



CAF II Funding & the Unserved Areas
April 12, 2017



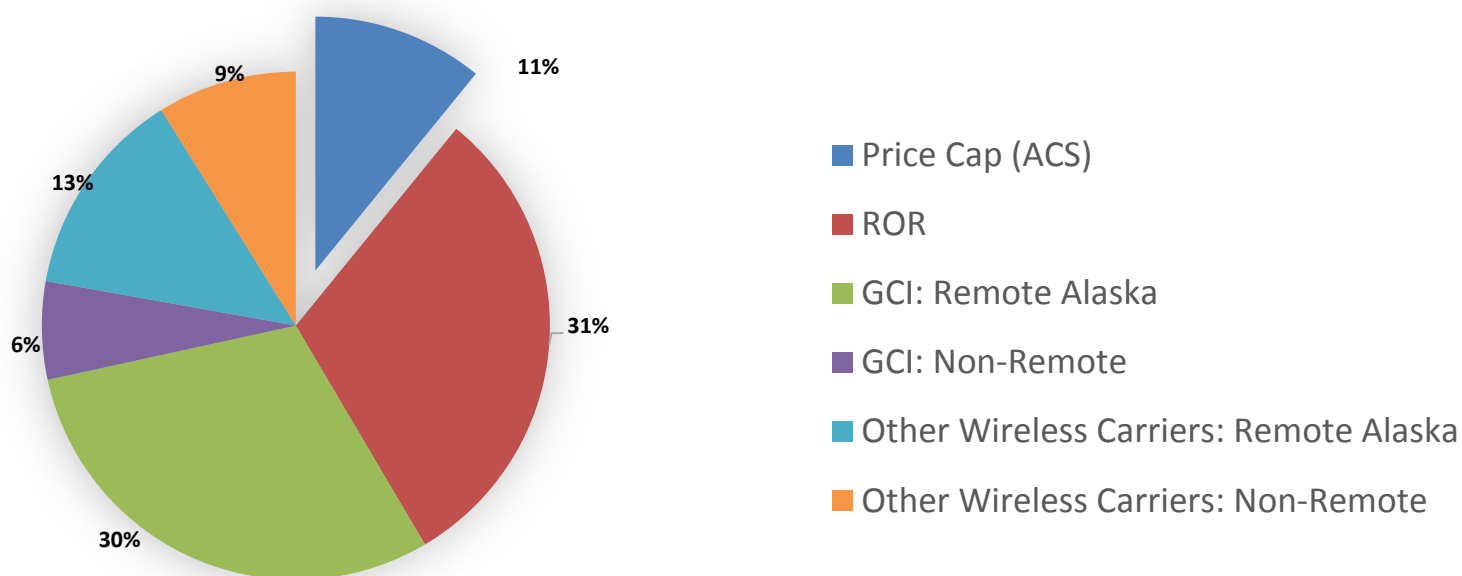
Agenda

- Alaska Communications Overview
- FUSF for Alaska High Cost Areas
- Price Cap Funds
- CAF II Order Specific to Alaska Communications
- Local Exchanges Map
 - CAF II Kenai Peninsula
 - CAF II Fairbanks
- Different Technologies
- Fixed Wireless CPE Examples
- Contemporary Business Model
- Unserved Areas
- AUSF in Bush Communities

Alaska Communications: Serving Urban, Rural and Bush Alaska

- Alaska Communications provides urban and suburban service to the state's three largest population centers, Anchorage, Fairbanks and Juneau
- Alaska Communications also is the largest *rural* ILEC in Alaska, providing essential connectivity to about 18 rural community hubs such as Delta Junction, Kenai, Kodiak and Sitka
- And Alaska Communications is also one of Alaska's largest remote rural (Bush) providers serving nearly 50 Alaska Bush communities
 - Most Bush communities cannot be accessed by road and are off the power grid
 - Bush communities rely on satellite or limited microwave radio communications to connect them to other locations
 - Most Bush locations will not receive CAF II high cost USF support
- Alaska's only price cap carrier

Federal High Cost Support Alaska Carriers Received in 2016



Alaska carriers received \$181M in High Cost Support.
4.04% of the total high cost funds received nationwide.

Legacy HC Support Compared to Price Cap Carrier Model Based Support

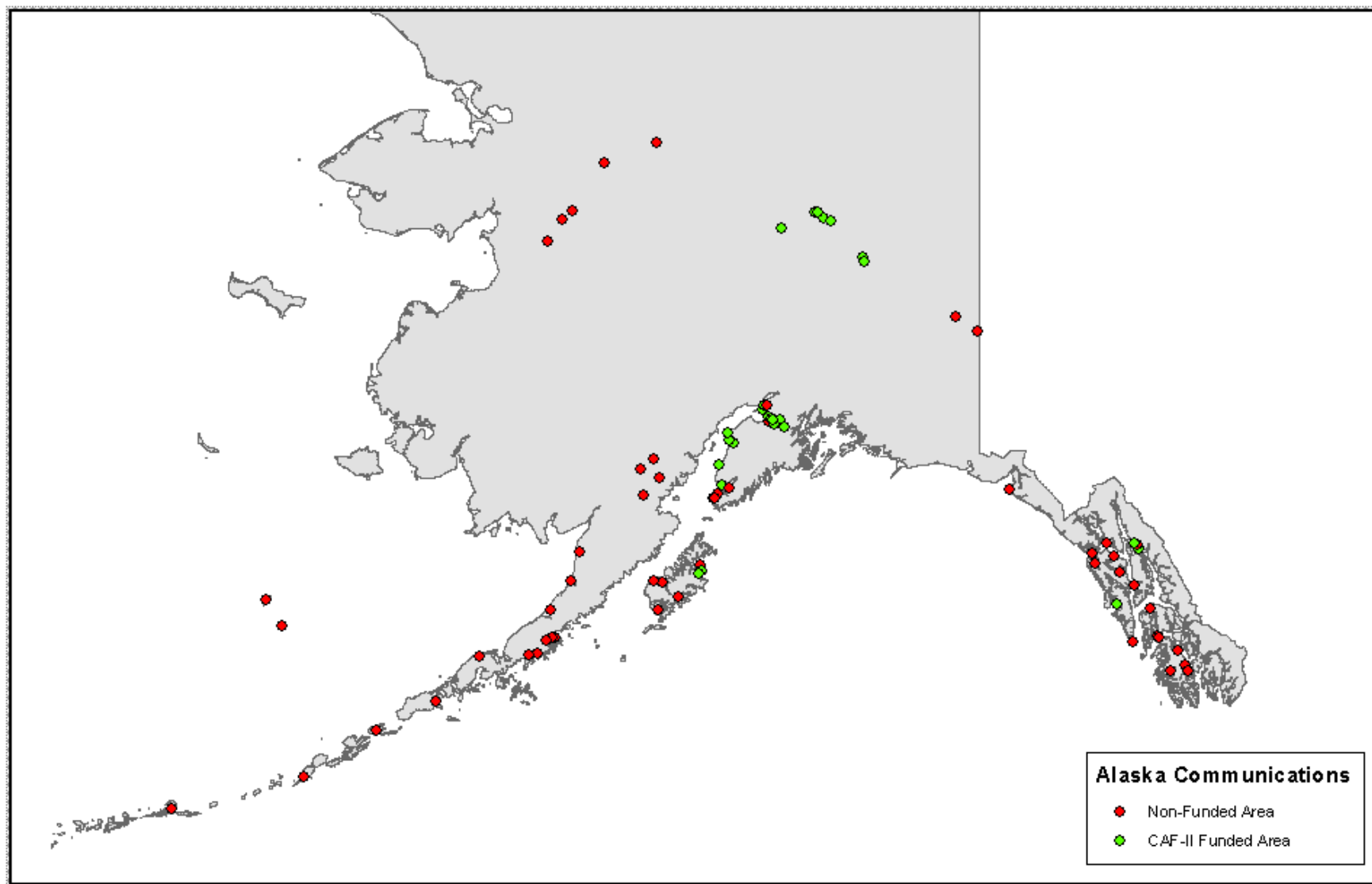
(in millions)	Legacy HC Support (2011)	% of Total Legacy Funding	Model or Frozen Support (Final Offer)	% of Total Model/Frozen Support	Amount Accepted	
ACS (Alaska)	\$19.69	1.9%	\$19.69	1.1%	\$19.69	
ATT (AT&T)	\$176.31	17.3%	\$493.97	28.3%	\$427.71	180%
CT (CenturyTel)	\$347.49	34.1%	\$514.33	29.4%	\$505.70	
CON (Consolidated)	\$25.32	2.5%	\$13.92	0.8%	\$13.92	
CIN (Cincinnati)	\$0.77	0.1%	\$2.23	0.1%	\$2.23	190%
FAIR (Fairpoint)	\$33.71	3.3%	\$38.19	2.2%	\$37.43	
FRON (Frontier)	\$149.69	14.7%	\$283.40	16.2%	\$283.40	89%
HW (Hawaii)	\$1.97	0.2%	\$4.42	0.3%	\$4.42	125%
FSMT (Micronesia)	\$0.68	0.1%	\$2.63	0.2%	\$2.63	284%
PRT (Puerto Rico)	\$36.05	3.5%	\$36.05	2.1%	\$36.05	
VIT (Virgin Islands)	\$16.36	1.6%	\$16.36	0.9%	\$16.36	
VZ (Verizon)	\$111.89	11.0%	\$143.92	8.2%	\$48.55	
WS (Windstream)	\$97.86	9.6%	\$178.78	10.2%	\$174.90	83%
TOTAL	\$1,018	100.00%	\$1,748	100.00%	\$1,573	

Most carriers received an increase in funding as seen above. Even other non-contiguous carriers received increased funding. (Hawaii and Micronesia) Alaska Communications received no additional support.

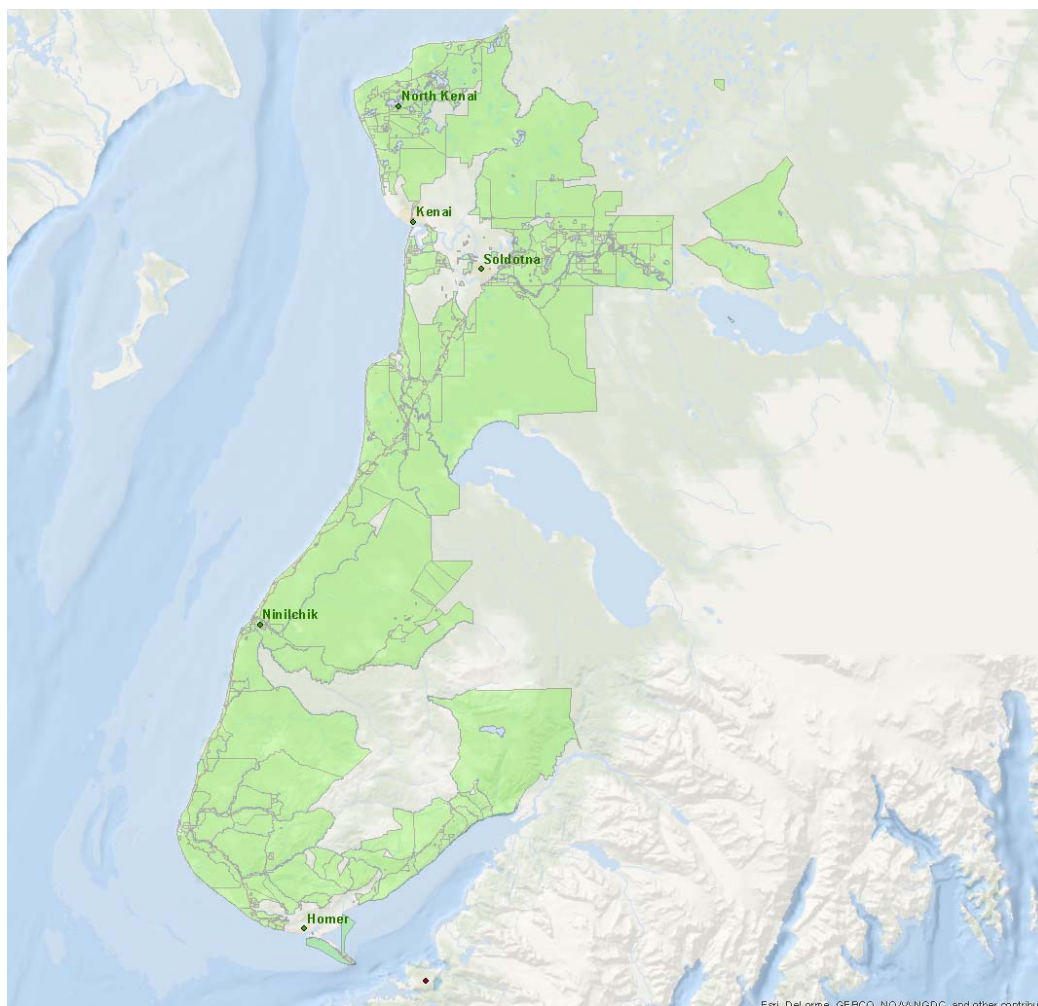
CAF II order specific to Alaska Communications issued October 31, 2016

- What is CAF II?
- Broadband Obligation
 - 31,571 locations largely on the road system in designated High Cost census blocks.
 - 10/1 Mbps or greater
- Timeline
 - 10 years of funding at existing frozen support levels starting January 1, 2016
- Reporting
 - Complete initial planning and submit proposed list with locations to be served by October 1, 2018
 - Interim milestones obligations:
 - 30% deployment by end of 2018
 - Adding 10% each year until 100% by 2025
 - Report geolocation data March 1 of each year for the prior year deployment:

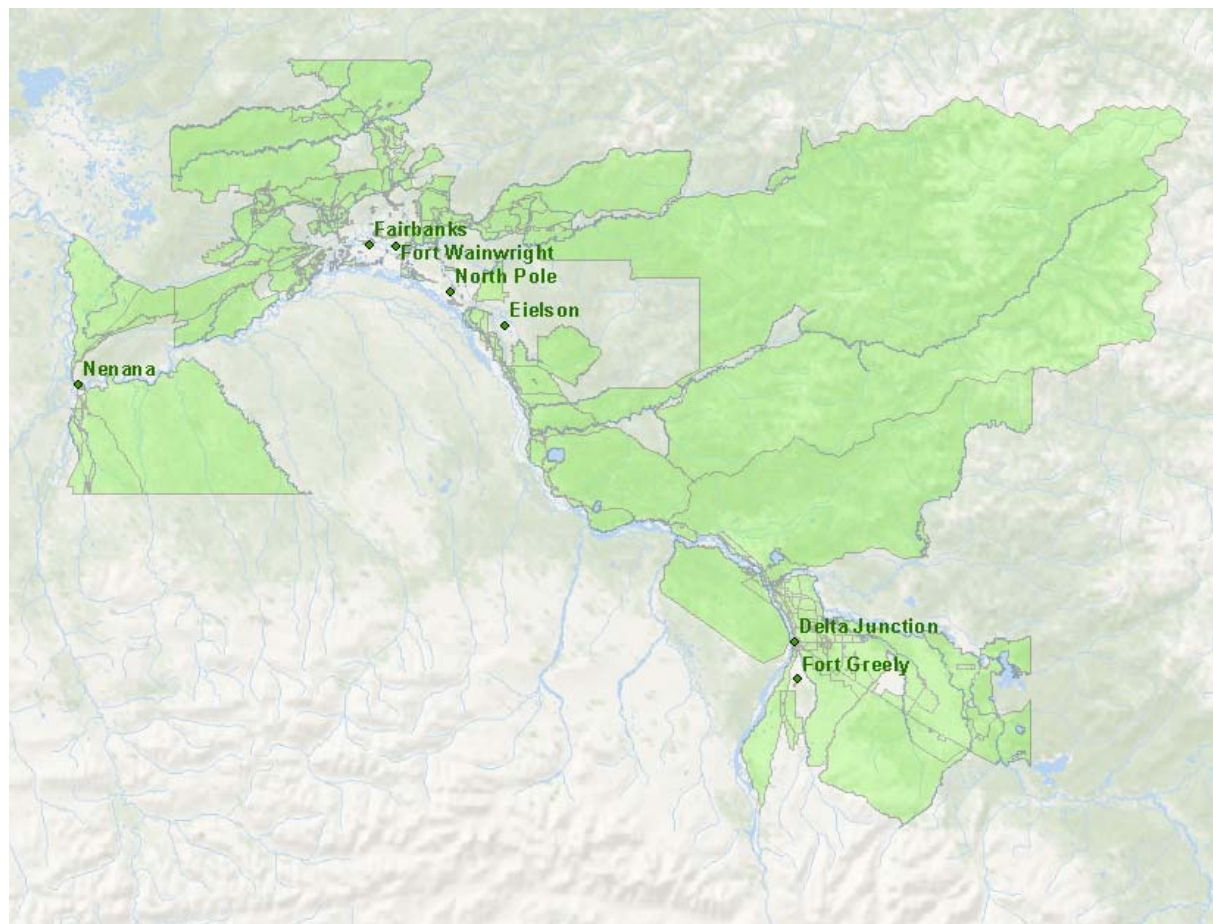
Alaska Communications Local Exchanges



CAF II Kenai Peninsula



CAF II Fairbanks



Different Technology Examples

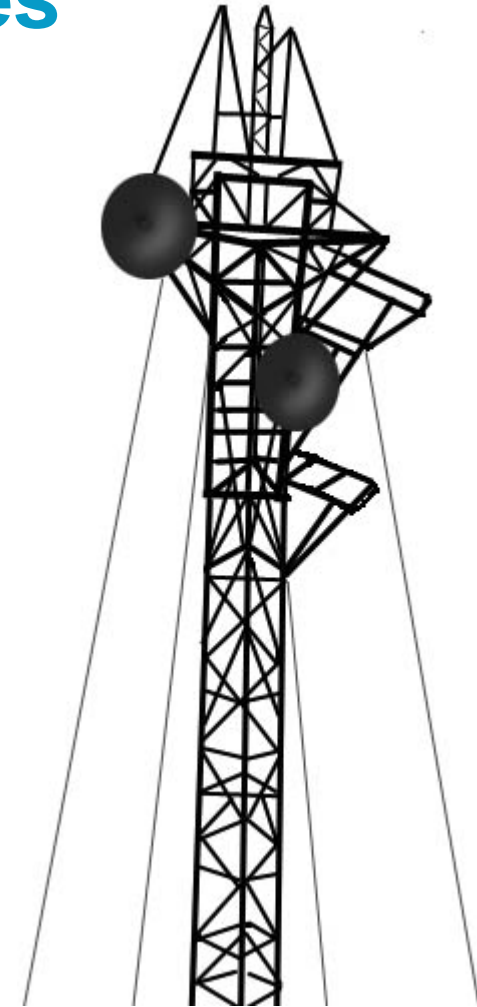
- Fiber
- Copper
- Fixed Wireless
- Satellite
- Microwave



Satellite



Fixed Wireless
Base Station



Microwave Tower

Fixed Wireless CPE Examples



Customer Premise
Equipment



Customer Premise
Equipment

Contemporary Business Model

As a broadband provider, adapting our business model to e-commerce:

- Think of Amazon, Vonage, USAA, e-government
- No paper bills or invoices
- Credit card payments
- Service self-fulfillment by customer online
- Online chat for questions and tracking service order

Unserved Areas

- No federal high cost support available to Alaska Communications for these nearly 50 Bush communities for voice **OR** broadband
 - In 2011 Alaska Communications received \$4,188,741 federal high cost support for the Sitka Bush communities
 - Today these same communities receive **ZERO** dollars in federal high cost support
- Unavailable or unaffordable middle mile continues to be the single largest obstacle to delivering broadband in Bush communities

AUSF in Bush Communities

- Sitka Bush exchanges received \$209,350.60 in 2016 from AUSF for COLR, CCL and Lifeline
- Sitka Bush rate payers paid \$341,000 in AUSF surcharges
- The very remote high cost Sitka Bush rate payers paid \$132,000 more into the AUSF than was returned.

THANK YOU

The image features a dark blue background with several 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 word "APPENDIX" is written in white, bold, uppercase letters on the left side of the image.

APPENDIX

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
- 2015 Alaska Communications completes sale of ACS Wireless assets
- 2016 Alaska Communications receives FCC award of frozen support (\$19.7m) in exchange for providing broadband service to eligible locations