

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

STATE OF ALASKA
THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:	Stephen McAlpine, Chairman
	Robert M. Pickett
	Rebecca L. Pauli
	Norman Rokeberg
	Janis W. Wilson

In the Matter of the Consideration of Revisions to Regulations Governing Procedures Regarding Shortages in the Alaska Universal Service Fund))))))	R-17-001 ORDER NO. 1
---	----------------------------	-----------------------------

**ORDER OPENING DOCKET, REQUESTING COMMENTS, AND
ADDRESSING STATUTORY TIMELINE**

BY THE COMMISSION:

Summary

We open a regulations docket to consider eliminating the Alaska Universal Service Fund (AUSF) shortage carry-forward provision in 3 AAC 53.350(e). We seek comments on whether to preserve the payment priority list established in 3 AAC 53.350(e). We establish dates for filing comments. We address the statutory timeline for the proceeding.

Discussion

Under 3 AAC 53.350(e), when funds in the AUSF are not sufficient to fully disburse eligible support in a particular month, the fund administrator is directed to disburse available funds according to a payment priority list. The costs of administering the fund are the highest priority with remaining support paid in full down the list until the funds for the month are exhausted. Eligible support not disbursed in a month is deferred for disbursement. Deferred support is disbursed in full the following month, after

1 administrative costs are paid, and before any new eligible support for that month is
2 disbursed.

3 The AUSF is currently operating at a deficit. Over the course of the first
4 quarter of 2017, that deficit increased from \$378,892 as of December 31, 2016,¹ to
5 \$452,780 as of March 31, 2017.² The deficit is due to a continuing decline in the
6 contribution base on which the AUSF surcharge is assessed. Total reported AUSF
7 revenues decreased from \$354,938,611 in 2011³ to \$218,237,872 in 2016,⁴ an
8 annualized decrease of 7.7%. However, revenues decreased 17.7% between 2015 and
9 2016, which evidences an acceleration of the decline.⁵ Given this trend, the AUSF
10 deferred support carry-forward provision in 3 AAC 53.350(e) could relegate the AUSF to
11 a scenario of perpetual shortage, where only administrative costs and prior-month
12 disbursements are funded.

13 Commission Staff (Staff) recommends that we eliminate the carry-forward
14 provision so that funds available in any given month are disbursed only for eligible support
15 due in that month. Staff proposes that we establish procedures governing the
16 disbursement of AUSF funds in case of shortage in a particular month.

19 ¹2016 Quarterly Report CPCN 998 for Alaska Universal Service Administrative
20 Company, filed March 13, 2017.

21 ²2017 Quarterly Report CPCN 998 for Alaska Universal Service Administrative
22 Company, filed April 27, 2017.

23 ³Alaska Universal Service Administrative Company, AUSF Annual Summary,
24 Period Ending December 31, 2011.

25 ⁴Alaska Universal Service Administrative Company, AUSF Annual Summary,
26 Period Ending December 31, 2016.

⁵Alaska Universal Service Administrative Company, AUSF Annual Summary,
Period Ending December 31, 2015. Total Reported Revenues for 2015 was
\$265,232,699.

At our public meeting held June 28, 2017, we voted to open this rulemaking docket to address the narrow issue of whether to repeal or revise the payment priority list under 3 AAC 53.350(e) and to seek preliminary comments on the proposed revisions.⁶ At the meeting, Staff detailed alternate proposals for disbursing AUSF funds in the case of a shortage.⁷ One proposal provided that after administrative costs were paid, the remaining available funds would be allocated based on each recipient's aggregated claim of eligible support for the month on a pro rata basis.⁸ The other proposal would disburse available funds according to the payment priority list as is currently written until available funds for the month are exhausted. Eligible support not disbursed in a month would not be carried forward to the following month.⁹ Interested parties are encouraged to comment on both proposals.

Staff recommended that we add a subsection to 3 AAC 53.350 to ensure lifeline subscribers receive their full discount despite any shortages of AUSF funds during a particular month.¹⁰ Therefore, we also seek comment on the proposed subsection 3 AAC 53.350(g) that requires a provider to credit a lifeline subscriber his or her full amount of the lifeline service discount if the AUSF lifeline support is reduced or not disbursed in a particular month due to a shortage.

Requests for Comments

Comments must be filed July 31, 2017. All comments should reference Docket R-17-001. Because this is a rulemaking proceeding, commenters are not required to serve their comments on other interested persons. We will post copies of all filed comments on our web site at <http://rca.alaska.gov>.

⁶Tr. 49-51.

⁷Tr. 4-69.

⁸Tr. 7-54, R-17-00X, Alaska Universal Service Fund Review.

⁹*Id.*

¹⁰Tr. 39.

Decision Timeline

We are required by AS 42.05.175(e) to issue a final decision in a rulemaking proceeding not later than 730 days after the order initiating the proceeding is issued. Therefore, we will issue a final order in this proceeding no later than July 17, 2019.

ORDER

THE COMMISSION FURTHER ORDERS

1. This docket is opened to consider the elimination of the Alaska Universal Service Fund shortage carry-forward provision and seek comments on whether to preserve the payment priority list established in 3 AAC 53.350(e).

2. By July 31, 2017, interested persons may file comments¹¹ in response to this order.¹²

DATED AND EFFECTIVE at Anchorage, Alaska, this 17th day of July, 2017.

BY DIRECTION OF THE COMMISSION



¹¹If you are not interested in receiving future orders or notices concerning this subject matter, please e-mail rca.mail@alaska.gov or notify our office by mail at 701 West 8th Avenue, Suite 300, Anchorage, Alaska 99501-3469, or by telephone at 1-907-276-6222.

¹²If you are a person with a disability who needs special accommodation to participate in this process, please contact Joyce McGowan at 1-907-276-6222, toll free at 1-800-390-2782, or TTY 1-907-276-4533 at least one week in advance of any deadline to ensure that any necessary accommodations can be provided.

Staff Recommendation Option 1 – Order R-17-001(1)

3 AAC 53.350(e) is amended to read:

(e) **The administrator shall not disburse funds from the AUSF greater than the amount of surcharges collected for the month.** In the case of a shortage in the AUSF in a particular month, the administrator shall disburse the AUSF in the following order of priority:

(1) administrative costs;

(2) **repealed;**

(3) **repealed;**

(4) **repealed;**

(5) **repealed;**

(6) **repealed;**

(7) **repealed;[.]**

(8) any remaining funds available for disbursement shall be allocated based on the recipients aggregated claim of eligible support for the month on a pro rata basis.

3 AAC 53.350 is amended by adding new subsection to read:

(g) **The lifeline service provider shall credit the subscriber the full amount of the lifeline service discount the lifeline subscriber is eligible for in a current month regardless whether the universal service support paid to a lifeline service provider is reduced in a current month.** (Eff. 1/10/99, Register 149; am 1/11/2001, Register 157; am 7/31/2011,

Register 199; am ____/____/____, Register ____)

Authority: AS 42.05.141 AS 42.05.431 AS 42.05.800
AS 42.05.145 AS 42.05.711 AS 42.05.840
AS 42.05.151

Staff Recommendation Option 2 – Order R-17-001(1)

3 AAC 53.350(e) is amended to read:

(e) **The administrator shall not disburse funds from the AUSF greater than the amount of surcharges collected for the month.** In the case of a shortage in the AUSF in a

particular month, the administrator shall disburse the AUSF in the following order of priority:

- (1) administrative costs;
- (2) **repealed;**
- (3) universal service support eligible in a current month for the lifeline program;
- (4) universal service support eligible in a current month for local exchange carrier of last resort support;
- (5) universal service support eligible in a current month to reduce the carrier common line rate element paid by interexchange carriers;
- (6) universal service support eligible in a current month for public interest pay telephones designated under 3 AAC 53.740 - 3 AAC 53.799;
- (7) universal service support eligible in a current month for dial equipment minute (DEM) weighting.

3 AAC 53.350 is amended by adding new subsection to read:

(g) **The lifeline service provider shall credit the subscriber the full amount of the lifeline service discount the lifeline subscriber is eligible for in a current month regardless whether the universal service support paid to a lifeline service provider is reduced in a current month.** (Eff. 1/10/99, Register 149; am 1/11/2001, Register 157; am 7/31/2011,

Register 199; am ____/____/____, Register ____)

Staff Recommendation Option 2 – Order R-17-001(1)

Authority: AS 42.05.141 AS 42.05.431 AS 42.05.800
AS 42.05.145 AS 42.05.711 AS 42.05.840
AS 42.05.151