

Congress of the United States
Washington, DC 20510

April 21, 2014

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The Honorable Tom Wheeler
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Dear Mr. Chairman:

We write to raise several significant Alaska-specific concerns regarding the Seventh Order for Reconsideration currently pending before the Commission. We appreciate your attentiveness to the problematic nature of the Quantile Regression Analysis (QRA), and want to thank you for listening to the concerns of the Alaska Delegation, Alaskan rural providers, and many others within the industry about the need to eliminate the QRA. However, as the FCC works through the forthcoming Report & Order, Declaratory Ruling, Order, Memorandum Opinion & Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking in Dockets 10-90 (Connect America Fund) *et al.*, and takes into account the market and technology shifts that continue to evolve, we remain concerned on a number of aspects in which the Commission's policies appear to digress from the universal service goals established by Congress in the Communications Act, some of which we note below. We believe the FCC must address these concerns to maintain but also expand the incomplete telecommunications network in Alaska. Further steps must be taken in short order to fulfill the critical mission and the statutory obligation of providing universal service to our constituents in some of the farthest reaches of our country, including rural Alaska.

As you know, the lack of roads, extreme distances, topographical and climatic challenges in rural Alaska result in extraordinarily high construction and operational costs. To bring the most advanced services possible to our rural areas, the companies providing such services assumed extremely high burdens of debt. The uncertainty caused by the 2011 USF-ICC Transformation Order has caused many setbacks for universal service in Alaska. With your ongoing support we can ensure that Alaskans and their families and communities do not fall further behind in telecommunications services.

Specifically, we would like you to directly address several core issues related to the forthcoming Order:

Connect America Fund Phase II: We have serious concerns with the CAF II funding model, CAM 4.1, produced by the Wireline Competition Bureau. We recognize that modest adjustments have been made over the last several months; however the model is very problematic for Alaska. Alaska has one price cap carrier, Alaska Communications System (ACS). If the model fails to produce sufficient support for meaningful broadband expansion in Alaska, ACS will not be able to meet the requirements imposed on them to accept this CAF II money, and Alaska could miss out on its fair share of the entire \$1.8 billion annual fund, which would be hugely problematic. While other price cap carriers will see a substantial increase in support for the development of broadband capabilities for unserved areas, Alaska will fall farther behind the rest of the nation in access to advanced network capabilities.

To avoid this potential loss, we urge the Commission to override the Bureau's model and base Phase II CAF support for Alaska on Alaska-specific costs (not national average costs) for deploying broadband in Alaska, moving off-road locations over to the Remote Areas fund, where they are a better fit. As we have mentioned in the past, the costs of maintaining and expanding middle-mile connections in Alaska are extremely high. To meet the FCC's goal of bringing comparable levels of broadband capabilities to all Americans at affordable rates, we request more be done to assist and create incentives for companies to build out and develop telecommunication networks capable of delivering broadband services to rural Alaskans at comparable and affordable prices. Alternatively, if the Commission declines to allocate additional support to Alaska, offering ACS the option of continuing to receive frozen CAF I support on a reasonable basis that does not impose significant new burdens or restrict eligible areas is a potential substitute.

Establishing an Alaska Wireless Fund in Mobility II: We agree with Alaska Telephone Association's desire for the FCC to establish an Alaska Wireless fund of \$105 million for 5 years, and ask the Commission to seek comments on such a proposal as a part of the upcoming Further Notice of Proposed Rulemaking. We support having this proposal in the notice at the very least to give time for policy discussions to continue on how to keep Alaska wireless deployment and upgrades on track with the rest of the nation as the Mobility Fund II and Tribal Mobility II proceedings move forward. The current Alaska CETC support should remain stable to allow for wireless service to expand and necessary upgrades to roll out to the most rural areas the State.

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Safety Net Additive: It is our understanding that the forthcoming Order will reinstate Safety Net Additive (SNA) for carriers impacted by the previous Chairman's decision to phase out SNA. To cover the needs of isolated, rural carriers such as Ketchikan Public Utilities (KPU), we urge the Commission to maximize this modification by extending this support to all carriers that had previously qualified for SNA such as KPU. KPU is a local exchange carrier owned by the City of Ketchikan. Ketchikan is an insular and remote island in Southeast Alaska serving tribal lands and can only be reached by air or by sea. The total amount of SNA that KPU would receive after this correction is approximately \$600,000, one-half of SNA that was phased out in 2012, and 100 percent of SNA that was eliminated in 2013 and 2014. The FCC should provide that fix to all affected carriers.

Rate Floor Hike: The FCC is proposing that the current rate floor of \$14 (plus state fees) for rural customers be raised to the average urban rate; currently \$20.46. This represents a 46 percent increase. Companies failing to raise rates to that level will accept a dollar-for-dollar reduction in their high-cost support. Section 254 of the Communications Act requires rates to be affordable and urban and rural rates comparable. As incomes and disposable income in urban and rural areas are not identical, neither should that be the expectation of telecommunications rates. We request that the FCC freeze the rate floor for rural areas at \$14 and reexamine this proposed policy.

Your quick action is critical. We hope and expect that your timely action will prevent the disruption of the forward momentum of building a nationwide telecommunications network.

We look forward to continuing to work with you and welcome you to visit Alaska at your earliest convenience to see firsthand the unique challenges we face and to work with us on solutions. You may contact Andrea Sanders in Senator Begich's office at 202-224-3004, Peter Lewis in Senator Murkowski's office at 202-224-6665, and Jason Suslavich in Congressman Young's office at 202-225-5765 for further details.

Sincerely,



Senator Mark Begich



Senator Lisa Murkowski



Congressman Don Young

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CC: Commissioner Clyburn
Commissioner Rosenworcel
Commissioner Pai
Commissioner O'Rielly