I-17-001(1) Comment Summary

The following comment summary attempts to cordon off by general topic the responses by interested party to the questions issued with Order I-17-001(1). Staff notes that each of the parties responding, with the exception of AT&T, are signatories of the ATA's AUSF reform framework, referred to herein as the "Consensus Plan".[1] The Consensus Plan consists of 10 reforms, presented concisely in Exhibit 1.

A. AUSF General Trends:

1. GCI Comments[2]:
    - $2.7 Million decrease in overall AUSF outlays since 2012.
    - CCL support payments down over $6 Million.
    - COLR support payments up over $5 Million.
    - Problem is "severe declines in the contribution base."
    - COLR structure increases payments for NOT providing service; "COLR support covers such losses whether the customer discontinues service and transfers to a competitor local exchange carrier, to a wireless carrier, or to a VOIP provider even if the customer transfers to the wireless carrier or a VOIP service of the COLR itself."[3] [4][5]

2. AT&T Comments[6]:
    - "AT&T believes that a key goal of the Commission should be to limit the size of the AUSF to the minimum amount necessary to achieve specifically defined and targeted universal service goals in Alaska."
    - Not party to Consensus Plan.

3. ACS Comments:[7]
    - Growth of the AUSF is a logical outgrowth of the policy adopted in R-08-003 to fund access charge revenue through AUSF.
    - Diminishing revenue contributions are driving surcharge increase.

---

[1] See Alaska Telephone Association Comments, filed April 24, 2017, at 4-6.
[2] GCI Comments and Responses to Questions ("GCI Comments"), filed April 24, 2017, at 7-9.
[3] *But see* Reply Comments of the Rural Coalition ("RC Reply"), filed May 15, 2017, at 6-7 (suggests COLR payments from the AUSF are essential to carriers expected to "maintain their network to provide service upon demand", and suggests adoption of the Consensus Plan, which makes considerable concessions on COLR support, including limiting to remote areas, and subjecting COLR payments to pro rata rationing).
[4] *But see* Copper Valley Telephone Cooperative, Inc. Reply Comments ("CVTC Reply"), dated May 15, 2017, at 1 (disagreeing with GCI's assessment of COLR support as granted for not providing service, and noting that COLRs are "obligated to provide service and pay for its network that was put in place to provide service throughout its study area", and noting that the Consensus Plan would cap COLR support so that it would no longer increase as lines are lost).
[5] *But see* Reply Comments of Alaska Communications ("ACS Reply"), dated May 15, 2017, at 2-3 (suggesting GCI opposes COLR support because it does not receive it, and notes that COLR support only goes to one carrier because the associated duties for COLRs are only assigned to one carrier).
[6] Comments of AT&T ("AT&T Comments"), filed April 24, 2017, at 2.
[7] Alaska Communications' Response to Order I-17-001(1) ("ACS Comments"), filed April 24, 2017, at 3.

4. RC Reply[8]:
    - Notes current trajectory of AUSF is "unsustainable".
    - Consensus Plan is a compromise plan that is "guaranteed to restore stability and balance the expenditure side of the Fund proportionately among the entire Industry."
    - Urges adoption of the Consensus Plan.

5. ACS Reply[9]:
    - Notes the complexity of the issues raised in the I Docket would become more so in the eventual rulemaking; suggests the Consensus Plan would avoid a long-drawn out reprise of R-08-003 and would allow the Commission to address AUSF instability expeditiously.
    - "Were the Commission to reject or attempt to modify the ATA framework, the consensus achieved and the trade-offs embedded in the proposal would be lost."
    - Also advocates for a separate rulemaking to address the repercussions of eliminating COLR support for certain carriers, i.e., revised or eliminated COLR obligations.

B. <u>AUSAC Accountability</u>:

1. GCI Comments[10]:
    - Proposes simple fix for AUSAC accountability: Have Commission Staff monitor meetings.[11]
    - "GCI fears that consideration of governance issues will be difficult, time-consuming, and will distract from consideration of other, more important issues."
    - Payers into the fund have seat on board – AT&T; have incentive to ensure everyone is paying fair share, all have incentive to keep surcharge low.
    - "Independent administrators would substantially increase the cost of administration with little or no benefit."
    - Commission is free to reject stipulated CCL revenue requirements for pooling companies if the cost of the revenue requirements study is considered unjustified.
    - COLR support for non-pooling companies "is subject to whatever scrutiny the Commission deems appropriate."
    - "GCI supports a requirement that any adjustment or refund exceeding some specified amounts be approved by the Commission."
    - "At a minimum, a full explanation of the reasons for the restatement, what caused the need for a restatement, what periods are affected, how the adjustment will be

[8] RC Reply, at 9.
[9] ACS Reply, at 4-7.
[10] GCI Comments, at 9-13.
[11] *See also* Reply Comments of AT&T ("AT&T Replay"), dated May 15, 2017, at 3 (AT&T states supports for GCI's suggestion that Commission Staff attend all AUSAC meetings.)

made, the accounting treatment of the adjustment, and the legal basis for the adjustment should be required for any adjustment greater than $25,000."[12]

2. AT&T Comments[13]:
   - Pros and Cons to all AUSF administration models,[14] but bottom line is the Commission should take a more active role in oversight of the AUSF.
   - "All policy decisions should be made by the Commission, not by AUSAC or any other third party administrator."
   - More separation between industry-run AUSAC board and AUSAC staff.
   - Should be "Only one board member per consolidated company."
   - Member of the Commission should participate in all board meetings.

3. Rural Coalition Comments[15]:
   - Commission lacks specific expertise and institutional memory necessary to oversee AUSF directly.
   - Commission should take a stronger oversight role, should order more aggressive collection by AUSAC, especially with regard to VoIP providers' "reluctant participation."
   - Supports in theory 3rd party oversight, but notes that it is unlikely to provide service more cheaply than AUSAC currently does.
   - "Material restatements [of revenue] should trigger automatic review and reporting to the Commission for the reasons behind the changes." Suggests a 5% annual change in revenues as the trigger point. Notes recent episodes of this contributed to the current instability of the fund.
   - Stipulated revenue requirements for CCL have not been shown to be inaccurate; cost savings from stipulation outweigh any minimal incremental value from preparing revenue requirement studies.
   - AUSAC should be empowered to ensure that fees are appropriately and consistently assessed by all carriers by comparing intrastate and interstate data.

4. ACS Comments[16]:
   - Commission should not administer the AUSF, especially since it is funded through RCCs.
   - Third party oversight would increase costs exceeding benefits.

---

[12] *But see* AT&T Reply, at 4 (AT&T disagrees that trigger for restatement of revenue review should be a fixed dollar amount, favors a reasonable percentage greater than 5% annual change proposed by Rural Coalition, which it contends is too low, noting that the decrease over the last two years exceeds 22%.)

[13] AT&T Comments, at 2-3.

[14] *But see* GCI's Reply Comments ("GCI Reply"), filed May 15, 2017, at 12-13 (disagreeing that AUSAC Board should be restructured, noting that Board has extensive experience that is valuable to AUSAC staff, and suggesting that the Board should provide input on "both payments to and receipts from carrier. The Board's ability and function should not be limited").

[15] RC Comments, at 4-9.

[16] ACS Comments, at 6-12.

- AUSAC could be directed to require more data supporting "carrier revenue anomalies".
- Additional rate cases would waste resources – notes most carriers receiving CCL serve competitive markets where market determine rates, not costs.
- Suggests audits are expensive, should only be ordered when cost effective.
- Advocates for continued self-policing, but Commission should augment rules for revenue adjustments, should not base scrutiny on dollar threshold since carrier revenue is divergent.
- Voluntary non-industry board participant with telecommunications background welcome.
- Written explanation to AUSAC by carrier seeking to restate revenue is sufficient, with AUSAC reporting to Commission in quarterly report.
- No regularized comparison of AUSF and federal USF surcharge reporting should be undertaken by AUSAC – "should not be required to add maintenance of confidential federal filings to its responsibilities."

5. AT&T Reply[17]:
    - Carriers contributing to the fund should be required to use same method used to assess federal and state contributions to ensure fairness, suggests the Commission clarify regulations on this.
    - AUSF Administrator should review whatever public information is available to cross check revenue reports. Should use federal reports (Form 499) to uncover companies that contribute to the federal USF but not the AUSF.

C. <u>CCL/COLR</u>

1. GCI Comments[18]:
    - United previous rate case in 1986, $19.23 plus add on fees total $28.53.
    - United-KUC previous rate case in 1997, $13.80 plus add on fees total $22.33.
    - Yukon previous rate case in 1987, $17.00 plus add on fees total $25.98.
    - Rate cases for CCL/COLR recipients are overly burdensome for Commission; suggests the elimination of COLR in non-remote areas (surrogate for competitive areas?) would ensure no competitive carrier could over-earn.
    - Notes consensus proposal would better direct COLR support to high cost rural areas only.
    - For UUI, U-KUC and Yukon, do not face LEC competition, but do have competition from wireless providers – may warrant regulatory compact changes.
    - Federal access charge reform makes reinstituting state access charges legally problematic; CCL support cannot practically be recouped through remaining access charge rate elements.

[17] AT&T Reply, at 3, 5.
[18] GCI Comments, at 14-20.

- "reinstitution of access charges to recover CCL would result in excessively high intrastate access charges and would require the repeal of the rate parity requirements in 3 AAC 52.372."
- Reinstitution of access charge would be anti-competitive since competing VoIP providers and wireless carriers don't pay current federal access charges – R-08-003 reform was necessitated by the anti-competitive nature of who paid the forgone access charges in the first place.
- Could assign costs for CCL elimination to local jurisdiction on Separations, but "doubtful that companies would actually be able to make up the entire loss of support from local customers."
- Alaska Plan maintained network support but added obligations – unlikely that broadband capable networks will produce revenue streams that exceed costs – and non-regulated revenue is, bluntly, not a potential offset for loss of CCL support.
- GCI supports theory of a local rate floor for CCL/COLR, but notes that it would have little practical impact and would complicate regulatory reforms for AUSF.

2. AT&T Comments[19]:
    - Disfavors return to access charge regime if CCL support is eliminated, notes that IXC revenues were nearly outstripped by CCL support issued in 2016, meaning access charges could not be substituted for loss of CCL support.
    - At the same time, more competition from other providers that do not pay access charges.
    - Would conflict with federal access charge reform.
    - Reinstitution of access charges would conflict with rate parity and conflict with the enabling statute creating AUSF in first place because it would increase long distance rates.[20]
    - To the extent possible, LECs should be required to raise rates on end users to make up for loss of CCL.
    - Notes that Commission lacks jurisdiction over non-regulated revenue.

3. Rural Coalition Comments[21]:
    - Rate cases are expensive and "have not proven necessary to produce reasonable rates" even in areas without competition.
    - Many carriers are already above the local rate floor imposed by the FCC.
    - Prior rate cases for RC members are noted, outlier is BushTell, which last had a rate case in 1986; the rest had their most recent between 2000 and 2009.
    - FCC access charge reform and frozen support in the face of rising costs have made it difficult for carriers to recover traditional revenue requirement.

[19] AT&T Comments, at 4-6.
[20] AT&T Reply, at 6-7 (clarifying that reinstitution of access charges would require repeal of rate parity requirements and urges Commission not to reinstitute access charges at all).
[21] RC Comments, at 9-21.

- No evidence CCL/COLR cost recovery regime is excessive; blames instability of AUSF on dramatic instability in reported revenues subject to the surcharge.
- Cautions Commission that competition outside of Anchorage is "fragile", urges Commission to pause its policy determinations until competition can be figured out. Notes that there is "virtually no unsubsidized competition in Alaska." Urges non-remote/remote FCC distinctions rather than attempting to assess competition by analyzing service overlap.
- Notes that it is fair to have urban users pay for rural carriers' cost – part of universal service policy determination and notes that "All Alaskans benefit from a state with modern telecommunications".
- Carriers of Last Resort compact is important to preserve Universal Service.
- Loss of CCL would devastate RC carriers, could not be recovered through terminating access charges and would have to be rolled into originating access charge, which may be legally problematic and would upset rate parity rules.
- Local rate increases would only accelerate line loss, cites testimony from MTA (from Docket U-16-069) that absorbing loss of COLR support would result in 210% rate increase (current rate at $13.20).
- Increased revenue from broadband deployment likely outpaced by cost of deployment, noting if there was an underlying business case for remote area broadband, it would have been built already.
- Notes that broadband benchmark rates imposed by FCC for Alaska "essentially cap what carriers can charge residential customers."
- Should not require non-regulated customers "subsidize" local service by considering non-regulated revenue as offset to loss of CCL support.
- Does not advocate a local rate floor that differs from FCC imposed rate floor, cites range of rural carrier local rates of $10.40 to $40.60/ month (most under $20).
- Commission should focus on Alaska Plan obligations, not on support, noting that obligations were set with ongoing state support in mind, cautions that FCC may revisit federal support if state support is axed (presumably because carriers would be forced to reevaluate commitments under the Alaska Plan).

4. ACS Comments[22]:
    - ACS notes that the fact that the bulk of the AUSF goes toward CCL/COLR should not surprise the Commission since it was forecasted in R-08-003 and is a direct result of the Commission's policy choice to replace access charges with end-user surcharge support.
    - ACS companies' most recent rate cases were closed in 2004.
    - Notes regulatory compact is extinct (alternatively "dead") in most of Alaska, rates dictated by markets not by rate cases. Commission unable to set local rates in most of Alaska. Eliminating CCL/COLR support would "nail shut" the "regulatory compact coffin."

[22] ACS Comments, at 13-25.

- Suggests that in the absence of total deregulation, Commission is "bound by law to find a way to allow regulated providers a meaningful opportunity to recover their costs, including a reasonable return on investment." Does not suggest raising rates as a means to that end – presumably carrier support is the only way to avoid "impermissible confiscation" risk.
- Should transition CCL/COLR support mechanism into an Alaska-specific high cost fund that doesn't penalize some carriers and provide anti-competitive advantage to others (citing to table of CCL disparities among rural carriers).
- Challenges question regarding fairness of CCL/COLR subsidy of rural telecommunications, suggesting Commission seeks to "re-create implicit subsidies in direct contravention of established law and policy." Notes that ACS Bush exchanges pay more in AUSF surcharge than they receive in AUSF support.
- Faults Commission for failing to anticipate consequences of R-08-003.
- Suggests I Docket is inappropriate venue to discuss its "model-based support" proposal – requires hearings and workshops to produce a working model.
- Cannot reinstitute access charges if CCL is eliminated. If CCL is revised/eliminated, ACS proposes increasing the NAF to recover costs. [23] Alternatively, provide a high cost Alaska model that would provide another substitute for lost CCL cost recovery.[24]
- Market realities preclude local rate increases to cover loss of CCL. Would accelerate line loss.
- Questions whether Alaska Plan will actually result in network deployment, and notes that non-regulated revenue cannot serve as an implicit subsidy for loss of CCL support.
- Per-line surcharge could be viable if properly estimated.
- Rate floors may work if "made a mandatory component of all LEC billings – ILEC and CLEC, alike", but may also risk accelerating LEC line loss.
- Commission cannot seek Alaska Plan support as a substitute for eliminating AUSF funding per cited Alaska Supreme Court case.
- Only solution is to de-regulate the market entirely where "there is no function 'regulatory compact.'"

D. State Lifeline Support:

1. GCI Comments[25]:
    - Biggest risk to removing Lifeline subsidy is the continuation of enhanced Tribal Support.

---

[23] *But see* GCI Reply, at 12 (taking issue with ACS suggestion that NAF could be increased to cover CCL costs, noting that ACS also commented that rate increases are not tolerable due to competitive pressures, and stating "Apparently, ACS is arguing that customers can be fooled into paying more for local service if it is disguised as a NAF").

[24] *See also* AT&T Reply, at 11, (stating that an Alaska-based high cost model proposed by ACS "may be worthy of consideration").

[25] GCI Comments, at 20-22.

- Other risks are degradation of existing Lifeline service, or increase of price to consumers.
- Wireline only Lifeline would harm consumers without a stable address.
- Does not favor expansion of state Lifeline into broadband.
- Consensus Plan would subject Lifeline to same pro rata reduction in rationing situation.

2. AT&T Comments[26]:
    - AT&T does not take state Lifeline credit since service is priced below $37.75/mo.
    - Federal matching requirements have been eliminated; therefore, AUSF no longer needs to provide a $3.50/mo. Lifeline discount.

3. Rural Coalition Comments[27]:
    - RC not convinced $3.50/mo. state discount has made a substantial difference in participation in the Lifeline program.
    - Any changes to support should be made well in advance to give customers that rely on support adequate notice.
    - Wireline service is less expensive to provide, may want to limit support for wireline.
    - Supports expanding state Lifeline to broadband service.
    - Lifeline, if funded, must be guaranteed month to month for stability for consumers, not subject to a cap.

4. ACS Comments[28]:
    - ACS supports eliminating state Lifeline support, but notes that the support should be technology neutral (no wireless, wireline distinction).
    - Commission should not support Lifeline broadband, noting that service is not universally available.
    - ACS supports Consensus Plan that would eliminate funding priorities in face of rationing.

5. AT&T Reply[29] :
    - Retention of state Lifeline should remain voluntary; carrier should be able to choose to only offer federal Lifeline support and comply with federal Lifeline rules to the extent they differ from state Lifeline rules.
    - Agrees with RC that should not subject Lifeline to pro rata reductions because it introduces uncertainty for the consumers and administrative burdens on carriers; instead should either exempt Lifeline subsidy from any rationing, or eliminate it altogether.

[26] AT&T Comments, at 6-7.
[27] RC Comments, at 21-23.
[28] ACS Comments, at 26-27.
[29] AT&T Reply, at 7-8.

6. GCI Reply[30]:
    - Notes that carriers do not receive more federal Lifeline support than justified, and don't automatically receive full federal benefit for each line.
    - Details in attachment that federal Lifeline support is only taken to the extent service benefit exceeds the state Lifeline benefit and the customer contribution.

E. <u>DEM Weighting</u>:

1. GCI Comments[31]:
    - DEM weighting "subsidizes the price of local phone service for subscribers of small telephone companies serving few access lines [and] puts small telephone companies, and subscribers of small telephone companies, on equal footing with other telephone companies that are similarly situated in all respects except in the percentage of intrastate interexchange calls versus interstate interexchange calls made by those subscribers."
    - State DEM Weighting compensates the few small Alaskan companies with very different calling patterns with few interstate calls that did not benefit from federal DEM weighting as much as other otherwise similarly situated small rural ILECs.
    - Concedes federal "local switching support" [the evolved federal DEM weighting subsidy] has been eliminated and subject to phase-down.
    - Consensus Plan would eliminate DEM Weighting support over 5 phasedowns.
    - If eliminated, costs met by DEM Weighting support would be rolled into local jurisdiction and would be theoretically recoverable through rate increases.

2. Rural Coalition Comments[32]:
    - Support phasedown elimination of DEM Weighting.
    - See no "material impact on voice service if the Commission ended DEM weighting support."

3. ACS Comments[33]:
    - Support phasedown elimination of DEM Weighting.
    - No significant effect on voice service by ending DEM Weighting.

4. AT&T Reply[34]:
    - Supports ACS and Rural Coalition phasedown elimination of DEM Weighting.

F. <u>PIPT</u>:

---

[30] GCI Reply, at 13.
[31] GCI Comments, at 23-26.
[32] RC Comments, at 23-24.
[33] ACS Comments, at 27-28.
[34] AT&T Reply, at 8.

1. GCI Comments[35]:
    - Consensus proposal would eliminate PIPTs where wireless coverage exists.
    - Notes that very little consumer interest in pay telephones, especially where wireless coverage exists.
    - Notes that pay telephones located outside a structure suffer from vandalism and high maintenance cost.

2. Rural Coalition Comments[36]:
    - Supports ending PIPTs to all areas with wireless coverage, notes that regulatory effort to conform support to actual costs would outweigh benefits to carriers.
    - Does not believe material impact on universal service if PIPT support were terminated or limited to areas that lack wireless coverage.

3. ACS Comments[37]:
    - Supports ending PIPTs to all areas, even where lack wireless?, noting that cost of accounting exceeds support and the phones are subject to vandalism and high costs.
    - Does not believe any substantial impact on universal service from elimination.

4. AT&T Reply[38]:
    - Supports full elimination of PIPT.
    - Notes that if the elimination is set by where wireless service is available, that the Commission reevaluate periodically to account for likely expansion of wireless under the Alaska Plan.

G. <u>Capping the AUSF:</u>

1. GCI Comments[39]:
    - GCI supports a surcharge cap of 10% as part of its support for the Consensus Plan.
    - GCI does not advance any competing or alternative cap of the Annual Fund amount.
    - Would exempt administrative costs of AUSF from the cap.

2. AT&T Comments[40]:
    - Supports capping the contribution rate, not the overall size of the fund (alone).
    - "Commission should also consider establishing a self-effectuating budget to ensure predictability in conjunction with a cap on the contribution rate."

3. Rural Coalition Comments[41]:

---

[35] GCI Comments, at 26-27.
[36] RC Comments, at 25-26.
[37] ACS Comments, at 28-29.
[38] AT&T Reply, at 8.
[39] GCI Comments, at 27.
[40] AT&T Comments, at 7-8.
[41] RC Comments, at 26-27.

- With the exception of Lifeline, all funding priorities should be rationed pro rata if a cap is implemented.
- Cap should not be imposed on overall Fund, shortfalls should not be automatically made up, but if a surplus is reported, AUSAC should be empowered to provide proportional "true-ups" to all affected carriers.
- Notes that aggressive VoIP revenue assessments in short term could improve Fund stability.
- Support surcharge cap of between 10-12%.

4. ACS Comments[42]:
   - Believes the Commission only became concerned about the surcharge in 2017 when it rejected a proposed surcharge in excess of 15%.
   - Supports a surcharge cap of 10% in the Consensus Plan, and notes it previously offered "principled cap" of 12.6%.
   - Surcharge cap seems sufficient without capping the overall fund size.

5. AT&T Reply[43]:
   - Suggests Commission should establish clear funding priorities/goals for the AUSF and develop a budget for those goals BEFORE arriving at a particular cap percentage.
   - Commission should take into account Alaska Plan disbursements and any other high cost support when establishing the budget.
   - AUSF program should sunset every 3-5 years to allow Commission opportunity to reevaluate program goals and budget periodically.

H. Broadband/Middle Mile Pivot:

1. GCI Comments[44]:
   - GCI contends pivoting to support for broadband and middle mile deployment would be overly contentious and would derail attempts to "address the critical issues facing the AUSF in a reasonable timeframe."
   - Schools, Libraries and health support already brings in over $100 million in federal support, no additional support from AUSF would "add a significant contribution."
   - CCL subsidizes local loop that is used for both voice and broadband, but it is a small subsidy – "GCI is unaware of any other way in which State of Alaska support is directed to broadband."

2. AT&T Comments[45]:

[42] ACS Comments, at 30-32.
[43] AT&T Reply, at 9.
[44] GCI Comments, at 28-29, 31-32.
[45] AT&T Comments, at 4-6.

- Focus any broadband program on unserved areas that receive no federal infrastructure support.
- Award funding to no more than one recipient per geographic area.
- Should focus on bring broadband Internet access to end users.
- Should be funded by general fund, not AUSF.
- Should sunset.

3. Rural Coalition Comments[46]:
   - Sheer cost of middle mile precludes AUSF support; if state wants to fund it, it should be accomplished through general fund.
   - Commission priority with AUSF should continue to be CCL/COLR.
   - Notes "without a robust last mile network, even the best middle mile infrastructure will not bring broadband to Alaskans." "Loss of support for last mile networks would defeat purpose of creating more middle mile capacity."
   - No evidence federal support for schools, libraries or rural health requires state supplementation.

4. ACS Comments[47]:
   - Qualified "no", unless a subset of broadband services could be categorized as intrastate in nature, shifting the AUSF to broadband would exceed limited jurisdiction.
   - Alaska-specific cost model would be a better approach to funding networks in high cost areas.
   - Jurisdictional restraints also preclude Commission from serving as best agency for promoting broadband/ middle mile in Alaska.
   - Same jurisdictional restraints appear to preclude AUSF support for schools, libraries and rural telehealth.

I. <u>AUSF Priorities (Additional or Reordered)</u>:

1. GCI Comments[48]:
   - No other substitute funding priorities not already listed in 3 AAC 53.350(e) are proposed.
   - Consensus Proposal would eliminate funding priorities in favor of pro rata reductions to all existing support categories should shortfalls exist.
   - No additional contribution base services exist beyond VoIP.
   - Supports revenue based current methodology, which it notes is consistent with federal safe harbor for VoIP and wireless service.

[46] RC Comments, at 28-30.
[47] ACS Comments, 32-34.
[48] GCI Comments, at 29 - 31.

- Not legally clear that a per line fee could be assessed on VoIP and wireless service.[49]

2. AT&T Comments[50]:
    - AT&T suggest no other telecommunications services that could be assess AUSF surcharge, but Commission "may want to be more explicit in its rules regarding how these general categories of revenues are to be assessed to ensure consistency."
    - Commission should follow any FCC lead so as to harmonize the approaches to assessing for universal service programs – no clear way to structure a per-line contribution methodology without "burdening" the federal USF.
    - NO Broadband assessment!

3. Rural Coalition Comments[51]:
    - Eliminate current priorities – replace with pro rata rationing with priority on full Lifeline (if any) payments each month.
    - No additional revenue sources identified – focus should be on whether all carriers are reporting subject revenue identically and closely examining substantial restatements of revenue.
4. ACS Comments[52]:
    - Favors eliminating study-area specific support for companies with multiple study areas so that CCL support can be pooled and targeted outside its originating study area.
    - Favors eliminating priority hierarchy in favor of pro rata rationing.
    - Commission already identified all possible contributing services.

J. <u>AUSF Elimination</u>:

1. GCI Comments[53]:
    - Complete elimination would have adverse consequences and would harm Alaskan end users.
    - "Companies would raise rates to consumers to the extent possible."

2. Rural Coalition Comments[54]:
    - AUSF brings state "tremendous good"; Commission should not abandon the fund because it is "complicated and aggravating at times."
    - Disputes that there is any unfairness in the AUSF funding of the telecommunications network.

---

[49] *See also* AT&T Reply, at 10 (stating agreement with commenters that suggest that Commission should wait for FCC to act on per-line assessments for USF contributions, until then, Commission should provide clearer guidance on how intrastate gross revenue should be assessed).
[50] AT&T Comments, at 8-9.
[51] RC Comments, at 31.
[52] ACS Comments, at 34-36.
[53] GCI Comments, at 31-32.
[54] RC Comments, at 31-32.

3. ACS Comments[55]:
    - Open question on whether AUSF is supporting broadband network, or vice versa, but acknowledges that it is true that support is fungible.
    - Notes that FCC voice-support is being eliminated and that AUSF may be the only remaining support for the service.
    - Giving break to Alaska consumers may be laudable, but may not be best policy. Suggests RCC reductions from Commission budget cuts from telecom deregulation as better alternative to eliminating AUSF.
    - ACS posed a series of its own questions, and its answers thereto, concerning the need to address deregulation, the elimination of COLR duties if COLR support is eliminated, how to ensure equal treatment of ILECs and CLECs, and eliminating AUSF support to carriers that are exempt from economic regulation by being coops or municipally owned. [56][57]
4. AT&T Reply[58]:
    - Agrees with ACS that elimination of COLR subsidy should terminate COLR-obligations.
    - Would extend this to IXC COLR, noting that it is an unfunded mandate to serve in areas that are uneconomical without appropriate support, and constitutes a competitive disadvantage.

K. <u>ACS Proposed Cost Model</u>

1. Rural Coalition Reply[59]:
    - Opposes ACS model as too costly to develop an adequate model and its potential for abuse.
    - Notes prior concerns with federal cost model joined by ACS at the time.
    - Suggests a similar Alaska-specific cost model proposed by ACS to the FCC used ACS' own network investment as the baseline, noting "that ACS has made less investment in the last decade than the average [rate of return] carrier in Alaska."
    - Cites to Commission statements to the FCC about cost modelling errors and mistaken assumptions having potentially "devastating" effects on small carriers.
    - One-size fits all cost model doesn't work in Alaska due to "dramatic differences in population, topography and climate."

2. Copper Valley Telephone Reply[60]:

---

[55] ACS Comments, at 37-38.
[56] ACS Comments, at 39-43.
[57] *But see* RC Reply, at 7-8 (urging Commission to reject ACS proposal to exclude all non-economically regulated carriers from receiving AUSF support, noting that ACS' assertion that the Commission is without any jurisdiction over non-economically regulated carriers ignores the Commission's role in overseeing eligible telecommunications carriers that it otherwise cannot economically regulate, and citing AS 42.05.840 in concluding that the state legislature did not intend to restrict the AUSF to benefit only Alaskans served by an economically regulated carrier).
[58] AT&T Reply, at 10-11.
[59] RC Reply, at 3-5.
[60] CVTC Reply, at 2.

- Challenges ACS line count errors and the resulting CCL per-line support comparisons that ACS made in support of its claim that ACS receives disproportionately low CCL support for the high cost nature of its service territory.
- Notes that OTZ Telephone actually receives only $17.93 per line in CCL, not the claimed $196.54 per line ACS suggested.
- Notes that CVTC receives only $23.82 CCL/line, not the $98.57 CCL/line reported by ACS.
- Also suggests that there is no way to independently verify the $0.25 CCL/line reported by ACS for its "Sitka-Bush" exchanges since ACS does not publically report lines in disaggregated form.
- Given errors, "[i]t is clear ACS should not be reporting information regarding other companies" and noting that Commission should request line counts from AUSAC or carriers directly if it wants to make comparisons on CCL Support inequities.

3. GCI Reply[61]:
    - Strongly opposes cost model proposed by ACS.
    - Cost model supposed to reflect all the cost inputs for a theoretical Alaskan network, "based on a multitude of engineering decisions" reduced to a mathematical formula populated with costs.
    - Notes "incredible complexity of developing a model local exchange network for the geographic conditions that vary from Juneau to Kodiak to Fairbanks to Barrow, then the incredible amount of cost data that would have to be plugged into the model for each location, all of which would have to be reviewed and litigated."
    - Cites to ACS own errors in their advocacy in the docket in highlighting the potential for human error.
    - Notes that models can be designed to be self-serving, and at a minimum should be vetted through "discovery and cross-examination."
    - Offers critique of ACS CCL/line figures, noting that ACS ignored the substantial COLR support it receives in "Sitka-Bush" areas - $21,267 in CCL vs. $179,148 in COLR. Also notes that while it excised Sitka from its calculations, it failed to excise Valdez from CVTC to get a more accurate comparison of CCL Support in remote areas.
    - Notes current model gives CCL support based on actual costs for each carrier based on a revenue requirement study, notes that ACS-Sitka has low CCL Support because it has low costs because "ACS and its predecessor companies simply have not invested significant sums in the service area."
    - Also notes that while isolated Bush exchanges may be difficult to serve, they are generally lower cost than remote study areas on the road system such as CVTC, because the customers in Bush exchanges are typically concentrated.

[61] GCI Reply, at 3-11.

1. Cap the AUSF surcharge assessed on intrastate services at 10%, effective January 1, 2018. A 10% cap will reduce the fund to under $20 million annually beginning in 2018. It will protect consumers from an escalating surcharge and provide predictability to providers and policy makers.
2. Should the draw upon the AUSF exceed the funds provided by a 10% surcharge, the resulting shortfall will be distributed pro rata across carriers. The current provision to delay certain payments to the next month in case of shortfall should be eliminated, as the reductions will not be paid later.
3. COLR support will be eliminated in Alaska's most densely populated, lowest cost areas using the FCC's definition of Remote vs. Non-remote areas. This framework for federal wireless CETC support was established in the 2011 USF Transformation Order[4], is based on US Census Bureau data and has been effective in re-targeting CETC support distributed under the Alaska Plan.[5]
4. COLR support in Non-remote service areas will be eliminated as of January 1, 2018. The total amount of Remote COLR will be frozen by study area at the December 31, 2016 level, effective January 1, 2018. Thus, COLR support will be eliminated in the FCC defined Non-

Telephone Cooperative, Inc., Cordova Telephone Cooperative, Inc., KPU Telecommunications, Matanuska Telephone Association, Nushagak Cooperative, OTZ Telephone Cooperative, Summit Telephone Company, Inc., TelAlaska, Inc., United Utilities, Inc./GCI.

[4] See USF/ICC Transformation Order, FCC 11-161, WC-Docket No. 10-90, adopted October 27, 2011 at footnote 876.

[5] See Alaska Plan Order, FCC 16-115, WC-Docket No. 16-271, adopted August 31, 2016 at paragraph 68.

Alaska Telephone Association
201 E 56th Avenue, Suite 114
Anchorage, AK 99518
(907) 563-4000

remote areas for Juneau, Fairbanks and the Matanuska Telephone Association (MTA) study areas. In other Remote areas, it will be frozen at last year's level. This will re-target COLR support outside Alaska's most developed areas, reduce the demand on the AUSF and provide certainty for providers.

5. In study areas with both Remote and Non-remote zones, COLR support for the Remote portion will be frozen based on allocation between Remote and Non-remote zones as of December 31, 2016 in a method approved by the Commission.[6]
6. Carrier Common Line (CCL) support remains unchanged and will be disbursed according to the mechanism in place today. CCL support will continue to undergird essential network connectivity that Alaskans rely on.
7. Lifeline support will be reduced to $1 as of January 1, 2018. This preserves a level of support for Alaska's neediest residents, while also accommodating the reality of a shrinking fund.
8. DEM Weighting will phase out over five years, beginning January 1, 2018. This sets a reasonable end-date but also allows affected companies time to adjust to the decline. The funds previously directed to DEM Weighting will be disbursed more broadly through the remaining AUSF programs.

[6] Zones are identified in footnote 876 of the USF/ICC Transformation Order.

Alaska Telephone Association
201 E 56th Avenue, Suite 114
Anchorage, AK 99518
(907) 563-4000

Exhibit 1

9. Public Interest Pay Telephone (PIPT) support will be eliminated in all areas except where no wireless service is available.[7]

10. Because COLR is being re-targeted using the Remote/Non-remote framework, addressing COLR support for individual companies becomes unnecessary. Therefore, the U-Dockets evaluating COLR support for MTA and Alaska Communications (ACS) should be extended by mutual agreement until the adoption of this framework and then dismissed.

This framework will reduce and stabilize the AUSF, protecting consumers and networks. It allows the AUSF to continue to complement federal USF and support mechanisms to operate, upgrade and deploy voice and broadband networks for Alaskans. Although providers are very likely to experience reductions in support, the reductions will be largely predictable and allow deliberate planning and management necessary to adjust operations accordingly. Consumers will have confidence that the AUSF surcharge will not be increased without future Commission action and that it will continue to be used to support vital public services.

ATA intends to file a Petition for Rulemaking and related draft regulations in May, 2017 with the intention of opening a venue for discussion regarding the AUSF and our framework. We believe these recommended changes can be implemented by January 1, 2018.

ATA and its member companies are grateful for the vital role the AUSF has played in the provision of service to our communities and customers, particularly since 2011 as our industry

[7] The FCC Form 477 Local Telephone Competition and Broadband Reporting includes coverage maps for wireless service and may be a useful resource in identifying areas where a PIPT is no longer necessary due to availability of wireless service.

Alaska Telephone Association
201 E 56th Avenue, Suite 114
Anchorage, AK 99518
(907) 563-4000

Exhibit 1