding for a smaller area.

Price cap carriers should be allowed to participate in reverse auctions for funding. In Alaska, the price cap carrier may be the only provider willing and capable of deploying broadband services in some areas within proposed funding amounts. Participation by price cap carriers may increase competition and result in lower bids. This point was made in comments filed with the RCA by Alaska Communications Systems (ACS), Alaska's only price-cap carrier.³⁹

B. Initial relaxation of performance standards may encourage the use of varied technologies but reasonable service quality must be maintained.

The FCC seeks comment on relaxation of broadband performance requirements in order to expand the pool of technologies eligible to compete for universal service support.⁴⁰

The RCA is concerned that performance requirements not be set so low that consumers receive substandard service. On the other hand, there may not be bidders willing to serve some areas unless obligations are relaxed. Therefore, the RCA believes that under some circumstances the performance standards should be relaxed, but that incentives must be included to improve performance over time so that no community is permanently relegated to substandard service. Perhaps a bidding credit could be provided to carriers that promise to improve the performance measures by some amount within the first three years of the support award. A carrier that does not achieve the promised improvement would then be subject to penalties.

³⁹ *Preliminary Comments of Alaska Communications Systems*, filed December 30, 2011 with the RCA in Docket No. R-10-03 (ACS Comments), page 5.

⁴⁰ FNPRM paragraph 1204.

C. Public interest tradeoffs should be balanced over time.

The FCC seeks comment on how to weigh the public interest tradeoffs between offering higher quality to fewer customers vs. accepting lower quality for some customers in order to serve more total customers.⁴¹

To the extent performance standards are relaxed for providers serving remote areas, these same communities should be designated for increased funding in later phases of the CAF. Otherwise the highest cost areas of the country, especially Alaska, may be perpetually left behind.

D. Support recipients should provide service throughout the area for which they receive support.

The FCC seeks comment on whether universal service support recipients should be required to provide service to as many locations as request service in their areas during the term of support or whether the service requirement should be limited, consistent with limiting the total amount of support.⁴²

The estimated cost of growth in locations to be served should be factored into both the CAF model calculations and the price cap area bids. If a carrier denies service it must provide the appropriate authority with an explanation for why the request for service was unreasonable. If there is an extreme situation, such as that described by ACS in its filing with the RCA, the provider should request a waiver of the requirement to serve the location:

ACS believes that the number of locations should be limited to the number of, and geographic location of, locations at the time of auction. While ACS can plan for some growth in some areas, the economic realities of a state reliant on natural resource development

. . . .

. . . Unforeseen resource development projects may pop up in remote parts of sparsely populated census blocks that would impose

⁴¹FNPRM paragraph 1204.

⁴²FNPRM paragraph 1205.

financial harm if a carrier is obligated to serve that facility and its workers.⁴³

This issue highlights the potential conflict between: (1) the modified support mechanisms adopted and under development by the FCC, (2) the historic responsibility of carriers of last resort (COLR) to provide universal service, and (3) the state commissions that ensure that the public is served. It appears the FCC is creating an unfunded mandate by removing the funding for universal service that state commissions are responsible for overseeing. The RCA strongly opposes any preemption by the FCC of its authority over state ETC designations and COLR obligations whether directly or through insufficient funding.

V. The Remote Areas Fund must direct funding to the locations and carriers most in need. The RCA recommends the competitive proposal evaluation approach.

The FCC seeks comment on how to structure the Remote Areas Fund.⁴⁴ The FCC discusses alternative ways to structure the fund.⁴⁵ The FCC proposes to provide a portable consumer subsidy, similar to that provided to Lifeline customers. Other alternatives include, competitive bidding and a competitive proposal evaluation/request for proposal process. The FCC has also requested comments on ideas for other ways to structure the RAF.

The RCA has concerns with all of the options proposed by the FCC primarily because the size of the fund has been established without consideration of the level of service the funding will be able to provide. The use of a portable consumer subsidy may not incent the infrastructure development that is needed in Alaska. The RCA believes the best option out of those presented is the competitive proposal evaluation, which would allow an opportunity to compare options with potentially different service qualities. In addition, state commissions

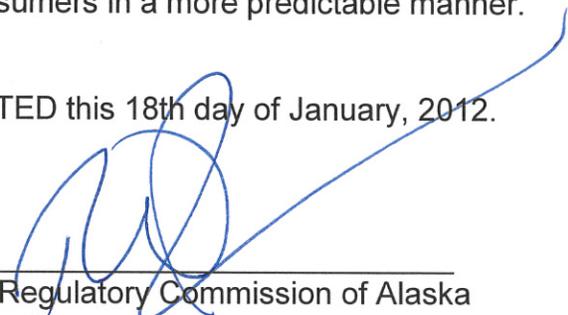
⁴³ACS Comments pages 6–7.

⁴⁴FNPRM paragraph 1225.

⁴⁵FNPRM paragraphs 1225-1228.

there is not always enough money to do everything at the same time. As these comments explain, however, the value telecommunications infrastructure brings to remote Alaska communities is far greater than elsewhere. The RCA is ready to work as a partner with the FCC in furthering USF reform tailored to Alaska's specific and significant need for high cost support. We believe such partnership would best preserve existing service and bring the broadband services identified by the FCC to Alaskan consumers in a more predictable manner.

RESPECTFULLY SUBMITTED this 18th day of January, 2012.



Regulatory Commission of Alaska
T.W. Patch, Chairman

