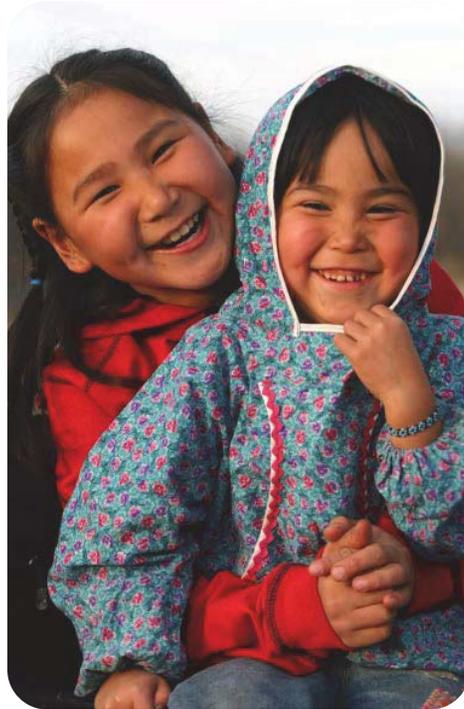


Alaska, GCI & USF Reform

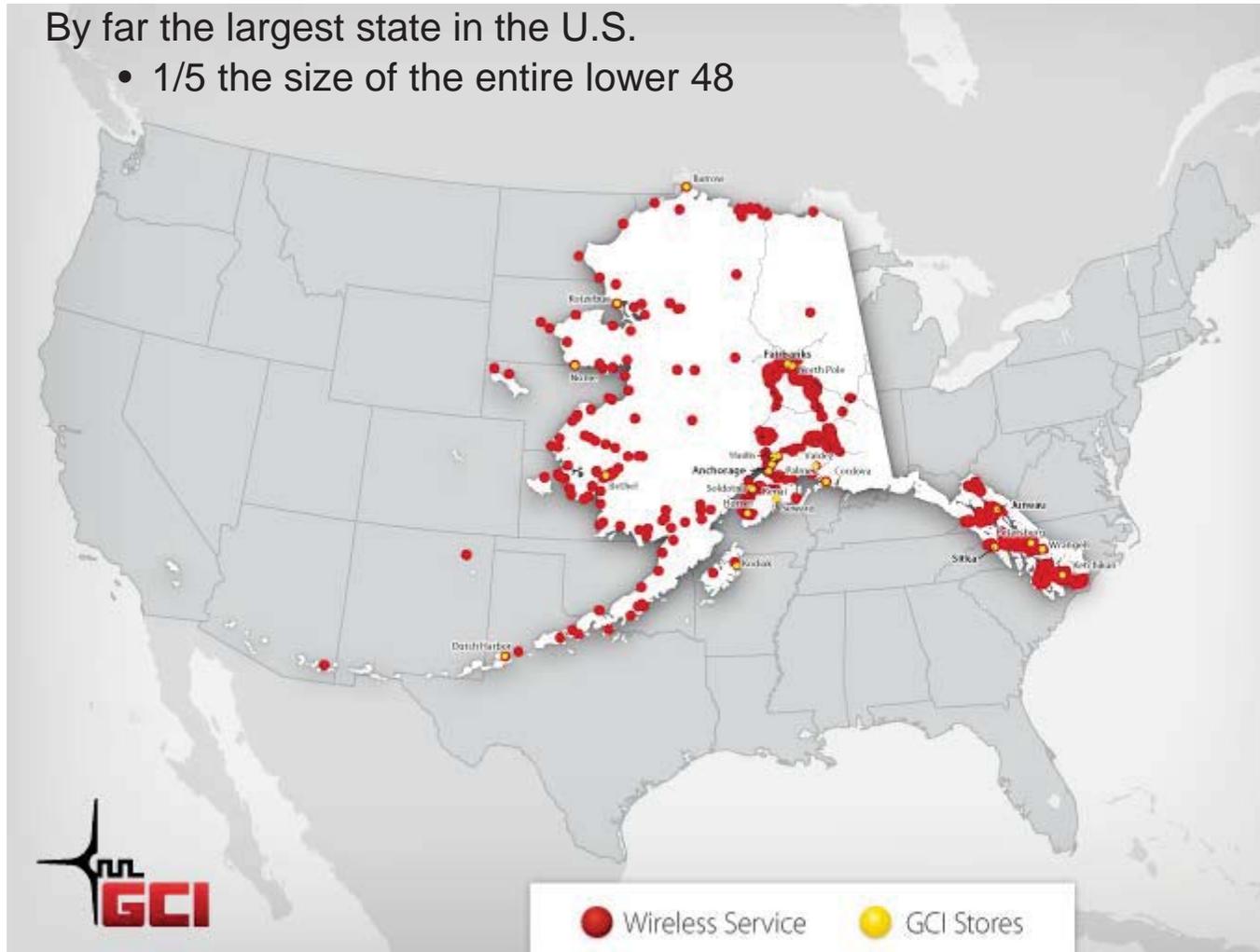


Alaska's Unique Communications Challenges: Size



By far the largest state in the U.S.

- 1/5 the size of the entire lower 48



Alaska's Unique Challenges: Sparse Population and Limited Infrastructure



- **Just over 710,231 residents**
 - Approximately 1.2 persons per square mile, compared to 103.8 persons per square mile in the lower 48
- **Limited road and rail system**
 - Over 200 “off-road” communities accessible only by plane, boat, or snow machine
- **Limited interconnected power grid**
 - Rural communities rely primarily on diesel electric generators for power
 - Electricity is much more expensive than in the Lower 48
- **Limited terrestrial middle-mile facilities**
 - Most rural areas rely on satellite to connect to urban centers

Alaska's Unique Communications Challenges: Climate, Terrain and Location



Climate

- Harsh, long winters and short construction season (May to October)
- Ice in northern latitudes makes submarine fiber optic cable costly to install and hard to repair during much of the year
- Winds and ice require hardened equipment and expensive repairs

Terrain

- Largely mountains, islands, rivers, and tundra

Location

- The Earth's curvature at extreme northern latitudes reduces the availability and performance of geostationary satellites
- Almost 1500 miles from Anchorage to the nearest Tier 1 POP in Seattle



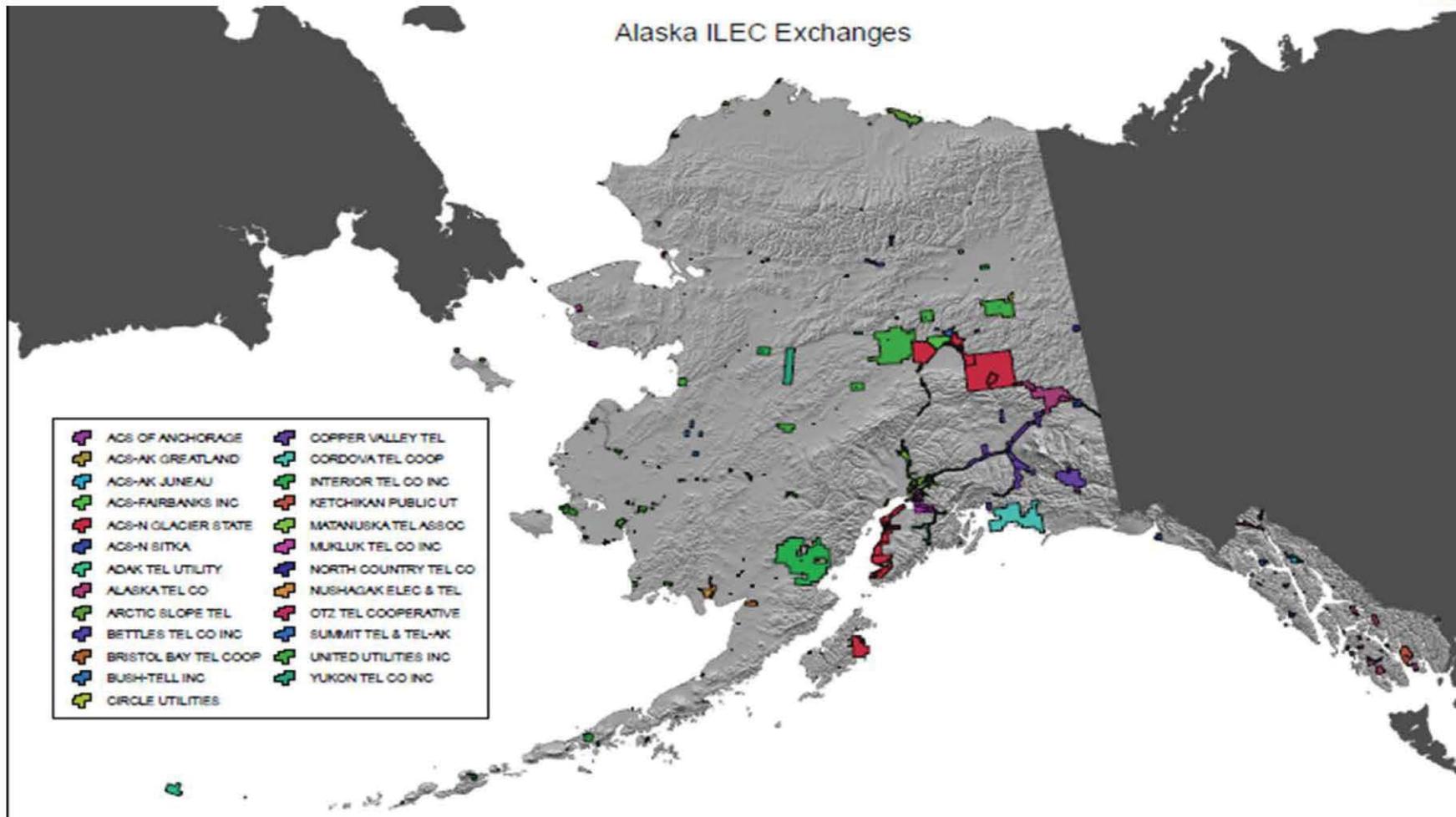
GCI Investing in Alaska



- **GCI Has Invested Over \$1 Billion in Alaska since 1979**
 - Long distance telephone facilities and satellite earth stations
 - Hybrid fiber-coaxial cable plant
 - Submarine fiber construction

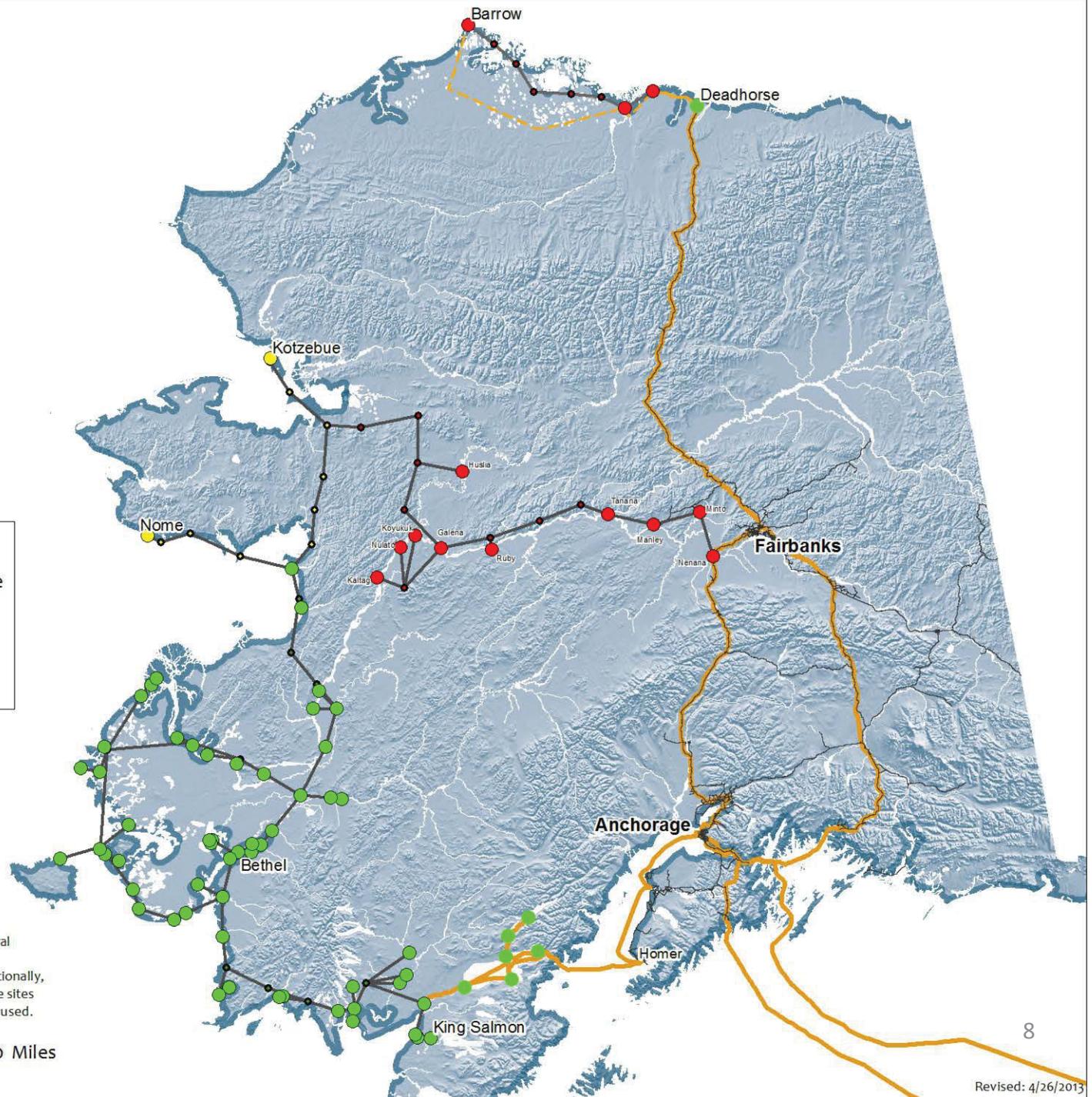
- **More than \$720 Million since 2008**
 - Urban and rural wireless deployment (AWN)
 - Fiber and Microwave terrestrial middle-mile networks (TERRA)
 - Invested in underutilized broadcast stations (KTVA)

Alaska's ILEC Exchanges

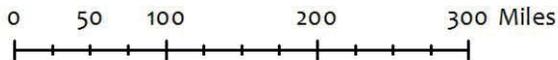


TERRA an GCI
TERRA Vision 2013

- Proposed Microwave Site
- Committed Microwave Site
- Existing Microwave Site
- Microwave Link
- Fiber-Optic Link



Note: This map represents GCI's long term vision to bring a terrestrial telecommunications network to many areas of rural Alaska. The "proposed microwave sites" are not funded or financed and only represent a possible future network. Additionally, "proposed microwave sites" do not reflect all possible future sites in Alaska, and other technology, such as fiber optics, may be used.



Impact of the FCC's 2011 Order on Alaska – So Far



	2011	2012	2013
ACS ILEC	\$19,693,668	\$23,878,800	\$19,867,468
ROR ILEC*	\$69,123,128	\$62,533,253	\$54,944,435
CETC	\$123,524,844	\$118,957,109	\$109,843,830
Totals	\$212,341,640	\$205,369,162	\$184,655,733

* Does not reflect cessation of QRA caps from July 2013 to then end of 2014.

High Cost Reform: Protect and Promote Mobility in Rural Alaska



- Far more than \$78 million per year required to achieve statewide mobile broadband service.
 - Modeling estimates the incremental cost at \$596 million (capital costs and 5 year present value of operating expenses)
 - PV of 5 year stream at \$78 million is \$316 million
- National auction likely to direct funds from Remote Alaska to Lower 48
 - Mobility Fund Phase I – Of \$300 million auctioned, Alaska had winning bids for only \$3 million
 - A comparable result would reduce \$105 million in Alaska CETC high cost support to \$5 million
- The Commission adopted Alaska-specific approaches to CAF Phase II for price cap and rate-of-return carriers
- **Same solution applies to Mobility Fund Phase II for Remote Alaska Wireless Providers**

High Cost Reform: Protect and Promote Mobility in Rural Alaska



- Reserve \$78 million of Mobility Fund/Tribal Mobility Fund II support for distribution in Remote Alaska
- Preserves current amounts where demand already exceeds available funding
- Matches the amount already budgeted to size the auctions
- Treatment of Non-Remote Alaska remains same as rest of the U.S.
- Alaska remains eligible for Remote Areas Fund support, consistent with what the Commission decides for the Remote Areas Fund

E-Rate: Positive Results



- Connects schools that are otherwise isolated
 - Without connectivity schools cannot meet national mandates
- Connectivity, particularly terrestrial connectivity, to the anchor tenants helps connect the rest of the community
 - Without school access, broadband adoption would plummet
 - Helps to sustain wireless services and vice versa
- Cost of connectivity has come down significantly over time
- Administrative process is known and relatively manageable, but audits are repetitive and performed in a wasteful manner

E-Rate Reform: Focus on Connectivity In the Most Isolated Communities



- **Continue to Focus E-Rate Support on Essential Connectivity**
 - Don't shift support for connecting schools to funding for internal connections, equipment, or ancillary services
- **Preserve the Available Discount to the Most Isolated Schools**
 - School districts will be forced to decrease service, rather than increase their budgets
- **A Per-student Cap Will Negatively Affect Alaskan Students**
 - Could reduce support in Alaska by 86%