



# PUBLIC NOTICE

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## WIRELINE COMPETITION BUREAU ANNOUNCES VOICE AND BROADBAND REASONABLE COMPARABILITY BENCHMARKS FOR ALASKA PLAN RATE-OF-RETURN CARRIERS AND ALASKA COMMUNICATIONS SYSTEMS AND CONFIRMS MINIMUM USAGE ALLOWANCE REQUIREMENTS

### WC Docket Nos. 10-90 and 16-271

Today, the Wireline Competition Bureau (Bureau) announces reasonable comparability voice and broadband benchmarks and confirms minimum usage allowance requirements for Alaska Plan rate-of-return carriers and Alaska Communications Systems (ACS).

In the *Alaska Plan Order* and the *ACS Order*, the Federal Communications Commission (FCC or Commission) determined that Alaska Plan rate-of-return carriers and ACS are subject to the same obligations as all other recipients of high-cost universal service support, i.e., to provide voice and broadband service meeting minimum latency and usage requirements at reasonably comparable rates.<sup>1</sup> However, because of the higher costs of building infrastructure in Alaska, the Commission directed the Bureau to determine an Alaska-specific reasonable comparability benchmark for service.<sup>2</sup>

*Voice Rates.* Alaska Plan carriers are required to offer voice service to all served locations. In the *Alaska Plan Order*, the Commission stated that for voice service, Alaska Plan carriers are required to certify annually that their rates are in compliance with the existing reasonable comparability benchmark.<sup>3</sup> ACS is subject to the same requirement.<sup>4</sup> All Alaska Plan carriers certified compliance with the voice benchmark in 2016, so we determine there is no reason for a different reasonable comparability benchmark for voice. Accordingly, the reasonable comparability voice benchmark for these carriers for 2017 is \$49.51.<sup>5</sup> All Alaska Plan rate-of-return carriers and ACS must certify in the FCC Form 481 filed no later than July 1, 2017 that the price of their basic residential voice service is not above \$49.51.

*Broadband Rates.* To meet the reasonable comparability benchmark for broadband, Alaska Plan

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<sup>1</sup> See *Connect America Fund; Universal Service Reform; Connect America Fund – Alaska Plan*, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 10139, 10146-48, paras. 19-20, 23, 26 (2016) (*Alaska Plan Order*), and *Connect America Fund*, Order, 31 FCC Rcd 12086, 12089-91, paras. 12, 14, 19 (2016) (*ACS Order*).

<sup>2</sup> *Alaska Plan Order*, 31 FCC Rcd at 10149, para. 28; *ACS Order*, 31 FCC Rcd at 12092, para. 21.

<sup>3</sup> *Alaska Plan Order*, 31 FCC Rcd at 10148-49, paras. 26-28.

<sup>4</sup> *ACS Order*, 31 FCC Rcd at 12091, para. 19; 47 CFR § 54.313(a)(10).

<sup>5</sup> *Wireline Competition Bureau Announces Results of 2017 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, WC Docket No. 10-90, Public Notice, DA 17-167, 1 (WCB Feb. 14, 2017) (*2017 Urban Rate Survey Public Notice*).

carriers and ACS may certify compliance with reasonable comparability benchmarks or certify that they offer the same or lower rates in rural areas as in urban areas.<sup>6</sup> Recognizing the unique challenges and circumstances Alaskan carriers face serving their customers, the Commission directed the Bureau to establish an Alaska-specific reasonable comparability benchmark for broadband. The Commission stated that the Bureau could use “data from its urban rate survey or other sources, as appropriate” in establishing the benchmark.<sup>7</sup>

To calculate the broadband reasonable comparability benchmark, we use the same formula as in the *2017 Urban Rate Survey – Fixed Broadband Service Analysis* with one change to account for the unique challenges of serving Alaska.<sup>8</sup> The methodology adopted for the reasonable comparability benchmark is the “estimated average monthly rate plus twice the standard deviation of rates for terrestrial fixed broadband service plans with download speeds of 10 Mbps or greater, upload speeds of 1 Mbps or greater, and usage allowance of 100 GB or greater.”<sup>9</sup> The estimate of the standard deviation of rates for service plans meeting the reasonable comparability benchmark criteria is the root weighted mean squared residual (RWMSR). RWMSR is the square root of the weighted average of the square of residuals (observed rate minus average rate as defined by the Average Monthly Rate equation) plus the square of the spreads divided by 12.

For Alaska, we modify the formula to use four standard deviations rather than two — that is four times RWMSR rather than two times RWMSR. Four standard deviations, which increases the price benchmarks, accounts for the unique geographical and infrastructure challenges carriers face in bringing broadband service to Alaskan consumers, in particular high middle-mile costs even for fiber facilities.<sup>10</sup> To the extent that a carrier cannot certify in its FCC Form 481 to meeting the benchmark, it will provide an explanation.

The Bureau will monitor middle-mile costs and availability in Alaska and annually evaluate whether four rather than two standard deviations remains justified or whether circumstances necessitate an alternative approach. Benchmarks for some common service offerings are below and can also be calculated using the spreadsheet on our website at <https://www.fcc.gov/general/urban-rate-survey-data-resources> and the online tool.<sup>11</sup>

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<sup>6</sup> *Alaska Plan Order*, 31 FCC Rcd at 10148-49, para. 27; *ACS Order*, 31 FCC Rcd at 12092, para. 21.

<sup>7</sup> *Alaska Plan Order*, 31 FCC Rcd at 10149, para. 28.

<sup>8</sup> See *2017 Urban Rate Survey – Fixed Broadband Service Analysis*, 7, available at <https://www.fcc.gov/general/urban-rate-survey-data-resources>.

<sup>9</sup> *Id.*

<sup>10</sup> Comments of the Alaska Telephone Association on Calculation of Reasonably Comparability Benchmark for Broadband Services, WC Docket No. 10-90, et al., 2 (filed Aug. 19, 2014); Letter from Karen Brinkmann, Counsel to Alaska Communications, to Marlene Dortch, FCC Secretary, WC Docket No. 10-90, Attachment, Closing the Middle Mile Gap in Alaska, 3 (filed Nov. 19, 2015).

<sup>11</sup> Certain Alaska Plan carriers committed to deploying speeds of 100/5 Mbps and 1GB/100 Mbps. However, reasonable comparability benchmarks at those speeds are not yet available but will be in coming years as such speeds become more common.

Download Speed (Mbps)	Upload Speed (Mbps)	Capacity Allowance (GB)	AK Benchmark
4	1	160	\$88.34
10	1	160	\$99.90
25	3	160	\$111.97
50	5	160	\$120.95

Only locations being served by fiber middle-mile or hybrid fiber/microwave middle-mile are subject to the reasonable comparability benchmark. For locations Alaska Plan carriers are serving with satellite and microwave middle-mile facilities, carriers are not required to meet the broadband reasonable comparability benchmark. Alaska Plan carriers should offer service at these locations at or below the prices to which they committed to in this proceeding.<sup>12</sup>

Alaskan carriers receiving Alternative Connect America Cost Model (A-CAM) support must meet the same pricing benchmarks as all other A-CAM carriers. The Commission explicitly permitted only Alaska Plan carriers and ACS to meet an Alaska-specific benchmark.

*Minimum Usage Allowance.* Participants in the Alaska Plan are required to provide a usage allowance that evolves over time to remain reasonably comparable to usage by subscribers in urban areas, similar to the approach adopted for price cap carriers and other rate-of-return carriers.<sup>13</sup> When approving carriers’ plan in December 2016, the required minimum data usage allowance was 150 GB.<sup>14</sup> Accordingly, the Bureau listed 150 GB on the approved plans for locations served with fiber or hybrid microwave/fiber.<sup>15</sup>

We clarify, consistent with the Commission’s *Alaska Plan Order*, that the 150 GB was the starting point and the usage allowance for Alaska Plan carriers will evolve over time. Specifically, the Commission stated that Alaska Plan “carriers will be required to certify that they offer a minimum usage allowance of 150 GB per month, or a usage allowance that reflects the average usage of a majority of consumers, using Measuring Broadband America data or a similar data source, whichever is higher.”<sup>16</sup>

As stated in the Commission’s recent Public Notice, we confirm the minimum monthly usage allowance is 160 GBs for Alaska Plan carriers.<sup>17</sup> For locations Alaska Plan carriers are serving with

<sup>12</sup> See Letter from Christine O’Connor, Executive Director, Alaska Telephone Association, to Marlene Dortch, Secretary, FCC, WC Docket No. 10-90, Attachment (filed May 12, 2016) (BRST – Microwave – \$150.00; AMRC – Satellite – \$194.90; NSHG – Microwave – \$160.98; OTZT – Satellite – \$74.99; ADKG – Satellite – \$150.00; ARCT – Satellite – \$149.99; BSHT – Microwave – \$110.30); GCI Nov. 29 Letter (Satellite – \$99.99, Microwave (4/1) – \$99.99, Microwave (10/1) – \$149.99).

<sup>13</sup> *Alaska Plan Order*, 31 FCC Rcd at 10147, para. 21.

<sup>14</sup> *Id.* at 10147, para. 23.

<sup>15</sup> See *Wireline Competition Bureau Authorizes Alaska Plan Support for 13 Alaskan Rate-of-Return Companies*, Public Notice, 31 FCC Rcd 13347, 13351-54 (WCB 2016) (*Authorization Public Notice*).

<sup>16</sup> *Alaska Plan*, 31 FCC Rcd at 10147, para. 23.

<sup>17</sup> *2017 Urban Rate Survey Public Notice* at 3.

satellite and microwave middle-mile facilities, carriers are not required to meet the 160 GB minimum usage allowance requirement. Rather, their minimum usage allowance requirement remains at what is listed in Appendix B of the *Authorization Public Notice*.<sup>18</sup>

ACS is subject to the same minimum usage allowance requirement, although alternatively, ACS may “offer a usage allowance consistent with the usage level of 80 percent of its own broadband subscribers, including those subscribers that live outside of Phase II-funded areas.”<sup>19</sup> Given that ACS does not offer plans with usage limits, we do not expect ACS to have problems meeting this requirement.<sup>20</sup>

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<sup>18</sup> *Authorization Public Notice*, 31 FCC Rcd at 13351-54.

<sup>19</sup> *ACS Order*, 31 FCC Rcd at 12091, para. 18.

<sup>20</sup> *See id.* at 12091, para. 17. *See also* Alaska Communications, <http://www.alaskacommunications.com/Residential> (last visited Apr. 11, 2017) (click “Products” to see only unlimited Internet plans being advertised).