



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

*Bill Walker, Governor
Chris Hladick, Commissioner
Robert M. Pickett, Chairman*

Regulatory Commission of Alaska

November 17, 2016

In reply refer to: Tariff Section
File: TA23-998
LO#: L1600554

Judith A. Colbert
Agent
Alaska Universal Service Administrative Company
12350 Industry Way, Suite 200
Anchorage, AK 99515

Dear Ms. Colbert:

The Alaska Universal Service Administrative Company (AUSAC) is required to calculate and recommend an Alaska Universal Service Fund (AUSF) surcharge factor by October 1 of each year for the following calendar year.¹ AUSAC is also required to file for approval a budget for administrative costs by October 1 for the following calendar year.² We approve a proposed budget if we find that it is reasonable and in the public interest.³

On October 3, 2016, AUSAC filed TA23-998 proposing an AUSF surcharge factor of 15.4% to become effective January 1, 2017, and a budget for administrative costs for calendar year 2017.⁴

We have finalized our review of TA23-998. At this time, we find AUSAC's 2017 operating budget, as filed, is reasonable and in the public interest. Therefore AUSAC's operating budget as filed in TA23-998 is approved.

However, we do not approve the proposed AUSF surcharge factor of 15.4%. The AUSF will have a new revenue source – VOIP. It is not apparent whether the proposed AUSF surcharge factor included projections for this new source of AUSF contribution. Additionally, the proposed surcharge factor of 15.4% presumes a consistent downward

¹3 AAC 53.340(d).

²3 AAC 53.320(b).

³3 AAC 53.320(c).

⁴*Tariff Advice Letter 23-998, Alaska Universal Service Fund 2017 Surcharge Factor and Administrative Costs*, filed October 3, 2016 (TA23-998). October 1, 2016, was a Saturday; therefore, the filing was due by October 3, 2016.

trend in wireline revenue. If the assumed trend is correct, then in the near future there would be no wireline revenue. We find this premise unpersuasive.

In the first part of 2017 several changes to AUSF collections and disbursements may occur, all of which would result in a lower surcharge factor. As discussed above there is a possibility that collections will be above projections because VOIP revenues will be added and a possibility that the downward trend in wireline revenue may flatten. As to disbursements from the fund, we currently have under consideration whether of three ETCs will continue to receive LEC COLR support from the AUSF. If those carriers no longer receive COLR support, disbursements from the fund will decrease significantly, resulting in a lower surcharge factor. We also intend to open a docket to determine the future of lifeline support payments from the AUSF.⁵ The result of that docket could be a reduction or elimination of state lifeline support and a concomitant decrease in the surcharge factor. To promote rate stability at a time when collections could be more than projections and disbursements less, we do not increase the surcharge factor now, as AUSAC requests. We order AUSAC to continue to collect the current surcharge of 14.2%. We remind AUSAC that under 3 AAC 53.340(d) adjustments to the surcharge factor are proposed on a quarterly basis, as necessary.

COMPLIANCE FILINGS

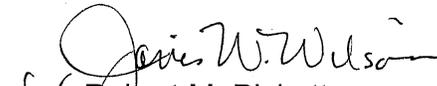
By November 30, 2016, we require AUSAC to file revised tariff sheets to reflect the 2017 14.2% surcharge factor.

Beginning 1st quarter 2017, we require AUSAC to file quarterly, year-to-date, budget-to-actual reports when it files its quarterly disbursement reports. The report must include the amount of surcharges budgeted and collected from the carriers, and the budgeted and actual support payments and administrative costs expended from the AUSF.

BY DIRECTION OF THE COMMISSION

Sincerely,

REGULATORY COMMISSION OF ALASKA


for Robert M. Pickett
Chairman

⁵ In Docket U-12-017 we ordered AUSAC to disburse payments of \$3.50 per line for lifeline pending the finalization of changes made to federal lifeline support mechanisms. In Docket R-12-004 we stated that we would revisit the \$3.50 per line payments after federal lifeline was settled. Federal lifeline issues are now settled