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ATTORNEYS AT LAW

June 4, 2008

Ex Parte

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Federal State Joint Board on Universal Service, High Cost Universal Service Support*, WC Docket No. 05-337, CC Docket No. 96-45

On June 3 and 4, 2008, Tina Pidgeon, Vice President, Regulatory Affairs, of General Communication, Inc. ("GCI") and I met separately with the following, regarding the above captioned proceeding:

- Dana Shaffer, Chief; Marcus Maher; Jeremy Marcus; Alex Minard; Jennifer McKee; Ted Burmeister; and Gary Siegel, all of the Wireline Competition Bureau;
- Amy Bender, Legal Advisor to Chairman Martin;
- Scott Bergmann, Senior Legal Advisor to Commissioner Adelstein;
- John Hunter, Special Counsel to Commissioner McDowell;
- Scott Deutchman, Legal Advisor to Commissioner Copps.

The points we made have been previously set forth in GCI's Comments and Reply Comments regarding the Commission's three NPRMs on high cost universal service support. In addition, we provided the FCC participants with copies of the attached presentation, which further summarizes the points made in our presentation.

In addition, GCI thanked the Commission for the adoption of the interim cap order with the exception for tribal lands and Alaska Native regions.¹ We stated that with respect to the tribal lands and Alaska Native regions exception to the interim cap, the Commission expressly stated, in paragraph 32 of the Order, "We permit competitive ETCs serving Covered Locations to continue to receive uncapped high-cost support for lines served in those Covered Locations." The Commission then reiterated in paragraph 33, "Support for competitive ETCs that do opt into the limited exception will continue to be provided pursuant to section 54.307 of the Commission's rules," with the only exception being that for residential lines "the uncapped per line support is limited to one payment per each residential account." To read the exception in paragraph 33 to mean that business lines were nonetheless only supported at the capped per line

¹ *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service*, Order, FCC 08-122, 2008 FCC LEXIS 3628 (¶ 32) (2008) ("*Order*").

HARRIS, WILTSHIRE & GRANNIS

Marlene H. Dortch

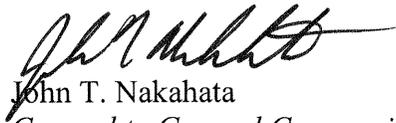
June 4, 2008

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rate would contradict paragraph 32's clear statement that CETCs serving covered locations "continue to receive uncapped high-cost support for lines served in those Covered Locations."

Please contact me if you have any questions.

Sincerely,



John T. Nakahata

Counsel to General Communication, Inc.

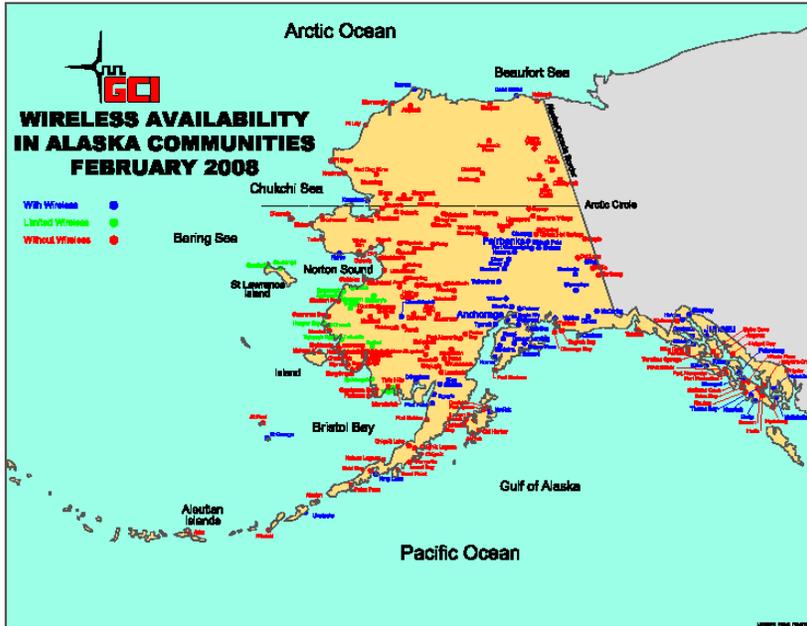
cc: Dana Shaffer
Marcus Maher
Jeremy Marcus
Alex Minard
Jennifer McKee
Ted Burmeister
Gary Siegel
Amy Bender
Scott Bergmann
John Hunter
Scott Deutchman

Attachment

General Communication Inc.

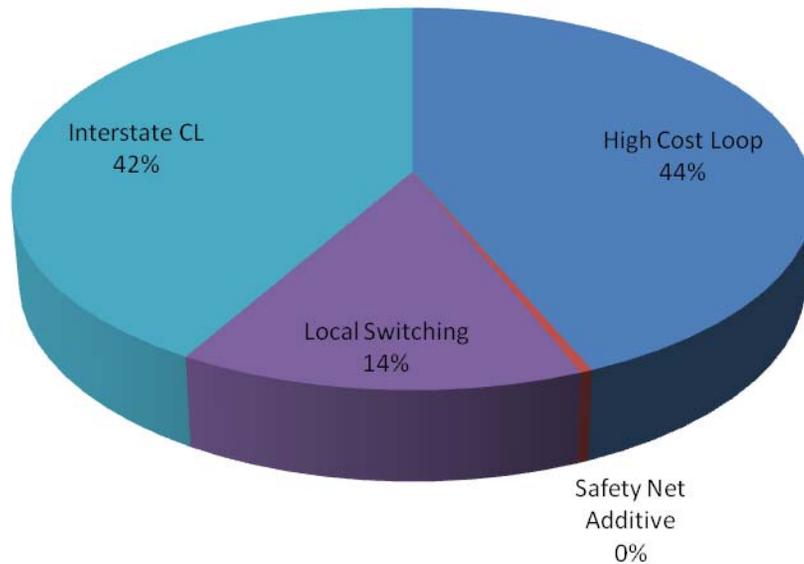
Presentation on Long Term USF
Reform Proposals

GCI's Planned Statewide Investment



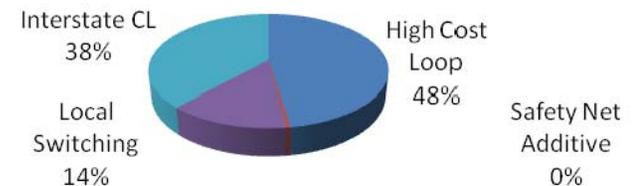
Eliminating LSS and ICLS for CETCs Devastates Support for GCI Investment in Alaska Statewide

ALASKA ILEC USF



- GCI cannot replace LSS and ICLS by raising end user rates when ILEC rates are regulated and subsidized.
- GCI access rates are capped by CLEC Access Charge rules (and GCI mirrors for both interstate and intrastate access)

**ALASKA ILEC USF
(Excluding Anchorage,
Fairbanks and Juneau)**



USF Source: USAC High Cost Appendices, 2Q 2008

Eliminating LSS and ICLS for CETCs Leads to Substantial Competitive Inequity

	Retail Res. Rate (w/SLCs)	USF Support w/ no LSS or ICLS for CETC			
		Eagle River Zone 1	Eagle River Zone 2	Wasilla Zone 1	Wasilla Zone 2
MTA	\$22.70	\$30.46	\$47.86	\$27.91	\$49.29
GCI	\$18.90	\$15.70	\$24.89	\$14.36	\$25.63
USF Differential		\$14.76	\$22.97	\$13.55	\$23.66

	Retail Res. Rate (w/SLCs)	USF (average per line study area wide)			
		HCLS	LSS	ICLS	Total
Mukluk	\$25.55	\$15.45	\$19.39	\$15.70	\$50.54
GCI	\$23.48	\$15.45	\$0	\$0	\$15.45
USF Differential		\$0	\$19.39	\$15.70	\$35.09

USF Source: USAC High Cost Appendices, 2Q 2008, using Mukluk lines from 2007 Alaska Form M

Embedded Costs Support Would Create Enormous Unneeded Burden/Expense

- Mandating embedded costs support will create substantial investment uncertainty while details are worked out.
- No accounting systems track GCI costs to the ILEC study area level.
 - No cost allocation manuals.
 - No continuing property records.
 - GAAP alone will not yield level of detail needed.
- Cost allocation to ILEC study areas by lines served will over-allocate costs to Anchorage (40% of statewide lines).
- “Force fitting” to ILEC investment categories (loop, switch, transport) will distort investment.
- Preapproval before support can begin is unnecessary and discriminatory – no similar ILEC requirement exists.

What Can Be Done?

- Preserve existing support on Tribal Lands/Alaska Native regions.
- Limit any changes to the Equal Support Rule to carriers whose supported lines predominantly are substitutes, not complements.
 - Mirrors basis for Tribal Lands exception.
 - Competitively neutral basis for USTA proposal to distinguish between wireline and wireless CETCs.
- Eliminate support for multiple residential handsets for all CETCs – limit CETC residential support to one payment per account.
 - Eliminates support for complementary service beyond first handset.
 - Qwest estimated \$500 Million in savings.
- Reform USF contributions to a numbers-based system.