



ALASKA COMMUNICATIONS OVERVIEW

July 29, 2013



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The background features a series of concentric, semi-circular arcs in various shades of blue, ranging from light to dark. The arcs are positioned on the right side of the frame, creating a sense of depth and movement. The overall color palette is monochromatic, with different tones of blue against a dark blue background.

ALASKA and ALASKA COMMUNICATIONS

Enormous spaces, sparsely populated

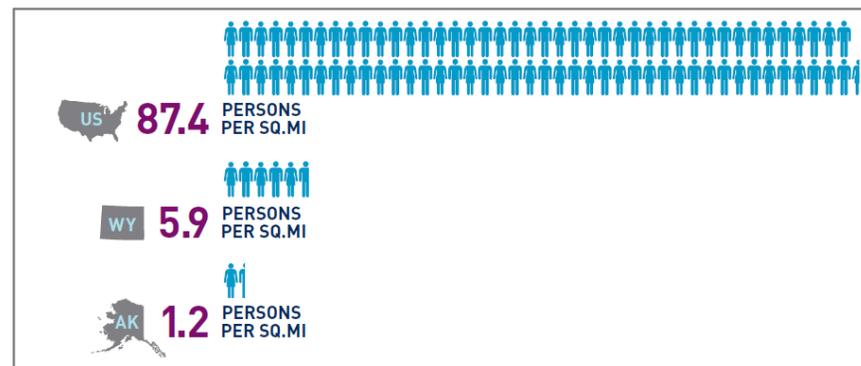
Geographically Vast

- 570,640 square miles of land represents 16.2% of all U.S. land area.
- 6,640 miles of coastline, more than 50% of the entire U.S.
- The state of Alaska is the largest state in the USA - more than twice as large as the next largest, Texas.
- Not only is Mt. McKinley the highest mountain in North America, but Alaska has 15 other peaks higher than any in the continental U.S.



A Dispersed People

- 2012 population of 731,449, less than 0.25% of the United States total population.
- Lowest population density of all states in the USA with 1.2 residents per square mile. The next closest is Wyoming with 5.85. The U.S. average is 87.4.

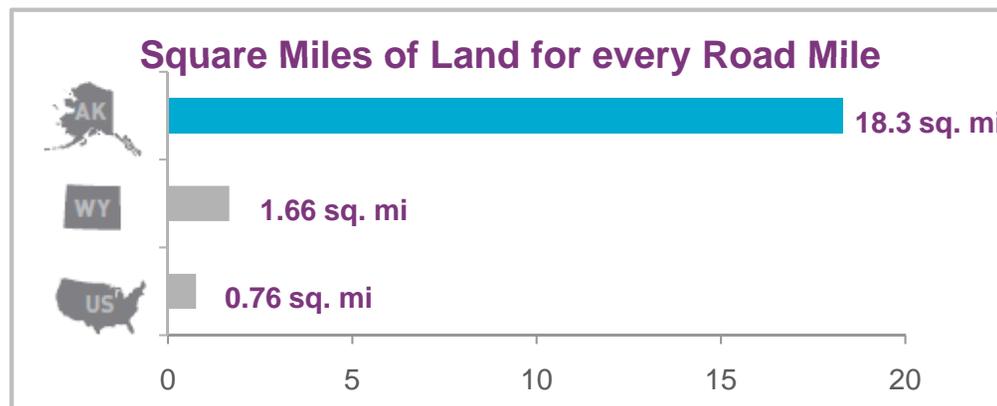


Alaska is a large state in many regards and small in many other ways.

Alaska deals with higher costs

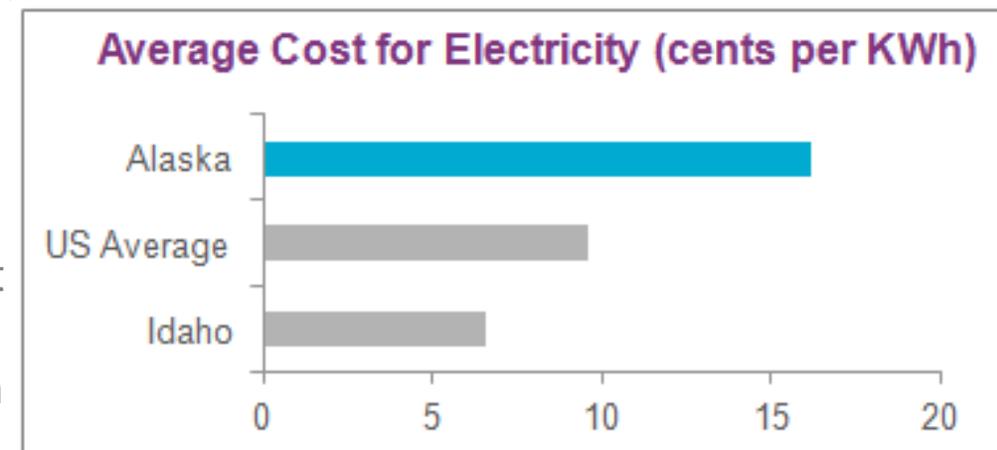
Transportation Challenges within the State

- Juneau is the only state capital not accessible by the road system.
- Alaska has roughly 4,900 miles of paved roads. The United States has over 2.6 million.
- 18.3 sq. miles of land for every lane mile of road. This is less than 1/10th of the density of the state with the next least road density, Wyoming at 1.66 sq. miles; and less than 1/20th of the US average density of 0.76 sq. miles for every mile of road
- There are more than 139 communities in Alaska that are isolated from the public road system.



Cost of living is high and varies dramatically

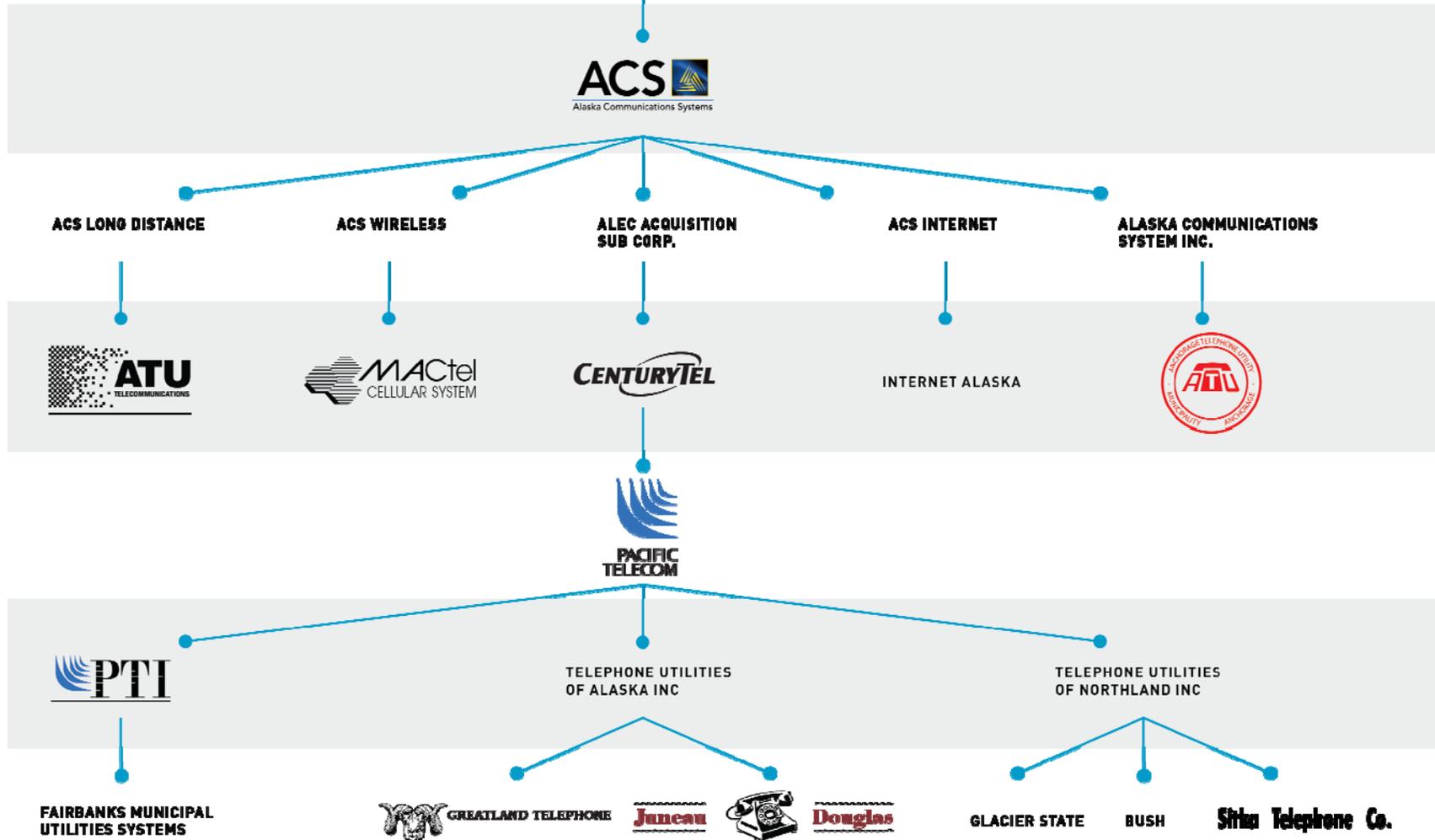
- Energy costs are 40-50%+ higher than the national average, 125%+ higher than the least expensive state, Idaho.
- Energy costs in several rural communities can be 9 times national average



A few milestones in our 120+ year history

- 1893** The Juneau and Douglas Telephone Company (later acquired by Pacific Telecom, and now part of Alaska Communications) begins operations
- 1921** Anchorage Telephone Utility (now part of Alaska Communications) begins operations
- 1949** Telephone Utilities of the Northland (later acquired by Pacific Telecom, and now part of Alaska Communications) begins operations
- 1998** Alaska Communications Systems Group, Inc., (ACS), now Alaska Communications, is formed as a subsidiary of Fox Paine & Company.
- 1999** ACS acquires Pacific Telecom, and other CenturyTel (now Century Link) assets (including PTI Communications of Alaska, Telephone Utilities of Alaska, Telephone Utilities of the Northland) and Anchorage Telephone Utility and completes an initial public offering of stock to become the state's first statewide telecommunications company.
- 2000** ACS acquires Internet Alaska Inc., the second largest Internet service provider in Alaska.
- 2008** ACS acquires the Northstar submarine cable, and builds AKORN, giving Alaska diverse submarine routes to the L48
- 2010** With a re-branding exercise complete, ACS becomes Alaska Communications
- 2013** Alaska Communications launches Alaska Wireless Network joint venture with GCI.

Another look at our lineage



Our purpose and customer promise

OUR PURPOSE

We will be the most successful broadband solutions company in Alaska by delivering the best customer experience in the markets we choose to serve.

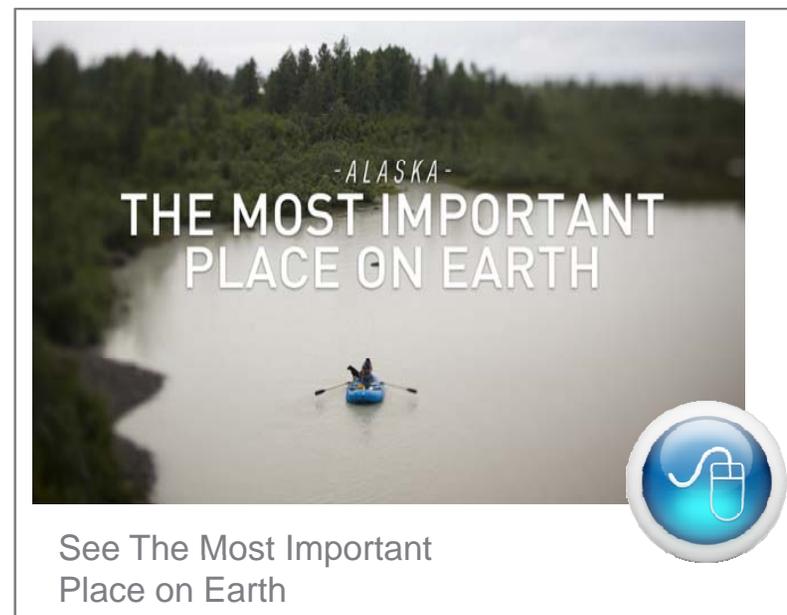
OUR PROMISE

As our customer, you can always expect to get the service as promised to you by an Alaska Communications' representative. If you are not satisfied, we will work with you to provide a solution that meets your satisfaction.

A track record of innovation

We have been investing for decades in bringing the latest technology to Alaska. The pace of investment has accelerated over the last few years.

- 1994** 1st Internet Service Provider in Alaska is founded (acquired by Alaska Communications in 2000).
- 1996** 1st in the state to launch Metro Ethernet.
- 2003** 1st in the state to launch MPLS (Multi-Protocol Label Switching).
- 2004** 1st to launch 3G Network in Alaska.
- 2009** 1st to offer geographically diverse connectivity to the L48 – tripling the bandwidth leaving the state.
- 2010** 1st to launch Android powered devices in Alaska.
- 2012** 1st to launch 4G LTE in Anchorage, Fairbanks and Juneau.
- 2012** 1st to launch Virtual Private LAN Services (VPLS).
- 2013** 1st in Alaska, second in the USA, third in the world to achieve Carrier Ethernet 2.0 certification for reliable, scalable and secure business data services.



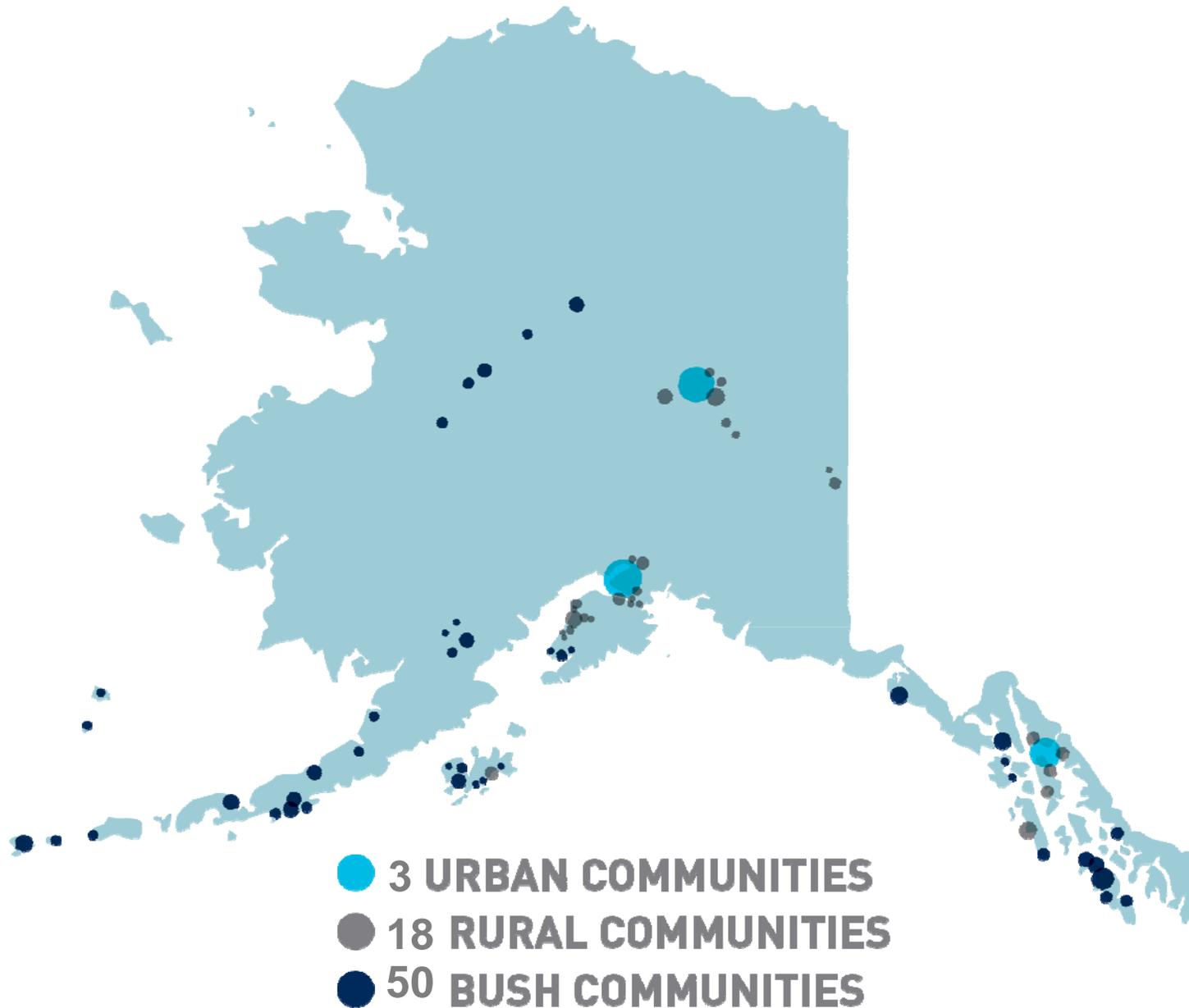
Our people – who we are

A team of service professionals connected to our communities

- Over 800 employees predominantly in Alaska.
- For decades we have helped build the infrastructure that connected Alaska, as the local exchange carrier in over 70 communities.
- Corporate headquarters in Anchorage, three regional offices (Soldotna, Fairbanks, Juneau) and Lower 48 regional offices in Hillsboro, OR.
- A large majority of our employees are represented by the Local IBEW 1547 with whom we enjoy a strong and productive partnership.



Alaska Communications Wireline Coverage



ACS Is An Urban Provider

- ACS is the ILEC in Alaska's major populations centers of Anchorage, Fairbanks and Juneau
- ACS provides a full range of services from POTS to sophisticated MPLS and Ethernet services
- ACS is a retail and wholesale provider, serving individual consumers, small and medium businesses, and enterprise-scale customers.

ACS Is A Rural Provider

- ACS is the ILEC in many rural Alaskan communities
- On the Kenai Peninsula this includes locations such as Kenai, Soldotna, Ninilchik, Anchor Point, and Homer
- In the Interior this includes communities such as Delta Junction, Nenana, and North Pole
- These are primarily non-urban areas accessible by road, but also includes major island communities such as Kodiak and Sitka which are served by fiber
- In total, ACS serves 18 rural communities in Alaska that range in population from about 400 for Nenana to 9,000 for Sitka

ACS: The ILEC With Many Bush Locations

- ACS is the ILEC in about 50 Bush communities – defined as geographically and infrastructure isolated from the rest of Alaska and the world – spread out over more than 1,000 miles
- Most of these communities cannot be accessed by road
- Most of these communities are off the power grid
- Most of these communities have satellite, or possibly microwave communications links
- Bush community populations range from less than 50 to about 1,000
- Specific Bush communities in ACS is the ILEC are identified on the next slide

ACS is the ILEC in 50 Bush communities in Alaska

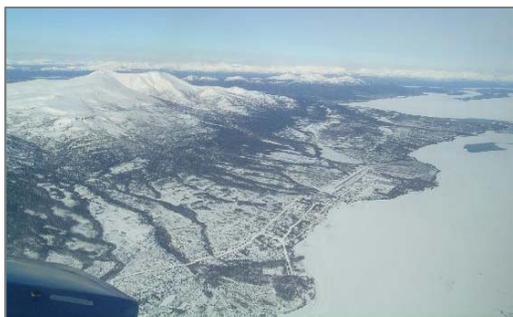
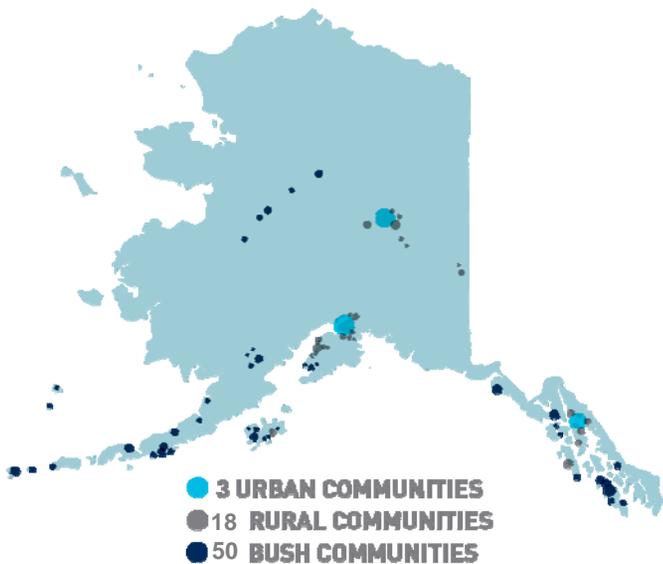
Community	Population	Accessibility	Backhaul Type
Chignik Lake	69	Air	Satellite
Hughes	78	Air	Satellite
Huslia	299	Air	Satellite
Kaltag	205	Air	Satellite
Port Heiden (Meshik)	101	Air	Satellite
Nikolski	16	Air	Satellite
Nulato	275	Air	Satellite
Port Graham	171	Air	Satellite
Port Alsworth	156	Air	Satellite
Karluk	37	Air, Float Plane	Satellite
Northway	76	Air, Road	Microwave
Gustavus	460	Air, Water	Microwave
Hoonah	753	Air, Water	Microwave
Take	579	Air, Water	Microwave
Kasaan	66	Air, Water	Microwave
Klawock	813	Air, Water	Microwave
Seldovia	243	Air, Water	Microwave
Yakutat	656	Air, Water	Microwave
Akhiok	82	Air, Water	Satellite
Atka	58	Air, Water	Satellite
Chignik	102	Air, Water	Satellite
Chignik Lagoon	77	Air, Water	Satellite
Egegik	113	Air, Water	Satellite
English Bay (Nanwalek)	276	Air, Water	Satellite
False Pass	37	Air, Water	Satellite

Community	Population	Accessibility	Backhaul Type
Ivanoff Bay	30	Air, Water	Satellite
Old Harbor	208	Air, Water	Satellite
Ouzinkie	178	Air, Water	Satellite
Pedro Bay	47	Air, Water	Satellite
Perryville	130	Air, Water	Satellite
Pilot Point	88	Air, Water	Satellite
St. George	97	Air, Water	Satellite
St. Paul	479	Air, Water	Satellite
Thorne Bay	496	Float Plane	Microwave
Point Baker	14	Float Plane	Microwave
Alcan Border	24	Road	Satellite
Kokhanok	179	Air, Water	Satellite
Koyukuk	97	Air, Water	Satellite
Larsen Bay	89	Air, Water	Satellite
Nelson Lagoon	45	Air, Water	Satellite
Nondalton	164	Air, Water	Satellite
Angoon	466	Water, Float Plane	Microwave
Coffman Cove	170	Water, Float Plane	Microwave
Elfin Cove	18	Water, Float Plane	Microwave
Halibut Cove	77	Water, Float Plane	Microwave
Pelican	83	Water, Float Plane	Microwave
Port Protection	53	Water, Float Plane	Microwave
Tenakee Springs	145	Water, Float Plane	Microwave
Akutan	1,040	Water, Float Plane	Satellite
Port Alexander	62	Water, Float Plane	Satellite

Examples of communities we serve - Nondalton

Nondalton

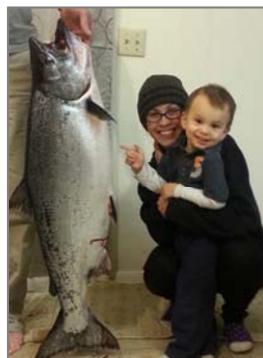
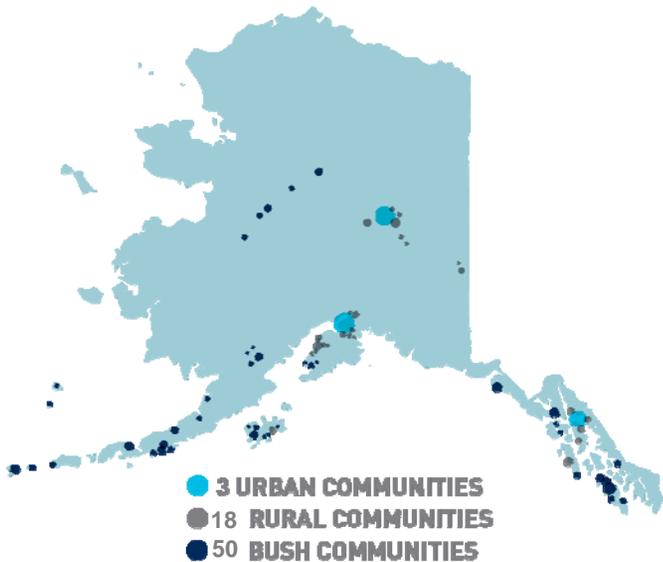
Population: 164
 Location: west shore of the Peninsula Borough and has no roads connecting to other villages.
 Land area: 8.4 sq miles
 Nearest Starbucks: 192 miles



Examples of communities we serve – Port Graham

Port Graham

Population: 171
 Location: southern tip of the Kenai Peninsula and is only accessible by air or barge.
 Land area: 5.9 sq miles
 Nearest Starbucks: 437 miles



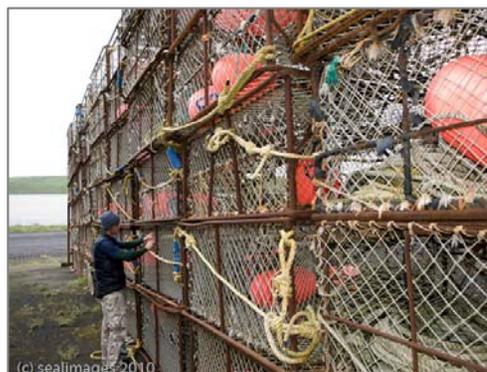
Examples of communities we serve – St. Paul

St. Paul



- 3 URBAN COMMUNITIES
- 18 RURAL COMMUNITIES
- 50 BUSH COMMUNITIES

Population: 479
 Location: southwest Bering Sea and home of the largest northern fur seal population in the world.
 Land area: 40.3 sq miles
 Nearest Starbucks: 776 miles



Current middle mile infrastructure via Terra SW is unaffordable

GCI Terra SW ETHERNET SERVICE				
COMMUNITY	Population	Terra SW Pricing:	\$/Mg @ 10 Mbps	\$/Mg @ 20 Mbps
Kokhanok	179		\$9,275	\$8,920
Nondalton	164		\$9,275	\$8,920
Pedro Bay	47		\$9,275	\$8,920
Port Alsworth	156		\$9,275	\$8,920
REPRESENTATIVE SATELLITE SERVICE				
COMMUNITY	Population	SATELLITE pricing per \$/Mg @ Mbps		
Kokhanok	179	\$1,200-\$2,600		
Nondalton	164	\$1,200-\$2,600		
Pedro Bay	47	\$1,200-\$2,600		
Port Alsworth	156	\$1,200-\$2,600		

When comparing publicly subsidized GCI Terra SW fiber pricing, rural Alaskans cannot benefit from this publicly-funded facility.

Terra SW Prices are Uneconomic

Terra SW Broadband Analysis						
Community	Population	Locations	50% Take	Middle Mile Monthly Expense 20M	Other Operating Expense	Cost per Month per Subscriber
Kokhanok	179	68	34	178,400	8,136	5,486
Nondalton	164	133	67	178,400	15,913	2,922
Pedro Bay	47	35	18	178,400	4,188	10,434
Port Alsworth	156	72	36	178,400	8,614	5,195
	546	308	154	713,600	36,850	-
Yearly Broadband Operating Cost				8,563,200	442,205	
Yearly per Sub Broadband Operating Cost						58,477

ACS Federal Policy Issues

- CAF I
- CAF II
- RAF

CAF I Incremental – ACS Challenges

- CAF I, Round I
 - ACS filed a waiver petition on September 26, 2012, requesting flexibility under the rules for CAF I Round I incremental support to enable it to use all of the support in the challenging Alaska environment
 - ACS said it would need to return about half of its funding if no relief is granted
 - There has been no FCC Action on ACS' request for relief
 - On July 24, 2013, ACS filed an updated list identifying 2,291 customer locations where ACS intends to use this support, less than half the 5,401 originally proposed
- CAF I, Round II
 - ACS is challenged in finding eligible locations
 - ACS is disincentivized from using the funds due to the rule requiring the substitution of other (likely more costly) locations if the Round II locations later become eligible for CAF II support

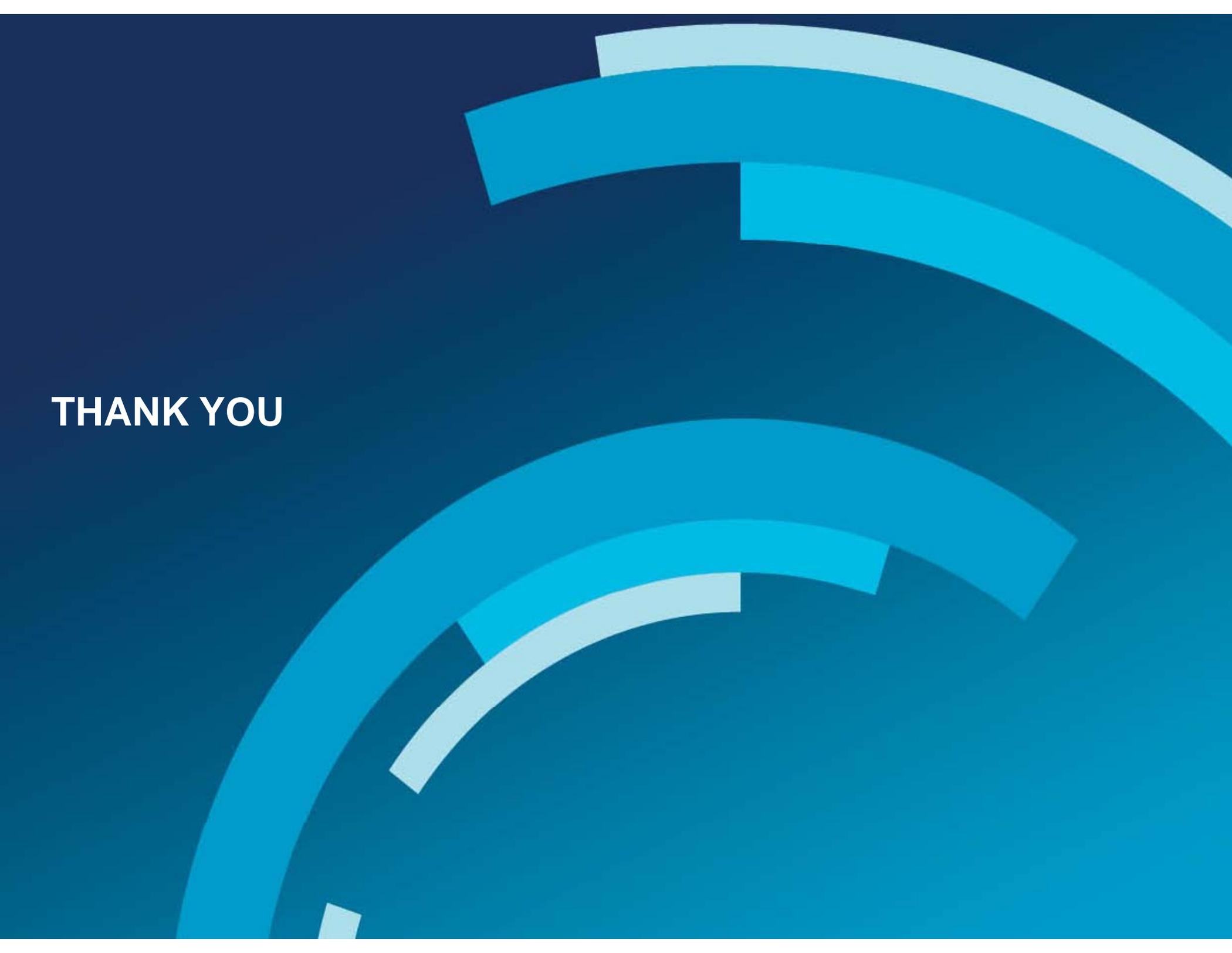
CAF II – The FCC’s Model Can Work If Modified

- ACS has modeled its own forward-looking costs, and has recommended modifications to the FCC’s model
- ACS believes the FCC’s model can produce a reasonable result for Alaska if that model is modified in the following ways to reflect the unique conditions inherent in serving Alaska :
 - Plant Mix Changes to Reflect More Buried and Underground Plant
 - Soil Type Should All Be “Hard Rock” To Reflect High Cost Environment
 - Cap Ex Increased By 10% To Reflect Costs In Alaska
 - Treatment as a Small Company As ACS Will Fall Below 100,000 Lines In 2-3 Years
- Additionally, the cost of submarine fiber optic cables to haul Alaska’s traffic to the nearest Internet peering point in Seattle Washington or Portland, Oregon must be incorporated into the FCC model
- ACS also needs more time to meet its obligations – a short construction season, limited labor pool and other factors make it difficult to meet the build obligations in five years

RAF – 10,000 Plus Locations At Stake

- ACS serves approximately 10,000 plus locations in Bush Alaska
- These locations are unlikely to be eligible for CAF II support due to the extremely high cost of serving there
- The record closed on the RAF design in mid-March, but the Bureau still has not delineated the rules for RAF funding
- Historically, state COLR obligations have been satisfied with federal high cost support funding – not clear how or if these obligations will be satisfied with RAF support in the future – if not, LECs will be unable to meet state COLR and federal section 214 mandates
- If there is any gap between the implementation of CAF II and the award of RAF support, LECs with COLR obligations will face a funding deficit and may be unable to maintain essential services in remote areas

THANK YOU

The background features a series of overlapping, curved bands in various shades of blue and cyan, creating a dynamic, layered effect. The bands are positioned primarily on the right side of the frame, curving towards the center. The overall aesthetic is modern and clean.