

August 24, 2012

Ex Parte

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 Inter-carrier 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 Wednesday, August 22, 2012, Tina Pidgeon, Christopher Nierman, and Megan Delany, on behalf of General Communication, Inc. (“GCI”), and I, also on behalf of GCI met with the following members of the Federal Communications Commission:

- Margaret Weiner, Division Chief, Wireless Telecommunications Bureau (“WTB”), Auctions and Spectrum Access Division (“ASAD”);
- Nese Guendelsberger, Division Chief, WTB, Spectrum and Competition Policy Division (“SCPD”);
- Susan Singer, Chief Economist, WTB, Office of the Bureau Chief;
- Maria Kirby, Legal Advisor, WTB, Office of the Bureau Chief;
- David Zesiger, Senior Counsel, Wireline Competition Bureau (“WCB”), Office of the Bureau Chief;
- Steve Rosenberg, Chief Data Office, WCB, Office of the Bureau Chief;
- Martha Stancill, Assistant Chief of Economics, WTB, ASAD;
- Sue McNeil, Special Counsel, WTB, ASAD;
- Stacy Jordan, WTB;
- Denise Linn, WTB, ASAD;
- Weiren Wang, WTB, SCPD.

We distributed the attached power point presentation, which outlines and summarizes the presentation made, and discussed Alaska’s unique challenges for telecommunications providers, and what it would take for the National Broadband goals to be reached in Alaska.

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Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "John T. Nakahata". The signature is fluid and cursive, with a long horizontal stroke at the end.

John T. Nakahata
Counsel to General Communication Inc.

cc: Margaret Weiner
Nese Guendelsberger
Susan Singer
Maria Kirby
David Zesiger
Steve Rosenberg
Martha Stancill
Sue McNeil
Stacy Jordan
Denise Linn
Weiren Wang

A silhouette of an eagle with its wings spread wide, flying across the sky. The background is a soft, hazy landscape of snow-capped mountains and a body of water.

UNIVERSAL SERVICE AND ALASKA

General Communication, Inc.
August 2012



Overview

Recent high-cost reforms have slowed deployment of new mobile services in rural Alaska, even with the flexibility of the Remote Alaska mechanism, although that mechanism has sustained recent deployments

The costs of meeting the Commission's mobile broadband goals in rural Alaska – even without building new terrestrial middle-mile facilities – far outstrip incremental revenues and current levels of Alaska high-cost support

Expanding the terrestrial middle mile is critical to meeting the broadband needs of anchor tenants and to bringing mass market included usage allowances in line with the rest of the country, but existing resources to fund such deployments are scarce

Sending additional high-cost support from Alaska to other parts of the United States will only increase Alaska's infrastructure and communications gap

As the Commission considers how to apportion scarce USF dollars, it should focus on expanding the services that consumers most want, rather than those being abandoned



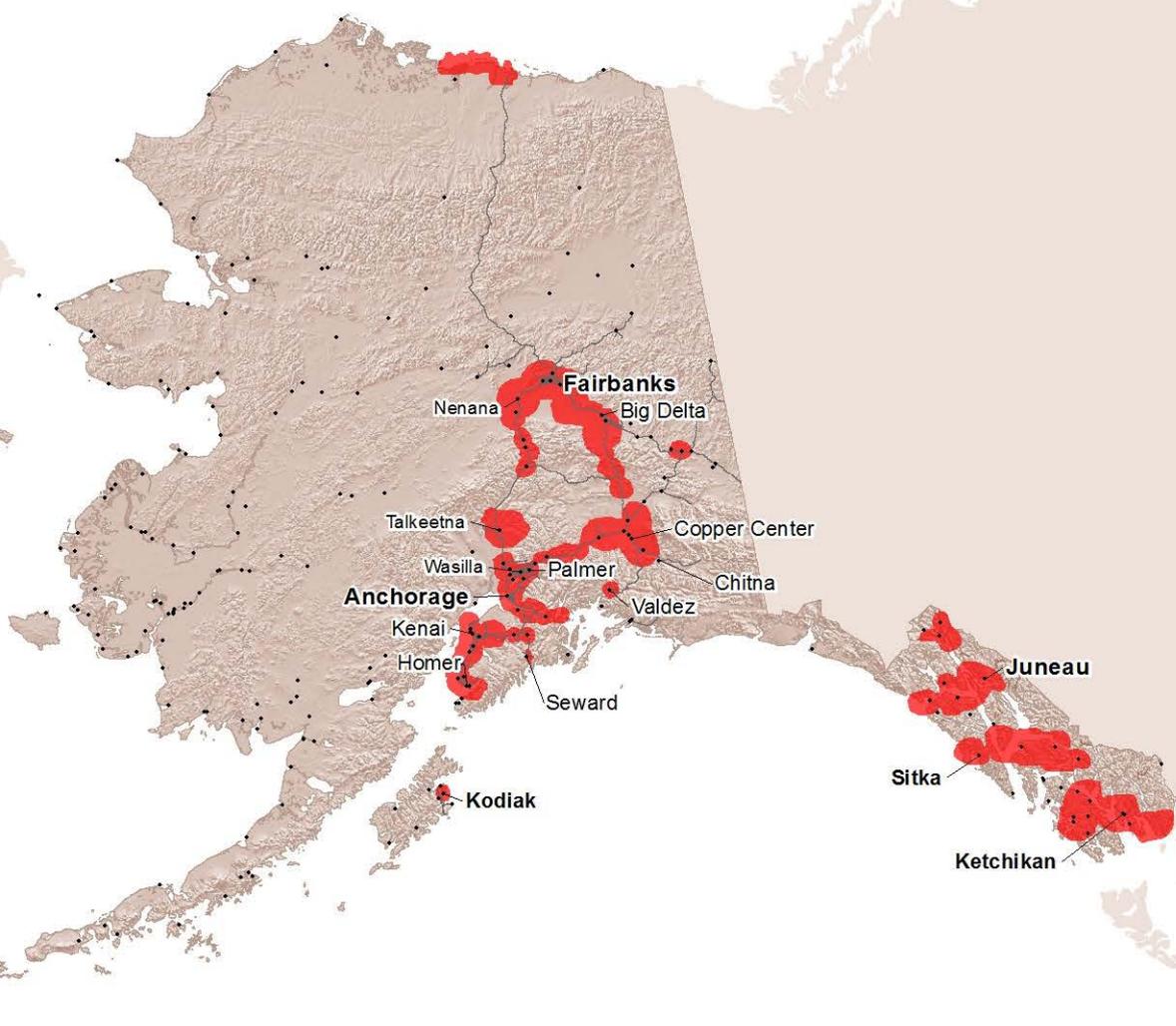
GCI Is Attempting to Close Alaska's Infrastructure Gap

Statewide Rural Wireless Voice

- Critical for public safety and rural economic development
- Deployed using GCI's private capital and USF support under the Tribal Lands exclusion to the CETC cap
- Recent high-cost reforms and uncertain successor mechanisms have deferred deployment to many rural CETC communities



 2008 Wireless Coverage

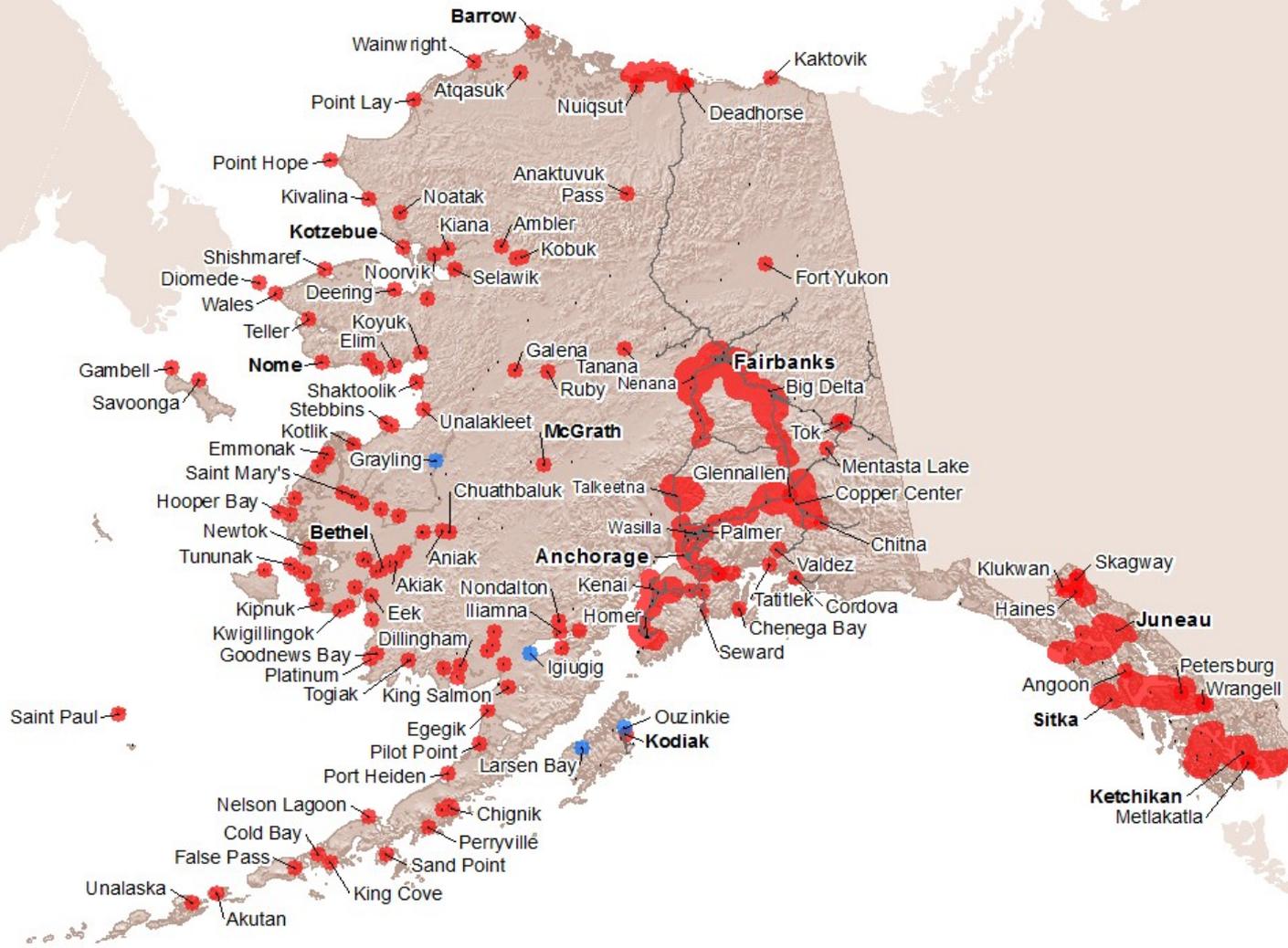




GCI Wireless Availability

- Current
- 2012 (Planned)

• Deferred





What Will it Take to Meet the Commission's Mobile Broadband Goals?

The Brattle Group has estimated that the total capital costs and present value of 5 years of O&M to provide advanced wireless services (at average speeds of 768 kbps download/256 kbps upload) to almost all of Alaska's population would be **\$789 Million**

Does **not** include costs for additional terrestrial middle-mile deployment (which, for major builds, would exceed satellite costs) and terrestrial backhaul capacity costs or O&M for the existing network

Assumes that sufficient satellite transponder capacity will be available to meet service speeds and usage levels where terrestrial middle-mile does not exist



What About Terrestrial Middle Mile?

Permits low latency broadband connections for anchor institutions , such as schools and rural health clinics

Increases backhaul capacity to provide higher speeds and usage levels for mass market

- 65 rural communities will receive new and improved broadband service at affordable rates by October 2012

GCI leverages a variety of funding sources to attract and invest private capital in economically fragile rural areas

- GCI has funded TERRA deployment directly or indirectly through private capital, USF support, RUS loans/grants, New Market Tax Credit financing, and state programs
- Over the past 5 years, GCI's capital expenditures were almost double the support received from all USF programs combined
- Funding sources are severely strained and further USF reductions will make continued expansion difficult



How Can We Meet National Broadband Goals in Alaska?

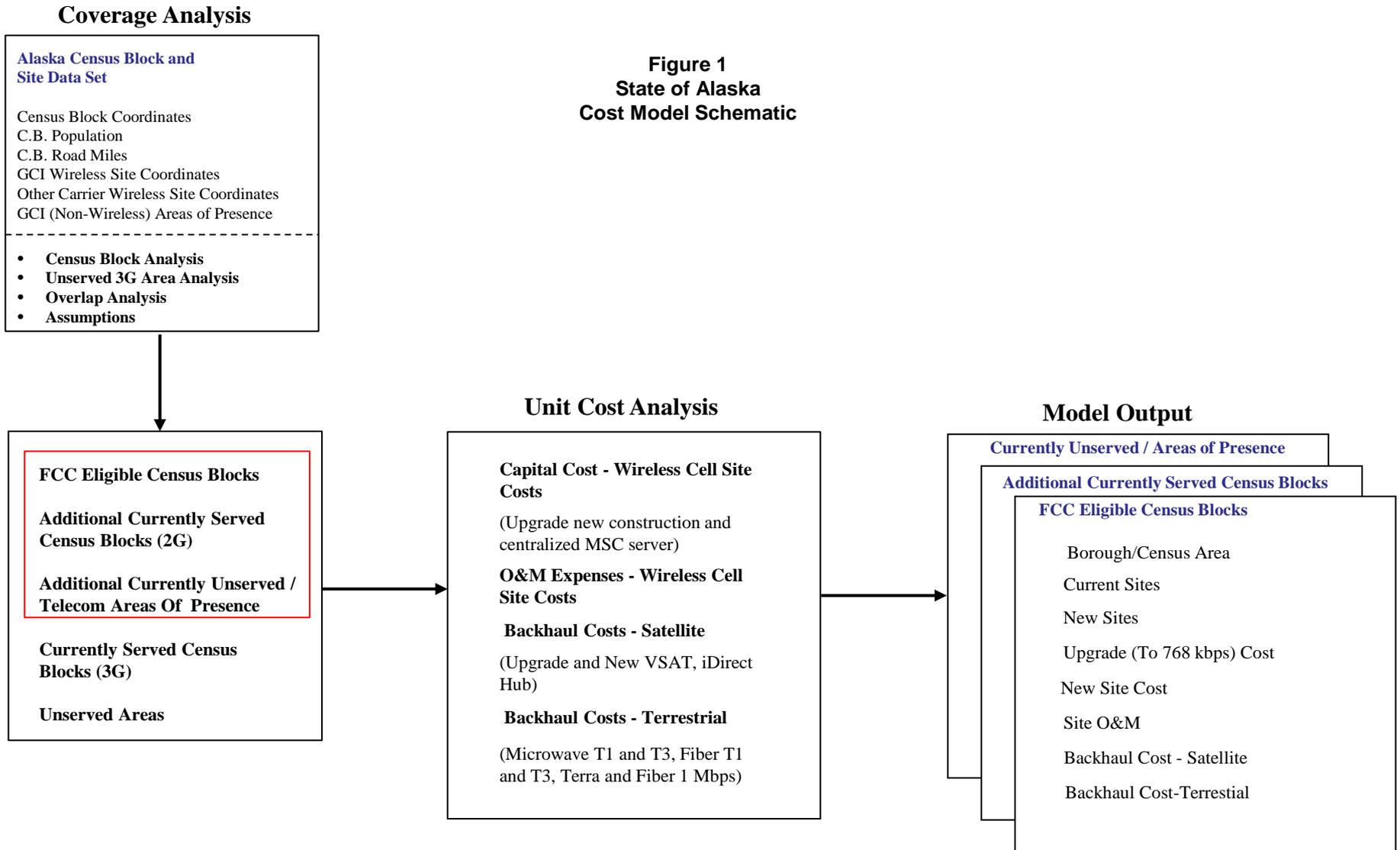
Redistributing additional high-cost support from Alaska to the rest of the country will leave the State further behind

- Alaska high-cost support is at least 8% less than compared to this time last year
- When fully implemented, further scheduled reforms could reduce overall CETC support in Alaska by a third (or more if little or no Mobility Fund Phase II support reaches Alaska)

Holding Alaska funding levels steady, but retargeting that support within the State will strike a better balance between maintaining fiscal responsibility and expanding broadband to all Americans

Cost Model Methodology

*Privileged and Confidential
Prepared at the Request of Counsel*



**Figure 1
State of Alaska
Cost Model Schematic**