



Chris Nierman  
(202) 457-8815  
[cnierman@gci.com](mailto:cnierman@gci.com)

June 3, 2015

Via ECFS

Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Re: *Connect America Fund*, WC Docket No. 10-90

Dear Ms. Dortch:

On June 1, 2015, Tim Stelzig and I of General Communication, Inc. (“GCI”) and John Nakahata of Harris, Wiltshire & Grannis met with Amy Bender, Legal Advisor to Commissioner O’Rielly; Nicholas Degani, Legal Advisor to Commissioner Pai; and Travis Litman, Legal Advisor to Commissioner Rosenworcel. On June 3, Mr. Nakahata and I met with Daniel Alvarez, Legal Advisor to Chairman Wheeler. We discussed the Alaska Consensus Plan for interim stabilization of high-cost support in Alaska that was proposed jointly by all Alaskan rate of return and competitive carriers, working in conjunction with the Alaska Telephone Association (“ATA”).<sup>1</sup> We also addressed the inaccuracies about the Alaska Plan, particularly with respect to GCI, that Alaska Communications (“ACS”) put forth during their recent Commission visits.<sup>2</sup>

The Alaska Plan is a fiscally responsible proposal that freezes support in remote Alaska on a per-carrier basis, subject to performance obligations individually tailored with the Commission. The Alaska Plan addresses the unique challenges of serving Alaska, provides the certainty necessary to continue with broadband deployment largely impacted by the FCC’s high-cost reforms, and holds recipients accountable to service commitments appropriate for varying service areas.

---

<sup>1</sup> See Letter from Christine O’Connor, Executive Director, ATA, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 (filed Feb. 20, 2015) (“Alaska Plan”).

<sup>2</sup> See Letter from Karen Brinkmann, Counsel, ACS, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 (filed Feb. 27, 2015) (“ACS Feb. 27, 2015 Ex Parte”); Letter from Karen Brinkmann, Counsel, ACS, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 (filed May 14, 2015).

Though ACS initially participated in the ATA discussions, after it was clear that they could elect to receive frozen high cost support<sup>3</sup> and that they were exiting the wireless business,<sup>4</sup> ACS declined to join the proposal. ACS now attacks the Alaska Plan despite the fact that the Alaska Plan mirrors the frozen support framework that the Commission put in place for ACS—and other price cap carriers in non-contiguous areas of the country. Instead, ACS has put forth a plan that it asserts would increase middle-mile facilities in rural Alaska. In reality, however, ACS’s plan would destabilize the universal service support that underlies the middle-mile investments necessary to serve the rural parts of Alaska that ACS does not serve.<sup>5</sup> Having secured stabilization of its own high-cost support, ACS’s opposition to the Alaska Plan jeopardizes service outside its own footprint, where the rest of the Alaska telecom industry has demonstrated a willingness and ability to invest and deploy.

ACS’s complaints center on its assertions that TERRA was “built out with federal funds.”<sup>6</sup> In fact, GCI risked 75% of the capital to build rural Alaska’s first terrestrial middle-mile network after competitively applying for a \$44 million Broadband Initiatives Program (“BIP”) grant and \$44 million BIP loan that established the business case to justify the significant risk. Since first providing service in 2011, TERRA now reaches 72 remote Alaska communities. This tremendous broadband expansion in a relatively short period of time was possibly only when GCI leveraged the BIP grant/loan (plus another \$6 million in State grant funding) to secure additional financing, ultimately putting itself on the hook for \$156 million of the \$206 million in total capital invested in the TERRA network to date.

And GCI is not alone. Many signatories to the Alaska Plan are making significant middle-mile investments in the State. For example:

---

<sup>3</sup> See *Connect America Fund, ETC Annual Reports and Certifications, Petition of USTelecom for Forbearance Pursuant to 47 U.S.C. § 160(c) from Obsolete ILEC Regulatory Obligations that Inhibit Deployment of Next Generation Networks*, Report and Order, FCC 14-190, 29 FCC Rcd 15,644, 15,662 ¶ 46 (rel. Dec. 18, 2014).

<sup>4</sup> GENERAL COMMUNICATION, INC., *GCI To Purchase Wireless Subscriber Base from Alaska Communications*, Press Release (Dec. 4, 2014), <http://www.gci.com/news-release/gci-to-purchase-wireless-subscriber-base-from-alaska-communications>.

<sup>5</sup> ACS recognizes the expense of such investments, arguing in this proceeding that it would be “prohibitively expensive” to “deploy hundreds of miles of new transport facilities through virgin Alaskan wilderness, much of it federally protected wetlands” to serve a community like Huslia, “located in Alaska’s remote northern interior.” See Comments of ACS at 13-16, WC Docket Nos. 10-90, 14-58 & 07-135, WT Docket No. 10-208, and CC Docket No. 01-92 (filed Aug. 8, 2014). While ACS correctly points out that such an endeavor is difficult, these are exactly the type of challenges GCI overcame to deploy the TERRA network—which reaches well beyond Huslia.

<sup>6</sup> ACS Feb. 27, 2015 Ex Parte at 2.

- Both Alaska Power & Telephone (“APT”) and Ketchikan Public Utility have built extensive fiber networks in Southeast Alaska, and APT has announced plans to expand those facilities.<sup>7</sup>
- The Cordova Telephone Cooperative installed subsea fiber-optic cables to increase middle-mile capacity and improve service for its customers.<sup>8</sup>
- Arctic Slope Telephone Association Cooperative built and operates microwave facilities on Alaska’s remote North Slope.
- Copper Valley Telecom deployed microwave and fiber optic facilities to a number of small, rural villages.<sup>9</sup>
- Matanuska Telephone Association has built extensive fiber and microwave middle mile throughout its study area.<sup>10</sup>
- Nushagak Electric & Telephone Cooperative, Inc. has built a microwave system between the villages it serves.<sup>11</sup>
- TelAlaska has built fiber to connect Seward to Cooper Landing.<sup>12</sup>

In addition, DRS Technical Services, Inc., a well-known defense technology company, provides transport services in Alaska, has built middle-mile microwave facilities on the Yukon River, and has plans over the next few years to expand microwave facilities over a “significant

---

<sup>7</sup> See ALASKA POWER & TELEPHONE, *Alaska Power & Telephone to Connect Upper Lynn Canal with New Undersea Fiber to Juneau*, Business Wire, <http://www.businesswire.com/news/home/20150310005401/en/Alaska-Power-Telephone-Connect-Upper-Lynn-Canal#.VW8R8M9Vikp> (last visited June 3, 2015). See KPU, Fiber, <http://www.kputel.com/fiber/> (last visited June 3, 2015).

<sup>8</sup> See Jonah Arellano, *Cordova Telephone Cooperative: Delivering Advanced Communications Services to the End of the Road*, NTCA EXCHANGE, at 1, 6 (Feb. and Mar. 2012), [http://www.smallcompanycoalition.com/files/ntca\\_ctc\\_article\\_feb\\_2012.pdf](http://www.smallcompanycoalition.com/files/ntca_ctc_article_feb_2012.pdf).

<sup>9</sup> See Tabitha Gregory, *Copper Valley Telecom: 50 Years of Service to Rural Alaskans*, COPPER VALLEY ELECTRIC, at 28-29 (July 2011), <http://www.cvea.org/resources/pdfs/ruralite2/pg28July11CVTC50Years.pdf>.

<sup>10</sup> See MATANUSKA TELEPHONE ASSOCIATION, *Alaska MTA Secures USDA Community Connect Grant for Nearly \$3 Million*, Alters, Notices & News (Oct. 25, 2013), <https://www.mtasolutions.com/about/membership> (noting MTA investment).

<sup>11</sup> See Nancy Favors, *A Need for Speed*, NUSHAGAK COOPERATIVE, at 4-5 (Dec. 2009), [http://www.ruralite.org/archive/2009/12/c-47%20pp%204-5%20decDec\\_2009.pdf](http://www.ruralite.org/archive/2009/12/c-47%20pp%204-5%20decDec_2009.pdf).

<sup>12</sup> See Wolfgang Kurtz, *TelAlaska Lays Fiberoptic Line*, THE SEWARD PHOENIX LOG, at 6 (Aug. 1, 2013) available at [http://www.thesewardphoenixlog.com/cms\\_data/dfault/photo/stories/id/9/3/1693/5672221.pdf#page=6](http://www.thesewardphoenixlog.com/cms_data/dfault/photo/stories/id/9/3/1693/5672221.pdf#page=6).

portion of Interior Alaska.”<sup>13</sup> Though ACS has no similar record of expanding infrastructure, even it recently announced its purchase of short existing fiber link that Conoco Philips built to serve oil and gas fields. And, of course, ACS has for years stated that its collaboration with Quintillion will bring subsea fiber to much of rural Alaska.

Though middle-mile facilities in Alaska do not match the Lower 48, the market is active and growing, belying ACS’s characterization of TERRA as a middle-mile monopoly. GCI faces direct competition from both terrestrial and satellite middle-mile providers.<sup>14</sup> That competition constrains rates. Indeed, competition has led to TERRA rate reductions of up to 33% over five years. In many cases, TERRA rates are lower than those that RUS reviewed during the BIP loan/grant approval process. TERRA rates are comparable to similar facilities in rural Alaska. For example, the posted TERRA rate for 10 Mbps over a 5-year term from Bethel to Kotzebue (550 miles) is \$66,500. For the same capacity and contract term for microwave service from Kodiak to Old Harbor (57 miles)—on a microwave network that ACS did not build, but for which ACS purchased the capacity—ACS quoted GCI a rate of \$61,200 plus a \$2,000 non-recurring installation charge. Notably, ACS’s rate is 9 times that of TERRA on a per-mile basis.

---

<sup>13</sup> Josh Peter, *A Step toward Village Internet Connectivity*, TANANA CHIEFS CONFERENCE: THE COUNCIL NEWSLETTER, 39:2, at 9 (Feb. 2015), available at <https://www.tananachiefs.org/wp-content/uploads/2012/07/February-2015-Council-Issue.pdf>; see also STATE OF ALASKA, DRS Technologies Communications Site, <https://laws.state.ak.us/OnlinePublicNotices/Notices/View.aspx?id=168796>.

<sup>14</sup> Improvements in satellite technology are also making the delivery of advanced communications services to Arctic businesses technically feasible and cost-effective through smart network design and operation. And more competition for middle mile networks in remote areas is on the horizon, a development GCI welcomes. For example, Google is making significant progress toward launching a mesh network of high-altitude balloons capable of providing LTE-based broadband in remote areas up to 500 miles from the nearest terrestrial connection, and may begin deploying commercially in 2016. See, e.g., Brad Stone, *Google Details New Project Loon Tech to Keep Its Internets Balloons Afloat*, Bloomberg Business (May 29, 2015), <http://www.bloomberg.com/news/articles/2015-05-29/google-details-new-project-loon-tech-to-keep-its-internet-balloons-afloat>. There also is increasing interest in deploying constellations of Low Earth Orbit (LEO) satellites to provide low-latency broadband to rural regions. See, e.g., Peter B. de Selding, *SpaceX to Build 4,000 Broadband Satellites in Seattle*, Space News (Jan. 19, 2015) at: <http://spacenews.com/spacex-opening-seattle-plant-to-build-4000-broadband-satellites/#sthash.qDFSCYr2.dpuf>. While these entrepreneurs are still trying to overcome the technical challenges of these projects, potential competition has many of the same pro-consumer effects as actual competition. Cf. U.S. DOJ & FTC, *Horizontal Merger Guidelines*, at 18 (Aug. 19, 2010) at <http://www.justice.gov/atr/public/guidelines/hmg-2010.pdf> (recognizing potential competition and stating that “[a] merger between an incumbent and a potential entrant can raise significant competitive concerns”).

Moreover, TERRA capacity is open to all. GCI has taken steps to make TERRA service as appealing as possible to potential customers, including competing carriers. GCI publicly posts its TERRA rates and offers significant discounts for higher volume and longer-term purchases. TERRA pricing rewards long-term commitments. Constructing a network of fiber and microwave towers in remote parts of Alaska with thin economies requires a willingness to assume the risks of costly maintenance and operation for many years. TERRA pricing recognizes the value of similar long-term commitments by customers by offering significant price discounts for lengthier terms and higher capacity. ACS has been unwilling to make those commitments.

In addition, GCI recognizes that a long-term commitment brings risk from evolving business plans, regulatory uncertainty, and shifting demand. TERRA pricing mitigates customer risk through flexibility. TERRA customers can reconfigure their services and shift their bandwidth among any of the 72 TERRA locations for the minimal fee of \$95 per change. A customer who purchased bandwidth to serve a dozen locations clustered in one region can shift all of that bandwidth to serve a different region, to provide a single large pipe between two locations, or to simply reallocate the bandwidth differently within the original locations based on changing demand. Plus, TERRA's prices are postalized throughout the network, allowing customers to pay the same rates whether connecting 5 miles or 500 miles, thus allowing the benefits of the service to extend to even the most remote Alaska communities.

GCI also offers a risk-free method for ILECs to offer retail broadband in TERRA locations. GCI developed and offers a wholesale Rural Broadband program that is priced on a per-end-user basis with no volume or term commitments. GCI provides backhaul, Internet access, and back-office functions for rural broadband plans to LECs at wholesale discounts. The ILEC combines the GCI wholesale product with its own DSL or other last-mile access to provide broadband plans at speeds of up to 6 Mbps\2 Mbps and sets its own pricing. The ILECs maintain its relationships with end users, leverage its existing local network, and provide broadband even in remote villages of a few dozen people, being billed only on the customers it acquires with no volume or term commitment.

Ms. Marlene H. Dortch

June 3, 2015

Page 6 of 6

These are not the actions of a monopolist, but rather attempts by a company steeped in a tradition of innovation and competition to attract customers in a competitive market. Rather than blow up the current universal service system that underpins this deployment, the Commission (and Alaska) would be better served to stabilize the support and allow the market to mature before determining what should come next.

Respectfully submitted,



---

Chris Nierman  
Senior Counsel, Federal Affairs  
General Communication, Inc.  
1900 L St., N.W., Suite 700  
Washington, DC 20036  
(202) 457-8815

cc: Amy Bender  
Nicholas Degani  
Travis Litman  
Daniel Alvarez