

***HB***

***13***

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**HOUSE COMMITTEE ON STATE AFFAIRS**

**RECAP OF  
HB 13**

**Telecommunications Regulation Policy**

Received January 9, 1989  
by Rep. Boucher

Heard February 2, 1989  
Heard February 15, 1989  
Heard March 2, 1989

Passed Out of Committee March 2, 1989  
4 Do Pass  
2 No Recommendation

ATA - endorsed

U.T.S. = everyone should have  
tele rate reasonab:

Put into statute common  
practice

subsidy AK received

Att. costs  $\uparrow$  AK

NATIONAL exchange carrier service  
 $\rightarrow$  continue support

S  $\rightarrow$  How much  $\uparrow$  going  
to individuals?  
restriction

NATIONAL Exchange Carrier  
Association

HA



Item 2

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: Telecommunications  
Regulation Policy  
Sponsor: Boucher  
Requestor: Boucher

Agency Affected: \_\_\_\_\_  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

| OPERATING              | FY 89 | FY 90 | FY 91 | FY 92 | FY 93 | FY 94 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES      |       |       |       |       |       |       |
| TRAVEL                 |       |       |       |       |       |       |
| CONTRACTUAL            |       |       |       |       |       |       |
| SUPPLIES               |       |       |       |       |       |       |
| EQUIPMENT              |       |       |       |       |       |       |
| LAND & STRUCTURES      |       |       |       |       |       |       |
| GRANTS, CLAIMS         |       |       |       |       |       |       |
| MISCELLANEOUS          |       |       |       |       |       |       |
| <b>TOTAL OPERATING</b> | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
| <b>CAPITAL</b>         | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
| <b>REVENUE</b>         | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |

**FUNDING: (Thousands of Dollars)**

|               |     |     |     |     |     |     |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND  | -0- | -0- | -0- | -0- | -0- | -0- |
| FEDERAL FUNDS |     |     |     |     |     |     |
| OTHER         |     |     |     |     |     |     |
| <b>TOTAL</b>  | -0- | -0- | -0- | -0- | -0- | -0- |

**POSITIONS:**

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

**ANALYSIS :** (Attach a separate page if necessary)

No fiscal impact.

Prepared by: House State Affairs Committee  
Division: \_\_\_\_\_  
Approved by Commissioner: Rep. Boucher  
Agency: \_\_\_\_\_

Phone: 564-4931  
Date: Jan. 30, 1989  
Date: Jan. 30, 1989

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: HB 13 - An Act relating to regulation of telecommunication services.  
Sponsor: Boucher  
Requestor: House State Affairs

Agency Affected: Commerce & Econ. Development  
BRU: APUC

Components: Operations

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

| OPERATING         | FY 89 | FY 90 | FY 91 | FY 92 | FY 93 | FY 94 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | 0     | 0     | 0     | 0     | 0     | 0     |
| TRAVEL            | 0     | 0     | 0     | 0     | 0     | 0     |
| CONTRACTUAL       | 0     | 0     | 0     | 0     | 0     | 0     |
| SUPPLIES          | 0     | 0     | 0     | 0     | 0     | 0     |
| EQUIPMENT         | 0     | 0     | 0     | 0     | 0     | 0     |
| LAND & STRUCTURES | 0     | 0     | 0     | 0     | 0     | 0     |
| GRANTS, CLAIMS    | 0     | 0     | 0     | 0     | 0     | 0     |
| MISCELLANEOUS     | 0     | 0     | 0     | 0     | 0     | 0     |
| TOTAL OPERATING   | 0     | 0     | 0     | 0     | 0     | 0     |

|         |   |   |   |   |   |   |
|---------|---|---|---|---|---|---|
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

|         |   |   |   |   |   |   |
|---------|---|---|---|---|---|---|
| REVENUE | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

**FUNDING: (Thousands of Dollars)**

|               |   |   |   |   |   |   |
|---------------|---|---|---|---|---|---|
| GENERAL FUND  | 0 | 0 | 0 | 0 | 0 | 0 |
| FEDERAL FUNDS | 0 | 0 | 0 | 0 | 0 | 0 |
| OTHER         | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL         | 0 | 0 | 0 | 0 | 0 | 0 |

**POSITIONS:**

|           |   |   |   |   |   |   |
|-----------|---|---|---|---|---|---|
| FULL-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| PART-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| TEMPORARY | 0 | 0 | 0 | 0 | 0 | 0 |

**ANALYSIS : (Attach a separate page if necessary)**

This bill proposes a basic statement of telecommunications policy and is not expected to have any fiscal impact on this agency.

Prepared by: T.S. Moninski II, Executive Director  
Division: Alaska Public Utilities Commission

Phone: 276-6222  
Date: February 6, 1989

Approved by Commissioner: [Signature]  
Agency: Commerce & Economic Development

Date: 2/14/89

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

# STATE OF ALASKA

STEVE COWPER, GOVERNOR

## ALASKA PUBLIC UTILITIES COMMISSION DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

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### ALASKA PUBLIC UTILITIES COMMISSION

#### COMMENTS ON HB 13

February 7, 1989

The Commission supports HB 13 and has included universal service in the policy objectives which the Commission adopted to guide its adjudication of the complex telecommunications issues currently pending.

TO: RED

FM: MARCO

RE: QUERY ON UNIVERSAL SERVICES AND LIFELINE RATES

EXPLAIN THE RELATIONSHIP BETWEEN UNIVERSAL SERVICE AND LIFELINE RATES

UNIVERSAL SERVICE has been a fundamental tenet in national policy on communication since Congress passed the Communication Act of 1934 which established the Federal Communication Commission.

UNIVERSAL SERVICE is the catch phrase for the notion that every American should have access to a telephone at affordable rates.

The ramifications of this policy are that telephone subscribers in densely populated urban areas where telephone access is cheap, must subsidize telephone subscribers in sparsely populated areas where access is expensive. Historically, the subsidies have been paid by Long Distance Carriers to Local Telephone Companies through an FCC approved procedure called Settlements and Separations. Revenue derived from long distance charges has been used to help pay for local telephone service.

This system worked fine as long as A T & T was the monopoly Long Distance Carrier and could control and recoup its subsidy payments through its FCC approved tariffs. However, deregulation of the telephone industry which entailed the breakup of A T & T into twelve regional, independent companies made it impossible to continue the subsidy to local telephone companies.

Instead, every telephone subscriber in the U.S., today receives a telephone bill that includes an access fee of one dollar to three dollars and fifty cents. Business subscribers pay six (6) dollars per line. These fees were approved by the FCC to replace the lost subsidy to Local Telephone Companies. Consequently, rates paid for local and long distance telephone service are more accurately reflective of their cost.

Alaska is an exception. We are the only state, that we know of, that still receives a subsidy from a Long Distance Carrier, A T & T. In the past decade the subsidy ranged from seventy-five to \$150 million per year. A T & T wants to stop paying the subsidy. The FCC has appointed a Joint Board consisting of state and FCC commissioners to recommend a method for terminating the subsidy. In a strictly deregulated market, Alaskans would have to absorb in their telephone bills, the \$75 to \$150 million subsidy paid in the past by A T & T. Clearly, the concept of UNIVERSAL SERVICE has been beneficial to Alaska.

#### LIFELINE RATES

The LIFELINE RATE is a part of UNIVERSAL SERVICE.

Where Universal Service can be thought of as a macro concept involving national and local telephone networks, LIFELINE RATES can be thought of as a micro concept involving the individual subscriber and the local telephone company to whom the bill is paid.

LIFELINE RATES are important because some people can't afford "plain old telephone service" (POTS). Since the A T & T divestiture it is true that long distance rates have decreased. However, local telephone service (POTS) has increased by an average of forty percent, nationwide.

The goal of Universal Service has been impaired by these rate changes. More and more people simply can't afford a telephone. LIFELINE RATES are the response to offset this impairment. LIFELINE RATES are advocated by the FCC, many state regulatory agencies, and consumer groups.

LIFELINE RATES may take many forms. They may be in the form of discounts or waived charges for deposits, connection fees, equipment costs or other cost associated with the local telephone company. LIFELINE RATES may also take the form of restricted or limited services, such as a limit on the number of calls per month.

Typically, in other states, people to whom LIFELINE RATES are extended include senior citizens, handicapped people, people who qualify for welfare programs or who meet specified maximum income limits.

Rep. Red Boucher  
HB 48, Universal Service  
Supplemental Statement

Essentially, HB 13 is a simple statement of state policy.

That policy is: ... regulation of telephone utilities shall aim at making basic telephone service available to as many Alaskans as possible.

The motivation for this policy is twofold. First, national consistency. Universal Service has been the fundamental tenet in FCC policy since its inception in 1934. While it has been codified in some states, it has been the unspoken rule in all states.

The second motivation for codifying Universal Service as our state policy is to demonstrate that Alaska does, within our state, what we are asking the FCC and the Joint Board to do for us on a national basis. By that we mean that Alaska is a remote and expensive part of the national telephone network. Alaska seeks subsidy and deferential treatment from the FCC which lowers our interstate telephone rates. Former APUC Commissioner, Marvin Weatherly, has testified that Alaska has been subject to criticism because we have not formalized the same Universal Service policy for intra-state telephone service that we're seeking for inter-state service.

In other words, if Alaska wants its high telephone costs integrated with the lower 48's cheaper telephone costs, then we should extend the same rationale from lucrative urban markets within Alaska to our remote, expensive markets.