

**ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

May 1, 2019

3:20 p.m.

MEMBERS PRESENT

Representative Adam Wool, Co-Chair
Representative Gabrielle LeDoux, Co-Chair
Representative Zack Fields
Representative Sara Hannan
Representative Louise Stutes
Representative Josh Revak
Representative Dave Talerico

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 83

"An Act relating to the Regulatory Commission of Alaska; relating to the public utility regulatory cost charge; relating to the regulation of telecommunications; relating to exemptions, charges, and rates applicable to telecommunications utilities; relating to regulation of telephone services; and relating to alternate operator services."

- HEARD & HELD

CS FOR SENATE BILL NO. 16(FIN)

"An Act relating to certain alcoholic beverage licenses and permits; relating to the bond requirement for certain alcoholic beverage license holders; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 83

SHORT TITLE: TELECOMMUNICATIONS REGULATION/EXEMPTIONS

SPONSOR(s): SENATOR(s) BIRCH

03/11/19	(S)	READ THE FIRST TIME - REFERRALS
03/11/19	(S)	L&C
03/26/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

03/26/19 (S) Heard & Held
 03/26/19 (S) MINUTE(L&C)
 04/02/19 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 04/02/19 (S) Moved SB 83 Out of Committee
 04/02/19 (S) MINUTE(L&C)
 04/03/19 (S) L&C RPT 4DP
 04/03/19 (S) DP: REINBOLD, GRAY-JACKSON, COSTELLO,
 BIRCH
 04/15/19 (S) TRANSMITTED TO (H)
 04/15/19 (S) VERSION: SB 83
 04/16/19 (H) READ THE FIRST TIME - REFERRALS
 04/16/19 (H) L&C, FIN
 04/17/19 (H) JUD REPLACES FIN REFERRAL
 05/01/19 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 16

SHORT TITLE: ALCOHOL LIC:FAIRS, THEATRES, CONCERTS; BONDS

SPONSOR(s): SENATOR(s) MICCICHE

01/16/19 (S) PREFILE RELEASED 1/11/19
 01/16/19 (S) READ THE FIRST TIME - REFERRALS
 01/16/19 (S) L&C, FIN
 02/05/19 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 02/05/19 (S) Heard & Held
 02/05/19 (S) MINUTE(L&C)
 02/14/19 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 02/14/19 (S) Scheduled but Not Heard
 02/19/19 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 02/19/19 (S) Moved CSSB 16(L&C) Out of Committee
 02/19/19 (S) MINUTE(L&C)
 02/25/19 (S) L&C RPT CS 5DP NEW TITLE
 02/25/19 (S) DP: REINBOLD, BIRCH, BISHOP, COSTELLO,
 GRAY-JACKSON
 03/08/19 (S) FIN AT 9:00 AM SENATE FINANCE 532
 03/08/19 (S) Heard & Held
 03/08/19 (S) MINUTE(FIN)
 04/01/19 (S) FIN RPT CS 3DP 4NR NEW TITLE
 04/01/19 (S) DP: VON IMHOF, MICCICHE, WILSON
 04/01/19 (S) NR: STEDMAN, HOFFMAN, SHOWER, OLSON
 04/01/19 (S) FIN AT 9:00 AM SENATE FINANCE 532
 04/01/19 (S) Moved CSSB 16(FIN) Out of Committee
 04/01/19 (S) MINUTE(FIN)
 04/08/19 (S) TRANSMITTED TO (H)
 04/08/19 (S) VERSION: CSSB 16(FIN)
 04/09/19 (H) READ THE FIRST TIME - REFERRALS
 04/09/19 (H) L&C, FIN
 05/01/19 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

KIM SKIPPER, Staff
Senator Chris Birch
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 83 on behalf of Senator Birch, prime sponsor.

CHRISTINE O' CONNOR, Executive Director
Alaska Telecom Association
Juneau, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled, "SB 83: Telecommunications Statutes," and answered questions.

DAVID PARRISH, Common Carrier Specialist
Regulatory Commission of Alaska
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on SB 83.

STEPHEN MCALPINE, Commissioner
Regulatory Commission of Alaska
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on SB 83.

EDRA MORLEDGE, Staff
Senator Peter Micciche
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 16 on behalf of Representative Micciche, prime sponsor.

ACTION NARRATIVE

[3:20:09 PM](#)

CO-CHAIR GABRIELLE LEDOUX called the House Labor and Commerce Standing Committee meeting to order at 3:20 p.m. Representatives Revak, Hannan, Stutes, Talerico, and LeDoux were present at the call to order. Representatives Fields and Wool arrived as the meeting was in progress.

SB 83-TELECOMMUNICATIONS REGULATION/EXEMPTIONS

[3:20:43 PM](#)

CO-CHAIR LEDOUX announced that the first order of business would be SENATE BILL NO. 83, "An Act relating to the Regulatory Commission of Alaska; relating to the public utility regulatory cost charge; relating to the regulation of telecommunications; relating to exemptions, charges, and rates applicable to telecommunications utilities; relating to regulation of telephone services; and relating to alternate operator services."

[3:22:49 PM](#)

KIM SKIPPER, Staff, Senator Chris Birch, Alaska State Legislature, presented SB 83 on behalf of Senator Birch, prime sponsor. She paraphrased parts of the sponsor statement [included in the committee packet], which read in its entirety as follows [original punctuation provided]:

Senate Bill 83 seeks to encourage investment and innovation in the telecommunication industry by updating the telecommunication statutes. Rapid changes in technology and in the Federal Communications Commission (FCC) regulations, render portions of the existing statutes obsolete and/or inefficient in the modern telecommunications world.

All of Alaska's telecommunications providers worked together through the Alaska Telecom Association to offer the suggested changes made in Senate Bill 83. The goal of was to maintain important consumer protections, appropriate Regulatory Commission of Alaska (RCA) jurisdiction, and consistency with FCC regulations while at the same time allowing for greater flexibility to more rapidly take advantage of new technology.

Some existing RCA regulations are over 25 years old and focused on landline and traditional long-distance service. As customers continue to prefer broadband and mobile services and the demand for landline decreases, the outdated regulations are largely obsolete. Carrier of last resort regulations needlessly duplicate existing statutory requirements and alternative operator services are no longer used. SB83 places service providers on a more level playing field and will encourage deployment of advanced technologies and more efficient network design.

SB 83 creates new protections in statute for rural areas by requiring landline and long-distance rates, terms and conditions be the same as in larger towns.

SB 83 requires that the Regulatory Cost Charge (RCC) be assessed and submitted to the RCA by all telecommunication utilities. Currently the RCC is not being paid by utilities that are municipally owned or are cooperatives. All members of the Alaska Telecom Association support this change.

I would appreciate your support for SB 83.

[3:24:32 PM](#)

CHRISTINE O'CONNOR, Executive Director, Alaska Telecom Association, provided a PowerPoint presentation entitled, "SB 83: Telecommunications Statutes." Ms. O'Connor noted that the statutes in the presentation only relate to landline service - either local calling or long distance. She stated that, as a baseline, SB 83 is unanimously supported by all Alaska Telecom Association (ATA) members, which are the landline, long distance, wireless, and broadband providers that serve Alaska (slide 2). All members also agree that many telecommunication statutes in Alaska are obsolete and impose regulatory burdens on companies and regulators. She continued by explaining how telecommunications has transformed since many of Alaska's telecom statutes were adopted in the 1970s, adding that the federal Telecommunications Act of 1996 changed the marketplace and started an evolution toward light-touch oversight (slide 3). As of 2017, she said, 41 states have reduced or eliminated telecommunication regulation, which generally means that telecom companies manage their own rates as cooperative and municipal telecom companies on Alaska already do today. Updating state statutes would allow Alaska's companies to take advantage of the flexibility that most other states allow, while still maintaining the regulators important role of overseeing the fitness of providers and mandating the continuance of landline and long-distance service. She emphasized that this is not a deregulation bill, "it is simply pulling away some obsolete statutes and getting rid of some pointless paper shuffle that's happening."

[3:27:39 PM](#)

CO-CHAIR WOOL noted that the Regulatory Commission of Alaska (RCA) seems to think that this is a deregulation bill, based on a memorandum they sent to the legislature [included in the committee packet].

MS. O' CONNOR opined that it's not deregulation because the regulatory commission will continue to have authority over all telecom providers. The regulators would determine that providers are fit, willing, and able to serve; and designate areas where their service is mandatory. She added that in those designated areas, only the RCA has the authority to allow the discontinuation of service if the company can demonstrate it's in the public's interest. "This is strong regulation of the continuation of landline service," she said.

[3:29:20 PM](#)

REPRESENTATIVE STUTES, referencing slide 4, asked what the white colored states represent.

MS. O' CONNOR said those states have not taken any action on updating their telecommunication statutes and still maintain traditional monopoly-style regulation over their telecom entities.

[3:29:47 PM](#)

REPRESENTATIVE STUTES sought clarification on the map's legend.

MS. O' CONNOR explained that the map is from the National Regulatory Research Institute, which studies regulation across the United States. She said that the legend represents the largest land provider in each state with color coding.

[3:30:44 PM](#)

REPRESENTATIVE FIELDS questioned the historic balance between subsidies and regulation in the telecommunication industry.

MS. O' CONNOR said that every subsidy has its corresponding obligations.

REPRESENTATIVE FIELDS asked who pays each subsidy and how much they receive annually.

MS. O' CONNOR said the state fund is through a line item on landline and wireless telephone bills, which is distributed

through regulation that the RCA has authority over. She noted that SB 83 doesn't affect that authority. She further noted that the state fund is approximately 19 million annually.

REPRESENTATIVE FIELDS questioned whether the all 19 million goes towards supporting RCA functions.

MS. O' CONNOR explained that the funding is dispersed to the providers to support the landline networks in Alaska. She noted that the RCA is funded through a separate line item on landline phone bills called the "regulatory costs charge."

REPRESENTATIVE FIELDS questioned whether SB 83 contemplates reducing subsidies to the industry in exchange for less regulation.

MS. O' CONNOR answered no. She said that subsidies, the Alaska Universal Service fund, is a separate issue. The RCA made dramatic changes to the fund and will conduct a sunset review of the fund in 2021.

[3:34:12 PM](#)

REPRESENTATIVE HANNAN sought to clarify that SB 83 does not affect RCA's authority over the Alaska Universal Services fund.

MS. O' CONNOR replied that is correct.

REPRESENTATIVE HANNAN questioned whether the bill affects the civil penalties that the RCA has authority over for a profit negative service.

MS. O' CONNOR said the civil penalties that are currently in statute would continue to apply to any sections that still apply to telecommunication. She added that if a company was in violation of those statutes then the RCA could assess civil penalties.

[3:35:09 PM](#)

CO-CHAIR LEDOUX asked for the purpose of the subsidies and why they are needed.

[3:35:25 PM](#)

MS. O' CONNOR said each funding mechanism has a different purpose. The AUS, for example, is for the support of intrastate

communication while federal funds have different purposes. The High Cost Fund is to help deploy and operate broadband networks. The E-Rate program supports schools and libraries; the Rural Healthcare Fund supports medical facilities connectivity. She pointed out that we need them because infrastructure is immensely expensive, and Alaska is vast, adding that Alaska would not have the networks we have today without these support funds.

[3:36:35 PM](#)

CO-CHAIR LEDOUX sought clarification on where the subsidies are used.

[3:36:44 PM](#)

MS. O' CONNOR reemphasized that each program is different - with the E-Rate program the funds go for a certain school and the school district applies - same with the Rural Healthcare Fund. The High Cost Fund is different, in that they give a set amount of money to a company and in return the company deploys broadband or upgrades the speed of broadband at a defined number of locations.

[3:38:32 PM](#)

REPRESENTATIVE FIELDS asked Ms. Skipper for Senator Birch's perspective on eliminating carrier of last resort protections versus continuing to use the status quo of addressing on a case by case basis through the commission.

MS. SKIPPER offered her understanding that carrier of last resort would not be eliminated under SB 83.

MS. O' CONNOR, in response to Representative Fields, maintained that the bill would not eliminate the obligation to provide service in all the same areas - that obligation exists in statute. She said the certificate of public convenience and necessity carries that obligation and the corresponding regulations. What is being eliminated, she said, is a duplicates layer of regulation that is separate from that certificate. She added that ATA will still have the obligation to serve and to request permission before discontinuing service.

[3:40:21 PM](#)

REPRESENTATIVE FIELDS inquired as to the perspective in crafting the bill in such a way that, according to the staff, a substantial elimination of carrier of last resort is being made.

MS. O'CONNOR noted she spend several months in the public process at the commission, discussing modernizing statutes. She further noted that the commissioners adopted this bill as their recommendation for modernization. She said that the staff memo was presented to the commission and was never adopted. The staff memo in many places calls for more regulation of items that are out of the jurisdiction of the state. She assured the committee that it was a well-vetted conversation and the commission ultimately adopted SB 83.

REPRESENTATIVE FIELDS asked which carriers of last resort protections are being eliminated.

[3:43:28 PM](#)

MS. O'CONNOR said "there is a section of regulation - again not statute - that defines some details about service in a more granular level than statute; but again they are duplicative of the certificates statutes, which require continuing service, RCA approval to serve."

REPRESENTATIVE FIELDS suggested that Ms. O'Connor was saying, "this particular regulation is gone, but the RCA could decide, as a nuclear option, to revoke someone's certificate, but they would be left with more of just a nuclear option versus a more refined tool." He asked if that accurately summarized her last statement.

MS. O'CONNOR answered no, the certificate is not all or nothing. She clarified that the RCA had certificate authority through the certificate of public convenience and necessity for decades, adding that "they have multiple options." For example, she said, they have had concerns about certain areas that were served by an old radio telephone technology and in those cases, they have called the companies to the commission, opened a monitoring docket, which requires the company to regularly report back to the commission.

[3:44:29 PM](#)

MS. O'CONNOR turned attention to slide 5. She stated that SB 83 is structured to exempt telecommunication companies from rate regulation in AS 42.05 [Alaska Public Utilities Regulatory Act];

nonetheless, many important sections would be retained. She noted that statutes in AS 42.05 that generally apply to the functions of the commission and are not specific to telecommunications will still apply.

[3:47:14 PM](#)

REPRESENTATIVE HANNAN questioned the kind of situation that would incline the federal FCC to allow a discontinuation of service.

[3:47:28 PM](#)

MS. O'CONNOR stated that the most recent application for discontinuation of service was an area in Healy Lake where there were two residents left. She explained that the telecom equipment was being run on backup generators due to lack of commercial power. She noted that the RCA denied the application and allowed the service to continue. She restated that in order to discontinue service it must be in the public's best interest, which is a high bar to meet.

CO-CHAIR WOOL asked for an example of the distorted fee that will be fixed under SB 83.

MS. O'CONNOR explained that the regulatory cost charge is set up in statute and funds the commission. Any exempt utility, like a cooperative, does not assess that charge on consumers' bills; however privately-owned companies do not have that option. The amount being assessed is a percentage from adding all the activity related to telecommunications at the commission. She pointed out that by statute, only half of the companies' consumers are funding the RCA's telecommunications activity. SB 83 would level the playing field by assessing that charge over all telecommunications providers.

[3:50:01 PM](#)

CO-CHAIR WOOL asked why cooperative companies that aren't regulated by the RCA would still have to pay the regulatory cost charge to the commission.

MS. O'CONNOR offered her belief that all cooperatives support this change. She pointed out that all telecom companies, including cooperatives, generate activity at the RCA. The statute allowed cooperatives to economically deregulate and it was originally adopted, the belief was that they would not generate activity at the RCA. Since that time, she said,

federal funding programs have delegated oversight to the RCA, which every company participates in. Dockets such as the AUSF docket, which is reopening in 2021, will affect every company even though only half of them are funding that activity.

CO-CHAIR WOOL questioned whether this change will result in more money for the RCA or lower rates for customers because the charge would be spread over all providers.

MS. O'CONNOR shared her understanding that the charge should decrease; however, it varies depending on how much activity there is. Nonetheless, she said, it is still a very small charge.

[3:53:26 PM](#)

CO-CHAIR LEDOUX pointed out that most entities don't accept increased charges based on fairness. She asked to hear from the cooperative (co-op) telecom companies to explain their rationale and what they would be getting out of SB 83.

MS. O'CONNOR opined that the alternative to paying into a predictable sustainable regulatory cost charge is that the commission also has the authority to assess on a per-use basis and figure out the cost. Last year, when this piece of legislation was introduced in the senate the statute was unchanged, leaving the RCA with the authority to bill for their time used and their cost. She noted that they realized it's hard to have a predictable revenue stream when assessing on whatever may arise. She said that was the incentive to sustain the RCC across everyone to insure predictability to both the ATA and the RCA.

REPRESENTATIVE FIELDS offered his belief that under SB 83 the industry will profit from deregulation. He suggested having a concomitant reduction in subsidies from consumers to conceptually match that. He asked how much additional money the industry anticipates making from consumers as a result of the elimination of economic regulation.

MS. O'CONNOR said this bill is not about pulling in extra revenue. On the contrary it's about efficiency and eliminating what a commissioner has called "a blizzard of paper that is not being used for any value." She noted the federal rate cap on local rates, adding that it could conceivably go up to a maximum of 15 dollars. She stated that they are putting resources into building broadband networks in attempt to gain efficiency, while continuing to serve their landline customers.

[3:57:49 PM](#)

REPRESENTATIVE FIELDS asked if that is 15 dollars per month.

MS. O' CONNOR answered yes. She explained that the RCA acknowledged that new section 381-L, which requires uniform rates, terms, and conditions across service areas for every company, is pivotal. By placing that in statute, she said, that gives extra assurance that more high-cost rural areas won't be disadvantaged.

CO-CHAIR LEDOUX questioned whether the RCA regulates cell phone service.

MS. O'CONNOR affirmed that.

CO-CHAIR LEDOUX questioned the point of regulating landlines.

[3:59:03 PM](#)

MS. O' CONNOR countered that by point out that 48 percent of Alaskans have landlines, adding that they are resilient in an emergency and an important service that the ATA will continue to provide.

[3:59:4 PM](#)

MS. O' CONNOR returned attention to slide 7. She shared that there are protections against dramatic increases in local rates and that federal rules limit local [landline] rates. She noted that SB 83 also adds a new layer of protection in the new subsection AS 42.05.38(1), which requires rates, terms, and conditions of service to be the same across defined service areas. Thus, making it statewide for large providers, like GCI. It would also extend the benefits of lower rates through competition in urban areas and ensure that those lower rates continue in the more remote areas.

[4:00:31 PM](#)

CO-CHAIR WOOL pointed out that most brick-and-mortar businesses use landlines. He asked if this change would affect business equally the same as residential.

MS. O' CONNOR acknowledged that all landline services would be affected equally.

CO-CHAIR WOOL sought clarification on whether the ability to change rates would no longer go through the RCA.

MS. O' CONNOR noted that 90 percent of Alaskans are currently served by a company that can change its rates without approval. She explained the process as an "informational filing" made to the regulatory commission, which is approved automatically.

[4:02:32 PM](#)

REPRESENTATIVE FIELDS inquired as to the "no municipal regulation" section of the bill.

MS. O' CONNOR stated that the RCA regulates telecommunications; therefore, while structuring the bill they didn't want to open the door to asking for regulatory relief from a municipality.

[4:03:39 PM](#)

MS. O' CONNOR continued with her presentation. She stated that rate regulation and the filing process with the commissions authority depends on who you are. Under existing regulation and statutory timelines, tariff authority, review, and approval process vary. A filing could be an informational filing, where the company notifies the commission that a landline rate or service has changed, and the commission must then review and then automatically accept it. In some cases, the filing could be more traditional, which requires the company to provide more detail and the statutory timeline is 45 days. It could even be a change that requires an extended, in-depth monopoly utility-type review with a timeline as long as 420 days (slide 8).

[4:04:32 PM](#)

CO-CHAIR LEDOUX asked where the telecom companies can raise rates without permission and where they cannot.

MS. O' CONNOR replied that they must do the extended filings and get permission in the most remote areas where there isn't another provider. She said that lead them to the new section AS 381(1), asking what is the protection for those areas if a company can just change its rates, so guaranteeing that the rates, terms, and conditions will be uniform across remote and across the large service areas protects those areas and provides relief.

CO-CHAIR LEDOUX questioned whether people in the large service areas will see an increase in their rates.

MS. O'CONNOR stated that she did not expect that, as the companies have been able to change their rates for years now. Some rates have been adjusted while others haven't changed in 20 years.

[4:06:15 PM](#)

REPRESENTATIVE FIELDS inquired as to the reason for requesting deregulation if there is no anticipation of raising rates.

MS. O'CONNOR stated that the impetus for SB 83 is efficiency, adding that there was an average of 80 filings per year at the commission of various informational rate filings. She pointed out that each filing takes a lot of resources and is time consuming for both the ATA and the commission.

[4:09:11 PM](#)

CO-CHAIR WOOL questioned whether any of the informational filings would be necessary under SB 83.

MS. O'CONNOR said they would all be eliminated.

[4:09:34 PM](#)

MS. O'CONNOR returned attention to slide 9. She related that Alaska Communications is one of Alaska's largest companies that expend significant resources managing five tariffs. This is thousands of detailed tariff pages that are incredibly complex and full of telecommunication industry jargon that consumers don't look at. Rate regulation consumes resources from both the company and regulators that could be better spent on other matters. SB 83 allows the RCA to designate providers as Eligible Telecommunications Carriers (ETCs). ETC designation qualifies a telecommunications provider to participate in federal Universal Service Fund programs, which is then monitored by the RCA. The Federal Communications Commission (FCC) has delegated this authority to the RCA and SB 83 would put this authority in statute making their oversight of those programs explicit (slide 10). COLR regulations were implemented in 2010 with the intention of ensuring that landline service remains in an area by offering explicit financial support to one provider in the service area. That explicit funding for COLR duties ended January 1, 2019. Now, the COLR regulations remain as a

duplicate layer of regulation, which SB 83 would eliminate. However, longstanding state and federal protections remain making COLA redundant. Before the COLA regulations were adopted, the RCA relied on the powers of the Certificate of Public Convenience and Necessity (CPNC) defined in statute and demonstrated the effectiveness of that authority in requiring companies to serve certain locations. This authority is unchanged by SB 83. Oversight of the Eligible Telecommunications Carrier designation remains and is added to statute, and federal obligations still require permission before discontinuing service (slide 11).

[4:12:28 PM](#)

REPRESENTATIVE FIELDS inquired as to the difference between an RCA-based regulatory process for COLR versus a federal process.

MS. SKIPPER offered her understanding that the two work in tandem.

MS. O' CONNOR, in response to Representative Fields, said that they are different with the two different entities, adding that both have a public process. She said she did not know the details of each process and offered to follow up with the requested information.

CO-CHAIR WOOL sought clarification on the reason for eliminating the duplicate layer of COLR regulation.

[4:13:57 PM](#)

MS. O' CONNOR said the COLR regulations are not in statute, whereas the CPNC and all of the processes and powers that go with it are. The COLR regulations enacted in 2010 were tied to explicit funding, making a duplicate set of regulations. The funding has since been eliminated. The concept is to remove the potential confusion and uncertainty of having an "orphan" set of regulations and leave the longstanding statute that has always been operated under requiring service to continue.

[4:14:42 PM](#)

CO-CHAIR LEDOUX asked if the funding that ended on January 1, 2019 was state funding.

MS. O' CONNOR stated that it was a part of the Alaska Universal Service Fund, which was reformed over the last two years.

[4:15:51 PM](#)

MS. O'CONNOR returned to the presentation. She stated that SB 83 removes COLR designation in regulation; however, the requirement to provide landline service remains in statute. SB 83 also maintains strong consumer protections: the CPNC, ETC, new AS 42.05.381(1) rate protection, Regulatory Affairs and Public Advocacy (RAPA), Attorney General Consumer Protection Unit, and the FCC Consumer Complaint Center (slide 13). SB 83 also benefits consumers by mandating rates in remote areas match rates in larger areas; allowing companies to respond more quickly to consumer preferences; focusing resources on consumer services; and correcting existing distorted assessment of the regulatory cost charge (slide 14). In summary, SB 83 peels away obsolete statutes related to landline service and allows companies and regulators to operate more efficiently. It will allow companies to focus on better service for Alaskans. In February 2019 the RCA voted to support SB 83 as the means of modernizing Alaska's telecommunications statutes (slide 15).

[4:19:04 PM](#)

REPRESENTATIVE FIELDS asked how SB 83 compares to other states' deregulation proposals. He expressed interest in hearing about what happened after deregulation from the equivalent of RCA in other states.

MS. O'CONNOR said she would provide the requested information.

REPRESENTATIVE FIELDS referenced the staff memo and asked why the staff recommended continued COLR protections.

[4:20:59 PM](#)

DAVID PARRISH, Common Carrier Specialist, Regulatory Commission of Alaska, disclosed that he is the author of the aforementioned staff memo. He explained that with COLR, generally the protection exists in markets that have recently been declared competitive where one carrier generally owns the majority of the facilities that are used to provide service in the area. The concept was not to let competition erode the incentive for carriers to keep their networks up to date and in good working order; there was a subsidy that went along with another added layer of regulations. While there was an explicit discontinuation of COLR support, there is frozen COLR support that does get folded into the essential network support that is

continuing. He expressed concern that there is a disconnect between what the continued subsidy is and what is proposed in SB 83 with regard to the obligations that currently designated COLR would have going forward. He added that COLR does give some certainty in situations where the commission must choose between two carriers that both no longer want to serve. Having a designated COLR adds efficiency, which was the intent when the commission adopted it years ago.

[4:24:33 PM](#)

REPRESENTATIVE FIELDS questioned whether there is enough insight into finances and costs of these programs to estimate how much money companies might save through this deregulation; therefore, how much subsidies might be reduced to save consumers money.

MR. PARRISH replied that there's multiple services that go across these networks - some are regulated some are not. There is very little in terms of cost specifics and revenue that these networks generate. He related that carriers have noted their use of subsidies to build out broadband networks. He noted that it's a supplement to the federal support they are receiving, which is exclusively targeted towards broadband networks.

[4:26:20 PM](#)

REPRESENTATIVE FIELDS asked if the companies must report to the RCA to demonstrate that they are using the subsidies for investments that are for public benefit in terms of infrastructure.

STEPHEN MCALPINE, Commissioner, Regulatory Commission of Alaska, replied that the investigation over the subsidies of the Alaska Universal Service Fund came about as a result of the companies being unable to account for how these funds were expended. He added that there's no specificity in the amount of subsidy that's awarded to a utility and how they spend the money. He acknowledged that there's expenditures being made for broadband that can't be sourced. He said they don't know for certain whether they are AUSF funds but if they comingled all their funds and built broadband then some of those funds probably are being used for that purpose.

[4:27:47 PM](#)

REPRESENTATIVE FIELDS noted that if deregulation occurs there should be additional transparency over where the money is going

if it potentially guarantees that the additional money the companies save go back into publicly benefitting infrastructure.

MR. MCALPINE said that point has been made many times. He acknowledged that if the RCA is going to approve the award of the subsidies they should at least know where the money is being spent.

REPRESENTATIVE FIELDS requested that Mr. McAlpine send the appropriate language to require that transparency in an amendment.

MR. MCALPINE agreed to provide the requested information.

REPRESENTATIVE FIELDS sought explanation from Mr. Parrish on a section of the staff memo, "other statutory exemptions for telecommunications carriers proposed by ATA are problematic."

MR. PARRISH explained that the way SB 83 is structured exempts everything except what's retained, adding these are all statutes that would be exempted.

[4:32:11 PM](#)

CO-CHAIR LEDOUX asked how often the commission arbitrates a complaint that comes out in favor of the utility or the consumer.

[4:32:44 PM](#)

MR. MCALPINE replied that there had been a misunderstanding that stemmed from GCI putting multiple services on a single bill. Instead of receiving multiple services on multiple bills, consumers received all their services on a single bill. He noted that the reduced level of complaints is evidence that the miscommunication "worked out."

[4:34:17 PM](#)

MR. PARRISH added that their consumer protection acts as a "go between," it can facilitate a resolution without any kind of formal or informal complaint. Consumers can call with a problem or issue and the commission acts as a liaison.

[4:35:05 PM](#)

CO-CHAIR LEDOUX asked they negotiate complaints under the RCA's authority.

MR. MCALPINE explained that there is a statutory process. He established a scenario in which a consumer from a regulated utility calls with a problem. The first step is sending them back to the utility to resolve it one on one. If it's not resolved they can return with an informal complaint that the consumer affairs department will mediate. He noted one of the problems that results in outages is costly equipment repair in rural areas. He referenced an outage that lasted over 40 days in Kodiak, adding that the utility did not follow statute and notify the commission when the outage occurred. He stated that the statutory provision that allows the RCA to fine a utility is 100 per day, which is not significant. He opined that the cost of enforcement exceeds any penalty that can be leveled. Consequently, he said, problems are ignored knowing that the statute won't be enforced and even if it is the fine is cheaper than dealing with the actual problem. He offered his belief that the commission has always worked well to resolve these matters.

[4:39:06 PM](#)

CO-CHAIR LEDOUX asked if customer complaints wouldn't be handled by the RCA if SB 83 were to pass.

MR. PARRISH offered his understanding that the commission's role would continue, adding that it might be hampered by the elimination of tariffs. He stated that rates or conditions of service are the first things that consumer protection goes to. They look to the tariff to see whether the carrier or utility is operating within the bounds of the tariff.

CO-CHAIR LEDOUX asked who goes to the tariff.

MR. PARRISH clarified that the consumer protection section within the commission relies on the tariff language to resolve disputes over regulated service, adding that this bill would eliminate tariffs. He pointed out that there are tariffs that will still be required on the federal level, regardless of if there were no longer state tariffs for intrastate service.

[4:41:52 PM](#)

CO-CHAIR WOOL asked why Mr. McAlpine voted against SB 83 and if the bill has been changed since.

[4:43:08 PM](#)

MR. ACALPINE explained that his concern has always been the elimination of the designation of COLR, which could impact rural Alaska.

[4:45:43 PM](#)

MR. PARRISH opined that the bill isn't necessarily in the public's best interest. He added that it has improved since the addition of section 381 (l) and (n), which provide some state level protection against rate escalation, noting that it only protects basic residential local telephone service. He said that if you look at a carrier's tariff there are a multitude of business commercial services that would not be protected under that provision.

CO-CHAIR WOOL sought clarification the business protection and whether this is a deregulation bill.

MR. PARRISH replied that in order to receive federal universal service support, basic residential rates must be kept below a maximum that gets adjusted based on a nation-wide average. He reiterated that the new provision in SB 83 would only protect basic residential local telephone service, while the others would not have rate protections. He added that deregulation is a bit of a semantics game and it's not full deregulation by any stretch.

[4:49:51 PM](#)

CO-CHAIR LEDOUX announced that SB 83 was held over.

SB 16 -ALCOHOL LIC:FAIRS, THEATRES, CONCERTS; BONDS

[4:50:32 PM](#)

CO-CHAIR LEDOUX announced that the final order of business would be SENATE BILL NO. 16, "An Act relating to certain alcoholic beverage licenses and permits; and relating to the bond requirement for certain alcoholic beverage license holders."

[4:51:13 PM](#)

EDRA MORLEDGE, Staff, Senator Peter Micciche, Alaska State Legislature, presented SB 16 on behalf of Senator Micciche,

prime sponsor. She paraphrased parts of the sponsor statement [included in the committee packet], which read in its entirety as follow [original punctuation provided]:

In 2017, the Alaska Alcoholic Beverage Control (ABC) Board began to "crack down" on alcohol licenses that they deemed to not be intended under state law, placing at risk several long-time licenses important to the Alaska public. One of those license types issued under the recreational site category is the license held by the Alaska State Fair. The Alaska State Fair and other businesses have been operating under the recreational site license since 1981, and the loss of the ability to serve at the annual event would be financially devastating to the State Fair. Through the legislative process, we identified several other licenses that we believe should be held harmless, and thus included them in the latest committee substitute.

The two new license types and two new permit types would be added in to AS 04.11 to specifically include a performing arts theater license, a fair license, a concert permit and a music festival permit. SB 16 also clarifies that skiing and snowboarding activities are allowable under a recreational site license, which has been historically permissible until 2018. The legislation also expands the number of special events at a fraternal organization, grandfathers in certain operators as of December 31, 2018, and provides an incentive for operators that file and pay their taxes in a timely manner.

Although there remains an effort to update the remainder of Alaska's Title 4 alcohol statutes, this specific bill is designed to protect the ability of our beloved Alaska State Fair and other traditionally licensed entities to operate as they have for many years.

We believe that the public will be better served by specifically clarifying Title 4 under Senate Bill 16 to provide the ability for the ABC Board to license and manage these specific applications. We respectfully ask for Legislative and public support for passage of the bill.

CO-CHAIR LEDOUX questioned whether the "save the fair" bill has morphed into a mini omnibus bill.

MS. MORLEDGE answered yes, adding that the business that were included would have lost their license this year.

CO-CHAIR LEDOUX suggested that could be remedied by the addition of the grandfather clause.

MS. MORLEDGE acknowledged that they could have grandfathered in business that had valid license at the end of December 2018. She noted that it was appropriate to separate the state fair's license to make it specific to that business model and their operation.

[4:56:29 PM](#)

CO-CHAIR WOOL sought clarification on the grandfather section of the bill. He asked if it would last for two years while fixing the problem.

MS. MORLEDGE answered yes. She said they were trying to provide several different license types that would be in perpetuity, and for the ones that didn't fit into neat categories would get an additional two years.

CO-CHAIR WOOL asked if the Palmer Fair was the only fair with this problem.

MS. MORLEDGE said they were the only ones singled out with that business model, adding that the other fairs were operating under caterers' licenses. She said there was no way for them to be offered a license that would follow the interpretation of the statute.

[5:00:14 PM](#)

CO-CHAIR WOOL asked why the State Fair can't operate like the others.

MS. MORLEDGE replied that the AAMCO office was no longer comfortable issuing Alaska State Fair's license with multiple sites on their fair grounds under one recreational site or caterers' license.

[5:02:17 PM](#)

MS. MORLEDGE in a follow-up question from Representative Stutes, acknowledged that these licenses are renewals not new ones with one caveat. She said that the addition of skiing and snowboarding activities to the recreational site license because it was recommended by the steering committee and stake holders to not create a new license specifically for that activity but to put it with the rest of the sporting activities.

[5:02:58 PM](#)

CO-CHAIR LEDOUX questioned whether 24, 25, and 26 were brand new licenses.

[5:03:24 PM](#)

MS. MORLEDGE explained that the new one is line 26, the music festival, while the other two were already in regulation and being moved into statute.

REPRESENTATIVE STUTES asked if there had been any music festival permits issued in the past.

MS. MORLEDGE answered no. She said they were issued under catering permits or bending the rules.

[5:04:27 PM](#)

CHAIR LEDOUX announced that SB 16 was held over.

[5:04:46 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at [5:04] p.m.