

Alaska Telecom Association

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Chairman Stephen McAlpine
Regulatory Commission of Alaska
701 W Eighth Ave., Ste. 300
Anchorage, AK 99501-3469

RE: Transition of regulatory cost under SB205

Dear Chairman McAlpine and Commissioners,

Thank you for the opportunity to present SB205 at the Public Meeting on February 28, 2018. As I described during the meeting, SB205 focuses on landline services and proposes to modernize telecommunications statutes to improve efficiency for both providers and the Commission. It will eliminate the majority of telecommunications-related filings which consume scarce resources from both parties and result in little benefit to consumers. SB205 will maintain essential Commission oversight of Certificates of Public Convenience and Necessity and authority to designate Eligible Telecommunications Carriers, both of which give the RCA authority to protect the public interest.

To accomplish these efficiencies SB205 proposes to exempt telecommunications providers from many of the existing provisions of AS 42.05. This would have the effect of placing all companies on a similar footing to cooperatives who have conducted economic deregulation elections and municipally-owned providers. Companies operating under this status no longer assess the regulatory cost charge (RCC), per 42.05.254, on their customers' bills. Instead the RCA has the authority to assess the actual cost of the services provided to these companies per AS 42.05.254. Over time, as more cooperatives have elected to decline Commission oversight and relieved their consumers of the cost of RCC charges, the remaining consumers purchasing service in other areas of the state continue to pay the entire cost of regulating industry through RCC charges.¹

SB205 would have the effect of eliminating the regulatory cost charge from all telecommunication consumers' bills. We considered this a positive result because it corrects the inequitable application of the cost of regulation on some consumers but not others. It was our understanding that the Commission intended to implement direct charges for services provided and therefore no disruption to the RCA's self-funding process would result.² To ensure a smooth conversion, SB205 includes an extended transition

¹ At a Public Meeting of the RCA September 27, 2017, Chairman McAlpine noted this inequity by stating, "...when we do things out of the goodness of our heart for unregulated utilities, that is, in fact, being paid for by the regulated utilities through the RCCs that we collect."

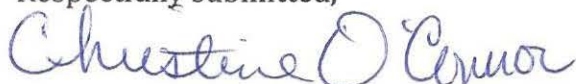
² At the September 27, 2017 Public Meeting RCA staff presented initial research and recommendations for implementing assessment of actual cost under AS 42.05.254. See

period to facilitate conversion from a percentage of revenue-based RCC charge to direct assessment of companies based on services provided.

However, it has become apparent the Commission is concerned the transition as currently written in SB205 would not accomplish our goal of equitable, self-funding of the RCA. We noted particularly the comments of Acting Chair Pickett at the Public Meeting February 28, 2018 where Commissioner Pickett expressed his commitment to ensure other utilities are not assessed increased regulatory burden due to the change of methodology under SB205. We agree with Commissioner Pickett that it is unacceptable for one industry to subsidize the services another industry receives from the RCA. It is our intent to remove a majority of telecommunications-related activity from the Commission for the reasons referenced above and in my presentation on February 28. Any remaining activity will rightly continue to be supported through assessment of the cost of regulation upon the telecommunications industry.

If the RCA does not agree with the transition away from RCC, then we would like to work with the Commission to propose an alternative solution to Section 8 of SB205, which preserves the present statutory regime of a combination of direct charges to consumers and assessment of actual costs to companies pursuant to AS 42.05.254. With SB205 under consideration, this is an opportune time to develop a solution which will fairly assign the cost of regulation of telecommunications to our industry without causing undue disruption to the Commission or impacting other industries. We welcome your suggestions and offer our assistance in any way that will be helpful.

Respectfully submitted,



Christine O'Connor
Executive Director

cc: Commissioner Paul F. Lisankie
Commissioner Rebecca L. Pauli
Commissioner Robert M. Pickett
Commissioner Jan Wilson

presentation at: <http://rca.alaska.gov/RCAWeb/ViewFile.aspx?id=CD1BC37D-022C-4EC7-8D58-5491271DAC2A>