Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
	)	WC Docket No. 10-90
Connect America Fund	)	
	)	

COMMENTS OF GENERAL COMMUNICATION, INC.
ON THE PUBLIC NOTICE REGARDING
NON-CONTIGUOUS AREAS UNDER CAF PHASE II

General Communication, Inc. ("GCI") hereby comments on the Wireline Competition Bureau's Public Notice regarding Connect America Fund Phase II ("CAF Phase II") support for price cap areas outside the contiguous United States.[1] With respect to these non-contiguous areas, particularly Alaska, GCI urges the Commission, first, to do no harm and then improve and optimize support distribution within a given non-contiguous area. GCI fears that the Commission simply does not have the time and the resources to develop cost models appropriate to the unique circumstances of all non-contiguous areas, while at the same time developing a cost model for the contiguous states. If the Commission attempts to tackle contiguous and non-contiguous areas together, it risks inadvertently disrupting not only the expansion and upgrade of broadband services, but could jeopardize existing services in Alaska and other non-contiguous areas.

[1] *See Wireline Competition Bureau Seeks Comment on Connect America Phase II Support for Price Cap Areas Outside of the Contiguous United States*, Public Notice, DA 13-162, WC Docket No. 10-90 (rel. Feb. 8, 2013) ("*Public Notice*").

More broadly, the Commission must recognize that the costs of providing Alaskans with broadband services that are reasonably comparable to the Lower 48, more support, not less, than the state currently receives and more than will be available through not only CAF Phase II, but also through the Mobility Fund Phase II, Remote Areas Fund, and an eventual Connect America Fund for rate-of-return LEC areas. GCI has modeled solely the incremental costs of deploying 768 downstream/ 200 kbps upstream mobile voice and broadband service to almost all Alaskans, and projects the incremental cost at a five-year net present value cost of approximately $600 million, far exceeding the net present value of the incremental revenues and the existing CETC high-cost support.[2] Alaska Communications Systems Group ("ACS") has estimated the cost to bring broadband to all unserved customer locations within the Alaska price cap ILEC serving areas as "at least $75 to $100 million."[3] While ACS has not publicly subtracted incremental revenues, it is highly unlikely that the incremental end user revenues will close that gap, given the low population in these unserved areas.

All of this suggests that for Alaska, across the Connect America Fund mechanisms, the Commission should not focus on mechanisms that will ultimately transfer support from Alaska to the Lower 48, but, instead, the Commission must focus on optimizing at least existing funding levels within Alaska. Just for CETCs, as of July 1, 2013, the Commission will have reduced annual high-cost support for Alaska by over $18 million from 2011 levels, with additional support reductions for rate-of-return ILECs that hit the corporate operations and capital expenditures caps. Limited additional support provided through CAF Phase I and Mobility Fund

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2 *See* Alaska Broadband Cost Model, General Communication, Inc., at 2, WC Docket Nos. 10-90 & 10-208 (filed Feb. 15, 2013); *also* Opposition Comments of General Communication, Inc., WC Docket Nos. 10-90 & 05-337 (filed Oct. 12, 2012).

3 Alaska Communications, CAF II Model, Sept. 2012 FCC Workshop, at slide 21, *available at* http://transition.fcc.gov/wcb/tapd/universal_service/caf/CAF2-Alaska.pdf.

Phase I does not offset the amount of support withdrawn. Alaska high-cost support should be optimized in its distribution, but not reduced.

I. RATHER THAN TRYING TO ADAPT A LOWER 48 COST MODEL TO ALASKA—WHICH MAY BE A PRACTICAL IMPOSSIBILITY—THE COMMISSION SHOULD CONSIDER OPTIMIZING THE BENEFIT OBTAINED FROM CURRENT SUPPORT TO ALASKA PRICE CAP AREAS.

As the Regulatory Commission of Alaska, GCI, and every other Alaska carrier have repeatedly pointed out, Alaska is like nowhere else in the United States in terms of geography, demography, distance, climate, and network history and design. Nowhere else in the United States does the vast majority of a state's landmass rely on satellite middle mile transport. Nowhere else has such widespread areas that lack access to roads or to a modern intertied power grid. And in no part of the Lower 48 does communications traffic traverse hundreds of miles of open ocean to reach the nearest Tier 1 Internet backbone interconnection point. Designing a cost model of an Alaska hypothetical monopoly "efficient provider" is a very different project from designing one for the Lower 48. ACS has made valiant efforts to try to adapt the Lower 48 model to Alaska, yet even these efforts are incomplete, as the Public Notice notes.[4]

Fitting Alaska into a cost model fundamentally designed for a different network topology and resource endowment is likely to be a doomed project. Modeling a network without roads, a fiber backbone between central offices, and without readily available power is a very different project than modeling a network with those resources.

In fact, the public benefit of an Alaska-specific modeling exercise is unclear. The price cap ILECs in Alaska receive only $20 million annually in frozen high-cost support.[5] And while the price cap ILEC study areas include Anchorage, Fairbanks, and Juneau, they also include

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[4] *See Public Notice* at ¶ 5 n. 12.

[5] $1,641,184 per month in frozen high cost support amounts to $19,694,208 per year. *See id.*

more remote areas on the Kenai Peninsula, Kodiak Island, Sitka, Yukon-Koyukuk, and Southeast Fairbanks. Given the relatively scarce population outside of Anchorage, Fairbanks, and Juneau, there should be little doubt that maintaining voice service and delivering broadband service of 4 Mbps downstream and 1 Mbps upstream, if on terrestrial backhaul, and 1 Mbps downstream and 256 kbps upstream if on a satellite middle mile network, will require more than $20 million in annual universal service need—or even $24 million per year if the nearly $4.2 million in CAF Phase I support[6] were to be added for each year.

The most compelling reason for building an Alaska-specific model would be to verify the extent to which its need for high-cost support for broadband in the price cap LEC areas exceeds $20 (or 24) million per year. But given the Commission's budgetary cap on the high cost fund, it would be better to defer building—or at least implementing—a model for this purpose until after the Commission has determined how much money it can free up from developing and applying the model in the Lower 48. If the natural model fails to reduce total support distributed in the Lower 48, the budgetary cap will preclude additional money for broadband build-out in Alaska, irrespective of what an Alaska-specific model might estimate.

The one thing that the modeling exercise should not do is strip high-cost support from Alaska. While it is likely rational to revise how high cost support is distributed in Alaska, both for price cap ILEC areas as well as under other mechanisms, the state as a whole, as well as its price cap LEC-served areas, will need all available support to achieve the broadband requirements specified in the Commission's *Universal Service Transformation Order*.[7] Thus,

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[6] $4,185,103 was allocated in the April, 25, 2012 Public Notice. *See Wireless Competition Bureau Announces Support Amounts for Connect America Fund Phase One Incremental Support*, Public Notice, DA 12-639, 27 FCC Rcd. 4203, ¶9 (2012).

[7] *See Connect America Fund et al*., Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161, 26 FCC Rcd. 17,663 (2011).

the Commission should not reduce support to the price cap LEC areas in Alaska below current levels.

II. THE COMMISSION SHOULD REDEPLOY HIGH COST SUPPORT FROM THE BROADBAND RICH AREAS OF ANCHORAGE, FAIRBANKS, AND JUNEAU TO THOSE AREAS THAT ARE UNSERVED OR UNDERSERVED USING A REVERSE AUCTION.

If the Commission freezes high-cost support for the price cap LEC study areas at the amount of the current frozen support plus the CAF Phase I support that was initially contemplated to be provided (a total of approximately $24 million per year), it should then consider the best way to distribute that support. One approach would be to give ACS the right to make a statewide election to build out broadband at 4 Mbps downstream and 1 Mbps upstream as was contemplated under CAF Phase II generally, and then to hold an auction if ACS did not make the statewide election. This could become extremely complicated.

Instead, the Commission should use the lessons learned from Mobility Fund Phase I, and hold a reverse auction open to all ETCs operating within the price cap LEC operating areas with the winner determined according to the number of additional unserved and underserved locations to which they would deploy broadband. This approach would be even simpler that the recently concluded Mobility Fund Phase I auctions, because providers would not be bidding by census block, but instead simply on the number of unserved and underserved locations to which they would bring service meeting the Commission's specifications. The FCC could still require the filing of a non-binding list of census blocks where the locations would be anticipated, as it did for CAF Phase I.[8]

[8] GCI has proposed a similar reverse auction for allocating all Phase I support that ACS cannot utilize under the current rules, as well as any additional Phase I support for 2013. *See* Reply Comments of General Communication, Inc. on the CAF Phase I Incremental Support Mechanism, Attachment at 8, WC Docket No. 10-90 (filed Feb. 11, 2013).

This approach would have several advantages. First, perhaps uniquely in the country, Alaska has multiple facilities-based terrestrial fixed broadband providers that are also ETCs. Thus, in terms of getting the best and most efficient use of existing high cost support in Alaska, the Commission can use a marketplace test rather than a model. The most efficient bidder in terms of covering unserved locations and upgrading underserved locations would receive the CAF Phase II support. The Commission could either bid all price cap areas in the state, or bid all price cap areas in Remote Alaska, excluding Anchorage, Fairbanks, and Juneau (the vast bulk of which are served in any event). Second, this approach would shift toward a more technology neutral approach rather than the *de facto* industrial policy in favor of xDSL, which is what the current right-of-first-refusal for the incumbent LEC implies. As the National Broadband Plan recognized, FTTn deployments, such as xDSL, are not as potentially robust as hybrid fiber-coax deployments, particularly when those can be upgraded to DOCSIS 3.0.[9] Moreover, the Commission's latest "Measuring Broadband America" report show that DSL generally has more latency that cable modem service or fiber.[10] Given that the Commission anticipates supporting only one broadband network in high cost areas, it makes sense to ensure that the supported network will support higher service levels. A reverse auction open to all ETCs would provide a market-based way to maximize the use of existing support to upgrade service to the most unserved and underserved locations, and would allow more efficient technological alternatives beyond those chosen by the incumbent LEC.

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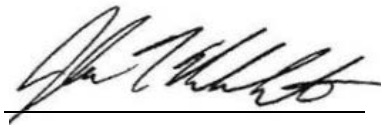
9 *See* Connecting America: The National Broadband Plan, at 42, *available at* http://download.broadband.gov/plan/national-broadband-plan.pdf.

10 *2013 Measuring Broadband America: A Report on Consumer Wireline Broadband Performance in the U.S.*, Office of Engineering and Technology & Consumer and Governmental Affairs Bureau, February 2013, at 30-31, *available at* http://transition.fcc.gov/cgb/measuringbroadbandreport/2013/Measuring-Broadband-America-feb-2013.pdf.

Such an auction could be conducted relatively quickly. Given that we are already on the doorstep of the 2013 summer construction season in Alaska, the Commission should hold this auction in time for the winner to use support in the 2014 summer construction season. This would mean completing this auction by the end of 2013. This simple auction should be able to be conducted in that time.

Accordingly, the Commission should stop trying to fit non-contiguous areas like Alaska into its Lower 48 cost model. Instead, at least for Alaska, where the documented need far exceeds existing support, the Commission should instead freeze high-cost support to these areas and focus on rationalizing the distribution of such support to achieve maximum benefit. Once it has finished its models for the Lower 48 and rationalized that distribution, the Commission can then determine whether it can or should supplement the resources provided to Alaska and other non-contiguous states.

Respectfully submitted,



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