



October 23, 2011

Ex Parte Notice – Exempt from Sunshine Prohibition Pursuant to 47 CFR § 1.1203(a)(1), 1.1204(a)(10)

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

Re: *Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109*

Dear Ms. Dortch:

On October 23, 2011, at approximately 7 pm, I spoke with Brad Gillen of the Wireline Competition Bureau at his request.

In response to his request, I told Mr. Gillen that GCI's estimate for total 2011 CETC support in the MTA study area will be approximately \$30.1 million. GCI estimates the total CETC support in the ACS Anchorage study area at approximately \$7.95 million. GCI further estimated the total CETC support in the Anchorage area as defined n. 3 of the letter from Ronald Duncan, CEO of GCI, and Anand Vadapalli, CEO of Alaska Communications Systems Group, Inc., to the Chairman and Commissioners, dated October 21, 2011, at approximately \$18.5 million. GCI estimates that total 2011 CETC support in the ACS Fairbanks study area will be approximately \$5.5 million, of which approximately \$1.94 million will be in Zone 1. GCI believes that the delineations of between "urban" and "rural" set forth in n. 3 and 4 of that letter are the most appropriate given the on-the-ground reality.

In response for his request for an evaluation of a possible two year postponement in the start of CETC support reductions in rural Alaska, I stated that the best way to approach this would be to set a statewide rural area CETC cap, much like the current CETC cap applicable if a CETC does not elect the tribal lands exemption. In order not to penalize CETCs that have deployed services in 2010 and 2011 (part of 2010 is relevant because of data reporting lags in the USAC process), it would be best to initialize such a cap using the per line support rates as of December 31, 2011, and CETCs' lines that they will report on March 30, 2012, which will

reflect lines as of September 30, 2011.¹ A core purpose of the Tribal Lands exclusion was to promote deployment and to increase adoption in areas with low rates of service adoption. Setting the cap in this manner recognizes that this was the Commission's policy during the period prior to the adoption of the new Order, and thus is a better starting point for a transition than initializing company-specific study area support levels based on average support received by that company during calendar year 2011. I also stated that the cap should permit at least a small amount of growth from adoption in underserved areas; this method of initializing the statewide rural support cap, in combination with other changes the Commission is contemplating, could effectuate that result.

We understand that the Commission may be considering halting all CETC phase downs if Mobility Fund 2 and, with respect to Tribal Lands, Tribal Fund 2, are not in place and ready to distribute support by June 30, 2014. I told Mr. Gillen that we believed such a safeguard to be both appropriate and necessary to a rational transition.

Each carrier's support would then be determined using the frozen per line support amounts (subject to any adjustments for study areas with study area average ILEC support per line in excess of \$250 per month) times the number of lines served. If the total amount of statewide rural CETC support would exceed the cap, then all rural CETC support would be reduced by a uniform percentage, as under the present CETC interim cap. If and when the phase down began for rural areas, this cap could then be reduced ratably over five years to implement the five year phase down. Structuring the cap in this manner would at least preserve some incentive for carriers to continue to promote service adoption and, at least to a limited extent, deployment, while providing the Commission with certainty as to the maximum amount of high cost support that may be disbursed to CETCs serving rural Alaska.

With respect to the criteria that the FCC will develop for Mobility Fund 2, and particularly its Tribal Mobility Fund 2 component, on which Mr. Gillen had requested input, I told Mr. Gillen that it was critical to recognize that support per POP would structurally disadvantage rural Alaska. Thus, it would be important to consider whether a minimum amount of support should be available to these areas. In addition, it is also important to give priority to new deployments, as well as those deployed between the effective date of the coming Order and the implementation of the Mobility 2 or Tribal Mobility 2 Funds. These deployments serve, among other things, an important public safety function. Priority should also go to areas that do not have access to the National Highway System, as defined by the United States Department of Transportation (*i.e.*, one cannot drive along roads to reach the National Highway System). Roads and highways are important sources of rights-of-way, including for fiber backbones. Many parts of rural Alaska, however, lack any roads to the National Highway System. It is also important that whatever deployments are funded be able to support continued local dialing within a community in the event of a backhaul failure (such as can occur when solar flares disrupt satellite backhaul). This assures access to local public safety officers in such situations.

¹ Mechanically, because the date on which the line count snapshot is based is already in the past, there can be no problem of "gaming" marketing behavior in advance of the cap. However, by using per line support amounts as of a date certain, the cap will also not be affected by any ILEC true-ups.

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The Commission should seek comment on all these matters with respect to Mobile Fund 2 and Tribal Fund 2.

I also stated that these changes did not nearly address all the problems that GCI found with the approach the FCC is apparently considering, but that these changes would help improve the public policy outcomes within that framework. Nonetheless, GCI greatly appreciates the Commission soliciting GCI's feedback as to potential improvements as the Commission enters its final deliberations.

Sincerely,

/s/

John T. Nakahata

Counsel to General Communication, Inc.

cc: Bradley Gillen