

Date: 4/9/18 Exh # H5
Regulatory Commission of Alaska
By: APS 12-18-001
Northern Lights Realtime & Reporting, Inc.
(907) 337-2221

Consensus Plan for AUSF Reform

R-18-001 Hearing
April 9, 2018

Critical Role and Timing of the AUSF

- ▶ Accomplished parity in long distance rates by transferring carrier common line costs to the Alaska Universal Service Fund.
- ▶ Supported operation and deployment of networks through turbulent times as landline competition developed, technology changed, and the Internet became ubiquitous.
- ▶ Provided invaluable stability through the disruption of reform of the federal universal service fund.
 - ▶ “I viewed the compromise solution that we came up with in R-08-003 as a bridge to the future time when things were more settled at the federal level.” Commissioner Wilson, January 25, 2017

Unanimous Support for Consensus Plan

- ▶ Industry working together to identify reforms to the AUSF since fall of 2016.
- ▶ Principles
 - ▶ Protect consumers
 - ▶ Stabilize the fund
 - ▶ Maintain support for operation and deployment of networks
 - ▶ Create a proposal which is fair to all companies and supported by all.
- ▶ The Consensus Plan is unanimously supported:
 - ▶ Adak Telephone Utility & Windy City Cellular, Alaska Communications, Alaska Telephone Company, Arctic Slope Telephone Association Cooperative & ASTAC Wireless, Bettles Telephone Company, Bristol Bay Telephone Cooperative & Bristol Bay Cellular Partnership, Bush-Tell, Copper Valley Telephone Cooperative & Copper Valley Wireless, Cordova Telephone Cooperative & Cordova Wireless, GCI, Interior Telephone Company, Ketchikan Public Utilities, Matanuska Telephone Association, Mukluk Telephone Company, North Country Telephone Company, Nushagak Telephone Cooperative, OTZ Telephone Cooperative & OTZ Wireless, Summit Telephone Company, TelAlaska & TelAlaska Wireless, United Utilities, Yukon Telephone.

Consensus Plan is Immediately Actionable

- ▶ “My proposal for discussion purposes would be to open a rulemaking docket... And I would propose an effective date of July 31st, 2019.” Commissioner Pickett, January 3, 2018.
- ▶ “If we decide to repeal the AUSF entirely, we intend to begin the process of winding up the AUSF at least six months in advance of the sunset deadline by lowering the AUSF surcharge to 0% unless a replacement funding mechanism is, at that time, under serious consideration.” R-18-001(1) pg. 2
- ▶ Consensus Plan is the only proposal in the record which can be implemented by Jan. 1, 2019.
- ▶ Detailed regulations have been submitted, reviewed by the Parties, and can be implemented quickly.

Consensus Plan is Patterned on Federal Universal Service Fund High Cost Support

- ▶ Federal Universal Service Reform Parallels
 - ▶ Limited by a budget
 - ▶ Frozen funding based on historic costs
 - ▶ Funding targeted to specific areas
 - ▶ Funding for a defined time period with future changes to be determined in later years of the term
 - ▶ Provides predictable support to allow providers to focus on investing in long-term infrastructure and operating networks in high cost areas
 - ▶ Future date certain for re-evaluation allows impact and progress of current funding to be assessed

Consensus Plan is Budget Constrained

- ▶ Reduces financial burden on consumers by reducing and freezing the AUSF surcharge on consumer bills at 10% as of Jan. 1, 2019.
 - ▶ 49% reduction from the current 19.5% rate
 - ▶ Reduces burden on consumers
 - ▶ Protects against future surcharge increases
 - ▶ Provides predictability to providers, encouraging investment

The Consensus Plan is Equitable

- ▶ Each region of the state receives support for essential network services
- ▶ Budget constraint shared by all providers
- ▶ Avoids disruption of investment due to flash cuts
- ▶ Largest impacts on larger companies
 - ▶ 57% reduction to UUI/KUC/Yukon
 - ▶ 52% reduction to GCI
 - ▶ 41% reduction to ACS
 - ▶ 30% reduction to MTA

Essential Network Support

- ▶ Essential Network Support takes a snapshot of cost-based supports to create a new fund with increased accountability and transparency.
- ▶ Essential Network Support is calculated in the first year by including:
 - ▶ Carrier Common Line (CCL)
 - ▶ 2016 support, restricted by 10% cap on surcharge
 - ▶ CCL is an access charge which recovers cost of delivering Access charges that were shifted from IXC's to the AUSF
 - ▶ Represents costs of networks
 - ▶ Must be recovered
 - ▶ Carrier of Last Resort (COLR)
 - ▶ 2016 level, restricted by 10% cap on surcharge
 - ▶ Support for non-remote areas is eliminated
 - ▶ Remote areas defined by federal definition (Transformation Order, footnote 876)
 - ▶ Excludes the most urban areas of Alaska from support

Eliminated Funding

- ▶ Dial Equipment Minutes (DEM)
 - ▶ Phased down over 3 years
- ▶ Lifeline
 - ▶ Eliminated Jan. 1, 2019
- ▶ Public Interest Pay Telephones (PIPT)
 - ▶ Eliminated Jan. 1, 2019

Impacts of Consensus Plan by Company

Row Labels	2016	Reduction NR COLR	Eliminate Lifeline	Eliminate PIPT	Phase out DEM (Year 3)	Reduction Subtotal	Support After Specific Reductions	10% of Industry Revenue minus AUSF Admin	% of Support retained after application of 10% Cap	Support after application of 10% Fund Cap	Percent of 2016	Reduction from 2016
ACS	6,140,064	(1,410,593)	(57,488)	0		(1,468,081)	4,671,983			\$ 3,612,628	58.84%	41.16%
Adak	499,399		(207)	0		(207)	499,192			\$ 386,002	77.29%	22.71%
ASTAC	712,475		(3,227)	(3,461)		(6,688)	705,788			\$ 545,753	76.60%	23.40%
ATC	797,496		(25,900)	0		(25,900)	771,596			\$ 596,639	74.81%	25.19%
BBTC	307,809		(4,123)	(5,669)		(9,792)	298,017			\$ 230,443	74.87%	25.13%
Bettles	4,379		(690)	0		(690)	3,689			\$ 2,853	65.15%	34.85%
Bush-Tell	233,975		(4,347)	0		(4,347)	229,628			\$ 177,561	75.89%	24.11%
Circle	26,205		(1,148)	0		(1,148)	25,057			\$ 19,375	73.94%	26.06%
Cordova	517,216		(2,982)	0		(2,982)	514,234			\$ 397,633	76.88%	23.12%
CVTC	2,338,212		(7,000)	(28,290)		(35,290)	2,302,922			\$ 1,780,743	76.16%	23.84%
UUI/KUC/Yukon	2,902,249		(27,157)	(34,589)	(1,224,894)	(1,286,640)	1,615,609			\$ 1,249,276	43.05%	56.95%
GCI	3,236,313		(1,241,331)	0		(1,241,331)	1,994,982			\$ 1,542,627	47.67%	52.33%
KPU	956,578		(7,686)	(3,444)		(11,130)	945,449			\$ 731,072	76.43%	23.57%
MTA	5,783,511	(491,292)	(46,260)	(13,609)		(551,161)	5,232,350			\$ 4,045,934	69.96%	30.04%
North Country	67,461		(784)	0		(784)	66,677			\$ 51,558	76.43%	23.57%
Nushagak	378,334		(2,209)	0		(2,209)	376,125			\$ 290,840	76.87%	23.13%
OTZ	539,577		(4,641)	(4,266)		(8,907)	530,670			\$ 410,342	76.05%	23.95%
Summit	234,054		(406)	(986)	(11,793)	(13,185)	220,870			\$ 170,788	72.97%	27.03%
TelAlaska	1,493,703		(22,246)	(4,907)		(27,153)	1,466,550			\$ 1,134,015	75.92%	24.08%
Subtotal	27,169,008	(1,901,885)	(1,459,829)	(99,221)	(1,236,687)	(4,697,622)	22,471,386	17,376,081	77.33%	17,376,081	63.96%	36.04%
Admin	330,346						330,346			330,346	100%	
Grand Total	27,499,354						22,801,732			17,706,427	64.39%	

Ind. Revenues (TA26-998)	177,064,270
10% Ind. Revenues	17,706,427
10% Ind. Rev. minus Admin	17,376,081

Assumptions	
1	10% Cap effective Jan. 1, 2019
2	State LL eliminated Jan. 1, 2019.
3	COLR in Non-Remote areas eliminated as of Jan. 1, 2019.
4	Total amount of Remote COLR frozen by study area as of Dec. 31, 2016, effective Jan. 1, 2019.
5	MTA COLR is 20% Non-Remote.
6	ACS COLR in Fairbanks study area is 40% Non-Remote.
7	CCL no change.
8	DEM three year phase down.
9	Eliminate PIPT support.
10	Gross Intrastate Revenues as filed in TA26-998.

Impacts of Consensus Plan by Reduction Level

Row Labels	2016	Reduction NR COLR	Eliminate Lifeline	Eliminate PIPT	Phase out DEM (Year 3)	Reduction Subtotal	Support After Specific Reductions	10% of Industry Revenue minus AUSF Admin	% of Support retained after application of 10% Cap	Essential Network Support (after 10% Cap)	Percent of 2016	Reduction from 2016
UUI/KUC/Yukon	2,902,249		(27,157)	(34,589)	(1,224,894)	(1,286,640)	1,615,609			\$ 1,249,276	43.05%	56.95%
GCI	3,236,313		(1,241,331)	0		(1,241,331)	1,994,982			\$ 1,542,627	47.67%	52.33%
ACS	6,140,064	(1,410,593)	(57,488)	0		(1,468,081)	4,671,983			\$ 3,612,628	58.84%	41.16%
Bettles	4,379		(690)	0		(690)	3,689			\$ 2,853	65.15%	34.85%
MTA	5,783,511	(491,292)	(46,260)	(13,609)		(551,161)	5,232,350			\$ 4,045,934	69.96%	30.04%
Summit	234,054		(406)	(986)	(11,793)	(13,185)	220,870			\$ 170,788	72.97%	27.03%
Circle	26,205		(1,148)	0		(1,148)	25,057			\$ 19,375	73.94%	26.06%
ATC	797,496		(25,900)	0		(25,900)	771,596			\$ 596,639	74.81%	25.19%
BBTC	307,809		(4,123)	(5,669)		(9,792)	298,017			\$ 230,443	74.87%	25.13%
Bush-Tell	233,975		(4,347)	0		(4,347)	229,628			\$ 177,561	75.89%	24.11%
TelAlaska	1,493,703		(22,246)	(4,907)		(27,153)	1,466,550			\$ 1,134,015	75.92%	24.08%
OTZ	539,577		(4,641)	(4,266)		(8,907)	530,670			\$ 410,342	76.05%	23.95%
CVTC	2,338,212		(7,000)	(28,290)		(35,290)	2,302,922			\$ 1,780,743	76.16%	23.84%
KPU	956,578		(7,686)	(3,444)		(11,130)	945,449			\$ 731,072	76.43%	23.57%
North Country	67,461		(784)	0		(784)	66,677			\$ 51,558	76.43%	23.57%
ASTAC	712,475		(3,227)	(3,461)		(6,688)	705,788			\$ 545,753	76.60%	23.40%
Nushagak	378,334		(2,209)	0		(2,209)	376,125			\$ 290,840	76.87%	23.13%
Cordova	517,216		(2,982)	0		(2,982)	514,234			\$ 397,633	76.88%	23.12%
Adak	499,399		(207)	0		(207)	499,192			\$ 386,002	77.29%	22.71%
Subtotal	27,169,008	(1,901,885)	(1,459,829)	(99,221)	(1,236,687)	(4,697,622)	22,471,386	17,376,081	77.33%	17,376,081	63.96%	
Admin	330,346						330,346			330,346	100%	
Grand Total	27,499,354						22,801,732			17,706,427	64.39%	

Ind. Revenues (TA26-998)	177,064,270
10% Ind. Revenues	17,706,427
10% Ind. Rev. minus Admin	17,376,081

Assumptions	
1	10% Cap effective Jan. 1, 2019
2	State LL eliminated Jan. 1, 2019.
3	COLR in Non-Remote areas eliminated as of Jan. 1, 2019.
4	Total amount of Remote COLR frozen by study area as of Dec. 31, 2016, effective Jan. 1, 2019.
5	MTA COLR is 20% Non-Remote.
6	ACS COLR in Fairbanks study area is 40% Non-Remote.
7	CCL no change.
8	DEM three year phase down.
9	Eliminate PIPT support.
10	Gross Intrastate Revenues as filed in TA26-998.

Accountability

- ▶ RAPA suggests useful changes to ATA's proposed language:

3 AAC S3.330(c)

(c) A carrier that receives Essential Network Support pursuant to 3 AAC 53.345 shall file with the commission, no later than July 1 of each year, a report [EXPLAINING] stating in detail how all Essential Network Support received was used during the prior year to fund capital investment or pay ongoing operation and maintenance expenses.

Stability to Support Essential Networks

- ▶ Consensus Plan is actionable on the Commission's timeline.
- ▶ Brings stability and continues the valuable contribution the AUSF makes to advanced services for Alaskans.
- ▶ Gives time for substantial network deployment under CAF II, Alaska Plan and A-CAM to be completed.
- ▶ Further evaluation to be conducted during the term of Essential Network Support.