

**Before the  
Federal Communications FCC  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Lifeline and Link Up Reform and Modernization	)	WC Docket No. 11-42
	)	
Lifeline and Link Up	)	CC Docket No. 96-45
	)	
Federal-State Joint Board on Universal Service	)	WC Docket No. 03-109
	)	
Advancing Broadband Availability Through Digital Literacy Training	)	WC Docket No. 12-23

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

Date: May 1, 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 reply comments in response to the FCC12-11 *Report and Order*<sup>1</sup> and *Further Notice of Proposed Rulemaking*<sup>2</sup> concerning reform of the Lifeline and Link Up programs. The RCA has reviewed comments filed in response to the FNPRM and we take this opportunity to respond to comments filed by Alaska carriers and other entities.

The Federal Communications Commission (FCC) made enormous reforms to the USF low-income program. The changes come at the same time as

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<sup>1</sup> *In the Matter of Lifeline and Link Up Reform and Modernization, Lifeline and Link Up, Federal-State Joint Board on Universal Service, Advancing Broadband Availability Through Digital Literacy Training*, WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, and WC Docket No. 12-23, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11, released February 6, 2012; Federal Register (Order).

<sup>2</sup> The Further Notice of Proposed Rulemaking (FNPRM) is attached to the Order as Section XIII.

the USF/ICC reforms, which may likely result in rate increases and thereby potentially leaving a segment of the population without meaningful access to affordable telecommunications service. We encourage the FCC to pause and allow time for carriers to assess the effects of the approved reforms before adopting further changes.<sup>3</sup>

**A digital literacy training program is a good idea but it should not be administered under the federal USF low-income program and Tribal lands should be given priority for the training.**

Along with the deployment of broadband facilities and sufficient services to meet the needs of consumers, another issue that the FCC wishes to address is the adoption barrier created by the lack of digital literacy among low-income consumers.<sup>4</sup> The FCC seeks comment on using universal service support to provide digital literacy training programs.<sup>5</sup> We agree that digital literacy would particularly promote broadband adoption on Tribal lands. However, the RCA is not in favor of using the universal service fund to support digital literacy training programs, because we are concerned that the fund will be needed to provide network support particularly middle mile networks. To the extent digital literacy training is provided, the first priority should be to assure the training of those individuals residing on Tribal lands.

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<sup>3</sup> The FCC adopted comprehensive reforms to high-cost universal service support and to intercarrier compensation in *Report and Order and Further Notice of Proposed Rulemaking*, FCC 11-161 released November 18, 2011. 76 Fed. Reg. 73830 (Nov. 29, 2011). Also, as discussed in these reply comments, the FCC reduced the Lifeline support in Alaska by 8 percent. The FNPRM at paragraphs 462 – 469 asks for input on ways to determine the correct amount of Lifeline support. The RCA cautions that given the multitude of changes currently impacting the industry and its consumers, accurate information may not be available at this time.

<sup>4</sup> FNPRM ¶416.

<sup>5</sup> *Id.*

**Only ETCs providing service directly to customers should receive Lifeline support.**

The FCC seeks comments on its proposal that would allow ETCs to receive Lifeline support only when they provide Lifeline service directly to subscribers.<sup>6</sup> ETCs offering services at wholesale to resellers would no longer receive Lifeline support for services that are resold as Lifeline services.<sup>7</sup> We agree that only ETCs directly providing service to subscribers should receive Lifeline support. We also support ACS's comment that the FCC should afford wholesalers and resellers of Lifeline service the flexibility to enter into commercial agreements to negotiate the terms for receipt of Lifeline support.<sup>8</sup> Such agreements would identify which entity would receive Lifeline support and assume the associated Lifeline obligations, such as managing customer information in the Lifeline accountability database. If the wholesaler and reseller do not enter into an agreement, the default would be that the reseller of Lifeline service would receive the support and be responsible for any corresponding obligations.<sup>9</sup>

**ILECs should be relieved of the obligation to resell, and resellers should be ETCs.**

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<sup>6</sup> FNPRM ¶451.

<sup>7</sup> *Id.*

<sup>8</sup> ACS comments at 4-5.

<sup>9</sup> ACS comments at 5.

The FCC seeks comment regarding whether it should interpret section 251(c)(4)<sup>10</sup> as not requiring incumbent LECs to resell their voice telephony services for resale with a further Lifeline discount.<sup>11</sup> As an alternative to the statutory interpretation of section 251(c)(4), the FCC seeks comment on whether incumbent LECs can be relieved of the obligation to resell on the FCC's own motion.<sup>12</sup> The FCC also seeks comment on whether resellers should be ETCs.<sup>13</sup>

We agree with the AK RC comments in support of the requirement that all carriers providing Lifeline service directly to an end user be ETCs.<sup>14</sup> That way, all carriers providing Lifeline service are subject to the same degree of oversight. We note that this is not an issue in Alaska since currently all providers of Lifeline service are ETCs. We also join with ACS and the AK RC in support of the FCC's interpretation of section 251(c)(4) that incumbent LECs not be required to resell their Lifeline discounted voice telephony services at wholesale rates in instances where the reseller of Lifeline service receives the Lifeline subsidy for the service. This would mitigate the risk that both the wholesaler and reseller could seek reimbursement for a Lifeline subsidy provided to the same customer.<sup>15</sup>

**Maintain the current level of support in Alaska under a flat rate reimbursement mechanism.**

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<sup>10</sup> 47 U.S.C. § 251(c)(4).

<sup>11</sup> FNPRM ¶452.

<sup>12</sup> FNPRM ¶453.

<sup>13</sup> FNPRM ¶452.

<sup>14</sup> Alaska Rural Coalition (AK RC) comments at 2-3.

<sup>15</sup> ACS comments at 5; AK RC comments at 2-3.

The FCC adopted an interim uniform Lifeline flat rate of \$9.25 per line per month for voice service.<sup>16</sup> Flat rate Lifeline support is administratively simple, and we join with GCI in opposing the proposal to establish rates based on the price of the lowest-priced available offering in a particular geographic area. Such an approach would be administratively complex to implement.<sup>17</sup>

The FCC noted that the interim flat rate support, which was based on September 2011 Lifeline reimbursement data, is \$0.07 higher than the average 2010 reimbursement amount.<sup>18</sup> However, as shown in the table below, the flat rate amount reduces the Lifeline support in Alaska by \$0.75, or about 8 percent of Lifeline support per line per month for voice service.<sup>19</sup>

Category	Current Alaska Amount	FCC Lifeline Reform
Tier 1	\$6.50	\$9.25
Tier 2	\$1.75	
Tier 3	\$1.75	
Total	\$10.00	\$9.25

We urge the FCC to maintain the current flat rate Lifeline support of \$9.25 per line per month in Alaska. Alaska has a substantial number of low-income customers, has been recognized to be Tribal land and end user charges are increasing due to intrastate access charge reform.<sup>20</sup> We urge the FCC not to further reduce Lifeline support at this time. End user charges are likely to increase due to interstate ICC reform and may increase substantially as a result

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<sup>16</sup> Order ¶58.

<sup>17</sup> General Communication, Inc. (GCI) comments at 3.

<sup>18</sup> Order, footnote 151.

<sup>19</sup> 2011 Monitoring Report at Table 2.3.

<sup>20</sup> For instance, Alaska's Network Access Fee (NAF) is a flat fee similar to the Federal Subscriber Line Charge and is paid by local exchange customers to recover local loop cost. The current NAF amount is \$3.75 per line and will increase to \$5.75 over the next four years.

of USF reform.<sup>21</sup> Caution is also warranted because of Tribal lands issues, such as low income levels and high unemployment.<sup>22</sup> We agree with ACS's and GCI's comments that any reduction in the current support will likely harm many of Alaska's Lifeline customers.<sup>23</sup>

**The FCC should establish cost-based Lifeline support for prepaid wireless Lifeline-only ETCs.**

We urge the FCC to give careful consideration to comments by the Montana Telecommunications Association (MTA) suggesting that the FCC eliminate Lifeline identical support and instead establish a cost-based, flat rate reimbursement mechanism for prepaid wireless Lifeline-only ETCs. This mechanism should be distinct from the Lifeline discount amount provided to wireline incumbent carriers.<sup>24</sup> The FCC noted that prepaid wireless ETCs account for more than 40 percent of distributed Lifeline support.<sup>25</sup> The MTA stated that the wireless Lifeline-only ETCs are draining the universal service fund<sup>26</sup> and noted that Lifeline support disbursements to incumbent LECs ranged between \$535 million and \$726 million between 2000 through 2011. By contrast, in 2000 Lifeline support disbursed to Competitive Eligible Telecommunications Carriers (CETCs) was \$1.1 million. Payments to CETCs increased to \$101.5 million in 2006 as

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<sup>21</sup> See RCA comments to FCC 11-161, filed February 24, 2012.

<sup>22</sup> Sixty-two percent of Alaska's boroughs and census areas have an unemployment rate of over 10 percent (source: <http://www.labor.state.ak.us/research/labforce/labforce.htm#>).

<sup>23</sup> ACS comments at 6; GCI comments at 3.

<sup>24</sup> Montana Telecommunications Association comments at 13 (<http://apps.fcc.gov/ecfs/document/view?id=7021906346>)

<sup>25</sup> Order ¶23.

<sup>26</sup> MTA comments at 7, 14.

prepaid wireless providers “discovered” the program.<sup>27</sup> The MTA argued that under the new rules, all ETCs receive an identical level of Lifeline support (i.e. \$9.25 per line per month) regardless of cost structure or technology platform.<sup>28</sup> To achieve the goal of eliminating waste, fraud, and abuse of the Lifeline program, the RCA joins the MTA in recommending that the FCC establish a cost-based Lifeline support mechanism for prepaid wireless Lifeline-only ETCs.<sup>29</sup>

**The Lifeline discount should not be split between two or more lines or supported services.**

The FCC seeks comment on a proposal that eligible subscribers have the option to apportion the flat rate Lifeline discount among multiple lines or between wireless and wireline services.<sup>30</sup> We join ACS and GCI in their comments that splitting a flat rate discount among two or more lines would provide no economic benefit for consumers but would create administrative difficulties and customer management issues thereby increasing ETC expenses.<sup>31</sup>

**The Lifeline discount amount for Tribal lands should not be applied to more than one supported service per household, and consumers should not be allowed to obtain supported services from more than one ETC.**

The FCC seeks comment on whether to adopt a rule allowing eligible residents of Tribal lands to split the Lifeline discount amount among multiple

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<sup>27</sup> MTA comments at 7.

<sup>28</sup> MTA comments at 13.

<sup>29</sup> MTA comments at 14-15.

<sup>30</sup> FNPRM ¶470.

<sup>31</sup> ACS comments at 6-7; GCI comments at 6.



supported services per household or to allow residents to obtain supported services from more than one ETC.<sup>32</sup> We agree with ACS, the AK RC, and GCI comments that splitting a Tribal lands Lifeline discount between multiple supported services or among multiple service providers would add administrative burdens and expenses to the program that would outweigh the intended benefits.<sup>33</sup> In addition, it would increase the risk of improper payments to Lifeline subscribers.

**Link Up support for eligible residents of Tribal lands should be retained.**

The FCC seeks comment on whether Link Up support for Tribal lands should be modified or eliminated given the recent universal service funding reforms.<sup>34</sup> We join with ACS, the AK RC, and GCI and support their observations that Link Up support is a critical component for delivering voice and broadband services to Tribal land residents and should be retained.<sup>35</sup> Elimination of Link Up on Tribal lands would be contrary to the objectives of the Tribal Link Up support. The FCC's statement that "more remains to be done" and its stated commitment to expanding access to advanced telecommunications services for Tribal lands<sup>36</sup> indicates the FCC's understanding that Link Up support for Tribal lands must be retained.

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<sup>32</sup> FNPRM ¶¶476, 477.

<sup>33</sup> ACS comments at 7; Alaska Rural Coalition (AK RC) comments at 4-5, GCI comments at 6-7.

<sup>34</sup> FNPRM ¶¶481, 482.

<sup>35</sup> ACS comments at 8; AK RC comments at 5; GCI comments at 5.

<sup>36</sup> FNPRM ¶480.

**The FCC should assess the impact of the adopted universal service fund reforms before considering any reduction in support in Alaska.**

The FCC targeted alternate funding through the USF/ICC Reform Order to facilitate deployment of telecommunications infrastructure and to improve access to services on Tribal lands. In the FNPRM the FCC asks if these measures in whole or in part would replace Tribal Link Up support.<sup>37</sup> Through its Mobility Fund I, the FCC allocated \$300 million in one-time support to fund deployment of mobile services using a reverse auction mechanism and provides a 25 percent bidding credit for Tribally-owned or controlled carriers. The FCC also created Mobility Fund II, which will provide \$500 million in ongoing support for wireless service, with \$100 million annually reserved for Tribal lands.

We agree with the AK RC's concern regarding the FCC's reliance on the recently established funding given the future uncertainty that exists in the industry. It is unknown at this time whether the FCC's funding sources are sufficient to facilitate deployment in Tribal areas. The FCC should not forget the importance to Alaska of Lifeline support on Tribal lands, despite the recently adopted reforms in high cost support. The reverse auction mechanism proposed in Mobility Fund I is expected to provide little or no funding to Remote Alaska.<sup>38</sup> Furthermore, it is unclear whether the small, rural carriers who serve Tribal lands in Remote Alaska will be eligible for the 25 percent bidding credit provided to Tribally-owned and operated carriers.<sup>39</sup> The cost model proposed for use by the FCC for distribution of Mobility Fund II support remains unresolved, and it has not

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<sup>37</sup> FNPRM ¶¶481, 482.

<sup>38</sup> AK RC at 6.

<sup>39</sup> AK RC at 6-7.

been shown that models can successfully predict costs of serving throughout rural Alaska.<sup>40</sup> We urge the FCC to assess the impact of its reforms and ensure a factual record is available before attempting to reduce support levels in Alaska.

**Retain rules, as amended, that allow the flexibility to apply Lifeline discounts to bundled services that include a voice component, but do not include video offerings.**

The FCC amended sections 54.401 and 54.403 to provide ETCs the flexibility to permit Lifeline subscribers to apply their Lifeline discount to bundled service packages or packages containing optional calling features.<sup>41</sup> We agree with ACS and GCI that requiring, as opposed to allowing, ETCs to provide a Lifeline discount to bundled services would create an administrative burden that some carriers may not be readily capable of accommodating.<sup>42</sup> Therefore, the current rules, as amended, that allow Lifeline customers to apply their Lifeline discount to a bundle that includes a voice component should be retained.

Some carriers offer bundled services that include video offerings. While we support the use of Lifeline support for bundled services that include a voice component, we do not support including video or entertainment services in bundled services eligible for Lifeline discounts.

**Incumbent wireline carriers should not be allowed to opt out of the Lifeline program without state commission approval.**

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<sup>40</sup> AK RC comments at 7.

<sup>41</sup> FNPRM ¶488.

<sup>42</sup> ACS comments at 9; GCI comments at 8.

The FCC seeks comments on AT&T's proposal to allow incumbent LEC Lifeline providers to opt out of the Lifeline program.<sup>43</sup> We join the AK RC in urging the FCC to move cautiously in changing ETC requirements.<sup>44</sup> We support the retention of the obligation for incumbent LECs to provide Lifeline service at least in areas where there are no other ETCs providing service.<sup>45</sup> Carriers in areas with multiple ETCs who wish to opt-out should only be allowed to opt out of the Lifeline program upon approval by a state commission. The RCA urges the FCC to reject AT&T's proposal and retain the obligation of incumbent LECs to offer Lifeline service. In many areas in Alaska, the incumbent LEC is the only Lifeline provider. Eliminating the requirement that incumbent LECs provide Lifeline service could leave some customers without any affordable or reliable voice service. This position is consistent with other state commissions' comments on this issue.<sup>46</sup>

## **Conclusion.**

Some level of financial support is important to many low income consumers in Alaska. We appreciate the FCC's action to improve the Lifeline program and to reduce instances of waste, fraud and abuse. We encourage the FCC to recognize the unique characteristics of Alaska and to carefully implement

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<sup>43</sup> FNPRM ¶503.

<sup>44</sup> AK RC comments at 9.

<sup>45</sup> AK RC comments at 9.

<sup>46</sup> CA PSC at 8-9; MI PSC at 9; DC PSC at 4-5.

change so that reforms adopted do not inadvertently reduce the effectiveness of the Lifeline and Link Up programs in the state.

RESPECTFULLY SUBMITTED this 1<sup>st</sup> day of May, 2012



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Regulatory Commission of Alaska  
T. W. Patch, Chairman