

**Congress of the United States**  
**Washington, DC 20515**

July 2, 2012

The Honorable Julius Genachowski  
Federal Communications Commission  
445 12<sup>th</sup> Street SW  
Room 8-B201  
Washington, DC 20554

Dear Chairman Genachowski:

As you are aware, many Alaskans are very concerned about your reform of the Universal Service Fund (USF) and its effects on the future of broadband development in rural Alaska. In spite of the Federal Communications Commission's (FCC) "open door" policy on USF, the Alaska Congressional Delegation continues to hear from our state's telecommunications providers that the FCC's implementation of its Universal Service Fund/Intercarrier Compensation Transformation Order will have lasting negative impacts on the continued deployment of broadband services in rural Alaska. We encourage the FCC to suspend implementation of the Order until there is certainty, defined under current law, that the new rules will not jeopardize small rate of return rural carriers and deprive Alaskan consumers of broadband services.

Unfortunately, as it currently reads, the FCC's Order is already stunting the deployment of rural broadband and is stagnating the economic recovery of many rural communities in Alaska and nationwide. Long before Alaska became a state, the rural communities of what still is the "last frontier" have been critically handicapped in the construction of their telecommunication infrastructure. Due to high transportation and fuel costs, inclement and unpredictable weather, and isolated or non-existent road systems, building broadband, like everything else, is "Tougher in Alaska." The FCC must understand that a modern functioning telecommunications system is not a luxury for the people of rural Alaska, but an absolute necessity. In fact, not just Alaska Natives, but also American Indians and all rural Americans **must**, by law, have access to voice, broadband, and mobile services equal to the rest of the nation. Without sufficient, predictable, and specific USF support, people living in rural villages will simply be left behind.

Since being codified in 1996, the Universal Service Fund has been successful. It has extended landline phone service to Alaska and the rest of rural America and it has begun to extend broadband. However, this process of integrating rural lands into our nation's communication infrastructure will stop if the FCC does not address the concerns of rural providers. As new technologies become available, it is of great importance that all Americans, including Alaska Natives, American Indians, and those living on the Hawaiian Homelands continue to receive comparable services and prices to that those living in urban areas. Unfortunately, we still have many issues with the FCC's Order.

**Waiver Process:** A key provision of the USF reform that must be addressed is the waiver process. In its current form, a waiver will only be granted if a carrier can no longer provide voice service. If this reform is actually intended to “Connect America,” it is important that the rural telecommunication providers have the ability to receive waivers when broadband coverage will be lost as well. We understand this issue might soon be fixed and we applaud that fix. Importantly however, the waiver processes remains unnecessarily burdensome and expensive. Providers across Alaska, already experiencing financial hardship, have had to spend over \$100,000 each to bring in experts to conduct studies that fulfill the dozens of requirements listed in USF guidelines. While the FCC has stated that hiring experts is not a requirement, the Order also states that few waivers will be granted and that any failure to provide the necessary information “shall be grounds for dismissal without prejudice.” With future financial stability in question and few waivers being granted, many companies cannot risk filing a waiver without assistance from outside experts. This procedure must be made more cost effective and simplified.

**Construction Cost Factors and Climate Variables:** We are concerned by the way that your commission assigns cost factor indexes that calculate, based on local conditions, how costly construction is in particular states. Given all of our previous input and your visit to Alaska we are curious how you can justify the adoption of a negative Capex Regression Coefficient (- .6) that translates some costs in Alaska being 46 percent lower than in other states. This negative coefficient has the effect of lowering the existing 90% cap on capital expenditures. We would expect to see a positive coefficient to reflect the “harsh climate and other factors,” as the FCC attempts, but fails to address with its Alaska “dummy variable.” We have also heard that the climate variable adopted by the commission is producing unexpected results. As we understand it, areas like Alaska, with the low temperatures, are being assigned a low input variable, while areas with the high temperatures are getting the benefit of a high input variable. Per the value of the “climate” variable, low input values, like those for Alaska, translate to relatively fewer frost free days. Consequently, as a result of the climate variable, the FCC’s process allows higher construction costs to Puerto Rico than to Alaska! In Alaska, we are quite accustomed to building on frozen ground, tundra, and permafrost, and we feel our climate input value might be inaccurate.

**Rural Jobs:** Per your recent statements to Congress, the FCC staff have been instructed to “get these reforms right.” Yet, the plans for implementation have created so much uncertainty among service providers that future investment decisions have been put on hold. This has stunted the broadband expansion in rural areas right at the time our economy needs them the most. Furthermore, at a time when our economy is not producing the new jobs, this Order is exacerbating this problem as companies in Alaska have begun reducing their workforce. The health of our economy and American jobs should be the highest priority of our federal government at all levels. Reform of USF and ICC should go forward in a way that contributes to the fiscal well-being and economic recovery of our nation. These reforms also should continue to support investments previously made and provide an incentive for continued deployment and expansion of advanced telecommunications services in rural America.

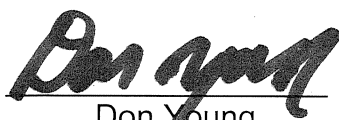
For that reason, we urge the FCC to end the uncertainty created as a result of the Transformation Order by:


1. **Suspending implementation** of the regression analysis adopted by the Commission until all of Congress and our constituents fully understand its impact. This includes giving all pertinent information about the regression to all carriers. As noted earlier, these regression metrics often do not take into account the unique challenges faced by Alaskan carriers.
2. **Issuing a clarification** stating that the Commission will not reduce USF support to any rural carrier where support is required to maintain existing investments that were made relying on the Commission's policies existing prior to the issuance of the Order.

The Telecommunications Act of 1996 requires that rural companies be supported by USF revenues that are "sufficient, predictable, and specific." We repeat this fact because we do not feel that these three conditions are being met. Based on that statutory promise, small companies across the country made investments in their networks to deploy advanced broadband services and in so doing incurred significant debt. These network upgrades were built according to standards required by the Rural Utilities Services (RUS) and many were funded by the same agency. To ignore these facts is simply unacceptable.

We look forward to your response and look forward to working with you in the future. Your staff may contact Jason Suslavich in Congressman Don Young's office at (202) 225-5765 or [Jason.Suslavich@mail.house.gov](mailto:Jason.Suslavich@mail.house.gov), Andrea Sanders in Senator Mark Begich's office at (202) 224-3004 or [Andrea\\_Sanders@begich.senate.gov](mailto:Andrea_Sanders@begich.senate.gov), and Jeremy Price in Senator Lisa Murkowski's office at (202) 224-6665 or [Jeremy\\_Price@murkowski.senate.gov](mailto:Jeremy_Price@murkowski.senate.gov).

Sincerely,

  
Don Young  
Member of Congress

  
Lisa Murkowski  
United States Senator

  
Mark Begich  
United States Senator

c.c Honorable Robert M. McDowell  
c.c Honorable Mignon Clyburn  
c.c Honorable Jessica Rosenworcel  
c.c Honorable Ajit Pai