

Alaska Telecom Association

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SB 205 clears outdated regulatory underbrush for companies to focus their resources on broadband, while retaining statutory protections against reductions in local and long distance services.

SB205 will relieve the RCA and industry of obsolete regulatory activity, providing cost savings for both.

The statutes proposed for elimination require substantial reporting and tariff filings that consume scarce resources and impede consumer benefits. In each of the last two years, long distance and local exchange providers made more than 80 tariff filings. Many were informational filings which the Commission was required to review, but could not take action upon. Some received much more burdensome review, requiring use of scarce resources by both the Commission and the filing company. Worse, were the filings that might have improved service offerings, but which weren't made because of the burdensome review and approval process. SB205 would eliminate the majority of these tariff filings.

Landline service will continue under SB205.

SB205 does not change a company's obligation to continue to offer landline service. A certificated company may not discontinue or withdraw services without prior approval from both the RCA and the FCC. SB205 does not change these obligations.

SB 205 reduces regulatory burden on the RCA's limited staff, while preserving its ability to self-fund for its retained functions.

SB205 does not disrupt the RCA's ability to self-fund per 42.05.254.

Today, the RCA has two methods of recovering costs of regulation from telecommunication companies. For municipally owned telcos and those cooperatives that are not subject to economic oversight by the RCA, the RCA may assess the actual cost of its regulatory oversight for recovery. The rest of the telecom companies remit to the RCA the "RCC", collected from end users based on a percentage of revenue assessed on in-state, landline revenues. SB205 proposes to apply the "actual cost" methodology already authorized for munis and co-ops on all telecom providers, following a one-year transition period, until July 1, 2019, to allow for RCA evaluation of the reduced level of activity.

Even with this transition period, the RCA has expressed in its February 23 Fiscal Note to SB 205 some uncertainty about the impact of self-funding on the RCA's ability to support its operations. ATA continues to encourage the RCA to provide recommendations to address this concern.¹

¹ See Regulatory Commission of Alaska Public Meeting transcript, February 28, 2018 at pg. 45. Also see attached letter to Chairman McAlpine and Commissioners from Christine O'Connor, Executive Director of ATA, dated March 2, 2018.

The existing regulatory assessment methods are equitable and do not shift fees to other industries.

Over time, as most cooperatives became exempt from RCA oversight and were relieved of obligation to pay regulatory costs as a percentage of revenue, the remaining privately owned companies have been assessed the entire cost of regulating industry through the RCC charge. Chairman McAlpine noted this inequity saying, "...we, who thought we were acting in the kindness of our heart, were actually charging regulated utilities to do work on behalf of nonregulated utilities"²

Under SB205, all telecommunications companies remain assessable under 42.05.254 for telecommunications-specific regulatory activity. This provision currently directs the Commission to calculate the cost of services provided to each industry annually, identifying the discrete cost of each sector's activity within the Commission, and setting a corresponding assessment of revenue. SB205 does not change this sector-specific allocation.

The existing regulatory assessment methods are consistent with the RCA's own direction.

During the Public Meeting held September 27, 2017, RCA staff presented information regarding the Commission's development of a fee schedule to be used when services are provided to exempt utilities. The Chairman stated his intention to develop this schedule within 90 days.³

The RCA's communications common carrier specialists have been funded at four positions since at least FY2016.

Common carrier specialist positions have not been eliminated from recent RCA budgets. In FY2017, FY2018, and proposed FY2019 the DCCEC budget reflects four common carrier specialists. Two of those positions are currently unfilled. A reduced staffing level may be appropriate after SB205 eliminates obsolete regulations, which can be assessed during the one-year transition period.

SB 205 does not impact the Alaska Universal Service Fund, which the RCA has proposed to eliminate in docket R-18-001.

The Alaska Universal Service Fund and the related rulemaking are distinct from SB205.

SB205 does not change AS 42.05.840, which allows the RCA to establish and operate an Alaska Universal Service Fund (AUSF). SB205 removes work from the Commission, the value of which has been questioned on occasion from the RCA's dais.⁴ Reduction of this burden will allow the Commission to use its limited resources to pursue essential duties,

² See Regulatory Commission of Alaska Public Meeting transcript, May 10, 2017, at pg. 85.

³ See Regulatory Commission of Alaska Public Meeting Transcript, September 27, 2017 at pg. 11.

⁴ See Regulatory Commission of Alaska Public Meeting transcript, February 28, 2018, at pg. 41.

ATA Comments Regarding SB205

March 13, 2018

such as oversight of the AUSF to ensure continued investment in the infrastructure necessary to expand and improve connectivity throughout the state.

The Alaska Universal Service Fund (AUSF) is the state's mechanism to provide support for telecommunications networks throughout Alaska, which is complementary to the federal universal service program. We know that funding disruptions reduce service to Alaskans. When federal universal service funds were being reformed between 2011-2016 and support was significantly reduced, network deployment was diminished and delayed. For example, in 2013 OTZ Telecom was forced to return an RUS loan and cancel expansion of its wireless network due to cuts in support from federal reform efforts. When federal universal reform was completed in 2016, funds were made predictable and obligations more transparent, and network deployment resumed.

The AUSF is not affected by the changes proposed in SB205; however, the RCA has stated its intent to eliminate all regulations related to the AUSF and has invited comment on that proposal in docket R-18-001.⁵ ATA members have unanimously proposed reforms to the AUSF to protect consumers and preserve the AUSF's essential role in providing service to Alaskans. Twice in the past year we've provided detailed proposals, at the Commission's urging, and we will continue to participate in the rulemaking. If anything, SB205 will help support the mission of the AUSF by relieving companies and the RCA of obsolete, inequitable regulatory burden, with better services to Alaskans through the more effective deployment of limited resources.

In summary, SB205 removes obsolete, inequitable regulatory burden, while maintaining the obligation to provide landline service. It provides efficiencies for both industry and the RCA by allowing all parties to focus on relevant regulatory activity.

⁵ See Order 1, R-18-001. "We open a regulations docket to consider full repeal of the existing Alaska Universal Service Fund (AUSF) regulations effective July 31, 2019."

Network Upgrades and Expansion

A small sample projects underway and completed during 2017, funded through individual company investment with support from federal and state universal service funds.

- In the Matanuska-Susitna Valley, MTA has deployed 98 miles of fiber optic cable in the past year and offers gigabyte service in many areas. Over 4,500 homes and businesses have direct access to fiber connections, i.e. fiber to the home or business.
- By the end of 2017, GCI's TERRA project, a \$300 million broadband network, provided high-speed internet access to 45,000 people in 84 western Alaska communities. This summer, because of TERRA network upgrades, GCI increased monthly data while lowering costs for plans in rural hub communities.
- Copper Valley Telephone Cooperative is deploying fiber optic cable to increase the reliability and capacity of their service.
- In anticipation of being able to have fiber-optic connectivity for the first time ever, OTZ has built out a fiber ring around Kotzebue, and is in the process of upgrading and providing 4G LTE service to the eleven communities in its service area.
- TelAlaska extended fiber optic capability from Moose Pass to Seward.
- ASTAC has installed fiber optic drops to 100% of the homes and businesses in Point Hope, Wainwright, and Nuiqsut and has recently upgraded wireless service to 4G in Deadhorse/Prudhoe Bay and all 8 North Slope villages.
- KPU in Ketchikan offers world-class broadband and television services over an all-IP, fiber to the home network – and recently completed construction of an Alaska to Canada digital Microwave network.
- In Fairbanks and the Kenai Peninsula Alaska Communications will extend service to 26,000 new locations and 6,000 upgraded locations by 2025.
- UUI has recently extended new internet service in Gambell and Savoonga, and upgraded internet speeds in Whittier.