

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

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<i>In the Matter of</i>	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
Universal Service Reform – Mobility Fund	)	WT Docket No. 10-208
	)	
ETC Annual Reports and Certifications	)	WC Docket No. 14-58
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
Developing an Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	

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**REPLY COMMENTS OF GENERAL COMMUNICATION, INC. ON  
FURTHER NOTICE OF PROPOSED RULEMAKING**

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## I. INTRODUCTION AND SUMMARY

In its initial comments, General Communication Inc. (“GCI”) refined its earlier proposal for a Mobility Fund/Tribal Mobility Fund Phase II support for Alaska. In its refined and revised proposal, GCI attempted further to work within the framework of the *USF/ICC Transformation Order*<sup>1</sup> and the *Further Notice of Proposed Rulemaking*.<sup>2</sup> Building on the Commission’s proposed interim per carrier freeze for Remote Alaska support, its targeting of Mobility Fund Phase II support away from areas in which AT&T and Verizon will be offering 4G LTE mobile voice and broadband services, and on its proposals for accountability mechanisms for price cap carriers in non-contiguous areas that elected frozen support rather than model-based support, GCI proposed the following for the next five years:

- Distribution of the current \$78 million in annual Remote Alaska CETC high cost support would be frozen according to the amount of support a competitive eligible telecommunications carrier (“CETC”) (or group of affiliated CETCs) currently receives (referred to below as “frozen Remote Alaska support”). This follows the NPRM’s proposal for Remote Alaska support prior to the implementation of the revised MFII/TMFII mechanisms, and extends that structure for five years.
- CETCs receiving frozen Remote Alaska support would be required to use that support for the deployment, upgrade, maintenance and operation of mobile voice and broadband networks in areas in which AT&T and Verizon are not offering 4G LTE services. This also follows the *FNPRM*’s proposal to direct Mobility Fund Phase II/Tribal Mobility Fund Phase II support away from areas in which AT&T and Verizon offer 4G LTE services. In addition, among other things, this also immediately redirects Remote Alaska wireline CETC support to mobile voice and broadband services, ending support for multiple *wireline* voice and broadband networks in Alaska.
- To ensure that CETCs are using frozen Remote Alaska support properly, each of the up to eight CETCs receiving such support would propose and receive Bureau approval of service deployment milestones. Proceeding in this manner assures

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<sup>1</sup> *Connect America Fund, et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161, 26 FCC Rcd. 17663 (2011) (“*USF/ICC Transformation Order*”).

<sup>2</sup> *Connect America Fund, et al.*, WC Docket No. 10-90, et al., Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54 (rel. June 13, 2014) (“*FNPRM*”).

accountability for the use of high cost support, while avoiding a “one-size-fits-all” approach which would be impractical given differences between Alaska communities as to population density, presence of road and intertied power networks, climate, middle mile facilities, distance from Alaska’s fiber backbone networks, and many other factors.

- The \$27 million in Alaska high cost support currently being distributed outside of the Remote Alaska mechanism would be retargeted and repurposed to support the deployment of mobile voice and broadband networks in areas without any mobile voice services today. This support would be distributed through an Alaska-specific reverse auction. This is consistent with the approach proposed by the *FNPRM* for unserved and underserved areas in the Lower 48, but specifically targets wholly unserved areas, for which deploying mobile voice service will improve access to emergency services.
- During the five year period that frozen Remote Alaska support would be distributed, the Commission would develop its successor mechanism for Remote Alaska, which could be a reverse-auction.

A significant advantage of this approach is that it will allow the Mobility Fund Phase I and Tribal Mobility Fund Phase I deployments to be completed prior to implementing a successor mechanism to frozen Remote Alaska support, and it will allow the Commission to evaluate the extent to which multiple 3G networks may be necessary in Alaska to support statewide roaming, or whether LTE will be sufficiently implemented to permit statewide roaming over only a single underlying network in each area. Alaska’s mobile networks remain far behind the Lower 48, especially outside of the national highway system and in a few communities along the fiber route between Anchorage and Seattle/Portland.

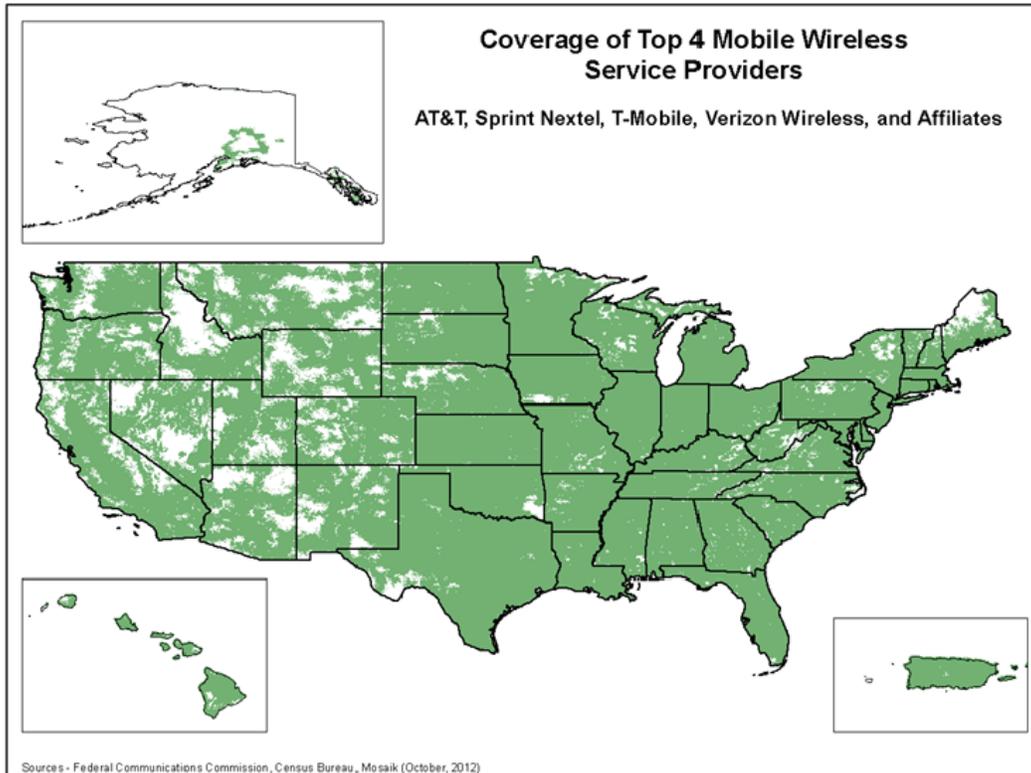
With respect to Connect America Fund (“CAF”) Phase II support for areas served by price-cap carriers, GCI agrees with ACS that a flexible approach is both necessary and appropriate. Rather than excluding all off-road areas, however, the Commission should consider reducing the broadband service obligations for those communities to better reflect the available middle mile facilities (*i.e.*, fiber backbone v. microwave backbone v. satellite). The Commission should also reject ACS’ request to be relieved of all Section 251 and 252 obligations in areas in

which it will not receive high cost support, without meeting the requirements for forbearance under Section 10 of the Communications Act. ACS' request in this regard substantially overreaches.

With respect to middle mile facilities in rate-of-return ILEC-served areas, the Commission should stay consistent with the basic principles underlying the *USF/ICC Transformation Order*. The Commission should not support building duplicative terrestrial middle mile facilities in areas where those already exist. Scarce high cost support should focus on areas with no terrestrial middle mile facilities.

**II. THE RECORD REFLECTS STRONG SUPPORT FOR APPROPRIATE MODIFICATIONS TO THE MOBILITY FUND AND TRIBAL MOBILITY FUND PROPOSALS FOR ALASKA.**

Alaska presents a very different situation than the Lower 48 states with respect to mobile deployment by the four nationwide carriers. While all four may have broad coverage throughout most of the United States, in Alaska, AT&T and Verizon focus their deployment in the large communities along the road system and in Juneau, while Sprint and T-Mobile have no presence whatsoever, as indicated in the following map.



In addition, Alaska has much more limited fiber backbone deployment than the Lower 48. Although microwave middle mile has been growing—primarily because of GCI’s continued investment in developing and expanding its TERRA network—satellite is and will continue to be necessary to reach many communities for the foreseeable future.

Because of these unique and difficult issues in Alaska, GCI has proposed that the Commission adopt several modifications to Mobility Fund and Tribal Mobility Fund Phase II that ensure continuing support for broadband expansion while recognizing Alaska’s significant differences from the Lower 48. GCI has proposed a modified transition plan that addresses Alaska’s unique geographic, demographic, climatological, and infrastructure challenges while also ensuring sufficient high-cost support for wireless broadband carriers to deploy service. A number of commenters, including industry providers like Cordova Wireless and the Alaska Rural

Coalition,<sup>3</sup> support this reasonable, targeted approach of setting aside existing CETC support for deployment in Alaska while promoting increased mobile voice and broadband deployment.

For instance, Cordova Wireless concurs with GCI that the Commission needs to adopt “a Mobility Fund Phase II mechanism that will (1) ensure the continued availability of existing mobile broadband services in high-cost, remote areas in Alaska and (2) help mobile wireless providers bring 4G LTE services to areas in Alaska where non exist now or only second- and third-generation service is available.”<sup>4</sup> ARC also supports an “alternative path to a phase down of support,”<sup>5</sup> endorsing GCI’s earlier freeze proposal (which GCI has since refined). ARC also acknowledges the importance of certain aspects of GCI’s refined proposal, including freezing support by CETC such that line counts no longer need to be tracked.<sup>6</sup>

GCI’s modified freeze plan proposes first that the Commission set aside within Mobility Fund Phase II the current annualized amount of CETC support flowing to Alaska. This ensures that Alaska will not see a reduction in support as would otherwise occur—as GCI and others have noted, Alaska needs more high-cost support, not less, in order truly to deploy 4G LTE service to all populated parts of Alaska.<sup>7</sup> This type of targeted proposal has worked before: in 2008, the Tribal Lands exception to the system of CETC statewide support caps permitted GCI to launch wireless service in numerous communities that had been unserved by modern digital

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<sup>3</sup> Comments of Cordova Wireless Communications at 3, WC Docket Nos. 10-90 and 10-208 (filed Aug. 8, 2014) (“Cordova”); Comments of Alaska Rural Coalition at 31, WC Docket Nos. 10-90, 14-58, and 07-135 WT Docket No. 10-208, and CC Docket No. 01-92 (filed Aug. 11, 2014) (“ARC”).

<sup>4</sup> Cordova at 3.

<sup>5</sup> ARC at 31.

<sup>6</sup> ARC at 29.

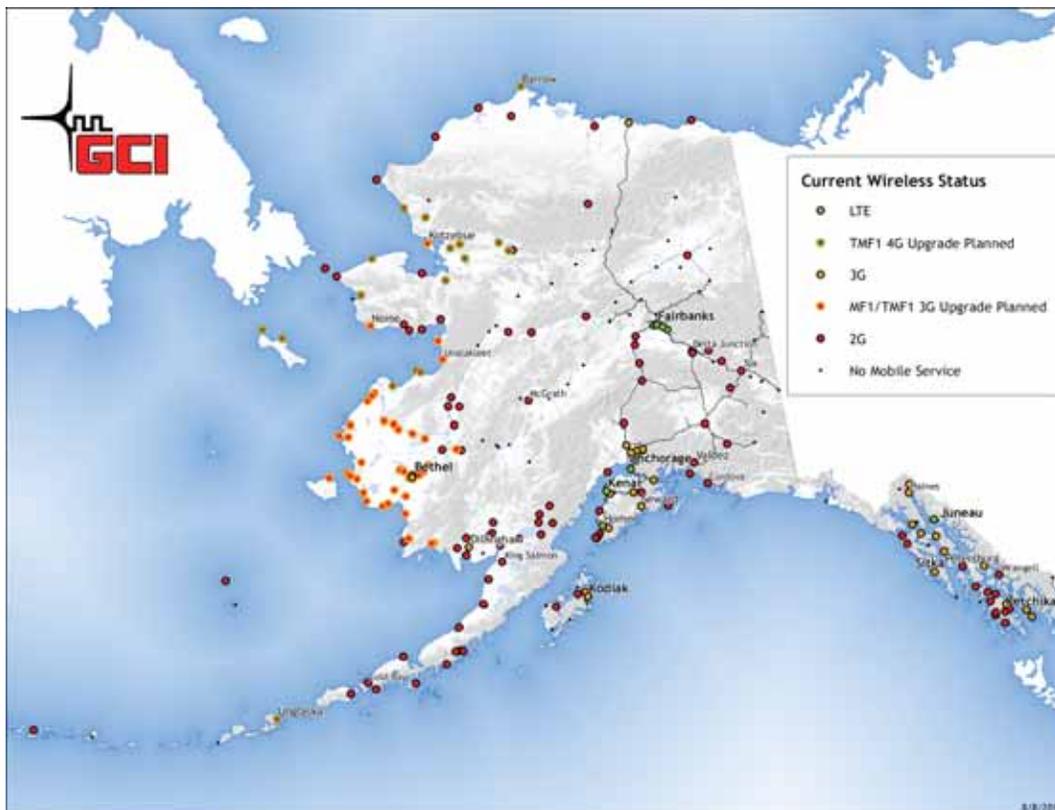
<sup>7</sup> See Comments of General Communication at 2, WC Docket Nos. 10-90, 14-58, and 07-135 WT Docket No. 10-208, and CC Docket No. 01-92 (filed Aug. 8, 2014) (“GCI”); ARC at 4.

wireless networks. Under GCI's proposal, the high-cost support in Alaska would then be targeted to mobile broadband networks in areas other than those with LTE service from AT&T or Verizon, ensuring continued and improved mobile voice and broadband services, with specific amounts targeting service to areas lacking any mobile voice services. Alaska's eight individual CETCs would enter into specific deployment and service level plans with the Commission to ensure accountable use of the support. During this five year interim, period, the Commission could develop a successor mechanism that would start from a more mature Alaska wireless infrastructure, which has significantly lagged the Lower 48.

Under GCI's proposal, each CETC's existing Remote Alaska support would be distributed in a block amount, to be used for mobile voice and wireless services only in areas where AT&T and Verizon do not provide LTE service. Critically, this ensures that frozen support is targeted at those areas that will not receive service from the only two nationwide carriers in Alaska. Inasmuch as AT&T and Verizon service is concentrated along the road system and Juneau, this means that high cost support will be targeted to areas with higher costs to build and deploy networks and less dense populations to support service. For areas that have no wireless service, under GCI's proposal, the Commission would set aside an additional \$27 million per year – the current amount of Alaska CETC support not distributed through the Remote Alaska mechanism – to be distributed through a reverse auction. This support would be phased up as non-Remote Alaska support is phased out, so that the total Alaska mobile support would not exceed the current legacy CETC support.

A handful of commenters that are generally supportive of refinements to the Mobility Fund/Tribal Mobility Fund suggest proposals and modifications that are unworkable in Alaska. GCI encourages the Commission to ensure that it does not forget the unique challenges to

wireless deployment in Alaska as it reviews the record. In particular, GCI encourages the Commission to reject AT&T's calls for exclusion of all areas served by LTE from any provider, rather than just from AT&T or Verizon.<sup>8</sup> As proposed, AT&T's proposal would mean that communities in which GCI will deploy 4G LTE over satellite middle mile using Tribal Mobility Fund Phase I support would never be eligible for continuing support under the Mobility Fund/Tribal Mobility Fund Phase II. This makes no sense for areas that will need continuing support beyond the Tribal Mobility Fund due to high operating costs. There are also other areas not served by AT&T or Verizon LTE where GCI or other carriers may be able to deploy LTE only because of high cost support, as depicted in the map below.



<sup>8</sup> Comments of AT&T at 33, WC Docket Nos. 10-90, 14-58, and 07-135 WT Docket No. 10-208, and CC Docket No. 01-92 (filed Aug. 8, 2014) (“AT&T”).

Under AT&T's proposal, these extremely high-cost areas would be cut off from ongoing support, disincenting providers from upgrading these areas to LTE using existing support prior to Mobility Fund/Tribal Mobility Fund Phase II because doing so would then disqualify them from future support. Such a proposal is unworkable and contrary to the Commission's overarching universal service goals.

Similarly, GCI encourages the Commission to ensure support is available for the best possible wireless technology available in a given area, rather than reserving Mobility Fund Phase II support for only 4G LTE, as suggested by the Blooston Rural Carriers.<sup>9</sup> Again, Blooston's proposal does not make sense in extremely remote areas where 4G LTE simply will not be available. Middle mile capabilities, for example, can affect the viability of 4G LTE versus other air interfaces, meaning that in some communities, the best available technology may only be third- or even second-generation technology. It makes no sense to deny support to these unserved areas for voice service if LTE is not viable due to geographic or infrastructure challenges. The Commission should not cut off support for those deployments where doing so would leave residents of those areas without any wireless service.

### **III. THE RECORD REFLECTS STRONG SUPPORT FOR FLEXIBILITY IN THE ADMINISTRATION AND IMPLEMENTATION OF CAF PHASE II IN ALASKA.**

The record indicates general agreement on the importance of flexibility in administration and implementation of CAF Phase II in Alaska.<sup>10</sup> ACS, like GCI, asks the Commission to ensure sufficient support for deployment of fiber in Alaska by freezing support at the current level, and by imposing reasonable service obligations on those providers receiving support.

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<sup>9</sup> Comments of Blooston Rural Carriers at 2-3, WC Docket Nos. 10-90, 14-58, and 07-135 WT Docket No. 10-208, and CC Docket No. 01-92 (filed Aug. 8, 2014) ("Blooston").

<sup>10</sup> See Comments of Alaska Communications Systems at 18, WC Docket Nos. 10-90, 14-58, and 07-135 WT Docket No. 10-208, and CC Docket No. 01-92 (filed Aug 8 2014) ("ACS"); ARC at 9.

Furthermore, GCI has no objection to ACS's suggestion that the Commission extend the timeframe for deployment to 10/1 Mbps, to the extent that timeframe matches the overall CAF timeframe – although that same timeframe should also apply to the interim Alaska mobile wireless mechanism.

GCI, however, believes that in certain respects, its proposals better serve the overarching goals of the Commission than those put forth by ACS and ARC. For instance, while GCI and ACS both propose that the Commission recognize the difficulty of deploying to the 10 Mbps up/1 Mbps down standard in areas in Alaska that are off the road system—or where fiber-based backhaul is generally not available nor likely to be available—these proposals differ in one critical way. ACS proposes that it should be allowed to categorically exclude off-road areas from deployment altogether. GCI, however, believes it would be preferable—and more consistent with the purposes of the Connect America Fund—to adopt reduced standards in those communities that are off-road—or in those communities without fiber-based backhaul—rather than simply writing off those areas as unservable.<sup>11</sup> ACS's proposal would all but guarantee that many off-road locations in Alaska will never be served by fixed broadband (perhaps even communities that are off-road but have fiber backhaul, like Kodiak). In contrast, GCI proposes that the Commission adopt reduced standards for non-fiber fixed broadband deployments. Reducing the standards in areas where fiber-based backhaul cannot feasibly be deployed ensures that those areas remain eligible for support and increase the likelihood that those communities will have access to broadband, even if not at 10/1 speeds.

Similarly, ACS and ARC ask the Commission to allow the substitution of partially served census blocks for unserved census blocks. Again, this request ignores the core purpose of CAF

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<sup>11</sup> See also ARC at 10-11 (opposing the 10/1 benchmark for rural and Remote areas of Alaska where such speeds are unlikely to be possible with the proposed timeframe).

Phase II—to support deployment of broadband where it would otherwise be unavailable.

Though ACS and ARC are correct that census blocks in Alaska are relatively large compared to those in the lower 48 states,<sup>12</sup> that fact does not make a partially served census block equivalent to an unserved census block. As GCI said in its initial comments, “the Commission should adopt rules that ensure support will be used for *truly unserved areas*, rather than for those that could easily be built out without support.”<sup>13</sup> Allowing providers to substitute locations in partially served census blocks for locations in unserved census blocks simply means that support will be funneled away from the areas where it is most needed towards areas where support may not be necessary at all.

ACS likewise proposes that it should be permitted to substitute service to Community Anchor Institutions (“CAIs”) for service to individuals. ACS’s proposal would provide an additional subsidy—above and beyond that available under E-rate or the Rural Health Care Pilot (“RHCP”)—to ACS and ACS alone, in areas where GCI and others compete with ACS to provide E-rate and RHCP-supported services. This is not competitively neutral and would mean the Commission is providing more USF support in the aggregate than is necessary to service a given school, library, or rural health clinic. In addition, in much the same way that substituting locations in partially served census blocks for unserved census blocks would undermine the purposes of CAF Phase II, this proposal would divert support away from deployment to residential customers toward deployment to institutions—deployment that is more economically viable for providers, even without support. Indeed, the Commission has recognized that CAIs play an important role in broadband deployment *precisely because carriers are more likely to*

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<sup>12</sup> ACS at 21; ARC at 9.

<sup>13</sup> GCI at 11 (emphasis added).

*offer higher speed broadband to these entities than to residential customers.*<sup>14</sup> Allowing ACS to use CAF Phase II funds to deploy broadband to CAIs in lieu of deployment to residential customers would subsidize deployment ACS is more likely to undertake without a subsidy, squandering the limited funds available and reducing overall broadband deployment in rural Alaska.

ACS also seems to suggest that, should support be allocated under the Phase II competitive bidding process, the Commission should reserve for that auction winner the model-based amount of support. But it is unclear whether and how this resolves any issues with the amount of funding available. Limiting the available support under the auction to the amount of support under the model would undermine the purpose of allowing for competitive bidding. The expectation is that providers would elect to participate in the auction where the amount of support available under the model is insufficient to allow them to deploy and serve the relevant area. In other words, if the model is flawed, it makes no sense to peg the amount of support available under competitive bidding to that flawed model.

Finally, GCI asks the Commission to reject ACS's proposal to terminate ILEC-specific obligations under Sections 251 and 252 upon termination of high cost support.<sup>15</sup> ILECs should not be entirely absolved of their obligations under Sections 251 and 252 simply because they no longer receive support in high-cost areas. In the first place, Section 251(a) and (b) apply to all LECs, not just incumbent LECs. Section 251(c), the provision applicable to ILECs, is not tied to receipt of support under Section 254. And ACS's proposal would mean it would no longer have any Section 251(c) obligations in any low cost areas. It is worth noting that in many rural areas, ACS is still claiming a rural exemption from at least some parts of Section 251(c).

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<sup>14</sup> *USF/ICC Transformation Order* ¶ 102.

<sup>15</sup> ACS at 34.

Moreover, carriers seeking to be relieved of their ILEC obligations already have an avenue for requesting that relief, by seeking forbearance under Section 10. A forbearance proceeding, moreover, requires the carrier to meet the required showings, as set forth in the Commission's rules and as recently articulated in the Commission's *Phoenix* decision.<sup>16</sup> ACS's proposal does not attempt to show how the termination of high-cost support meets those requirements or why such termination is preferable to the existing procedures. The Commission should reject this proposal as unworkable and inconsistent with the overall regulatory regime.

#### **IV. THE COMMISSION MUST ENSURE THAT IT DOES NOT IGNORE THE CRITICAL ROLE OF PRIVATE INVESTMENT IN MIDDLE MILE DEPLOYMENT.**

As commenters recognize, the cost of deploying middle mile transport in Alaska is very high.<sup>17</sup> This is in large part because Alaska poses unique challenges to middle mile deployment, including its enormous size, harsh weather conditions, limited road system, vast tracts of government-protected lands, and brief construction season. Despite these challenges, GCI continues to invest millions in building its TERRA project, relying on substantial private capital—more than \$156 million in private at-risk capital as of March 2014—far exceeding its Rural Utility Service Broadband Infrastructure Program grant and loan. GCI's most recent investment in TERRA is its recently announced proposed acquisition of Yukon Telephone Company. This work and investment in terrestrial middle mile facilities is far from complete, as GCI continues to raise and invest substantial additional capital to close its TERRA ring, a step that will double TERRA's effective capacity.

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<sup>16</sup> *Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Phoenix, Arizona Metropolitan Statistical Area*, FCC 10-113, 25 FCC Rcd. 8622, ¶¶ 92-120 (2010).

<sup>17</sup> *See, e.g.*, ARC at 46-47.

Any support for middle mile in Alaska should target scarce Universal Service Funds to areas “where a federal subsidy is necessary to ensure the build-out and operation of broadband networks.”<sup>18</sup> To the extent that the Commission sets aside targeted subsidies for middle mile service in Alaska, it should be sure to structure any subsidy program so that it does not result in duplicative facilities, particularly where there are existing facilities such as GCI’s that are funded in large part by private capital. The Commission should therefore reject proposals that would result in overbuilding of existing middle mile facilities rather than deployment of capacity in unserved areas.

ARC nonetheless argues that “there may be justification to overbuild” “where the competitor is a monopoly, unregulated network.”<sup>19</sup> ARC’s argument implies that overbuilding outside of this narrow context should be barred. But ARC cannot have it both ways—overbuilding existing facilities is wasteful whether those facilities belong to GCI or a rate-of-return rural carrier. More importantly, ARC’s plea to overbuild cannot be reconciled with the Commission’s core concern: that scarce Universal Service funds be used to provide service in areas where it would not exist absent support.

As GCI explained in its opening comments, the Commission can support middle mile for rate of return carriers by designating support for “rate of return carrier served areas,” rather than just for rate-of-return carriers, and by permitting carriers to use support to purchase middle-mile services.<sup>20</sup> This approach would stimulate demand for middle-mile services while enabling the market to select the most efficient provider. This approach also avoids the risk of cost

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<sup>18</sup> *USF/ICC Transformation Order* ¶ 24.

<sup>19</sup> ARC at 15.

<sup>20</sup> GCI at 20.

misallocation that would result from providing support to local exchange carriers for construction of interexchange facilities.<sup>21</sup>

The Commission may address ARC's concerns about the cost of middle-mile services in the market by providing support for the purchase of existing services, rather than by duplicating existing deployments. The high cost of these services is not surprising, of course, given the well-documented and very high cost of deploying middle mile infrastructure in Alaska.<sup>22</sup> Concerns that pricing is somehow discriminatory or not disciplined by the market are contradicted by the facts: GCI makes its TERRA services available at publicly available and nondiscriminatory rates, and faces significant price competition from satellite middle-mile services. Indeed, GCI is aware of schools and health clinics that have chosen these satellite services over GCI's terrestrial offerings. Finally, simply mandating lower prices, as ARC suggests,<sup>23</sup> would be counterproductive, as it would make an already-difficult business case even worse and disincite the high level of investment necessary to support middle mile deployment.

## **V. CONCLUSION**

The record continues to reflect the importance of recognizing Alaska's unique geographic, demographic, climatological, and underlying infrastructure challenges. GCI urges the Commission to ensure that high-cost reform in Alaska focuses on targeting support where it can be best used to expand broadband access to communities that have little or no access today. It can do so by adopting GCI's modified Mobility Fund and Tribal Mobility Fund Phase II proposal; by adopting rules that allow for flexibility in administration of CAF Phase II; and by ensuring that middle mile support is targeted at truly unserved areas, rather than used for

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<sup>21</sup> GCI at 22.

<sup>22</sup> ARC at 45-46.

<sup>23</sup> ARC at 49.

overbuilding. By taking these critical steps, the Commission can ensure that its rules in Alaska support the overarching goal of deploying and sustaining modern telecommunications networks in Alaska.

Respectfully submitted,



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