

SB205 Telecommunications Statutes Simplify & Modernize

Presentation to the House Judiciary Committee
April 11, 2018

Unanimous Support for SB205

Adak Eagle Enterprises
Alaska Communications
Alaska Telephone Company
Arctic Slope Telephone
Association Cooperative
ASTAC Wireless
AT&T
Bettles Telephone
Bristol Bay Cellular Partnership
Bristol Bay Telephone
Cooperative
Bush-Tell
Copper Valley Telephone
Cooperative
Copper Valley Wireless
Cordova Telephone
Cooperative

Cordova Wireless
GCI
Interior Telephone
Mukluk Telephone
Ketchikan Public Utilities
Matanuska Telephone
Association
North Country Telephone
Nushagak Cooperative
OTZ Telephone Cooperative
OTZ Wireless
Summit Telephone Company
TelAlaska Cellular
United Utilities
Windy City Wireless
Yukon Telephone Company

Transformation

- ▶ Telecommunications have changed completely since many of Alaska's telecom statutes were adopted in 1990.
- ▶ The 1996 Telecom Act completely transformed the marketplace and started an evolution toward light-touch regulation.
- ▶ Landline and long distance use is dramatically reduced.
 - ▶ Long distance revenues reduced from \$64M to \$16M between 2006-2016.
 - ▶ Only 48% of households still have a landline.
- ▶ Landline services are still important, and will continue under SB205.

Landline Service will Continue

- ▶ Certificate of Public Convenience & Necessity prevents abandonment of service without permission from the RCA and the FCC.
- ▶ Eligible telecommunications carrier designations require service.
- ▶ Federal and state rules require provision of service upon reasonable request.
- ▶ April 6, 2018 DC Circuit Court affirmed FCC requirement that companies continue to provide voice services.

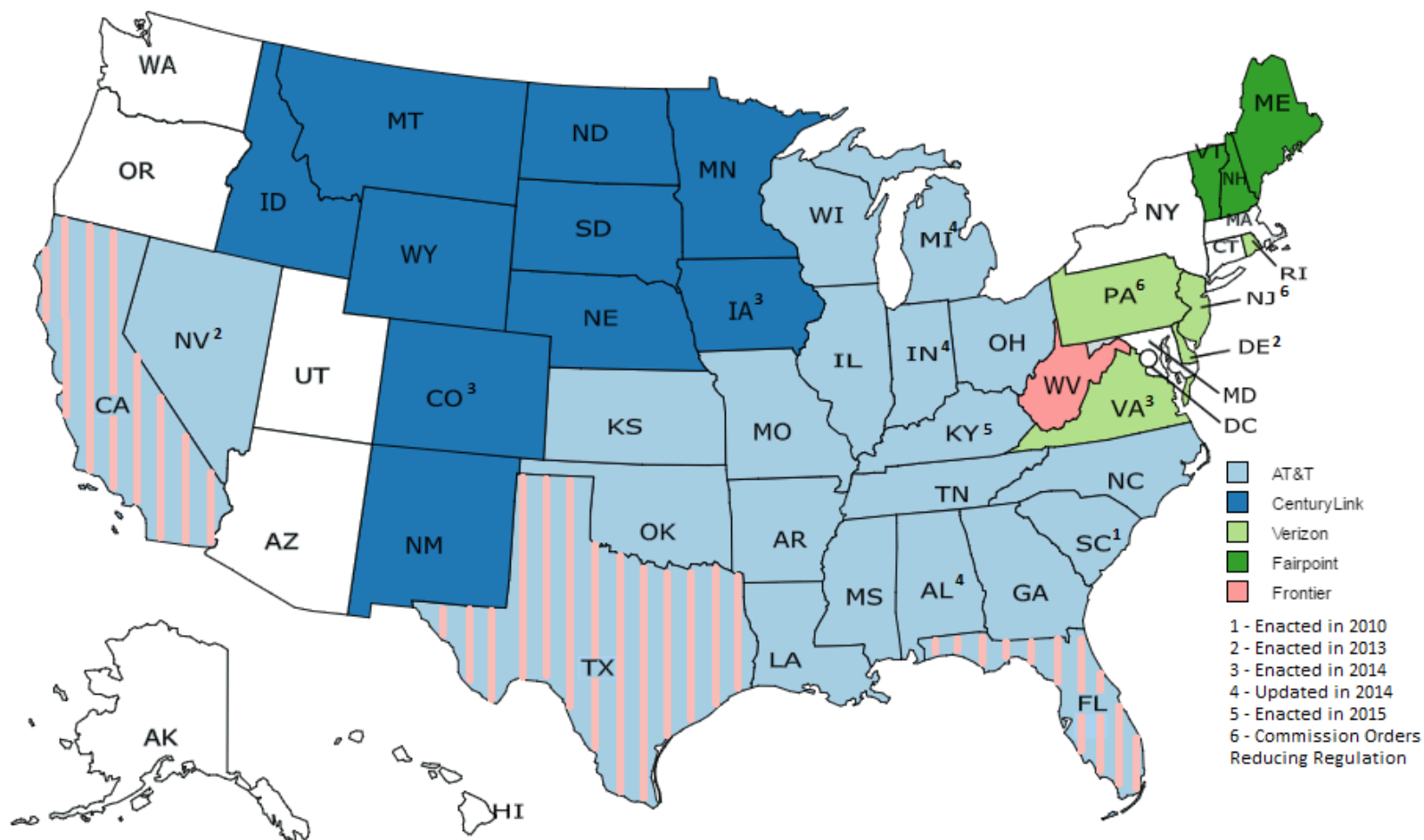
Universal Service Funds

- ▶ Due to both federal and state USF support, Alaskans have remarkable access to communications across Alaska, and deployment of improved infrastructure is accelerating.
- ▶ Without Universal Service Funds telecom networks in Alaska would not exist in many areas.
- ▶ Alaska's Universal Service Fund (AUSF) is a critical component for sustaining voice service and improving broadband service statewide.
- ▶ The RCA has full jurisdiction over the Alaska Universal Service Fund.

COLR Designation vs. COLR Support

- ▶ Carrier of last resort (COLR) designation requires a company to serve a certain area. (So do Certificate, ETC and USF rules)
- ▶ Carrier of last resort (COLR) designation is funded in some areas of the state by a portion of the Alaska Universal Service Fund.
- ▶ The RCA is considering Docket R-18-001 “Consideration for the Full Repeal of Alaska Universal Service Fund Regulations.”
 - ▶ The stated timeline to eliminate all funds, including COLR support, is Jan. 1, 2019.
 - ▶ Industry has responded to the RCA invitation for comment by proposing two different paths forward for the AUSF – both eliminating COLR support.
- ▶ There is no disconnect between eliminating COLR designation and corresponding COLR support. The RCA has made it clear that any possible path forward for the AUSF will have a new funding structure. We do not expect the old structure to continue.
- ▶ Regardless of the RCA’s decision in the AUSF docket, all rules requiring landline service will remain in place.

41 States Have Reduced Regulation



Source: Author's construct, data from Legiscan.

Rate Regulation – It Depends Who You Are

- ▶ Cooperatives, with the approval of their members, and municipal telcos manage their own tariffs. All other companies must maintain a tariff at the RCA.
- ▶ 90% of Alaskans are served by company which can manage its own rates.
- ▶ But for the remainder, review & approval for rate changes varies, with timelines as long as 420 days.
- ▶ This limits the introduction of new offerings due to the expense of preparing and supporting tariff filings.
- ▶ SB205 adopts the cooperative model for tariffs and rate changes.

Burden of Rate Regulation

- ▶ Summit Telephone Company
 - ▶ Family-owned serving Dalton Highway and Chena Hot Springs Road
 - ▶ Needs to replace obsolete technology
 - ▶ Tried to change the tariff to focus resources on broadband.
 - ▶ “This process of educating the RCA causes the expenditure / depletion of Summit’s already limited resources while what I need to do with those funds is extend FTTP (fiber to the premise) and wireless Broadband / Middle Mile facilities to our subscribers. Soon after I filed the Tariff Notice - I withdrew it in that it immediately became apparent that the RCA process was a Tar Baby that would deplete Summit of funds needed for the extension of Broadband to its subscribers.” -Roger Shofstall, owner Summit Telephone Company

Burden of Rate Regulation

▶ Alaska Communications

- ▶ “We have 4 local exchange tariffs with a mixture of tariff rules that apply...Each time we make a tariff change we must do basically 5 times for the local exchange since one study area has different rules to follow. We also have an long distance tariff which has even different rules. When filing 5 different tariffs plus a long distance tariff, it simply is not an efficient business practice especially when these regulations do not apply across all other carriers.”

-Lisa Phillips, Senior Manager, Regulatory Affairs and Risk Management

Tariffs Filings 2017

- ▶ Regulatory Commission of Alaska
- ▶ Fiscal Year 2017 Annual Report

| Utility Type | Number of Tariff Filings | Approved | Rejected | Suspended | Withdrawn | Effective Upon Filing | Took Effect | Took Effect Force of Law |
|-----------------------------|--------------------------|----------|----------|-----------|-----------|-----------------------|-------------|--------------------------|
| Telecomm (AOS) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Telecomm (Directory) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Telecomm (Certificated IXC) | 10 | 5 | 0 | 0 | 0 | 0 | 5 | 0 |
| Telecomm (LEC) | 69 | 48 | 2 | 4 | 1 | 14 | 0 | 0 |
| Telecomm (PPTP) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Telecomm (Registered IXC) | 3 | 0 | 0 | 0 | 0 | 0 | 3 | 0 |

Obsolete Statutes

- ▶ Long distance competition statutes at 42.05.800-810 (adopted in 1990) require the RCA to manage competition in the long distance market.
- ▶ Even though these statutes were made obsolete by the 1996 Telecom Act, they are still on the books in Alaska.
- ▶ They require tariff filings and reporting.
- ▶ SB205 removes outdated regulation of long distance retail competition.

Consumer Protection

- ▶ Strong consumer protections exist today
 - ▶ Certificate of Public Convenience and Necessity (CPCN)
 - ▶ Eligible Telecommunications Carrier (ETC)
 - ▶ RCA Consumer Protection & Information Section
 - ▶ Attorney General Consumer Protection Unit
 - ▶ FCC Consumer Complaint Center
- ▶ SB205 maintains these protections.

Benefits to Consumers

- ▶ Increases incentive for companies to offer new service bundles
- ▶ Focuses resources on consumer services
- ▶ Spreads cost of regulation equitably, with support from all companies.
- ▶ *SB205 does not include new taxes, it corrects existing unfair assessment of regulatory costs.*

Right-touch Regulation

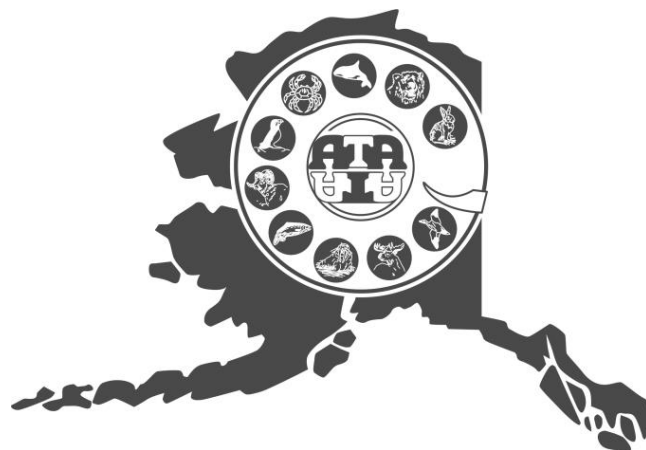
- ▶ SB205 maintains RCA oversight
- ▶ Removes obsolete statutes & exempts from many provisions in 42.05 which are outdated or apply to other industries
- ▶ Adopts cooperative model for rates
- ▶ Requires RCA and FCC approval before discontinuance of service
- ▶ Reduces cost and delay of regulation for RCA & providers
- ▶ Resolves existing inequity in the RCA's budget process

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