Bringing Better Broadband to Alaska

November 17-18, 2015

alaska COMMUNICATIONS.

The Alaska Challenge

In August 2014, Chairman Wheeler expressed concern over the efficiency of universal service distributions in Alaska.

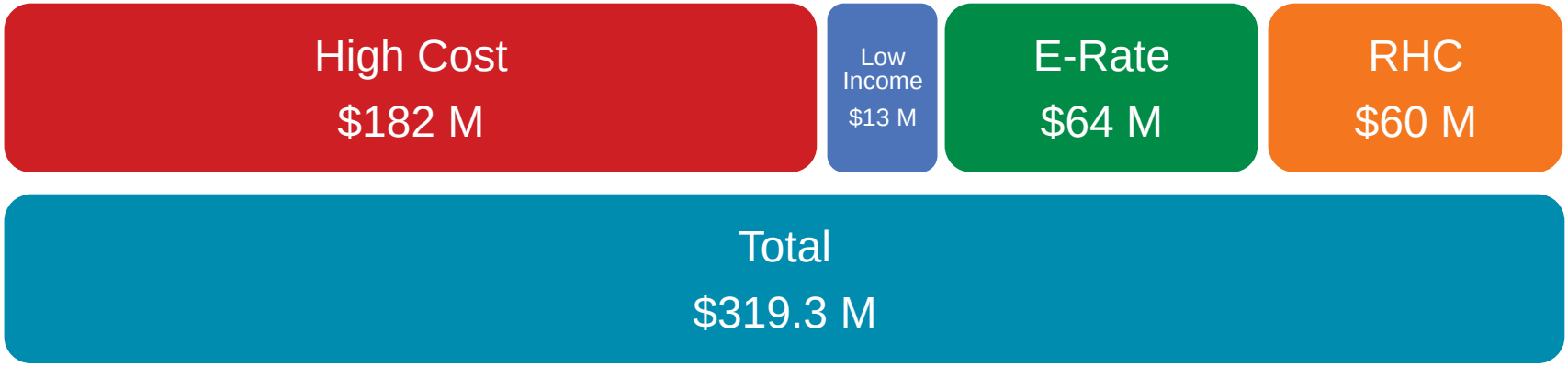
He called for proposals to close Alaska's broadband gap and reduce Alaska's level of reliance on all forms of federal universal service support over time.

This is Alaska Communications' answer to that call.

The Alaska Middle Mile Network

- **The single most formidable barrier to broadband deployment in the Alaskan Bush is the lack of sufficient, affordable middle mile capacity.**
  - Alaska has 188 Bush villages spread over an unpopulated, forbidding wilderness 1/6 the size of the entire Lower 48 states, and larger than 22 other states combined.
  - Unlike rural areas of the Lower 48, these geographically isolated villages are generally compact, making middle mile connectivity more difficult and costly than last mile.
  - Existing universal service programs will not solve the middle mile problem**.**
- **The "Alaska Plan" Is A Last Mile, Not Middle Mile, Plan.**
  - Alaska's small rate-of-return carriers should continue to receive their existing levels of high-cost wireline and wireless support for a period of ten years.
  - But, CAF Phase II focuses on last mile facilities and services. Absent sufficient and affordable middle mile capacity, no last-mile investment can produce the desired results – wide spread availability of affordable and reasonably comparable broadband.

Alaska USF Distribution 2014



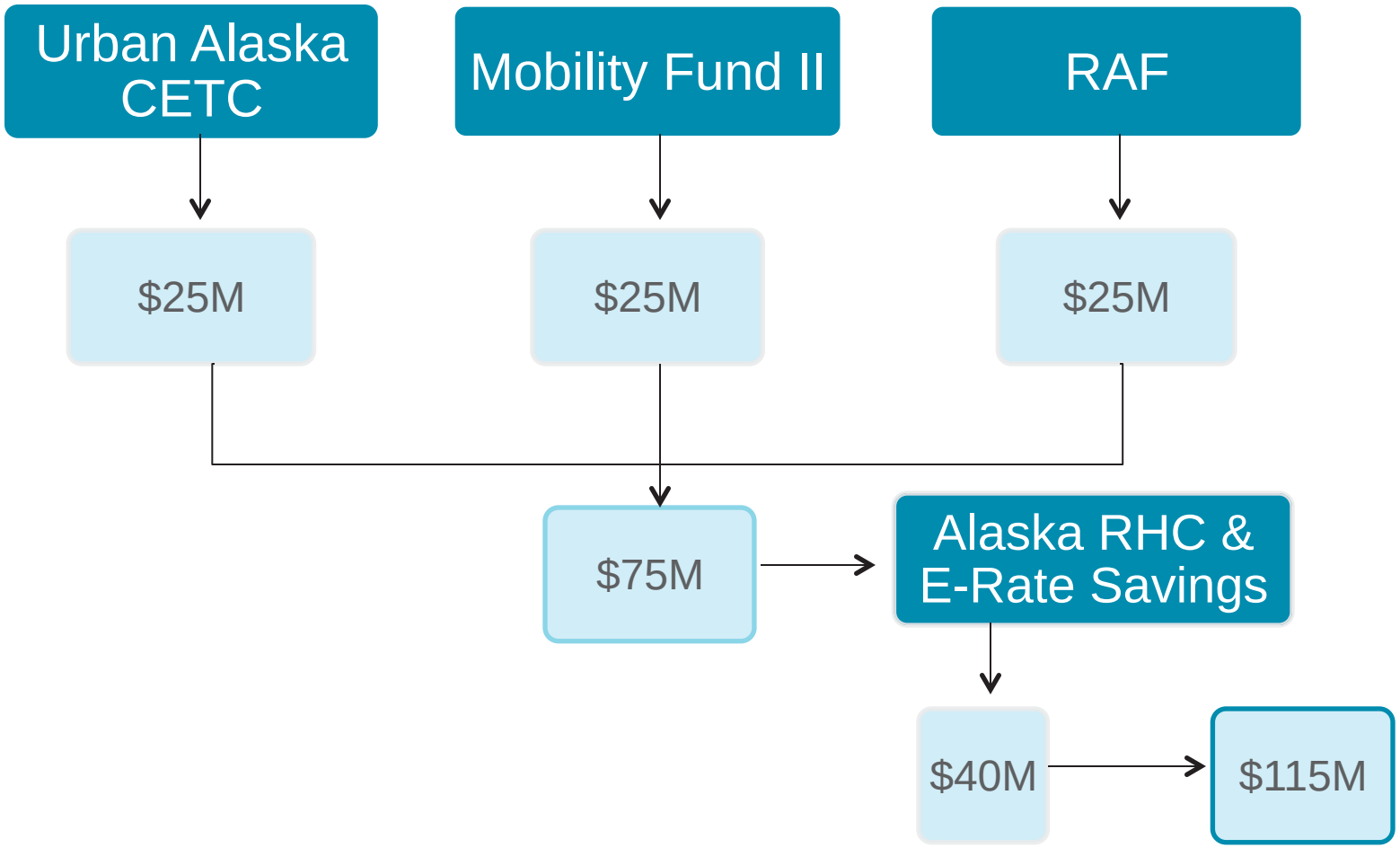
The Alaska Middle Mile Network

- **The FCC should fund the construction of a statewide terrestrial middle mile network to connect all Alaska communities that do not have sufficient, affordable, nondiscriminatory terrestrial middle mile capacity.**
  - Affordable and reasonably comparable broadband depends on affordable terrestrial middle mile transport.
  - This network should be owned and operated in the public interest by a non-profit or State of Alaska entity that is prohibited from participating in retail markets.
  - It would provide affordable, wholesale middle mile capacity on a nondiscriminatory basis solely to voice and broadband Internet access service providers.
  - Construction and funding of this middle mile network should span the next ten years.
- **This proposal combines the well-recognized benefits of retail competition with the Commission's policy determination to use universal service to support only a single network.**
- **Once the middle mile infrastructure is in place, ongoing federal support would be reduced to the amount necessary to enable affordable and reasonably comparable retail broadband services and rates in the Bush.**

The Alaska Middle Mile Network

- **The cost is manageable.**
  - In 2014, the Alaska Broadband Task Force estimated a cost of $640 million to construct such a middle mile network, or roughly $65 million/year for the next ten years.
  - The Commission can readily allocate the necessary funding by redirecting a portion of the universal service support flowing to Alaska today, or already budgeted, to the project.
- **The benefits are clear.**
  - By reducing the cost of middle mile transport, such an Alaska Middle Mile Network would: (1) enhance the availability of affordable broadband; and (2) reduce overall demand for USF in Alaska.
  - Remaining universal service support can be used to enhance last mile service, making broadband more widespread and more affordable in the Bush
  - Increased retail competition and lower middle mile input costs will create better broadband service at lower rates for schools, libraries, and rural health care providers, reducing the financial burden on those mechanisms, even as their benefits rise.

Sources of Funding for Alaska Middle Mile



Alaska USF Distribution 2014

High Cost $182 M	•ACS	$19.7 M
	•ROR	$57.3 M
	•GCI	$67.2 M
	•Other	$38 M
Low Income $13 M	•ACS	$363 K
	•ROR	$822 K
	•GCI	$11.2 M
	•Other	$666 K
E Rate $64 M	•ACS	$3.6 M
	•ROR	$2.1 M
	•GCI	$48.2 M
	•Other	$10.0 M
RHC $60 M	•ACS	$5.2 M
	•ROR	$0.0
	•GCI	$51.4 M
	•Other	$3.4 M
Total $319.3 M		

ACS = $28.9 M

ROR = $60.2 M

GCI = $178 M

Other = $ 52.1 M