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Lieutenant Governor
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**OFFICE OF THE LIEUTENANT GOVERNOR
ALASKA**

M E M O R A N D U M

TO: J.P. Wood
Department of Commerce, Community & Economic Development

FROM: Scott Meriwether, Office of the Lieutenant Governor 465.4081 

DATE: February 15, 2018

RE: Filed Permanent Regulations: Regulatory Commission of Alaska

Regulatory Commission of Alaska regulations re: procedures to address shortages in the Alaska Universal Service Fund (AUSF) (3 AAC 53.350(e))

Attorney General File:	JU2017200555
Regulation Filed:	2/15/2018
Effective Date:	3/17/2018
Print:	225, April 2018

cc with enclosures: Linda Miller, Department of Law
Judy Herndon, LexisNexis

ORDER CERTIFYING THE CHANGES TO
REGULATIONS OF THE REGULATORY COMMISSION OF ALASKA

The attached one page of regulations, dealing with procedures regarding shortages in the Alaska Universal Service Fund, are certified to be a correct copy of the regulation changes that the Regulatory Commission of Alaska adopted at its November 8, 2017, meeting, under the authority of AS 42.05.141 and AS 42.05.151 and after compliance with the Administrative Procedure Act (AS 44.62), specifically including notice under AS 44.62.190 and 44.62.200 and opportunity for public comment under AS 44.62.210.

This action is not expected to require an increased appropriation.

In considering public comments, the Regulatory Commission of Alaska paid special attention to the cost to private persons of the regulatory action being taken.

The regulation changes described in this order take effect on the 30th day after they have been filed by the lieutenant governor, as provided in AS 44.62.180.

Date: 12-11-2017
Anchorage, Alaska


Stephen McAlpine, Chairman

FILING CERTIFICATION

I, Byron Mallot, Lieutenant Governor for the State of Alaska, certify that on February 15, 2018 at 1300 .m., I filed the attached regulations according to the provisions of AS 44.62.040 - 44.62.120.


Byron Mallot, Lieutenant Governor

Effective: March 17, 2018

Register: 225, April 2018

Register 225, April 2018 COMMERCE, COMMUNITY, AND EC. DEV.

3 AAC 53.350(e) is amended to read:

The (e) [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(2) repealed 3/17/2018 [UNIVERSAL SERVICE SUPPORT ELIGIBLE IN A PRIOR MONTH BUT NOT PAID IN THAT MONTH];

(3) universal service support eligible in a current month for the lifeline

← program;

(4) repealed 3/17/2018 [UNIVERSAL SERVICE SUPPORT ELIGIBLE IN A CURRENT MONTH FOR LOCAL EXCHANGE CARRIER OF LAST RESORT SUPPORT];

(5) repealed 3/17/2018 [UNIVERSAL SERVICE SUPPORT ELIGIBLE IN A CURRENT MONTH TO REDUCE THE COMMON CARRIER LINE RATE ELEMENT PAID BY INTEREXCHANGE CARRIERS];

(6) repealed 3/17/2018 [UNIVERSAL SERVICE SUPPORT ELIGIBLE IN A CURRENT MONTH FOR PUBLIC INTEREST PAY TELEPHONES DESIGNATED UNDER 3 AAC 53.740 - 3 AAC 53.799];

(7) repealed 3/17/2018;

(8) other universal service support programs listed in subsection (a), oldest of this section

claims first, pro-rated among claimants within a monthly accounting period

based on the total unpaid claims for that period;

(9) with the exception of valid claims for universal service support accrued

before [effective date of this provision] except for those claims, the administrator may not pay any

claim that remains unpaid more than six months after accrual, [UNIVERSAL SERVICE SUPPORT ELIGIBLE IN A CURRENT MONTH FOR DIAL EQUIPMENT MINUTE (DEM) WEIGHTING].

← (Eff. 1/10/99, Register 149; am 1/11/2001, Register 157; am 7/31/2011,

← Register 199; am 3/17/2018, Register 225)

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		

MEMORANDUM


State of Alaska
Department of Law

To: Hon. Byron Mallott
Lieutenant Governor

Date: February 15, 2018

File No.: JU2017200555

Tel. No.: 465-3600

From: Steven C. Weaver 
Sr. Assistant Attorney General
and Assistant Regulations Attorney
Legislation and Regulations Section

Re: Regulatory Commission of Alaska
regulations re: procedures to address
shortages in the Alaska Universal
Service Fund (AUSF) (3 AAC
53.350(c))

We have reviewed the attached regulations from the Regulatory Commission of Alaska against the statutory standards of the Administrative Procedure Act. I have reviewed this project under a specific delegation dated February 15, 2018 from the Regulations Attorney. These regulations update procedures to address shortages in the Alaska Universal Service Fund (AUSF), particularly the order of priority for disbursements from the fund.

We find no legal problems. This memorandum constitutes the written statement of approval under AS 44.62.060(b) and (c) that authorizes your office to file the attached regulations.

Please note that 3 AAC 53.350(e)(9) contains a placeholder for a date that is timed to the effective date of the regulations. Once the regulations are filed and the effective date thus established under AS 44.62.180, we request that your office make handwritten edits to substitute the correct date for the placeholder text.

The August 22, 2017 public notice December 11, 2017 certification of adoption order both state that this action is not expected to require an increased appropriation. Therefore, a fiscal note under AS 44.62.195 is not required.

Hon. Byron Mallott, Lieutenant Governor
Our file: JU2017200555

February 15, 2018
Page 2

We have made some technical corrections to the regulations in accordance with AS 44.62.125, as shown on the attached copy.

SCW

cc w/enc: (via email)

Stephen McAlpine, Chair
Regulatory Commission of Alaska

Micaela Fowler, Regulations Contact
Department of Commerce, Community, and Economic Development

J.P. Wood, Chief Administrative Law Judge and Regulations Specialist
Regulatory Commission of Alaska
Department of Commerce, Community, and Economic Development

Jeffrey Davis, Administrative Law Judge
Regulatory Commission of Alaska
Department of Commerce, Community, and Economic Development

Stuart W. Goering, Senior Assistant Attorney General
Commercial, Fair Business, and Child Support Section

MEMORANDUM


State of Alaska Department of Law

TO: Hon. Byron Mallott
Lieutenant Governor

DATE: February 15, 2018

FILE NO.: JU2017200555

TELEPHONE NO.: (907) 465-3600

FROM: Susan R. Pollard 
Chief Assistant Attorney General
and Regulations Attorney
Legislation/Regulations Section

SUBJECT: Specific delegation of authority
regarding regulations review on
Regulatory Commission of
Alaska regulations re: procedures
to address shortages in the Alaska
Universal Service Fund (AUSF)
(3 AAC 53.350(e))

By this memorandum, I am delegating my authority as Regulations Attorney under AS 44.62 to Assistant Attorney General Steven C. Weaver for the above-referenced regulations project. Under this delegation of authority, Steven Weaver has my full authority under AS 44.62 to conduct the legal review under AS 44.62 and take necessary actions on this regulations project.

If you have questions, please let me know.

SCW

cc w/enc: Scott C. Meriwether, AAC Coordinator
Office of the Lieutenant Governor

Steven C. Weaver
Sr. Assistant Attorney General and
Assistant Regulations Attorney
Legislation/Regulations Section

**NOTICE OF PROPOSED CHANGES ON THE ALASKA UNIVERSAL SERVICE FUND IN THE
REGULATIONS OF THE REGULATORY COMMISSION OF ALASKA**

The Regulatory Commission of Alaska (Commission) proposes, in Docket R-17-001, to adopt and amend regulations in Title 3 of the Alaska Administrative Code dealing with the Alaska Universal Service Fund (AUSF), including the following:

- (1) 3 AAC 53.340(c) will be revised to require a public utility to reconcile its gross intrastate revenues reported in the annual report to the AUSF administrator, with the revenues reported in its twelve monthly remittance worksheets.
- (2) 3 AAC 52.340(e) will be revised to add provisions establishing that revisions to data will not be accepted later than six months after the data month for which the revision applies, any prior-period adjustment request of five percent or more requires a detailed explanation of that request, and any cumulative adjustment of \$25,000 or more from a carrier in a calendar year requires Commission approval.
- (3) 3 AAC 53.350(d) will be revised to direct the fund administrator that the amount of Lifeline support provided shall be the eligible service discount that remains after Federal Lifeline support contributions have been maximized. In addition, the Lifeline provider reporting requirements will be revised.
- (4) 3 AAC 53.350(e) will be revised to reflect the changes on how universal service support payments are to be disbursed when there is a shortage in the AUSF for a particular month. In addition, a provision will be added allowing eligible but unpaid universal service support to be deferred for a period up to six months.
- (5) 3 AAC 53.350(g) will add a new subsection that allows unpaid eligible support deferred from prior months to be paid in the case of an AUSF surplus after administrative costs and current eligible universal service support is paid. In addition, the new subsection includes a provision that any claim to deferred eligible support not paid after six months is vacated.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by submitting written comments to the Regulatory Commission of Alaska at 701 West 8th Avenue, Suite 300, Anchorage, Alaska 99501. Additionally, the Regulatory Commission of Alaska will accept comments via the Commission's website at: <https://rca.alaska.gov/RCAWeb/WhatsNew/PublicNoticesComments.aspx>.

Comments may also be submitted electronically through the Alaska Online Public Notice System by accessing this notice on the system and using the "comment" link. All comments must be received not later than 5:00 p.m., on September 20, 2017. No reply comments are scheduled.

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact Joyce McGowan at (907) 276-6222, toll-free at 1-800-390-2782 or TTY (907) 276-4533 no later than three business days before the relevant public comment period ends, to ensure that any necessary accommodation can be provided.

Since this is a regulation proceeding, commenters are not required to serve their comments on other entities or persons set out on the service list of this Notice. Interested persons may request from the Commission copies of the comments filed in this proceeding. For a copy of the proposed regulation changes and related material contact the Commission's Records & Filings Section at the above address or at (907) 276-6222 or go to: <http://rca.alaska.gov/RCAWeb/home.aspx>. Those seeking to obtain the materials at the above website must pick "All Open Rulemaking Dockets" under *Top Searches* and choose matter number R-17-001.


After the public comment period ends, the Regulatory Commission of Alaska will either adopt the proposed regulation changes or other provisions dealing with the same subject, without further notice, or decide to take no action. The language of the final regulations may be different from that of the proposed regulation. You should comment during the time allowed if your interests could be affected. Written comments received are public records and are subject to public inspection.

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

Statutes Being Implemented, Interpreted, or Made Specific: AS 42.05.141; AS 42.05.145; AS 42.05.151; AS 42.05.306

Fiscal Information: The proposed regulation changes are not expected to require an increased appropriation.

DATE: August 21, 2017



Stephen McAlpine, Chairman

ADDITIONAL REGULATION NOTICE INFORMATION

(AS 44.62.190(g))

1. Adopting agency: Regulatory Commission of Alaska
2. General subject of regulation: Alaska Universal Service Fund Disbursements
3. Citation of regulation (may be grouped): 3 AAC 53.350
4. Department of Law file number, if any: JU2017200555

5. Reason for the proposed action:

- () Compliance with federal law
() Compliance with new or changed state statute
() Compliance with court order
() Development of program standards
(X) Other (identify): addressing universal service fund shortfalls

6. Appropriation/Allocation: None

7. Cost of implementation to the state agency and available funding (in thousands of dollars):

	Initial Year FY <u>2017</u>	Subsequent Years
Operating Cost	\$ <u>0</u>	\$ <u>0</u>
Capital Cost	\$ <u>0</u>	\$ <u>0</u>
1002 Federal receipts	\$ <u>0</u>	\$ <u>0</u>
1003 General fund match	\$ <u>0</u>	\$ <u>0</u>
1004 General fund	\$ <u>0</u>	\$ <u>0</u>
1005 General fund/ program	\$ <u>0</u>	\$ <u>0</u>
Other (identify)	\$ <u>0</u>	\$ <u>0</u>

8. The name of the contact person for the regulation:

Name: Jeffrey Davis

Title: Administrative Law Judge

Address: 701 W 8th Ave, Anchorage, AK 99501

Telephone: 907-263-2176

E-mail address: Jeffrey.davis@alaska.gov

9. The origin of the proposed action:

 X Staff of state agency
 Federal government
 General public
 Petition for regulation change
 Other (identify) _____

10. Date: December, 2017 Prepared by: _____
[signature]

Name (printed) Jeffrey Davis

Title (printed): Administrative Law Judge

Telephone: 907-263-2176

AFFIDAVIT OF NOTICE OF PROPOSED REGULATION
AND FURNISHING OF ADDITIONAL INFORMATION

I, Jeffrey Davis, Administrative Law Judge, of the Regulator Commission of Alaska, being sworn, state the following:

As required by AS 44.62.190, notice of the proposed adoption of changes to 3 AAC 53.350 regarding procedures in case of shortages in the Alaska Universal Service Fund has been given by being

- (1) published in a newspaper or trade publication;
- (2) furnished to interested persons;
- (3) furnished to appropriate state officials;
- (4) furnished to the Department of Law, along with a copy of the proposed regulation;
- (5) furnished electronically to incumbent State of Alaska legislators;
- (6) furnished to the Legislative Affairs Agency, Division of Legal and Research Services;
- (7) posted on the Alaska Online Public Notice System as required by AS 44.62.175(a)(1) and (b) and 44.62.190(a)(1);
- (8) furnished electronically, along with a copy of the proposed regulation, to the Legislative Affairs Agency, the chair of the Labor and Commerce Committee of the Alaska Senate and House of Representatives, the Administrative Regulation Review Committee, and the legislative council.

As required by AS 44.62.190, additional regulation notice information regarding the proposed adoption of the regulation changes described above has been furnished to interested persons and those in (5) and (6) of the list above. The additional regulation notice information also has been posted on the Alaska Online Public Notice System.

Date: December 11, 2017

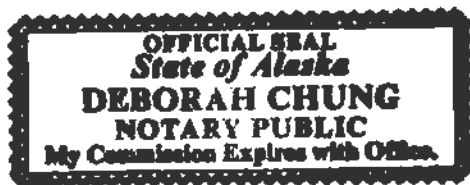


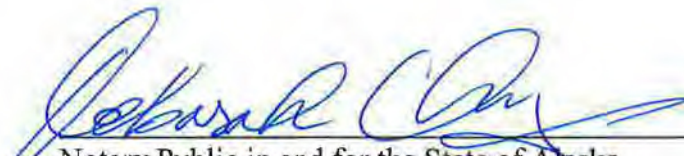
Jeffrey Davis, Administrative Law Judge

Subscribed and sworn to before me at ANCHORAGE, ALASKA on

December 11, 2017

(date)





Notary Public in and for the State of Alaska

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AO#107141-18

AFFIDAVIT OF PUBLICATION

STATE OF ALASKA
THIRD JUDICIAL DISTRICT

Joleesa Stepetin
being first duly sworn on oath deposes and
says that he/she is a representative of the
Alaska Dispatch News, a daily newspaper.
That said newspaper has been approved
by the Third Judicial Court, Anchorage,
Alaska, and it now and has been published
in the English language continually as a
daily newspaper in Anchorage, Alaska, and
it is now and during all said time was
printed in an office maintained at the
aforesaid place of publication of said
newspaper. That the annexed is a copy of
an advertisement as it was published in
regular issues (and not in supplemental
form) of said newspaper on

August 22, 2017

and that such newspaper was regularly
distributed to its subscribers during all of
said period. That the full amount of the fee
charged for the foregoing publication is not
in excess of the rate charged private
individuals.

Signed

Joleesa Stepetin

Subscribed and sworn to before me
this 22nd day of August, 2017

Britney L. Thompson

Notary Public in and for
The State of Alaska.
Third Division
Anchorage, Alaska
MY COMMISSION EXPIRES

2/23/2019
Notary Public
BRITNEY L. THOMPSON
State of Alaska
My Commission Expires Feb 23, 2019

NOTICE OF PROPOSED CHANGES ON THE ALASKA UNIVERSAL SERVICE FUND IN THE REGULATIONS OF THE REGULATORY COMMISSION OF ALASKA

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Statutes Being Implemented, Interpreted, or Made Specific: AS 42.05.141; AS 42.05.145; AS 42.05.151; AS 42.05.306

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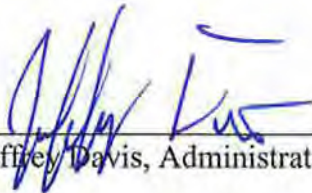
DATE: August 21, 2017
Sterling McAlpine, Chairman

AFFIDAVIT OF COMMISSION ACTION

I, Jeffrey Davis, Administrative Law Judge for the Regulatory Commission of Alaska, being duly sworn, state the following:

The attached motion dealing with procedures regarding shortages in the Alaska Universal Service Fund was passed by the Regulatory Commission of Election during its November 8, 2017, public meeting.


Date: 12/11/17



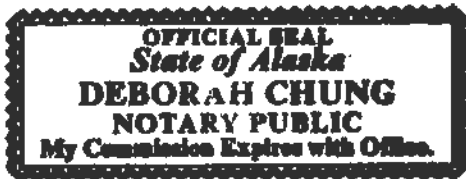
Jeffrey Davis, Administrative Law Judge

Subscribed and sworn to before me at ANCHORAGE, ALASKA on

December 11, 2017



Notary Public in and for the State of Alaska



1

STATE OF ALASKA

2

REGULATORY COMMISSION OF ALASKA

3

4

Before Commissioners: Stephen McAlpine, Chairman

Rebecca L. Pauli

5

Robert M. Pickett

Norman Rokeberg

6

Janis W. Wilson

7

8

9

REGULATORY COMMISSION OF ALASKA

10

701 West Eighth Avenue, Suite 300

Anchorage, Alaska 99501

11

12

PUBLIC MEETING

13

14

November 8, 2017

15

9:02 a.m.

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1 P R O C E E D I N G S

2 (On record - 9:02 a.m.)

3 CHAIRMAN MCALPINE: Good morning.

4 This is the time set for the public meeting of the
5 Regulatory Commission of Alaska. It's Wednesday,
6 November 8th, 2017.

7 Joining me on the dais are
8 Commissioners Wilson and Pickett. We anticipate
9 that Commissioner Pauli and Commissioner Rokeberg
10 will be joining us shortly.

11 The first item on the agenda is
12 public participation. Are there members of the
13 Anchorage audience who would like to address the
14 Commission? Please come forward, Christine, and
15 identify yourself for the record, if you will.

16 MS. O'CONNOR: Good morning. Thank
17 you. My name is Christine O'Connor, I'm the
18 executive director of Alaska Telephone
19 Association. And I'd like to ask permission from
20 the Commission to offer slightly extended public
21 comments this morning.

22 CHAIRMAN MCALPINE: Permission
23 granted.

24 MS. O'CONNOR: Thank you. I
25 have -- I have color commentary with my slides

1 too, so --

2 CHAIRMAN MCALPINE: I get nervous
3 when I see anything with dollar signs up on the --

4 MS. O'CONNOR: I don't think I have
5 any. Okay. So thank you for a few moments this
6 morning. Just thought I would offer some comments
7 and invite questions as we go along. Feel free to
8 jump in.

9 I -- as I said, I'm the executive
10 director of Alaska Telephone Association. These
11 are my active members, which are the carriers, the
12 LECs and their wireless affiliates, serving all of
13 Alaska.

14 The past year has been turbulent,
15 and we've all had a bumpy ride. But just like a
16 good catch on a stormy day in the Nushagak, this
17 is a ride worth taking. Because at the heart of
18 it all is meeting Alaskan's needs for advanced
19 telecommunication services wherever Alaskans are.

20 we all care about making sure every
21 Alaskan can make a call or use the Internet
22 wherever and however they want to be connected.

23 Are we there yet? No. Is it more
24 urgent than ever that we get there? Yes. Are we
25 making good, strong strides forward? Yes, we are.

1 Are we committed to working to find a positive
2 future for the Alaska Universal Service Fund to
3 make sure Alaskans continue to be connected? We
4 are.

5 This morning as we think about the
6 overall purpose of the Alaska Universal Service
7 Fund, I'd like to suggest a thought experiment.
8 It's very basic. But the question was posed to me
9 recently: what is the value of a LEC?

10 And I actually had to stop and
11 gather my thoughts. It's so ingrained because
12 I've been in industry for most of my adult life
13 now.

14 Let's do a thought experiment.
15 What if the LECs disappeared tomorrow? What would
16 not work? I called some of the experts in my
17 field, and this is a partial list.

18 Most wireless service would not
19 work without the LEC, most Internet service, all
20 the PSAPs, 911 calls would not work. Long
21 distance would not work without the LEC, local
22 calls.

23 And there are still -- I couldn't
24 put my hands on a recent number -- but there are
25 still tens and probably hundreds of thousands of

1 landlines in this state that are critical to
2 users.

3 Communication to the Lower 48 would
4 not work without the LECs. VoIP calls -- the
5 magic VoIP would not work without the LEC because
6 they're interconnected through the PSTN.

7 Internet and telephones in schools,
8 libraries, anchor institutions all depend on the
9 LEC. Business phone systems, business data
10 networks, credit card machines, gas stations.
11 Many electrical grids rely on the local LEC
12 network for their connectivity. Remote metering
13 for natural gas and electric.

14 So what is the social value of a
15 LEC? It's hard to quantify, but I think we can
16 see from the list that the qualities are things we
17 rely on every hour of every day.

18 The AUSF has done and continues to
19 do a lot of good supporting advanced
20 telecommunication service to Alaskans throughout
21 the state.

22 The reality is that today's
23 networks provide connectivity in whatever flavor
24 Alaskans request. Voice, data, broadband, all in
25 both fixed and mobile varieties.

1 whether that service is delivered
2 to a home or a business, to the smartphone, even a
3 flip phone -- they're still out there -- it must
4 have a robust wireline network. Even the greatest
5 wireless service isn't going to work if the signal
6 can't get beyond the tower to a strong, last mile
7 network.

8 A decade ago the buzz word was
9 "convergence." Today convergence is so baked in,
10 we don't even remark on it anymore. All
11 telecommunication service is interconnected and
12 dependent on the network ATA's members provide.

13 The AUSF is an integral,
14 underpinning to the network servicing every
15 community. But universal service in Alaska is
16 supported through a complex puzzle of funding
17 broader than the AUSF, and even broader than the
18 Federal Universal Service Fund.

19 Cooperatives, private investors,
20 and municipalities have poured hundreds of
21 millions of dollars into their networks over many
22 decades. They've taken on debt and risked their
23 equity to build and operate advanced networks.

24 And nearly every Alaskan chips in
25 every month when they pay the rates and surcharges

1 on their bill. Each piece, AUSF, USF, equity,
2 debt, and end-user payments, combines to form the
3 foundation for advanced connectivity for Alaskans.

4 Given the complexity of the
5 funding, which provides essential service to
6 Alaskans, it is not a small thing to contemplate
7 sweeping changes to a significant piece of the
8 puzzle, how to stabilize the AUSF and use it to
9 provide broadband service. We appreciate the
10 complexity of the task you are tackling.

11 Over the past year we've also
12 struggled with these complexities. We've provided
13 comments along the way. We offered a unanimously
14 supported concept to create a transition period
15 for the AUSF, which would have protected consumers
16 from an escalating surcharge and providers from
17 uncertainty which disrupts networks.

18 Our mission is aligned with yours,
19 how to extend more connectivity to more Alaskans.
20 In fact, our mandate from the FCC is to operate
21 and improve broadband networks while still
22 providing voice service. We have not been
23 relieved of that obligation. Each is essential,
24 and we are using our resources to meet that
25 mandate.

1 The 2017 ETC reports filed with the
2 Commission, again, reported a range of
3 broadband-related projects, such as fiber to the
4 Illiamna airport; 4G upgrades. I was just told
5 there was 52-megabyte wireless service happening
6 on the North Slope at Kuparuk.

7 These are great news. Related
8 backhaul capacity to the North Slope, fiber to the
9 premises, fiber to schools, fiber to libraries,
10 fiber to cell towers, and much more.

11 For example, last year, Cordova
12 Telephone Cooperative invested 1.7 million in new
13 or upgraded broadband infrastructure and spent 2.2
14 million operating and maintaining that
15 infrastructure. Company after company provided
16 similar reports of investment in broadband
17 networks.

18 In a recent opinion piece in the
19 Fairbanks Daily News-Miner, we reported a wide
20 range of infrastructure projects, all supporting
21 an extending broadband service. These are just a
22 sample of the investment in networks underway
23 today.

24 We are in agreement that more
25 Alaskans must be connected and quickly. What's

1 missing? Middle mile is the talk of the state,
2 and that's a good thing.

3 Limited and nonexistent middle mile
4 infrastructure prevents too many Alaskans from
5 having access to broadband. As an industry, we
6 have been investing and seeking viable solutions
7 to solve this problem for years, and much progress
8 has been made.

9 We've previously entered these maps
10 into the map. And Commission staff, with
11 additional input from industry, have recently
12 compiled even more detailed maps than this one
13 showing the dramatic progress happening to extend
14 middle mile infrastructure.

15 We recognize the job is not done,
16 and we don't know exactly how all the gaps will be
17 filled. But we are proud of the progress that's
18 been made and committed to continue to invest.

19 It's been suggested that the AUSF
20 be eliminated and replaced with a grant structure
21 to fund broadband, possibly through grants to
22 build middle mile infrastructure to fill the gaps.

23 This sounds like a simple fix, just
24 use the AUSF to build broadband. But the actual
25 implementation of such a program is not so simple.

1 Today, AUSF supports broadband networks through an
2 efficient administrator.

3 Administering a new grant program
4 will divert resources from both the grantor and
5 the providers, resources which are much better
6 spent on the actual infrastructure.

7 It will also insert unnecessary
8 uncertainty into network planning. Building and
9 operating broadband networks requires predictable,
10 sustainable funding. The same with any
11 infrastructure.

12 It's not enough to simply grant an
13 award to build a chunk of middle mile and walk
14 away. To have value, that new infrastructure must
15 be operated and maintained over time.

16 To do this, it is essential that
17 funding be predictable and sustainable over the
18 long life of the network.

19 Beyond the difficulties of adopting
20 a grant structure, even repurposing the entire
21 AUSF exclusively to fill gaps, won't move the
22 middle mile needle very quickly.

23 A recent engineering study
24 submitted by the Rural Coalition in Docket
25 U-17-004, concluded that in order to complete the

1 job of bringing broadband to the entire state, an
2 additional 1.5 to 1.9 billion in additional
3 investment is going to be needed.

4 Even if the -- the current AUSF is
5 eliminated entirely and that \$28 million is
6 entirely purposed to filling broadband gaps, it
7 will take over 50 years to complete the job of
8 just construction.

9 Meanwhile, funds are needed for
10 operating and maintenance. And in such a
11 scenario, the impacts of elimination of AUSF
12 support would be felt as last mile networks were
13 impacted. Exclusive focus on middle mile is
14 myopic and will quickly cause unintended
15 consequences.

16 In some rural networks, the
17 elimination of AUSF support would require
18 increased level of local service rates, greatly
19 exceeding the reduction through elimination of the
20 AUSF charge. Without critical last mile
21 infrastructure, no amount of middle mile
22 investment will deliver broadband to users.

23 A balanced approach to funding both
24 last mile and middle mile networks must be
25 identified. This is the approach the FCC took

1 when the Alaska Plan was upgraded, was targeted to
2 last mile upgrades. But with new flexibility
3 added to allow the entire network to be supported,
4 but with expressed commitment to operate and
5 upgrade where possible.

6 Funds already supporting last mile
7 connectivity were preserved and no new funding was
8 added or identified for last mile.

9 The old high-cost support
10 structure, which reimbursed companies for certain
11 investments and expenses, has been completely
12 replaced nationwide with reduced funding and
13 increased obligation.

14 Alaska providers were fortunate to
15 have a third path. It froze existing funds and
16 tailored obligations to meet each carriers'
17 circumstances. But funding was frozen at an
18 overall reduced level.

19 Price cap carrier funds were also
20 frozen at a reduced level and targeted to specific
21 locations, leaving some locations with no funding
22 for last mile upgrades or even maintenance of
23 voice services, and no new funding for middle mile
24 again.

25 And A-CAM, or model-based funding,

1 was reduced during implementation due to
2 shortfalls in the federal high-cost budget. No
3 additional federal funding has been directed
4 toward Alaska.

5 Instead, all providers have
6 committed to move forward with frozen support,
7 which in effect, is continually reducing support
8 as the effects of the freeze compound year after
9 year. But they did that in return for certainty
10 and achievable obligations.

11 One more note of reduction and
12 uncertainty on the federal side. Intercarrier
13 compensation was also the subject of the 2011
14 reform order. The order placed terminating access
15 on a glide path to bill and keep, and it froze
16 other access rate elements.

17 Originating access rates were
18 allowed to continue to be adjusted, resulting in
19 increased rates in some areas. As terminating
20 rates were reduced, a federal support mechanism
21 has been in place called the CAF-ICC. However, it
22 will sunset in 2020. So that's practically
23 tomorrow.

24 The FCC is asking for industry
25 to -- all players to refresh the record on the ICC

1 reform and suggest what they should do about
2 originating access, what they should do about the
3 ICC-CAF support. This all adds uncertainty, a
4 well-known disrupter of investment in
5 infrastructure.

6 Just in summary, I would just say,
7 ATA's members are working hard to meet their
8 obligations to operate, upgrade, and deploy
9 broadband networks. As federal support has
10 changed, they continue to push forward. And we
11 are making progress.

12 The reality of reduced and
13 retargeted federal funding has made this more
14 challenging. But at least the certainty provided
15 by the resolution of the Alaska Plan, A-CAM, and
16 CAF II has given industry something to plan to.

17 Albeit, all three mechanisms are
18 providing frozen funding as an overall reduced
19 level to the state.

20 ATA's members agree with the
21 Commission, industry has changed dramatically in
22 recent years. And we understand your desire to
23 see changes to the AUSF, which respond to Alaska's
24 needs for broadband.

25 As an industry, we continue to work

1 to find a path forward for the Alaska Universal
2 Service Fund, which protects consumers and expands
3 broadband without inadvertently harming essential
4 service.

5 Thank you for your commitment and
6 your hard work for Alaskans. We look forward to
7 our part in continuing to build and operate the
8 networks. So thank you for allowing me to offer
9 extended comments this morning.

10 CHAIRMAN MCALPINE: Is there
11 Commissioner comment or inquiry? Commissioner
12 Rokeberg?

13 COMMISSIONER ROKEBERG: Thank you,
14 Mr. Chairman. Good morning, Christine.

15 MS. O'CONNOR: Good morning.

16 COMMISSIONER ROKEBERG: Just to
17 clarify, a -- the large number perspective when
18 there -- you made a comment about the necessity of
19 investing another 1.5 to \$1.9 billion to build
20 that sufficient broadband deployment -- is that in
21 excess of what's contemplated under the Alaska
22 Plan and current expansion?

23 So, it's approximately in that
24 range, \$1.5 billion total, if I understand the
25 Alaska Plan --

1 MS. O'CONNOR: Uh-huh.

2 COMMISSIONER ROKEBERG: -- roughly.

3 But -- so this is in addition to that?

4 MS. O'CONNOR: Yes. The
5 1.5 billion of the Alaska Plan over 10 years is
6 actually a reduction to the state, and it was
7 existing funds that were already supporting the
8 networks.

9 So it was a big win. However, it
10 was also, you know, snatching -- snatching
11 ourselves out of the fire of the reductions that
12 were happening.

13 The additional 1.5 billion is to
14 build infrastructure where it doesn't exist today.
15 But the first 1.5 billion of the Alaska Plan is
16 already committed to the obligations of running
17 the existing networks, upgrading them, and
18 deploying some new service.

19 COMMISSIONER ROKEBERG: So it's --
20 it's upgrading these versus extensions or
21 expansion?

22 MS. O'CONNOR: It's both. For
23 exam- --

24 COMMISSIONER ROKEBERG: That's what
25 I thought it was. Right, so --

1 MS. O'CONNOR: It's both. So
2 the -- that 1.5 billion, they've defined what
3 expansions will happen, the number of locations,
4 percent of population served under the Alaska Plan
5 funding.

6 The 1.5 billion of the study is
7 looking at beyond those areas where we don't have
8 connections into villages or the areas, the dots
9 that don't have lines to them. What would it take
10 to connect everywhere? That's the additional 1.5
11 to 1.9.

12 COMMISSIONER ROKEBERG: Thank you.

13 MS. O'CONNOR: You're welcome.
14 It's daunting.

15 CHAIRMAN MCALPINE: Was that
16 addressed to whom?

17 MS. O'CONNOR: The "thank you"?

18 CHAIRMAN MCALPINE: Commissioner
19 Pickett?

20 COMMISSIONER PICKETT: Thank you,
21 Christine, for your presentation. The 1.5
22 billion -- and I've even seen figures a little bit
23 higher than that -- is a daunting number. And I'm
24 going to put you on the spot.

25 Do you think it's realistic to

1 expect that the federal government or the State
2 government is going to write a check for any
3 significant portion of that, in the -- say the 5
4 to 10-year period?

5 MS. O'CONNOR: Thank you,
6 Commissioner Pickett, for the question. I don't
7 think that any entity is probably going to write
8 that check. However, I think there's a role for
9 the federal government to play.

10 Five years ago I would have looked
11 to the State to cut some checks incrementally to
12 that -- for that to happen. I don't know that
13 that's our situation today.

14 There is talk -- still talk of an
15 infrastructure fund coming out of Washington, D.C.
16 I would really press hard -- and already having
17 those conversations, should that materialize, this
18 is infrastructure that would be a perfect fit and
19 legitimate use. I doubt they will give us the
20 full amount. If they did, it would be terrific.

21 COMMISSIONER PICKETT: Which leads
22 me to a follow-up question. And I think one of my
23 criticisms of the broadband task force, as I've
24 seen come and go over the last 10 years -- and I
25 was involved with one of them in 2008, 2009 -- is

1 the tendency to create a public impression that
2 oversells the economic reality.

3 And that's a problem because it
4 distracts the players and the industry
5 governmental officials from making sound decisions
6 that are realistic.

7 And, you know, as you can see,
8 later in the agenda we're in the process of
9 preparing a report to the Legislature. And I'm
10 sure you folks will be called to answer questions
11 too as that unfolds.

12 And so I guess -- and I -- I'm
13 presuming that Shannon is going to give her
14 presentation in public comment, and I'll have --
15 save some questions for her.

16 MS. O'CONNOR: Uh-huh.

17 COMMISSIONER PICKETT: Is -- the
18 difficult thing is, how do you separate out
19 telecommunication needs from telecommunication
20 wants?

21 And the simple fact of the matter
22 is -- and there's a very interesting conference
23 that's been going on -- or they're getting ready
24 to kick off in London with the European telecomm
25 companies dealing with a lot if this -- capacity

1 issues on their networks.

2 And is there some rough justice
3 form of cost causer, cost payor, depending on
4 whether it's video, voice, text, all that -- and
5 it's a can of worms. Trust me, it is a total can
6 of worms.

7 And the economics are so askew that
8 I think they're having a hard time getting a
9 handle on it, and we have similar issues here.

10 And so any thoughts, the
11 industry -- and given our AUSF jurisdiction, which
12 is permissive -- and it's clear from the
13 legislative intent, it's totally tied to
14 intrastate voice.

15 MS. O'CONNOR: Uh-huh.

16 COMMISSIONER PICKETT: You know, we
17 stretched it in R-08-003 to get where we're at
18 today. But any thoughts that the industry has
19 on -- you know, because that's going to be front
20 and center in a lot of these policy debates?

21 MS. O'CONNOR: I think as industry,
22 we have a long experience of realistic and
23 practical building infrastructure. We have a
24 great track record. Things get built, they
25 continue to operate, they continue to be

1 maintained. And in a realistic way, the network
2 is being extended across Alaska.

3 I think where unrealistic ideas
4 enter in, is people are frustrated. Broadband is
5 more and more important. I fear that we're
6 falling -- actually falling behind as a state as
7 the state of technology accelerates in the world.

8 So there's that frustration. And
9 the tantalizing, here's a plan, one fell swoop we
10 can make it happen. That's where I think
11 distortions are -- are entered in and ideas that
12 could actually disrupt the deliberate practical
13 positive progress that's happening.

14 COMMISSIONER PICKETT: And I
15 appreciate your presentation and, you know, the
16 role of LECs in the overall state system because,
17 you know, they are important.

18 But I think when you're in an era
19 of relative scarcity of funding resources,
20 prioritizations have to be made.

21 And I guess in my mind -- and this
22 will be sorted out in the overarching AUSF
23 discussions -- is there's a distinctly different
24 circumstance in many areas of this state, rural
25 Alaska, that has a limited economic base and

1 limited economic options compared to, say the
2 railbelt or the larger communities in southeast
3 Alaska.

4 MS. O'CONNOR: Uh-huh.

5 COMMISSIONER PICKETT: And so in
6 terms of purposing AUSF going forward, do you have
7 any thoughts on that? And I agree with your
8 grant-making comments. It may play a role.

9 But having been in the grant-making
10 arena for 30 years, it's not -- is -- giving money
11 away is not as easy as it sounds. And so there
12 may be an OPEX piece and some kind of a CAPEX
13 piece, so any thoughts on that?

14 MS. O'CONNOR: I think my biggest
15 priority is just, do no -- first, do not harm. We
16 have to make sure that the essential roles of the
17 network -- which the networks converged, it's
18 doing it all; it's hard to sort out and say, this
19 chunk is intrastate. But intrastate is happening
20 on the network.

21 Not being an attorney, that's how I
22 kind of sort through your first -- you know, the
23 statute. Make sure that the support is at a core
24 level, supporting and allowing the networks to
25 continue uninterrupted. Just --

1 COMMISSIONER PICKETT: And so I
2 guess my question -- I don't mean to keep you on
3 the hot seat here -- is: How is it that the
4 Commission has any real understanding -- I mean,
5 by and large, the current state of
6 telecommunications is, the Commission does not
7 regulate telecommunications markets.

8 MS. O'CONNOR: Uh-huh.

9 COMMISSIONER PICKETT: And it's
10 clear when you look at the filings we get -- the
11 question I ask myself, if this filing were not to
12 come in, is the public any worse off? And so we
13 do have a role, however, in regulating the flow of
14 subsidy money that we're granted the authority to
15 regulate.

16 MS. O'CONNOR: Uh-huh.

17 COMMISSIONER PICKETT: And with
18 that control comes a responsibility for
19 accountability. And, you know, at this stage of
20 the game, there is no out -- I mean, when I look
21 back at 2008 revenue requirements and I go, this
22 is some sort of a foundation for decisions being
23 made in 2018, it's laughable, having gone back and
24 looked at this.

25 So, again, is the industry

1 thinking -- and I -- when you look at the
2 performance reporting metrics that the FCC has put
3 on the Alaska telecomm companies, they're just
4 strictly going on broadband performance, okay?

5 And given that that's out of our
6 statutory wheelhouse, is that an appropriate
7 metric to just grab ahold and say, good enough for
8 the FCC, good enough for us? For me it's not, so
9 any --

10 MS. O'CONNOR: Yeah. It is a
11 dilemma. I think having spent the last three
12 years in extended, pretty detailed conversations
13 with the FCC staff, they did make the decision you
14 just described, that the cost, the burden, the
15 complexity of trying to track every detail of this
16 funding was not worth the result they were
17 getting.

18 They decided they would much rather
19 see what metrics the end user was going to
20 experience. And that's what industry will be
21 measured on.

22 One of the first thoughts when we
23 were talking about, freeze the existing funding
24 and we will perform with it, one of the first
25 feedbacks we got, we won't need cost studies

1 anymore.

2 Essentially putting them in the
3 same role where you are, where you have
4 responsibility over this funding, responsibility
5 over the results, is it in the public interest,
6 without that visibility into the detail.

7 They made that decision. Not --
8 not pressing you to do that, but that -- that's
9 how we are operating with the federal USF.

10 I think it'll be very successful.
11 We're already seeing projects and performance. My
12 members are clamoring to have access to the
13 federal hub portal so they can report the number
14 of locations already served.

15 COMMISSIONER PICKETT: So, I
16 promise, this will be my final question.

17 MS. O'CONNOR: That's great.

18 COMMISSIONER PICKETT: Okay. So
19 given our current statutory authority and
20 guardrails on the AUSF fund, if I were to say
21 something to the effect, if I can pull out my flip
22 phone -- I mean, Commissioner McAlpine and I are
23 sort of the neand- -- I've got a smartphone, but I
24 like my flip phone too -- and if I can get a voice
25 signal anywhere in any given study area,

1 everything's A-okay and you're good to go.

2 I mean, because that's sort of --
3 yeah, I realize right --

4 MS. O'CONNOR: You're not -- if --
5 if you're standing out, you may not be A-okay if
6 there's disruption to the funding. That -- we
7 really -- two things. One, universal service is
8 still very important, particularly in Alaska.

9 I think the federal supports are
10 not as committed to universal service as they were
11 when I came into industry. It's more important in
12 Alaska than anywhere else.

13 And also, as an industry, we are
14 having extensive conversations, talks,
15 discussions, in my conference room the phones are
16 buzzing back and forth in industry. So we are
17 very focused on this. I don't have an answer and
18 another suggestion --

19 COMMISSIONER PICKETT: Uh-huh.

20 MS. O'CONNOR: -- for you. But I
21 would say, just because you can open your flip
22 phone and use it, don't assume you're A-okay going
23 forward if support mechanisms were disrupted.

24 COMMISSIONER PICKETT: So what I'm
25 hearing is, parts of the voice network would shut

1 down? And is that --

2 MS. O'CONNOR: Depending on the
3 level of disruption, yes. I'm not saying that
4 AUSF by itself --

5 COMMISSIONER PICKETT: So existing
6 infrastructure would be abandoned or --

7 MS. O'CONNOR: It depends on how
8 much funding was cut. And that's a
9 company-by-company evaluation. Companies are
10 differently situated, so I'll just not wade into
11 that here on their behalf.

12 COMMISSIONER PICKETT: Right. No,
13 you're very smart not to. So thank you very much.

14 MS. O'CONNOR: Thank you.

15 COMMISSIONER ROKEBERG:
16 Mr. Chairman?

17 CHAIRMAN McALPINE: I can't let
18 that --

19 COMMISSIONER ROKEBERG: Oh.

20 CHAIRMAN McALPINE: -- pass that I
21 operate with a flip phone. I'll take that one
22 step further. That flip phone is only on when I'm
23 making a call. I don't receive text messages.

24 I -- there's some people, I guess,
25 that don't enjoy themselves and they have to have

1 some sort of substitute for that. I don't need to
2 have a phone in my hand 24/7 to get by in life.

3 Commissioner Rokeberg?

4 COMMISSIONER ROKEBERG: Thank you,
5 Mr. Chairman. Just a follow-up question, and this
6 relates to -- to an issue that Commissioner
7 Pickett brought up. That is to say, our report to
8 the Legislature, which we'll be discussing later
9 on this morning, to a degree -- the -- one of the
10 issues we have and the request by the Legislature
11 is to try to identify the gaps in coverage.

12 We've pursued a -- a mapping
13 system. We've had, I think, very good cooperation
14 from the -- the industry in doing this.

15 One of my concerns is, a reminder
16 this morning reading the Anchorage Dispatch was
17 that the -- Cordova Telephone made a -- issued a
18 press release about new investment in their
19 broadband deployment. And also a part of the
20 presentation you made this morning, you had a
21 sampler of 2017 broadband projects.

22 One of our problems is trying to
23 keep track of what's happening in terms of
24 updating and where investments and infrastructure
25 are being made by the various companies.

1 So do you have a process that you
2 do, either informally or formally there -- where
3 you try to keep track of what's going on that
4 might be -- we might be able to access or work
5 together to try to, number one, with the goal of
6 informing, not only ourselves, but the Legislature
7 in this task for us? Which I think is -- this
8 task, which will be ongoing, I think, in the
9 future.

10 MS. O'CONNOR: That's a very good
11 question, Commissioner Rokeberg. And short
12 answer, we're working on it. It's -- the list
13 that I displayed there and that we put in the
14 Fairbanks Op-Ed, I just reached out to my members,
15 hey, what are you up to?

16 what I am working on now is -- will
17 be creating a page on ATA's web site where my
18 members can just send me what they're doing. The
19 federal regulators are very interested to see that
20 as well, although it's not in a formal metric.

21 They want to see that they made the
22 right choice in, you know, investing in us to go
23 forward. So we are creating that. It won't be,
24 you know, a -- I want it to be as comprehensive as
25 it can be, but, you know, things could get missed.

1 So it won't be, you know, a
2 compliance-level list. But, yes, we are creating
3 that. It doesn't exist today, to my knowledge.

4 COMMISSIONER ROKEBERG: Well, I
5 appreciate that. And I -- in a sense personally,
6 on behalf of the Commission, reaching out to see
7 if we can, perhaps, work together -- given some of
8 our staffing constraints in various things, being
9 able to do this type of thing.

10 And incidentally, the GCI
11 information in the filings they provided, were
12 extraordinarily helpful. But they were based upon
13 the Form 477 reports in June of '16. So they're
14 already over a year late in terms of what's
15 happening, and things are happening faster rather
16 than slower right now.

17 MS. O'CONNOR: Uh-huh.

18 COMMISSIONER ROKEBERG: So thank
19 you very much.

20 MS. O'CONNOR: One more item, if I
21 may. With the finalization of CAF, A-CAM, Alaska
22 Plan, and national reform, the mapping is going to
23 get much more current. There is a portal opening
24 March 1st for a lot of data to go in. So some of
25 those -- some of that lag will be shorter going

1 forward.

2 COMMISSIONER ROKEBERG: I'll
3 follow-up. Is there any standardization of
4 software about that so there's ability to --

5 MS. O'CONNOR: I -- I am not sure.
6 It -- there will be required shape files. And
7 those, I think, are pretty standard. But that's
8 not my realm.

9 And I'd also just insert one note
10 of caution, in Alaska, we'll be submitting middle
11 mile maps. But the first attempt at standardizing
12 those was going to end up costing \$10 million.

13 So we're going back and forth with
14 FCC staff because it's not simple and it's not
15 cheap to map and provide all this data. There's
16 always a cost, usually ways that are less
17 expensive than others. So we're working on
18 navigating that.

19 But when those maps are being
20 submitted, you'll get a much more realtime picture
21 of what's happening with that picture.

22 COMMISSIONER ROKEBERG: Well, any
23 suggestion as to how we can establish some type of
24 standard that would make the process better and
25 more efficient?

1 MS. O'CONNOR: I think nationally
2 they've adopted a standard for the last mile
3 locations. For the middle mile, we're working on
4 that. I just actually got a call yesterday from
5 an FCC staffer saying, hey, let's talk about a
6 couple nuances to make this workable, but not
7 extortionately expensive.

8 So it's in progress, and I -- I
9 think it'll -- we'll come to a good resolution
10 pretty quickly.

11 COMMISSIONER ROKEBERG: Very good.
12 Thank you.

13 CHAIRMAN MCALPINE: Did I hear you
14 use the term "extortionately expensive"?

15 MS. O'CONNOR: My bias. I
16 apologize.

17 CHAIRMAN MCALPINE: Other
18 Commissioner comments or questions? Okay. I
19 would just make one. And that is at the -- at the
20 outset of your presentation, the concern about the
21 elimination of ILECs. I don't think anyone has
22 ever discussed the -- in the context of what we're
23 doing here, the elimination of ILECs.

24 what has been a point of
25 significant discussion is funding competitive

1 markets, funding duplicate ILECs, multiple ILECs
2 where the funding is basically given a competitive
3 advantage to one utility or another.

4 And I think that's really been the
5 major focus here is -- and the question: why do
6 we continue to do that and why do we continue to
7 fund operations that are not central to the
8 delivery of either telephone or broadband service?
9 And I think it doesn't take a stretch of the
10 imagination to see some of that going on.

11 So with that, is there any
12 questions or consideration of people who may be
13 online directed toward Ms. O'Connor? Hearing
14 none, thank you very much, Christine, for your
15 presentation. It's appreciated.

16 MS. O'CONNOR: Thank you for your
17 time.

18 CHAIRMAN MCALPINE: We are still on
19 agenda item number one, public participation. Are
20 there other members of the Anchorage audience who
21 would like to make a presentation to the
22 Commission? Please identify yourself for the
23 record, and go forward.

24 MS. HEIM: Good morning, my name is
25 Shannon Heim. I am an attorney with the Rural

1 Coalition. And I am embarrassed to show my lack
2 of technical skills here, so we'll see if I can
3 make this work. I believe this one was mine.
4 Nope, that's ATA. There we go. Open. There we
5 go. Goodness.

6 And do you all have copies of this?
7 I do have hard copies for you if you need them.
8 Slideshow. There we go. Do you all have copies
9 of this thing? Okay. Awesome.

10 I would beg the same indulgence, if
11 you don't mind, for a little bit of extended time
12 to talk to you this morning, if that is okay with
13 you.

14 CHAIRMAN MCALPINE: Not at all.
15 Not a problem.

16 MS. HEIM: Thank you. I'm here on
17 behalf of the Rural Coalition. We are the rural
18 ILECs in the state, almost all of them. We
19 exclude, of course, UUI, who's owned by GCI, and
20 ACS.

21 I'm here -- I do a lot of work in
22 Alaska, and I -- I know you all are familiar with
23 the work that I do here. But I also have a
24 national practice in the Lower 48 that we rarely
25 talk about, because it's not always very relevant

1 to us.

2 But I thought maybe today, some of
3 what we're dealing with in the Lower 48 is what
4 you all are contemplating and dealing with now.
5 And there might be some perspective from my
6 personal experience and my practice that might be
7 useful.

8 My practice is comprised of mostly
9 rural electric cooperatives who are offering
10 broadband and rural telephone cooperatives across
11 the nation.

12 It's an interesting dynamic. It is
13 a very rewarding place to work because it is the
14 place that the most need exists and where you can
15 see the most benefit for telecommunications
16 delivery.

17 Okay. There we go. So universal
18 service in a broadband world is something the
19 FCC's been wrestling with for a long time. And
20 Christine talked about this, to a certain extent.

21 The FCC concluded that you really
22 can't divorce traditional telephone service from
23 broadband service.

24 To a large extent, it's because the
25 public policy underlines them both and that it

1 is -- it runs through both the federal and state
2 statutes in most states. And also, it really has
3 become one network.

4 There isn't a telephone network and
5 a broadband network. The backbone infrastructure
6 is really the same. So when you fund the
7 telephone network, you are also funding the
8 broadband network.

9 And to not fund it, really allows
10 big pieces of it to degrade to the point where it
11 can't be upgraded anymore and it can't be used to
12 provide enhanced service.

13 And so I would encourage you to
14 follow the federal model and really consider, as
15 you discuss the AUSF and what kind of reforms
16 you're going to put into place, that it not be a
17 one or the other-type solution.

18 That you couldn't look at telephone
19 as something old where, we're not interested;
20 everybody has it, let's look at the shiny thing.
21 Because, honestly, without the underlying
22 telephone network that you've already invested so
23 much money and effort into, we can't provide
24 broadband in the places that we need it the most.

25 So my members have heard the

1 Commission. We listen to all the meetings, and we
2 understand your frustration. We understand the
3 need to reform the AUSF.

4 In an ideal world, there would be a
5 very stable contribution base, and we wouldn't
6 have to worry about it. But the demand on the
7 fund has not gone down; it has not gone up. It's
8 been very steady.

9 It's supporting the networks in the
10 way that was anticipated, but we are in a
11 different place. And we -- we acknowledge that.
12 We want to work with you.

13 We want to find the right short-,
14 mid-, and long-term solution to make sure that we
15 continue to fund the network in a way that will
16 allow us to make our benchmarks at the federal
17 level and meet the goal that we all have in
18 common, which is to get broadband out to everyone.

19 I mean, we understand that your
20 constituents are Alaskans and that you want to get
21 them the best possible telecommunication service.
22 That is also our mission. Most of my members are
23 cooperatives. Your constituents are our members,
24 and we really are working towards the same
25 ultimate goal.

1 There are a lot of concerns about
2 comments that we've heard from the Commission
3 about blowing up the AUSF. I hope that you don't
4 mean it literally. But at the same time, it
5 really is a very difficult place to make enormous
6 investments with so much uncertainty in the
7 market.

8 We really -- we have counted on the
9 AUSF, right or wrong, honestly, in hindsight, for
10 consistent support of the network and to allow us
11 to make increasing investments in the network.

12 The money that we receive -- that
13 each member receives is not sufficient. Nobody is
14 making a revenue requirement. Nobody has enough
15 money to do everything they need to do from a
16 subsidy.

17 We're investing. We make long-term
18 investments on the assumption that there will be
19 some amount of flat support and then that we can
20 prompt economic development and that we -- our
21 members will continue to buy the services and
22 support the networks.

23 Universal service has been a
24 priority of this Commission and of Alaska for a
25 long time, and disregarding that priority should

1 not be done lightly or without careful
2 consideration.

3 AUSF has been and continues to be
4 critical to the continuing provision of
5 telecommunications. I know it's hard to see
6 sometimes because the investment is so incremental
7 and it is layered in with so many other pieces,
8 that it's hard to really isolate, this is the
9 project the AUSF funded.

10 But when you look at all of the
11 projects done by all of the carriers, it is an
12 underlying infrastructure. It helps everything,
13 and it supports the network. All -- from the CO
14 all the way out to the most rural household.

15 And so it really has played a
16 critical role, and we would strongly encourage you
17 to continue to support it.

18 It's easy to see telephone and
19 broadband networks as separate. But that's not
20 the case, especially in Alaska. And I know I've
21 already commented on that, but it also is easy to
22 see the wireless network as separate from the
23 telephone network. And it really isn't. It
24 really isn't.

25 So I'm going to talk about

1 Minnesota a little bit because, of course, it's my
2 home state and I do a ton of work there. But
3 we're seeing in the Lower 48, a more robust, fixed
4 wireless solution. It's great.

5 It may or may not work in Alaska.
6 But one of the reasons that it works in the Lower
7 48 is because there is so much more middle mile
8 and network infrastructure in place.

9 You can't have a fixed wireless
10 solution. You can't have a cellular solution
11 without a robust network.

12 And it's the underlying network
13 that the AUSF is supporting and is important to
14 making sure that -- that we're maintaining and
15 keeping up what we have as we continue to build
16 and stretch those networks to get better, more
17 enhanced services out.

18 Put a different way, every dollar
19 to expand, upgrade, and maintain the telephone
20 network directly supports the expansion of
21 broadband.

22 It's not nearly as sexy. But, you
23 know, it's telecommunications. You know, it's
24 hard to find a real shiny part of this project.
25 At the end, the results are amazing, and they're

1 changing people's lives. They're connecting rural
2 clinics and rural schools that have not had
3 service like this ever.

4 It's changing things in Alaska from
5 border to border. But the incremental change that
6 is happening is happening because of the support
7 that carriers are getting from the AUSF and the
8 Alaska Plan. They really do work hand in hand.

9 So there's been some continuing
10 discussion by the Commission about the Alaska
11 Plan. I am the first person to tell you, I am not
12 an expert in the development and initial
13 implementation of the Alaska Plan. I did not
14 negotiate it.

15 But my members are all dealing with
16 it and dealing with the requirements, the
17 regulatory compliance, and the requirements. So
18 we've been dealing with it on an ongoing issue.

19 Carriers made both 5- and 10-year
20 commitments to build out broadband. And those
21 performance metrics, in most cases, were
22 aggressive. And they really did count on having
23 stability at the state level as -- as they were
24 making these commitments.

25 And so it's important that we

1 continue, as much as possible within, you know,
2 the constraints we have, to provide that
3 continuing, ongoing support so that we can make
4 sure that we meet those metrics.

5 Because the metrics -- the federal
6 metrics are the same, really, that I think the
7 State Commission would have if they had been in
8 the position to define metrics. They are pushing
9 out the best, highest amount of broadband possible
10 in each carrier service area.

11 It's hard for us to justify the --
12 the significant federal investment that the Alaska
13 Plan represents when our argument was that we
14 really needed predictable, sustainable funding.

15 when, at the State level, we no
16 more than got our federal funding stabilized, and
17 now the State funding is so much in flux and is so
18 volatile.

19 It's difficult for us to look at
20 the FCC staff and encourage them to bet on us and
21 to invest in us when sometimes the comments -- the
22 public comments from the Commission suggest that
23 the State doesn't feel the same way, that they're
24 not willing to invest and to bet on us.

25 And so I would urge you to think

1 about it as we move forward together, about how --
2 how we can make this work. How we can work
3 together to have a functional network, a very
4 stable -- as stable as possible so we can make
5 investments and keep our loan covenants solid as a
6 group. I mean, the network needs both federal and
7 State support.

8 So this is the portion I'm going to
9 bore you just a little bit with Minnesota's
10 experience. I serve on the Minnesota Governor's
11 Broadband Task Force. I have been on the task
12 force for three-ish years, I guess.

13 And we -- one of the big functions
14 of our task force was to encourage and help
15 develop the Office -- the Minnesota Office of
16 Broadband Development and our State grant program.
17 So I am intimately familiar with our State grant
18 program.

19 I wanted to flag a couple things.
20 I know you're thinking about grants and how it
21 might complement the AUSF, or worse-case scenario,
22 replace it. But it's important to note that the
23 successful broadband grant programs were new
24 money.

25 They really weren't -- they weren't

1 money shuffled from one pot to the other. And
2 especially if pot number one needs the funding,
3 shuffling it to pot number two, it might help in
4 some isolated way, but it really undermines the
5 overall stability required and the overall
6 investment in the network that is needed to make
7 those individual broadband projects work.

8 In Minnesota, we have funded all
9 kinds of different projects. And now, it's not
10 the task force who gives out the grant funding.
11 We're not involved in the actual assessment of the
12 applications.

13 And, Commissioner Pickett, you're
14 right, it is an enormous amount of time and
15 energy, both on behalf of the applicants and the
16 office who receive way more applications than they
17 could possibly fund.

18 But our projects, we're finally
19 seeing projects come through the full cycle. And
20 the underlying theme of all of those projects is
21 almost all of them involve fiber investment.

22 They're middle mile, they're second
23 mile, they're last mile, but they're fiber
24 investment. Even the fixed wireless projects that
25 we have funded, which are maybe 20 percent of our

1 overall investment portfolio, we're still
2 investing in fiber because you can't have a
3 robust, fixed wireless network without fiber
4 really right into the neighborhood.

5 And so I would encourage you, as
6 you look at different grant programs, there's a
7 lot to know. And they are so distinct from our,
8 just underlying network infrastructure in Alaska
9 and our -- our carrier structure.

10 Minnesota -- and I have a slide on
11 Colorado also -- have strong RBACs. And they have
12 built really strong backhaul networks, which make
13 cherry-picking broadband projects so much easier
14 because you can look at something small. And
15 they're already close to major infrastructure to
16 tie in. They just need that incremental
17 investment.

18 But that's not where we are in
19 Alaska. We're just not there yet. I hope we get
20 there. But without sustainable and predictable
21 funding, we may or may not. And I would say that
22 the grants cannot replace that funding.

23 So Colorado, Colorado is an
24 interesting example. And I've heard you all
25 discuss it, so I wanted to offer a little bit of

1 my perspective.

2 I -- I represented CenturyLink when
3 I was at Dorsey back in the day, and they're home
4 based in -- well, they were Quest when I was
5 there; and then they went through their merger --
6 but they're home based in Colorado. So I did a
7 lot of work in Colorado, and I'm very familiar
8 with the network.

9 The network in Colorado is
10 incredibly robust. There are pieces of that
11 network that have not been built-out nearly as
12 much as the majority. But their -- compared to
13 Alaska, their middle mile network is 98 percent
14 more complete than ours because it was -- it was
15 Quest's home territory.

16 wherever they could justify a
17 build, they built it. And so Alaska -- or, I'm
18 sorry, Colorado, when they developed their
19 broadband grant program, they went through some
20 machinations where they were repurposing from
21 CenturyLink into a broadband grant program.

22 And although it's described as
23 an -- the evaluation being on a competitive basis,
24 in reality, what they did is they looked exchange
25 by exchange, has CenturyLink built-out that

1 exchange border to border?

2 If they had, under a settlement
3 agreement with CenturyLink, that support was
4 phased out and transitioned into a broadband grant
5 program. But the entire exchange had to be
6 built-out.

7 Outside of Anchorage, I'm not sure
8 we have an entire exchange in the state that has
9 been built-out border to border. It's just --
10 we're a different infrastructure. We didn't have
11 an RBAC that had monopoly-type funding for years
12 and years and years.

13 And so the -- the funding in
14 Colorado, it's -- it's interesting because on the
15 face it looks like it might be something that is
16 comparable to what the AUSF could do. But the
17 underlying distinction in the network and the
18 actual boots-on-the-ground realities, it is apples
19 and oranges. It really cannot be compared.

20 CenturyLink, that they really --
21 their need for high-cost support in those
22 exchanges was difficult to defend. And so they
23 still had a five-year glide path.

24 And so even if those 40 exchanges
25 where they gave up their support, it was a

1 five-year glide path. And there, I honestly don't
2 think using that same analysis outside of the City
3 of Anchorage, there really is virtually nowhere
4 that will be comparable to that.

5 And so because, you know, Colorado
6 is very close to me in Minnesota and I've worked
7 there, I thought that it would be valuable to
8 offer that perspective.

9 Oh, let's see. Oh, and I did -- I
10 did want to point out in Colorado also that their
11 broadband grant program is existing in tandem with
12 high-cost support in the areas that still need it.

13 And how they define "need it" is
14 that they have not built fiber infrastructure
15 throughout the exchange. So anywhere that you
16 would have a small, independent LEC, you're -- you
17 still have high-cost support in Colorado. And
18 unfortunately, we just don't have a functional
19 equivalent in Alaska.

20 So industry remains committed to
21 reform. Christine put up a slide, and I did want
22 to flag, the Rural Coalition filed the Alaska
23 Network Services Broadband report. It was a
24 middle mile analysis.

25 So that analysis was only middle

1 mile that was -- was done by GVNW and Vantage
2 Point for a group of rural ILECs who are
3 interested, you know, what is it going to take?
4 What can we do?

5 we really aren't sitting on our
6 laurels collecting checks. I mean, we really want
7 to solve the problem too. And we attached the
8 summary -- the executive summary and some detail.

9 And I honestly -- of course, I'm
10 biased, but I think it might be something that you
11 might be interested in attaching to your report as
12 an exhibit because it's done by an independent,
13 recognized firm -- two firms together.

14 And it's -- it's actually quite
15 good. And I think it -- it helps, you know, put
16 the parentheses around, really, what is this
17 problem? You know, what is the scope of this
18 problem? And will repurposing the AUSF solve the
19 problem? Which clearly it will not.

20 Even -- I would submit, even if it
21 would solve the problem, it still won't be the
22 right solution, because abandoning the networks
23 and depriving them of their critical, ongoing
24 support in order to fund a grant program, I think
25 would trigger unbelievable, unintended

1 consequences.

2 And I do think there are parts of
3 the network where today, absent universal service,
4 there would not be network, would degrade, and
5 fall out of service.

6 You know just -- you can't get
7 blood from a stone. If you can't afford to keep
8 it up, you keep it going as long as you can. But
9 it will fail. It eventually will fail. That
10 report was attached to our September 8th comments,
11 just for -- for ease.

12 We are committed to participating
13 in this effort. We want to be your partner, not
14 your enemy. We really want the same thing at the
15 end of the day. And we may disagree about how we
16 get there. But having a substantive conversation
17 and an ongoing dialogue, I think, is the way we do
18 get there.

19 And a way that, you know, it's
20 going to hurt everybody a little bit. But at the
21 end of the day, we all benefit, and our -- and our
22 members all benefit.

23 And so I think -- I did have a
24 note, we're willing to help do the legwork. I
25 mean, the task in front of this Commission is

1 huge. We understand that. And I -- I imagine
2 your staff is sometimes overwhelmed with the
3 volume of stuff crossing your desk.

4 We're willing to help. And I
5 think, you know, having ongoing dialogue helps.
6 You know, that we can -- we can help do some of
7 the research. And not -- not make decisions for
8 you, but help inform your decisions and provide as
9 much information as humanly possible so that your
10 decisions are informed, and as informed as they
11 can be.

12 So that -- that's what we've got.
13 I did attach just a few sites at the end of this
14 that I thought were interesting, but I'm sure you
15 have questions.

16 CHAIRMAN MCALPINE: Just as a
17 comment, I have some vague familiarity with
18 CenturyLink and the fact that they invested
19 \$505,702,762 into their broadband program.

20 And secondly, that in Colorado,
21 broadband consists of high-cost USF moneys
22 reallocated from areas with effective competition
23 in support of broadband initiatives in unserved
24 areas.

25 In a perfect world, that's -- and

1 my references to the Colorado situation in pass --
2 in past meetings such as this, is to that very
3 point, that in Colorado they've -- they put on a
4 very good presentation that Commissioner Pauli
5 shared about the move from USF funding into
6 broadband.

7 And the comments that I've made in
8 the past are in that vein that we ought to be
9 looking at competitive markets. Stop -- this is
10 my opinion -- stop funding competitive markets and
11 start funding areas that are not served or are
12 unserved.

13 With that, are there Commissioner
14 questions or comments?

15 MS. HEIM: Can I respond to that,
16 briefly?

17 CHAIRMAN MCALPINE: Certainly.
18 Certainly.

19 MS. HEIM: So I think Alaska is
20 distinct from Colorado on several fronts. But our
21 competition -- our level of competition -- I think
22 this is a critical point because I understand the
23 intellectual -- how -- exercise of if there's
24 competition, how on earth do you justify support?
25 I get that.

1 However, without that support,
2 there is no competition. So everywhere that we
3 have competition today, outside your very dense
4 urban areas like Anchorage, unless there was
5 ongoing support for both the LEC and the
6 competitor, there would not be competition. There
7 wouldn't.

8 The economics of service in Alaska
9 requires support, which is why we have always been
10 a net taker out of this -- out of the fund -- the
11 federal fund.

12 It's important, and so I understand
13 wanting to focus on competition. I think, in an
14 ideal world, that does make a ton of sense.

15 But I think even in Colorado when
16 they were looking at competition, they were also
17 very clearly focused on how built-out has the
18 RBAC, the ILEC built that exchange so that
19 competition could exist, absent support.

20 And I -- I just -- in Alaska, I
21 think that that's a heck of a gamble because I
22 think we're -- we're seeing in areas where CETC
23 support did not continue under the federal plan.
24 we're seeing the exit of competition.

25 And so it's a -- a real risk that

1 you gen- -- if you -- a general blanket of
2 competition and assume it will continue, when all
3 evidence is to the contrary.

4 CHAIRMAN MCALPINE: I guess my
5 feeling about that is that, when you're on the USF
6 slot machine, you're unwilling to throw the dice.

7 MS. HEIM: Well, we're unwilling to
8 throw the dice in that we don't want to risk the
9 service that our members count on.

10 I mean, I understand, perhaps from
11 that side of the dais, it looks like we are just
12 trying to collect money, and that any way we can
13 get any dollar is what we're going for.

14 But I will tell you from this side
15 of the dais and working with these small
16 companies, that isn't so. They really are not
17 getting so much money. Nobody's getting rich off
18 AUSF.

19 I mean, we are putting every dollar
20 we get right back into the network to meet our
21 federal performance benchmarks and to get service
22 outside to all of our customers.

23 CHAIRMAN MCALPINE: Other
24 Commissioner comments or questions? Commissioner
25 Pauli, go ahead.

1 COMMISSIONER PAULI: Okay. A
2 couple of things that you mentioned sort of stood
3 out to me. Early on in your presentation you
4 talked about universal service and getting
5 broadband out to everyone.

6 Again, I think that that's
7 something that right now, on your side of the
8 dais, you take for granted that that is our
9 definition of "universal service." I think we're
10 still somewhat struggling with that as a policy,
11 so I don't think you can make those assertions.

12 I think that part of the problem is
13 that there's -- your clients are in one spot and
14 we're in another. For example, you said nobody is
15 making revenue requirement.

16 well, nobody's making their 2011
17 frozen revenue requirement. We haven't had a rate
18 case in forever. We do not know what you're
19 spending money on. We do not know if it's
20 reasonable and prudent. We do not know the
21 decision-making process it's being gone into.

22 Regardless of being in a
23 competitive environment, if you're so competitive
24 that things can't be public, then it -- I mean,
25 your -- it's oftentimes seen as if the -- on the

1 one hand you say, we need help, we need help;
2 we're a public -- we're a public utility; we have
3 all the harm -- hallmarks of a public utility.

4 when, in fact, telecommunications,
5 you have a public utility and a common carrier
6 function. There's two separate things that are
7 happening there.

8 And we don't -- if -- I feel very
9 strongly that if you are a public utility and you
10 want the protections of a public utility and you
11 want public spreading out the cost amongst many,
12 that you may have to open up some things and
13 realize that just because you think it's
14 competitive, it's really not. Or maybe there's
15 another way to do it.

16 when there is all the talk of the
17 network going on earlier, I started thinking of
18 what's happening in the electric world and looking
19 at whether there should be, you know, some sort of
20 ISO.

21 I mean, maybe that's what needs to
22 happen with the network. Maybe it needs to be
23 centralized and one entity have control over it so
24 that if you want public moneys, the public can be
25 assured of what's happening.

1 I'm not saying that we want rate
2 cases in telecommunications, but that's how we
3 learn things. The -- you know, who has said that
4 broadband is state universal service? It may end
5 up being that that is, in fact, what the
6 definition is. But right now it's not.

7 And of -- that one of the things I
8 found interesting, it's on page 3 of your
9 presentation, where you have AUSF in a broadband
10 world. And first of all, you cite to 42.05.840,
11 and then 42.05.145.

12 Both of those statutory sections
13 were passed in 1990 at a time when, I think -- no
14 offense to Commissioner Rokeberg -- but that the
15 Legislature probably never heard of broadband and
16 never, in their wildest dreams, would have thought
17 that we would be here now almost 28 years later
18 talking about this thing that -- are we going to
19 define it as a technology? Are we going to define
20 it as a service? I mean, what is broadband?

21 These are all questions that we're
22 dealing with as regulators. Some of the questions
23 that I've had have been answered here today, which
24 is, you know, like, what are we getting for our
25 money?

1 what -- where is it going? what
2 does the network service? If I call on my
3 wireless phone and I call Commissioner Wilson,
4 does it go through a network?

5 MS. HEIM: Uh-huh.

6 COMMISSIONER PAULI: I mean, what
7 purpose is that? But getting back to these two
8 sections. I think that one -- both the blessing
9 and the curse of having new eyes look at something
10 is that people get used to seeing something and
11 everybody's comfortable with talking about it a
12 certain way.

13 And then suddenly somebody comes in
14 and they say, well, wait a minute, I don't see it
15 that way. And I hate to tell you this, but that's
16 what I'm looking at here. I don't see it that
17 way.

18 42.05.840, if you read it in
19 context, it has to do with the provision of long
20 distance telephone service at reasonable rates
21 throughout the state and to otherwise preserve
22 universal service.

23 That is not the primary function of
24 the universal service fund. It is within a
25 section, competitive intrastate long distance

1 telephone service that came about in 1990 to avoid
2 a referendum being placed on the ballot. It's all
3 about IXE competition. It is not about this idea
4 of broadband universal service.

5 So one question I have is: How do
6 we interpret a statute that was written before
7 something was ever created? Is it dynamic? Is it
8 static? What was intended? At what point can we
9 broaden it?

10 I mean, we have to read it in
11 context with the definition of
12 "telecommunications," which I do think is broad
13 enough to include broadband.

14 42.05.145 that you cited to, again,
15 it's talking about taking a common carrier, making
16 it a public utility that -- and a statement that
17 local exchange or interexchange service --
18 intrastate affects the public interest.

19 And that our job, as regulators, is
20 consistent with the confines of the chapter. And
21 this was back in 1990 when people were looking at
22 intrastate interexchange competition to seek to
23 maintain and further efficiency availability and
24 affordability of universal basic telecommunication
25 service.

1 So does "basic" now mean broadband?
2 It could. But you're making -- what I hear is
3 that you're making assumptions as if, though, it's
4 a done deal. And I think that that's something
5 where your clients need to understand, just
6 because they've made that leap, doesn't mean that
7 we've made that leap.

8 It doesn't mean that we're not
9 going to, but I need to be able to answer some
10 basic questions. I mean, there's, you know, talk
11 of fiber. Well, why is it that fiber is a better
12 investment than copper? It may be self-evident to
13 your folks, but maybe it's not so much --

14 MS. HEIM: Uh-huh. Uh-huh.

15 COMMISSIONER PAULI: -- sitting
16 where we sit. But I don't think it's that you --
17 your clients -- and I'm saying that because, you
18 know, you never -- you're just the mouthpiece; and
19 it's not -- but the idea that, trust us, trust us,
20 trust us -- there was a great breach of trust,
21 which I will say, has -- the reports that we're
22 getting from AUSAC are providing us with a wealth
23 of information, but that there was trust.

24 And then when suddenly somebody
25 comes and they say, oh, by the way, we've given

1 back all this money. And we -- you know, we think
2 we did a good job of vetting it out.

3 And you look at the time line, and
4 there's some concern about, why wasn't it brought
5 to our attention sooner? There is a little bit of
6 mistrust.

7 It doesn't mean that it can't be
8 built back up. But I don't think coming and
9 saying, trust us, we know what we're doing, is
10 going to suffice anymore.

11 We need to be able to answer
12 questions. We have Legislators coming and asking
13 us questions. And if we cannot answer those
14 questions without having to go back to industry, I
15 don't think we're doing our job.

16 And that's the concern that I have.
17 We have staff that works very hard. We recently
18 have lost a few, one who's sitting back there
19 right now. Yeah, you can hide, but you cannot
20 run.

21 And I just -- I think that throwing
22 out jargon and terms, it's like, can somebody tell
23 me, why are we still providing DEM support? Why?
24 I mean, what in the world.

25 And another thing with all this

1 that I think the utilities had better kind of come
2 to realize, is that we sort of have been looking
3 at pooling versus non-pooling.

4 well, the idea of pooling and
5 non-pooling. The competitive for purposes of
6 taking somebody out of the pool is not the same as
7 competitive for purposes of competition within the
8 marketplace for universal service funding. Those
9 are --

10 MS. HEIM: Uh-huh.

11 COMMISSIONER PAULI: -- two
12 different concepts. The regulations throw them
13 about and use the same words for several different
14 things.

15 But one thing that I do think
16 pooling companies need to realize, is that this
17 idea of a stipulation and freezing at 2009 rates
18 has the exact same effect on universal service and
19 funding as it does for the non-pooling companies
20 in AUSF.

21 Am I missing something back there?
22 No. Okay. You'll fill me in afterwards? Okay.
23 I mean, that's -- that is a big problem.

24 I mean, everything's been sort of
25 going along. And I just -- I mean, I know that

1 that's going to be filed and I know that that's
2 not -- doesn't come in under your auspices of the
3 Rural Coalition.

4 But I think it's something they
5 need to be aware of is that that -- just because
6 they're a pooling company, does not mean that they
7 get to stay under the radar a little while longer.
8 The radar has changed in what it is picking up.

9 The other piece in all of this is
10 that the only thing, at this point, that we are
11 required to do by statute is to provide for a
12 mechanism of access charges, which can be
13 tariffed. We don't have to have AECA, that was a
14 "may" provision.

15 We can very simply say, guys, go
16 tariff it. And so -- I mean, on the one hand, I
17 see where the industry is saying, you know, we're
18 up here. But we're trying to scramble to see what
19 we can do with the authority that we have and how
20 can we best serve the public.

21 And it may be that the LECs are
22 treated as a public utility versus a common
23 carrier that just has to have their facilities
24 open to others. And a public utility has
25 different obligations and a different level of

1 scrutiny than a common carrier.

2 CHAIRMAN MCALPINE: Commissioner
3 Pickett?

4 MS. HEIM: Can I -- can I respond
5 to --

6 CHAIRMAN MCALPINE: Oh, certainly.

7 MS. HEIM: -- some of that? So
8 I -- I think maybe a more detailed written
9 response, because that was a lot. But I do -- I
10 do have some comments because, I mean, I think
11 your concerns are legit.

12 I mean, it -- having ongoing
13 dialogue so you don't feel like you don't know why
14 on earth we're saying things, that's feedback we
15 need. And so I just -- I do want to just run
16 through a few.

17 You know, you're right,
18 Commissioner Pauli, I threw out revenue
19 requirement cavalierly; and I should not have. So
20 I apologize, that's definitely on me.

21 I -- I do disagree that you don't
22 know where money's being spent because we are
23 still a pretty regulated industry, at least on the
24 federal level. And between the 481, the 477, and
25 the ETC reports that we submit, there is a lot of

1 detailed financial data about what we receive in
2 every category and how we spend it.

3 I mean, we all submit our complete
4 audited financials to the Commission on an annual
5 basis. So I -- maybe we need to be doing a better
6 job at coming to talk to you more often so, you
7 know, we're not here only in moments of crisis so
8 that we're having that ongoing dialogue.

9 The public utility versus common
10 carrier, I want to think about that because
11 it's -- to a certain extent, it's a framework
12 that's pretty federally defined.

13 And I think it would be difficult
14 to take a common carrier and fundamentally change
15 what that means and do it within the parameter and
16 framework that the FCC has set out. But there can
17 be things that you want out of that parameter that
18 maybe we can figure out how to get that to you
19 better.

20 So the issue of broadband, I was --
21 I was very interested in your comment. And I
22 guess I hadn't thought about it the way that you
23 put it that this Commission hasn't made the
24 transition intellectually from long distance to
25 local to broadband.

1 I guess because I am based in the
2 Lower 48, the FCC, in virtually every other state,
3 has. I don't think that means that you
4 automatically have to go along. I think there is
5 a lot of value in having the conversation.

6 But the UN has declared broadband
7 to be a universal human right. Do I go that far?
8 Maybe, maybe not. But the FCC has defined
9 "universal service" as including broadband and
10 voice service.

11 You don't get support, you're not
12 certified to be meeting your universal service
13 obligation if you are not providing both broadband
14 to the extent you are able and voice service.

15 So I think that's where I'm coming
16 from and where a lot of us are coming from because
17 we're answering to federal regulators who have
18 made that transition.

19 So knowing that that's part of this
20 conversation is really helpful because I think,
21 you know, we can -- we should continue to talk
22 about it.

23 The statutes are old. I don't -- I
24 don't disagree with that at all. I don't disagree
25 that when they were written they were -- had no

1 flicker of any idea that we would be talking about
2 broadband.

3 But neither did the Communications
4 Act of 1934, which did have the concept of
5 universal service baked in. And then the
6 Telecommunications Act of 1996 talked about
7 universal service.

8 It made it much more explicit and
9 created an explicit subsidy instead of the
10 implicit support that happened under the RBAC
11 system. Even in 1996 they weren't talking about
12 broadband, about any type of data service. We
13 were all using flip phones in 1996.

14 But the way that the regulations
15 have been interpreted to evolve is to include
16 broadband as part and parcel. Not instead of
17 telephone, not instead of long distance, but as
18 part of the overall universal service package.

19 And I honestly believe that unless
20 you have access to broadband, you cannot
21 participate in the modern economy. You can't.

22 And a lot of what we see on the
23 Minnesota task force is what, in our rural
24 communities -- which, let's be honest, Minnesota
25 rural is, you know, Alaska suburban. You know,

1 it's not -- I understand it's not the same.

2 But even in our rural areas, the
3 things that can happen with a strong broadband
4 connection, we saw -- we went out to Essentia
5 Health and got a presentation about a stroke
6 clinic that they basically have a video connection
7 between this little rural clinic that just a lot
8 of older people who are subject to stroke, and
9 they diagnose them from Minneapolis.

10 It's -- I mean, it's just
11 fascinating the things that you can do and the
12 volume of public good you can do with broadband.

13 So I understand that the statutes
14 are old, but I don't think that precludes you from
15 making the transition and adding broadband into
16 your universal service bucket.

17 I could talk about fiber versus
18 copper for a long time, and then the engineers
19 that I work with would slap me around because I'm
20 sure I would not say it right.

21 But I think that the -- at the
22 bottom line, it's, is it future proof? Can you do
23 more with it? Will it evolve over time? Is it a
24 better investment? Is fiber always a better
25 investment? No, of course not.

1 There are going to be places in the
2 network that maybe copper makes more sense than
3 fiber, depending on where it is, what it's
4 intended for, how long the piece is. Who knows.

5 But as a general rule, where you
6 have a choice, you put in fiber. It's not
7 incrementally that much more expensive. And it
8 just does so much more in return, so much more on
9 the investment.

10 The -- I feel like I need to step
11 lightly with the issue of "trust us," that the
12 restatements with AUSAC and the things that
13 happened over the last year. I understand your
14 frustration. And there was an enormous amount of
15 frustration within industry also.

16 And I -- we have been very
17 supportive of the Commission's reform of that
18 process so that does not happen again because,
19 yeah, we agree with you. Let's leave it at that.

20 Pooling versus non-pooling
21 companies. I -- you know, it's interesting
22 because it really gets to the fundamental
23 structure of the industry today.

24 I agree that it might be a little
25 bit of an artificial dynamic at this point, but we

1 haven't really looked at it. And I don't know
2 what consequences it would bring to just disregard
3 the pooling versus non-pooling companies. But
4 it's something to look at and consider, you know,
5 to the extent that that makes sense.

6 I think we probably have hotter
7 issues on our plates, collectively, at the moment.
8 But I will say, the non-pooling companies that --
9 so those are generally -- or maybe with the
10 pooling companies -- the small companies who feel
11 like they're -- they are under the radar, I will
12 tell you, I think everybody is feeling the hot
13 glare of the spotlight and is, frankly, terrified
14 about what's happening at the State level with
15 AUSF and what it might mean for long-term
16 investment commitments that we have already made
17 and that we will be making in the future. So I --
18 we're all here and we are all listening every day.

19 CHAIRMAN MCALPINE: Okay.

20 COMMISSIONER PAULI: Thank you for
21 that. When you talk about long-term investments
22 that -- and commitments that you've made, what
23 time period are you referring to?

24 MS. HEIM: Well, so it depends on
25 the loan. So sometime -- like RUS loans can

1 have -- it's usually the life of the fiber is
2 sometimes how long your loan term could be. So
3 your loan term can be up to 23-and-a-half years.

4 Now, you may roll that loan into
5 your next investment. Your CoBank loans might be
6 shorter because they're not a government loan.

7 But usually, in my experience,
8 especially cooperatives are going to want to have
9 the longest investment horizon possible so that
10 they can make more investment. Because the longer
11 you draw it out, the less you have to pay on an
12 annual basis and the more you can do.

13 And, you know, it benefits the
14 cooperative to have a nice stable, you know, debt
15 portfolio to pay on. That it's not spiking with
16 every single project. You're not necessarily
17 taking a 2-year loan for, you know, a \$6 million
18 project.

19 COMMISSIONER PAULI: Okay. Thank
20 you.

21 MS. HEIM: Uh-huh.

22 CHAIRMAN MCALPINE: Commissioner
23 Pickett?

24 COMMISSIONER PICKETT: Thank you
25 for your presentation, Shannon. Would you turn to

1 page 3 of it, with the heading, "AUSF in a
2 broadband world"? And I'm going to go down to
3 your first bullet under, "The need for universal
4 service recognized in AS 42.05.840."

5 what is the word before "establish"
6 in the statute?

7 MS. HEIM: I, frankly, don't know
8 off the top of my head.

9 COMMISSIONER PICKETT: I would say
10 that it is "may establish."

11 MS. HEIM: Uh-huh.

12 COMMISSIONER PICKETT: And I'm
13 going to piggyback on some of the comments that
14 Commissioner Pauli made, and we are in a
15 challenging position.

16 As I stated earlier today, this
17 Commission does not regulate the markets as such
18 on any sort of tie to what can be charged, what
19 the cost structure is. None of that stuff. We
20 do, however, regulate the subsidy.

21 And we have to take full
22 responsibility for how that subsidy has been
23 directed for the last six years because we are --
24 we accepted what, in essence, was a industry
25 stipulation on the regulation.

1 And I think there was justification
2 and reasons for it at the time, and it was
3 primarily the access charge regime. And to get
4 parity, which with the series of the five-year
5 reports, by and large, it has been obtained. And
6 so that part was good.

7 Where, in my opinion -- and I can
8 only speak for myself, and I think Commissioner
9 Wilson is the only other Commissioner on the --
10 that particular docket -- is we should have
11 sunsetting the AUSF program after the five-year
12 parity and started a process early on to revisit
13 what is the role of AUSF and deal with a lot of
14 these issues. But we didn't, okay.

15 But where we're at today -- and I
16 understand what you're saying about the networks.
17 And I understand, you know, the challenge though
18 too, is money is fungible.

19 And when we put subsidy into an
20 entity, you don't really know -- we can hear that
21 it's for support of the network.

22 But when there's activities going
23 on entirely outside of the study area, for
24 example, that entail tens of millions of dollars
25 of investment not related to provision of telecomm

1 services in the study area or other things that,
2 you know, the management legitimately has the
3 right to make -- but then come back and say, we're
4 on the verge of going under unless we have the
5 subsidy guaranteed ad infinitum.

6 And when I look at the existing
7 AUSF regulations -- and, you know, we've got one
8 subset we'll be dealing with later this morning --
9 it is -- just with the way the regulations came
10 out of the R-08-003, it is very, very difficult to
11 take one subset, change it -- because it is so
12 tightly intertwined that it affects many, many
13 other things.

14 And so I have come to the
15 conclusion, in my mind -- and I think I've been
16 influenced by Commissioner Wilson -- we need to
17 take a totally holistic look at it.

18 And I will support a complete
19 repeal of AUSF regulations as they're currently
20 structured. The only question I have in my mind
21 is: What effective date? And I think we need to
22 allow probably enough time, if there's going to be
23 some replacement.

24 But I hear what you're saying. I
25 don't think it's an intellectual issue the

1 Commission has. I think it's a statutory issue,
2 and I think it's a regulation. Words have
3 meanings.

4 And when you look at the
5 legislative history of the AUSF and you look at
6 what the statute actually says, I think in many
7 respects, there's probably a strong argument that
8 IXEs should be entitled to some sort of IXE
9 intrastate CAPEX support because that clearly was
10 the issue on the table at that time.

11 Now, granted the industry has
12 changed. Because when that was written, I
13 remember I was an AOL hourglass flipping over at a
14 screaming fast 56K. And so, you're right, it was
15 an entirely different world.

16 But, you know, after we have our
17 legislative report and, you know, go through what
18 we're going to end up doing on AUSF, I do think
19 we're probably going to need some legislative
20 authority if this Commission is to stay involved
21 whatsoever. So with that, I will turn it back
22 over to the chair.

23 MS. HEIM: Can I briefly respond to
24 that?

25 CHAIRMAN McALPINE: You may.

1 MS. HEIM: Thank you. I -- so I
2 hear what you're saying, Commissioner Pickett,
3 that after five years there should have been a
4 sunset provision.

5 The problem with that is that it
6 was real revenue and income that was taken away
7 from the carriers. So if you waited until you got
8 the full benefit and then sunset the support, then
9 what happens to the carriers?

10 COMMISSIONER PICKETT: Well, again,
11 that argument could be made today and say, 2020 is
12 too soon or 2025 is too soon, keep the money
13 coming.

14 Because at this stage of the game,
15 the entire purpose of the AUSF fund is to support
16 the existing structure, okay, which I think in
17 rural Alaska, there is an argument in many
18 areas -- and given how -- what I perceive the
19 economy to be doing in this state, the
20 provision -- I'm going to have a hard time
21 supporting screaming fast entertainment downloads
22 when I have a question as to whether basic voice
23 service, E911, and telemedicine, and education
24 services are covered.

25 Understand, it's on the same

1 network. But prior is related to capacity in that
2 network. And you've got, you know, the download
3 capacity, the bandwidth limitations, latency, all
4 that. And in most areas, you know, you pay for
5 the package, you know.

6 And so if you're an unregulated
7 entity, you can go back to the customers and say,
8 hey, you know, if you want this level of service,
9 you're going to have to pay more. And I know in
10 R-08-003, that was a bone of contention.

11 It was like a live wire talking
12 about minimum local contribution. Well, guess
13 what, they got struck anyway through the NAF going
14 up and the AUSF exploding, as far as a percentage.

15 And I understand the AUSF absolute
16 dollars have kind of stabilized. But the fact of
17 the matter is, that surcharge, you know, depending
18 what happens with some court cases, is going to go
19 through the roof.

20 And that's why, you know, we're
21 looking at this capitation and all that kind of
22 stuff. Because I would hate to see the AUSF fund
23 get to the point, of all it's doing, at the end of
24 the run, is paying off past obligations and not
25 really helping existing.

1 MS. HEIM: And I don't disagree
2 with you. And I think we're here to say, we hear
3 that. We understand that. It doesn't benefit us
4 to have the surcharge through the roof either.

5 But there has to be some middle
6 ground between, we're going to blow the thing up
7 and have no AUSF going forward and let's reform it
8 to a place where it's reasonable and we still meet
9 our mutual priorities and our policy
10 determinations and keep it reasonable. I mean,
11 I --

12 COMMISSIONER PICKETT: Okay.

13 MS. HEIM: -- I think we understand
14 that.

15 COMMISSIONER PICKETT: But do you
16 think the existing regulatory construct with AUSF
17 and the waiver and all the stuff -- when you look
18 at the entirety of every single reference to AUSF
19 in our regulations, do you think that's a
20 reasonable construct at this point?

21 MS. HEIM: I think it's in need of
22 reform. I don't disagree. And especially with
23 Commissioner Pauli, there are pieces that are just
24 outdated. And industry's recognized that, and
25 Christine referenced --

1 COMMISSIONER PICKETT: Okay.

2 MS. HEIM: -- we came forward with,
3 you know, a -- a compromise that we thought
4 addressed a lot of that. Public interest pay
5 telephones, who uses a pay telephone anymore? You
6 know, and so there -- there are things to reform.

7 But when you look at the
8 fundamental support, I do believe that is still
9 critical and will remain critical going forward.
10 The COLR support --

11 COMMISSIONER PICKETT: Okay.

12 MS. HEIM: -- the CCL support. I
13 think those are the core issues that the
14 Commission should focus on. And, you know,
15 there's a lot of debate about Lifeline. And I
16 think that's a debate we continue to have. Should
17 it be less? Should it be none? I think we debate
18 it --

19 COMMISSIONER PICKETT: Uh-huh.

20 MS. HEIM: -- and we -- we talk
21 about it. But --

22 COMMISSIONER PICKETT: And I'm
23 going to throw one last comment, and you can
24 address it as you see fit. Two years ago was when
25 the contribution base issue really came to a head.

1 Though the Commission was not notified of that
2 till, like, nine months later, roughly.

3 And how the carriers choose to
4 define within their network what is intrastate or
5 interstate and how they characterize it and assign
6 values to that is something the Commission, short
7 of initiating an investigation on its own motion,
8 and given the lack of any credible support, would
9 be a very difficult thing to do.

10 We essentially have to accept at
11 face value, with no support, what those
12 characterizations of the network are. And that
13 has been a huge driver in this whole issue.

14 MS. HEIM: I think my response
15 might surprise you. I think that the Commission
16 needs to empower AUSAC to look at that issue much
17 more closely.

18 I think there are members of
19 industry who are answering that question about
20 what is intrastate and what is interstate
21 differently, because there's no -- there's no
22 strong rule about it.

23 And so I do think the Commission
24 has a role to play in that because it -- it's
25 critical, it's how the AUSF is going to collect

1 its funding.

2 But if you've got Company A who is
3 assessing AUSF on all of their VoIP services
4 because they read the rules to require that; but
5 you've got Carrier B who is like, I'm going to
6 maximize profit, and by doing -- you know, I'm not
7 going to charge AUSF.

8 I don't disagree, there needs to be
9 a level-playing field. But -- and I do think
10 there's a role for the Commission and AUSAC in
11 that. But, you know, AUSAC generally doesn't see
12 itself as an advocate or an investigator.

13 And I -- I think that's something
14 that the Commission can empower it to do and maybe
15 direct it to do so that it feels like it has the
16 authority to dig into that question a little bit
17 more.

18 COMMISSIONER PICKETT: But I guess
19 I'm not sure how you would actually do that in the
20 absence of cost and expense data on a fairly
21 granule basis. And that is so far from where the
22 industry is at this point.

23 And, you know, if I -- if you're in
24 the industry -- let's say you have Carrier A and
25 they go, okay, we're talking about a broadband

1 system here right now for all practical purposes;
2 and why don't you tell me what intrastate
3 broadband is? what's the cloud? I mean, how much
4 of the -- what percentage of that cloud is in
5 Alaska?

6 And they go, we think, it's, like,
7 3 percent or 5 percent or whatever. I mean, how
8 would the Commission ever challenge that?

9 MS. HEIM: Well, you can always
10 compare -- because intrastate does have a
11 corollary to interstate. And so carriers do have
12 to declare both sides of the equation.

13 But as of today, AUSAC doesn't have
14 the authority to really compare both sides of the
15 equation. And so there -- there is a check, if
16 you give them that authority, that at least it's a
17 first step. I mean, I -- I -- and I -- Keegan's
18 probably going to kill me when we're done --
19 but --

20 CHAIRMAN MCALPINE: She's smiling.

21 MS. HEIM: -- but I -- you know, I
22 do think that -- that that is not a legitimate
23 concern. And we share that concern because,
24 frankly, I have clients who are, like, what do we
25 do?

1 Do we follow what we think is the
2 spirit, if not the letter of the law? Or do we do
3 what we're pretty sure there are others doing?
4 What do we do? How do we walk that line?

5 COMMISSIONER PICKETT: Thank you,
6 Shannon.

7 MS. HEIM: Uh-huh.

8 CHAIRMAN MCALPINE: Further
9 Commissioner questions or comments? Commissioner
10 Wilson?

11 COMMISSIONER WILSON: I would like
12 to thank Ms. Heim and Ms. O'Connor for these
13 presentations and for being willing to engage in
14 dialogue with Commissioners.

15 This is what -- this very thing
16 that's happening this morning is what I have been
17 looking for for -- to happen since the summer of
18 2016 when AUSF issues first came up -- first came
19 to the floor.

20 I'm going to beg my colleagues to
21 establish further dialogue with industry so that
22 we can get the kind of helpful information that we
23 have gotten today.

24 I have not made up my mind on any
25 of this, and I am in a listening mode. And,

1 therefore, there were -- there's no response from
2 me this morning. But I would like to engage in
3 further dialogue, and thank you both very much.

4 CHAIRMAN MCALPINE: And for those
5 of you who think that flip phone technology is
6 ancient history, Commissioner Wilson takes down
7 every word, every phrase, every sentence in
8 shorthand.

9 MS. HEIM: Nice.

10 CHAIRMAN MCALPINE: And that's an
11 ancient technology that I really wish I had. Any
12 further questions from the Commission? Any
13 further comment? Is that a raised hand?

14 COMMISSIONER PAULI: Yes.

15 CHAIRMAN MCALPINE: Dare I say
16 "yes"?

17 COMMISSIONER PAULI: Dare you say
18 "yes."

19 CHAIRMAN MCALPINE: Go ahead.

20 COMMISSIONER PAULI: I know that
21 we've got -- Commissioners have a lot on their
22 plates over the next two months. We've got a
23 rather large hearing coming up; we've got the
24 broadband report; we've got the annual report to
25 the Legislature, but I am in support of

1 Commissioner Wilson's observation.

2 I think that we need to have more
3 of this dialogue. I think it needs to be on the
4 record so that everybody who might be interested
5 can have access to it.

6 I think that the -- my fellow
7 Commissioners are getting close to having the same
8 dread that my husband does when he hears me say,
9 "I have been thinking."

10 And I'm going to have a little bit
11 of time over the next couple of weeks to lay
12 around and think. But I -- the comment on
13 AUSAC -- you know, AUSAC is an instrumentality of
14 this Commission.

15 I think that it's very simple for
16 AUSAC's executive director to make suggestions of
17 things that might make it better. And as to your
18 question of what to tell your clients, when in
19 doubt, don't. And they have to look at themselves
20 in the mirror. And just because somebody else is
21 doing it one way, does not make it the right way.

22 So I think generally speaking, I
23 used to represent rural co-ops. And they were
24 great clients because they had, at the forefront,
25 doing the right thing for the community. So

1 hopefully we'll have some more of these,
2 Mr. Chair.

3 CHAIRMAN MCALPINE: Commissioner
4 Pauli, I share in your husband's concern. Is
5 there any further discussion from the Commission?
6 Seeing none, Ms. Hein, thank you very much for
7 your presentation. And if I was remiss in,
8 Christine, thanking you also for your
9 participation.

10 And I will say, there have been
11 some who said we ought not go to where we came
12 today. But we really do appreciate it and look
13 forward to further discussion on that issue.

14 with that, we're going to take a
15 break, and we'll resume again at 5 minutes to
16 11:00. Thank you.

17 (Off record.)

18 CHAIRMAN MCALPINE: Okay. Let's --
19 we're going to call the meeting back to order. We
20 apologize to those of you who had to stand in line
21 for the refills. Tells me that people were
22 sneaking out during the content of the meeting to
23 fill their glass again.

24 But be that as it may, we are still
25 on agenda item number one, public participation.

1 Are there further members of the Anchorage
2 audience who wish to address the Commission today?
3 Seeing none, is there anyone online who chooses to
4 address the Commission?

5 MR. NEWMAN: Yeah, my name is Gary
6 Newman, I'd like to address the Commission.

7 CHAIRMAN MCALPINE: Go ahead,
8 Mr. Newman. Just for the record, did we pick that
9 up?

10 MR. NEWMAN: My name is Gary Newman
11 in Fairbanks, Alaska.

12 CHAIRMAN MCALPINE: Go ahead.

13 MR. NEWMAN: Okay. And I'll speak
14 on item four, as have others. I've been a
15 telecommunications professional since coming to
16 Alaska in 1972, and I've worked in both Fairbanks
17 and interior rural Alaska.

18 In that time, I've watched the
19 evolution of communications evolve to where
20 broadband has become what electricity was kind of
21 in the 1930s and voice communications later for
22 rural areas of our country, which does include
23 Alaska.

24 I'm speaking here as a consumer and
25 to one -- one to whom my neighbors look to me for

1 advice because of my experience in the past.

2 I do commend the Legislature for
3 their request to the RCA to establish a baseline
4 and ask those companies who are in the business of
5 providing broadband where they now serve and what
6 their plans are in the near future.

7 I will say at the outset that I
8 have read through the Alaska Plan, but I can't say
9 I come close to understanding it. So I do
10 appreciate Ms. O'Connor's synopsis of it.

11 I think we all agree that many
12 Alaskans are being underserved or not being served
13 with broadband access at all. This is not only
14 true in the rural areas, but in anchor communities
15 such as Fairbanks.

16 The challenges of a lower return
17 for a for-profit company seems to leave them with
18 the approach that we just need to provide them
19 with funds to expand. This has happened, to some
20 degree. But I might conclude, this is not,
21 perhaps, the best model.

22 Speaking to those companies'
23 responses to the RCA's request, I'll speak
24 specifically on a few of them.

25 I commend Hughes for trying to

1 directly answer the questions posed by the RCA. I
2 will note that their data caps are not industry
3 standard. Their basic service of 10 gigabytes per
4 month would be sucked up with two computers just
5 trying to do monthly Microsoft patches and
6 updates. CAF II says that 150 gigabytes should be
7 a minimum.

8 Satellite service, because of the
9 physical issues of latency, is and should be
10 intended for those areas that are not feasibly
11 reached by local transport. Hughes does notice
12 the -- note the potential of low orbit satellites,
13 and I believe ACS is also considering this.

14 But I don't think it's been
15 demonstrated in Alaska. And pricing isn't
16 available, so we don't really know.

17 ACS's responses were, pretty much,
18 wait for their CAF II projects in October of 2018,
19 and they won't expand until its economically
20 reasonable to do so.

21 Having watched ACS's continued
22 abandonment of slow DSL service to those who don't
23 happen to be within a mile of one of their
24 communication huts, I'm not holding my breath.

25 AT&T's responses only address the

1 middle mile. They complain about regulatory and
2 easement burdens and otherwise refer to the
3 Commission to the Form 477 maps, which in this
4 case, was a mere 364 megabytes of shape files that
5 took me two hours to download on my Internet
6 connection and have to go find Arc Explorer to
7 actually view them.

8 As to providing mobile data
9 services, AT&T does offer data cap services, but
10 coverage in Fairbanks can be spotty. For example
11 a couple years ago the FCC approved a new GCI
12 tower with a mandate that it be tall enough to
13 accommodate three cellular providers.

14 Since I have cellular service with
15 AT&T, I got in touch with a local office, then the
16 Alaska regional vice president, and then the
17 office of the president and chairman of AT&T.

18 The answer was consistently the
19 same, we have no plans to expand. I renewed the
20 effort again this year, and the answer was the
21 same. So that may be providing an answer that you
22 didn't get from AT&T in their response.

23 I was looking forward to GCI's
24 responses as to their future plans. They
25 basically said, look at Form 477 and their ATC --

1 ETC report on your Web site, which did offer some
2 useful data and demonstrated spotty coverage
3 within the Fairbanks core area and lots of areas
4 not served at all within the Borough.

5 I will note that there's probably
6 about 60 residents in our small valley who are
7 desperate to be served by broadband, and many have
8 petitioned GCI specifically because they have
9 fiber that serves their main telemetry site at the
10 end of our road.

11 We've pretty much demonstrated that
12 GCI could provide service within their payback
13 requirement of four years. But despite prodding
14 for the last several years, there's been no
15 visible commitment from GCI.

16 We want to be good neighbors. But
17 from my understanding of their business process,
18 Fairbanks has to compete with construction funds
19 from Anchorage. And it's really hard to compete
20 with a higher perceived payback in Anchorage.

21 Maybe their purchase by Liberty or
22 controlling interest, which you just approved,
23 will allow them to get better -- better financing.

24 And I -- I was kind of interested
25 to note that there's competitor concerns that --

1 that that might somehow make them harder to
2 compete with. But in many cases, there is no
3 competition because nobody is providing service in
4 a lot of the Fairbanks area.

5 The Rural Coalition, while holding
6 back what it views as proprietary information,
7 does somewhat address the middle mile for rural
8 Alaska. And I appreciate the inclusion of their
9 broadband access report. Implied in their
10 responses that anchor cities, presumably including
11 Fairbanks, are being served.

12 Verizon's one-page response just
13 referred the RCA to their Form 477 and made it
14 clear that they didn't object to telling the
15 Commission this, even though they didn't have the
16 authority to ask the question. I was not
17 impressed with that response.

18 I would note though that Verizon,
19 like AT&T, does provide data services at broadband
20 speed through their -- their cellular network.

21 I would characterize Fairbanks as
22 an area of haves, have very littles, and have
23 nots. All the crap-shoot of where they happen to
24 live, whether copper or cable have been built-out
25 or line of sights, public spectrum wireless --

1 which I don't mean cellular providers such as
2 AlasConnect or Ace Tekk, which together, probably
3 serve no more than 1,400 subscribers.

4 AlasConnect senior management told
5 me this year that they have no plans to expand, as
6 they aren't making enough money on the wireless
7 service and intend to abandon as the equipment
8 ages out.

9 They do, however, serve commercial
10 businesses with fiber on a spot basis, but that
11 excludes potential residential customers.

12 AlasConnect, as the Commission may
13 be aware, is now a wholly-owned subsidiary of MTA,
14 Matanuska Telephone Association. And I didn't see
15 a response from them to the Commission's request
16 for information.

17 So in conclusion, I can state that
18 there is thousands of potentially -- of potential
19 residential customers and small businesses in the
20 developed areas of the Fairbanks North Star
21 Borough that are severely underserved by -- with
22 less than 1 megabyte or not served at all by any
23 broadband providers, even when a business case can
24 be made to provide that service.

25 Most responders noted that the RCA

1 doesn't have jurisdiction over broadband, and I
2 think we all agree that's the case.

3 But you were still asked -- tasked
4 by the Legislature to ask the questions. And I'm
5 glad the question was asked, because there's value
6 in having this discussion. And I've heard some
7 confirmation of that in your earlier discussion.

8 I'd like to be hopeful. But absent
9 a large pile of money falling from the sky with a
10 mandate to provide broadband build out, perhaps
11 another business model, such as a
12 broadband-focused cooperative can be formed to
13 provide fiber connectivity to communities that are
14 ill-served by current providers.

15 Again, maybe in the model of how
16 electricity was provided to rural areas in the
17 United States from the 1930s, '40s, and onward.
18 And I guess I'll call that -- I think I'm within
19 my five minutes. Thanks very much.

20 CHAIRMAN MCALPINE: Thank you,
21 Mr. Newman. Any questions or -- on the part of
22 the Commission? Seeing none, again, Mr. Newman,
23 that was a very informed presentation that you
24 just made.

25 And it's helpful for the Commission

1 to receive that because we do very frequently get
2 the note, you have no jurisdiction. To which I
3 generally think, we have no money.

4 In any event, is there any further
5 public participation from members of the audience
6 who are appearing telephonically?

7 COMMISSIONER ROKEBERG:
8 Mr. Chairman?

9 CHAIRMAN MCALPINE: Go ahead,
10 Mr. -- or, Commissioner Rokeberg.

11 COMMISSIONER ROKEBERG: I just want
12 to echo your thanks to Mr. Newman and ask if he
13 could forward us his comments for the record and
14 for our use. Thank you.

15 MR. NEWMAN: Happy to do so.

16 CHAIRMAN MCALPINE: Okay. In any
17 event, Mr. Newman, you've been captured on the --
18 by transcript. So any further questions or
19 comments? Seeing none, is there any further
20 public participation from individuals appearing
21 telephonically before the Commission?

22 Hearing none, I'll turn back to the
23 Anchorage audience and ask again the question, is
24 there any other public participation from the
25 floor? Seeing none, that concludes item number

1 one on the agenda.

2 Item number two, dealing with
3 R-17-001, In the Matter of Consideration of
4 Revisions to Regulations Governing Procedures in
5 Case of a Shortage in the AS -- AUSF Fund.
6 Commissioner Pickett?

7 COMMISSIONER PICKETT: Thank you,
8 Mr. Chairman. I would ask all of the
9 Commissioners -- Mr. Parrish handed out something
10 titled on the -- at the top, "Appendix - Order
11 R-17-001(3), option 3," amending the regulatory
12 language in a format that can be submitted to the
13 Department of Law.

14 At this point, we've had a number
15 of discussions involving staff, the Attorney
16 General, the Chair, and myself on this particular
17 option. But I am going to turn it over to
18 Mr. Parrish to comment on what it is we're looking
19 at, and then I will turn to Mr. Goering after
20 that.

21 MR. PARRISH: Thank you. This is
22 David Parrish with the common carrier section.
23 what is before the Commission is a -- and if --
24 I'll refer to the matrix that is up here. It has
25 three options in the -- hopefully that's the one

1 that you're looking at. Option --

2 COMMISSIONER PICKETT: I think
3 we're looking at the one you handed out this
4 morning --

5 MR. PARRISH: Oh --

6 COMMISSIONER PICKETT: -- with the
7 handwriting on it.

8 MR. PARRISH: Sure, sure, sure.
9 Okay.

10 COMMISSIONER PICKETT: Yeah.

11 MR. PARRISH: Well, that would
12 represent the third option in the matrix. And it
13 is essentially a -- a slight deviation from what
14 has been discussed in prior meetings and changes
15 the format slightly from what went out in R --
16 Order R-17-001, order number 2, in that it --
17 while it still preserves a -- has a six-month, I
18 guess, deferral period.

19 What it does is, instead of
20 prioritizing current month's payments, it would
21 pay old claims first. Kind of a rolling basis.
22 And -- and that's -- that's primarily the -- the
23 other changes that it -- this would operate for
24 any month, regardless of whether it was a -- there
25 was a shortage or a surplus.

1 The other primary change would be
2 that it would -- oh, it would -- it accommodates
3 any claims that were unpaid prior to the enactment
4 of the provision.

5 So essentially it's somewhat the
6 same, but it -- it's slightly different -- it's
7 nuanced a little differently than what has been
8 discussed --

9 COMMISSIONER PICKETT: Uh-huh.

10 MR. PARRISH: -- previously.

11 COMMISSIONER PICKETT: And I'm not
12 sure the terminology, "surplus" or "shortage" is
13 appropriate when the fund is insolvent.
14 Mr. Goering?

15 MR. GOERING: Did you have a
16 specific question or --

17 COMMISSIONER PICKETT: Just, are
18 you looking at the same thing the Commission is
19 looking at with option 3, 3 AAC 53.350(e), and
20 handwriting on the bottom?

21 MR. GOERING: Right, it's showing
22 an effective date -- or it's last updated -- and
23 it was originally last updated 10/26/2017. It's
24 now, in blue ink, says last updated, 11/7/2017.

25 COMMISSIONER PICKETT: Okay.

1 That's the correct one, Mr. Parrish --

2 MR. GOERING: Right.

3 COMMISSIONER PICKETT: -- that you
4 handed him?

5 MR. PARRISH: That is correct.

6 COMMISSIONER PICKETT: And that's
7 the one all the Commissioners are looking at. So
8 I guess my question to you is: Does this
9 accurately cap -- you raised a number of concerns
10 with staff and with the Chair and myself
11 concerning the original language -- does this
12 address the concerns that you had?

13 MR. GOERING: Yes, it does. And I
14 guess I probably ought to comment on a couple of
15 the things.

16 One is, the -- I think that the
17 Commission's intention is to provide an orderly
18 way of dealing with situations where the universal
19 service fund has more obligations, both current
20 and past due, than it has current revenues.

21 And the -- this particular version
22 deals with those claims, with the exception of
23 administrative costs and Lifeline on a first-in,
24 first-out basis, which is consistent with what
25 normal business practice would be. And I think

1 it's consistent with what most government programs
2 would have for their -- their order of priority.

3 That doesn't mean that you couldn't
4 have a last-in, first-out payment priority. But a
5 last-in, first-out payment priority with a
6 extinguishment provision would have to have some
7 pretty well articulated rationale behind it
8 because it would appear to be designed to, in a
9 situation where there's a chronic -- as you put
10 it, a chronic insolvency situation, it would
11 appear to be designed to extinguish claims, rather
12 than try to catch up and pay accrued claims to
13 the -- to the maximum extent possible.

14 And I would -- I would point out
15 that your existing regulation for the calculation
16 of the surcharge, which is found in 3 AAC
17 53.340(d), provides that the administrator should
18 basically take into account all of the anticipated
19 calls upon the fund in calculating the surcharge
20 percentage for the future year. And that would,
21 presumably include the -- any past due amounts.

22 So what should be -- what should be
23 happening, particularly if there's a six-month
24 period, that the administrator should be proposing
25 a budget that would liquidate those past due

1 amounts within a six-month period, as opposed to
2 over, you know, a longer period of time to avoid
3 the -- the lapsing of previous amounts.

4 A couple comments that --
5 Mr. Parrish noted the fact that the -- in case of
6 shortage, the priority doesn't really need to be
7 addressed. You already have a regulation, which
8 says what happens if the receipts to the fund are
9 in excess of the current needs for disbursements.
10 And that is in 3 AAC 53.340(f).

11 It indicates that the administrator
12 must hold the universal service charge payments
13 required from AUSAC in -- in excess of
14 disbursements for a current month in a low risk
15 interest-bearing account and use the disbursements
16 under 53.300, 53.399 in the -- in a following
17 month.

18 So you've already taken care of the
19 things that appear to be addressed by the -- what
20 was previously 350(g) in -- in what was referred
21 to a time of surplus. That's already covered by
22 your regulation.

23 So the -- what you've got in front
24 of you is, I think, the sort of minimal execution
25 of what the Commission's intention has been

1 expressed as. And I think that's -- that it does
2 express the -- what I understand the Commission's
3 intention to be.

4 COMMISSIONER PICKETT: Are there
5 Commissioner questions of Mr. Parrish or
6 Mr. Goering before I make a motion?

7 For discussion purposes, I will
8 move that the Commission adopt option 3, amending
9 3 AAC 53.350(e) as discussed with the handout
10 dated 11/7/17 from Mr. Parrish.

11 CHAIRMAN MCALPINE: Is there a
12 second?

13 COMMISSIONER PAULI: Second.

14 CHAIRMAN MCALPINE: Is there
15 discussion? Well, the movement -- move it for
16 adoption? It's been moved for adoption. Is there
17 a second?

18 COMMISSIONER PAULI: Second.

19 CHAIRMAN MCALPINE: All in favor
20 signify by saying "aye."

21 COMMISSIONER PAULI: Aye.

22 COMMISSIONER PICKETT: Aye.

23 COMMISSIONER ROKEBERG: Aye.

24 CHAIRMAN MCALPINE: Aye. Are there
25 any opposed? Hearing none, adopt --

1 COMMISSIONER WILSON: No.

2 CHAIRMAN McALPINE: Oh. As I --

3 COMMISSIONER WILSON: Were we

4 voting on the motion to -- what are we --

5 CHAIRMAN McALPINE: To adopt.

6 COMMISSIONER WILSON: To adopt --

7 COMMISSIONER PICKETT: To adopt.

8 COMMISSIONER WILSON: -- these

9 regulations?

10 COMMISSIONER PICKETT: Uh-huh.

11 CHAIRMAN McALPINE: Yes.

12 COMMISSIONER WILSON: Yes, I am

13 voting "no."

14 CHAIRMAN McALPINE: You are voting

15 no?

16 COMMISSIONER WILSON: And

17 perhaps --

18 CHAIRMAN McALPINE: Okay. Let the

19 record reflect that Commissioner Wilson voted

20 "no."

21 COMMISSIONER WILSON: -- perhaps I

22 should explain.

23 CHAIRMAN McALPINE: You can if you

24 want.

25 COMMISSIONER WILSON: I'm sure my

1 colleagues know why I'm voting no. Over my
2 objection, the Commission has chosen not to fully
3 fund the AUSF through adoption of a surcharge less
4 than that requested by the administrator. And I
5 do not believe that is good public policy.

6 I believe that AUSF, as it exists,
7 should be fully funded until such time as it is
8 reduced through amendments to regulation. Thank
9 you.

10 CHAIRMAN MCALPINE: Thank you,
11 Commissioner. The matter has been adopted. That
12 closes item number two on the agenda.

13 Moving to item number three,
14 I-17-001, In the Matter of Investigation into the
15 Long-Term Viability of the AUSF Fund or Other
16 Funding Mechanism, and a Policy Review of the
17 Alaska Universal Service Fund's Current
18 Administration, Funding Priorities, Contribution
19 Base, and Accountability Mechanism.

20 Commissioner Pickett?

21 COMMISSIONER PICKETT: Thank you,
22 Mr. Chairman. This is a continuation of
23 discussions we have been having and will continue
24 to have throughout early 2018.

25 Specifically this is on the agenda,

1 Commissioner Pauli expressed a desire to posit
2 some questions and suggest some action. And
3 before she is out for a little bit, we wanted to
4 give her the opportunity today to put those on the
5 table.

6 COMMISSIONER PAULI: From the
7 earlier response to the public comments from
8 Ms. Heim, I think it's pretty clear that I'm
9 reading AS 42.05.800 with an eye towards trying to
10 figure out if we have accomplished what the
11 statute tasked us to do.

12 So what I would like to do is make
13 a motion to put out to the public questions along
14 the following lines: Irrespective of the
15 technology used to originate, terminate, or
16 transport, is universal intrastate interexchange
17 service provided at reasonable rates throughout
18 the state? And it's a "yes" or "no."

19 And then if the answer is "no," I'd
20 like to find out what universal intrastate
21 interexchange service is not available throughout
22 the state at reasonable rates?

23 Is universal intrastate
24 interexchange service not available at all, or is
25 the service available but just not at a reasonable

1 rate?

2 what location or locations is
3 universal intrastate interexchange service
4 unavailable, and what location or locations is
5 universal intrastate interexchange available but
6 not at a reasonable rate?

7 And what is necessary to achieve
8 universal intrastate interexchange service at
9 reasonable rates throughout the state?

10 so it's a longwinded way of trying
11 to find out if we have accomplished what the
12 Legislature tasked us with back in 1990.

13 so I would make a motion that under
14 I-17-001, that the Commission publish this --
15 these questions in substantially similar format to
16 be responded to, perhaps within two weeks. And
17 then -- or, excuse me, three weeks from the date
18 of issuing, and then two weeks to reply to any of
19 the initial responses.

20 COMMISSIONER PICKETT: Okay. I
21 will second that motion for discussion purposes.
22 Do have a question, perhaps you could yield.

23 whenever I hear the word
24 "reasonable," it makes me nervous, having dealt
25 with that word for decades. And there are many

1 different ways to think about "reasonable." And
2 in the telecommunications industry, I have
3 absolutely no idea what it means. So let them
4 define it, and --

5 COMMISSIONER PAULI: That is the
6 language of the statute, and I would be curious to
7 know what industry thinks is happening out there.

8 I mean, I -- this is the quickest
9 way that I can think of to get an answer that's on
10 the record, that we can hear from industry on
11 whether or not they think that has been achieved.
12 And if not, how do we achieve it? Where does it
13 need to be achieved? So I agree, "reasonable" is
14 what makes attorneys rich.

15 COMMISSIONER PICKETT: It's what we
16 love to do around here.

17 COMMISSIONER PAULI: So -- and, of
18 course, whatever we say is inherently reasonable.

19 CHAIRMAN MCALPINE: Further
20 discussion? Hearing none, we'll move the
21 question. All in favor of the -- do you want to
22 restate the motion or do you want me to restate
23 the motion?

24 COMMISSIONER PAULI: Why don't you
25 go ahead and restate it --

1 CHAIRMAN MCALPINE: Okay.

2 COMMISSIONER PAULI: -- so I

3 don't --

4 CHAIRMAN MCALPINE: Referring to
5 I-17-001, the Commission should publish the
6 questions that were put forth by Commissioner
7 Pauli -- Paul -- Commissioner Pauli, and the time
8 frames for response would be published within
9 one -- response within one week and reply within
10 two weeks; is that correct?

11 COMMISSIONER PAULI: Response
12 within three weeks, reply within two weeks because
13 of holidays.

14 CHAIRMAN MCALPINE: Okay. Okay.
15 All in favor of the motion signal by -- signify by
16 saying "aye."

17 COMMISSIONER PICKETT: Aye.

18 COMMISSIONER ROKEBERG: Aye.

19 COMMISSIONER WILSON: Aye.

20 COMMISSIONER PAULI: Aye.

21 CHAIRMAN MCALPINE: We're going to
22 have to have a show of hands so I can see what --
23 is that an "aye," Commissioner Wilson?

24 COMMISSIONER WILSON: It is.
25 Uncharacteristically this is "aye."

1 CHAIRMAN MCALPINE: And I -- go
2 ahead.

3 COMMISSIONER PAULI: Aye.

4 CHAIRMAN MCALPINE: Commissioner
5 Rokeberg are you an "aye"?

6 COMMISSIONER ROKEBERG: Aye.

7 COMMISSIONER PICKETT: Aye.

8 CHAIRMAN MCALPINE: Okay. And I'm
9 a "nay." And I will offer that I've said it a
10 thousand times, sometimes it's more important that
11 you make a decision than is the decision that you
12 make.

13 Moving on to item number four on
14 the agenda. I-17-004, In the Matter of the Report
15 to the State Legislature Regarding Alaska's
16 Current Broadband Coverage and Planned Expansions
17 and Gaps in Broadband Infrastructure and
18 Financing. Commissioner Rokeberg?

19 COMMISSIONER ROKEBERG: Thank you,
20 Mr. Chairman. The 30th Alaska Legislature
21 conditioned approval of the Regulatory Commission
22 of Alaska's budget on the requirement that the
23 agency assess current broadband coverage and
24 planned expansions while also addressing gaps in
25 broadband infrastructure and financing.

1 To allow me, Mr. Chairman, to read
2 the intent language so we recollect what our task
3 is. It says, "It is the intent of the Legislature
4 that the Regulatory Commission of Alaska provide
5 to the House Finance Committee, the Senate Finance
6 Committee, and the Legislature -- Legislature
7 Finance Division by December 1," -- a mere 22 days
8 away, approximately -- "2017, an analysis of
9 Alaska's current broadband coverage and providers'
10 planned coverage expansions and a description of
11 the remaining gaps in statewide infrastructure and
12 financing."

13 We issued an order in August
14 requesting broadband service providers provide
15 information regarding the current broadband
16 coverage, these planned expansions, and a gap in
17 any state broadband infrastructure and financing.

18 At the last public meeting we
19 issued maps as a result of the level of comments
20 we had. I think I'd like to characterize the
21 responses as in the main, quite good. But there
22 are certainly -- we had some gaps also in
23 comments. But nevertheless, I think our staff did
24 an admiral job in putting it together.

25 But there was a concern raised by

1 the Chairman and myself that we were -- maps alone
2 are not entirely dispositive in terms of
3 demonstrating, particularly areas that are not
4 served or they may be represented by a
5 community -- a dot on the map if it only is -- has
6 satellite service, for example.

7 And so it's difficult to see where
8 coverage is and what types of coverage or service
9 is provided. So in other words, to meet the
10 mandate to provide a gap, we requested some
11 additional information.

12 And I'm -- like to thank GCI for
13 providing a filing on -- in -- November 3rd of
14 this year, which fundamentally lists all, if
15 not -- most, if not all the communities in the
16 state of Alaska, a breakdown of the census block
17 areas, the speed of the service, and the names of
18 the providers into these particular communities.

19 This is all based on a June 2016
20 Form 477 data, which is public information. But
21 they compiled it. Did us a service. And I know
22 our common carrier section, which is somewhat
23 short-staffed by circumstances beyond our control,
24 is -- was very thankful for that. And it -- it is
25 a good baseline document for us to work with, so

1 we want to thank GCI for that information.

2 Albeit, it's -- it is a baseline,
3 and we need to work on that. As exemplified by the
4 conversation this morning and the questions I made
5 of Ms. O'Connor in her presentation, as the gap
6 between the June statistics and current levels of
7 expansion and plans during the past 12 to
8 18 months, were not necessarily reflected in the
9 Form 477.

10 And that -- that's an ongoing
11 issue, because I think, not only do we have a
12 December 1 report -- my feeling is that this is
13 going to be an ongoing process, if you will,
14 particularly between, not only the RCA as a body
15 advising the Legislature because we're a creature
16 of the Legislature, but the fact is that the
17 telecommunication companies and industry will be,
18 I think, very responsive to the Legislature's
19 inquiry on this subject. And also, therefore, be
20 able to be responsive to them, we need to have
21 that information.

22 I think there -- one problem that
23 we have encountered with the -- meeting this
24 directive is the -- provide the information on
25 a -- on the planned coverage is that many

1 responding regulated carriers view such plans as
2 competitive sensitive and not subject to
3 disclosure to the RCA, since the questions --
4 since the network information relates to broadband
5 service.

6 This raises entering jurisdictional
7 questions, as the same networks carry intrastate
8 voice traffic, a service for which we have
9 statutory oversight obligations. So we do -- it's
10 one of these ongoing jurisdictional problems that
11 we have.

12 And the -- what I'd like to do
13 today is start some of the conversation on some of
14 the topics very briefly, given the -- the hour of
15 the day and our time constraints.

16 But I'd like to basically announce
17 that we -- we're going to be scheduling public
18 meetings on this topic commencing the 15th of this
19 month, the 22nd, and on the 29th of November to
20 review a final draft of the submission for the
21 Legislature at a public meeting.

22 In addition, we would be inviting
23 my colleagues to what we call, a lunch-and-learn
24 session on the 14th of November. And we'll make
25 sure we get Commissioner Pauli to hopefully be

1 able to call in as part of that.

2 COMMISSIONER PICKETT: She'll make
3 it.

4 COMMISSIONER PAULI: Yes.

5 COMMISSIONER ROKEBERG: And the --
6 she'll be -- she's on IR, that's the trouble.
7 She's not -- not that she doesn't want to come,
8 right. So be careful you don't get traded.

9 The -- one area that we will be
10 doing, and we -- I want to thank Shannon Heim this
11 morning for bringing up a more national
12 perspective on things -- is the staff has provided
13 the Commissioners with copies of a National
14 Regulatory Research Institute, NRRI, report that
15 was drafted and published by Dr. Sherry
16 Lichtenberg, who is well-known to all members of
17 this Commission.

18 She visited this state at the
19 Western Conference we had this spring. And NRRI's
20 been a very important part of the NARUC, the
21 National Regulatory Commissioners -- Commission.

22 And we have former Commissioner and
23 Chairman Patch in the audience -- was a member of
24 the board of NARUC for a number of years --
25 sitting with us.

1 So -- and there's an excellent
2 report done, published in June of this year, on
3 broadband availability and adoption and state
4 perspective, which goes through the activities to
5 date, that Dr. Lichtenberg was able to identify
6 and include in the report, which is a very --
7 which we'll be -- we'll be incorporating into our
8 report.

9 And the -- with that, I'd like to
10 ask Mr. Gazaway here, who has joined us from our
11 staff and is a key staff resource on that project,
12 do you have any comments on the NARUC report that
13 you'd like to bring up at this time, Mr. Gazaway?

14 ALJ GAZAWAY: Well, I guess the one
15 answer is, no, there's not one approach. I mean,
16 states have taken numerous different approaches.
17 A lot of them are struggling with the shift from a
18 ubiquitous voice network to a broadband network
19 that carries voices and ancillary service.

20 And so they are looking at
21 initiatives to expand broadband. And often, at
22 times, use direct funding. Other times they
23 divert their state USF. At times they take it
24 from the competitive markets to transition it to
25 the noncompetitive markets to advance broadband

1 deployment and adoption measures.

2 If they do such things, they often
3 also look at relaxing regulation, particularly
4 retail regulation, and focus more on emergency
5 service situations, carrier-to-carrier
6 obligations, and Lifeline services. That's a
7 common trend, but it's not the only trend.
8 There's all different approaches.

9 States are kind of divided on
10 whether the State Regulatory Commission oversees
11 any broadband initiative efforts, especially a
12 funding effort. Some have separate councils
13 outside of the agency and some use the agency
14 itself.

15 I think Ms. Heim or Ms. O'Con- --
16 Ms. Heim mentioned the Colorado case, which was
17 also presented in that summary conferences on
18 ATA -- I mean, on the NARUC Western Conference.

19 And that's about all I could tell
20 you that -- without going -- well, the one aspect
21 I would add too is that where they were lax in
22 regulation and also where they're deploying
23 broadband, they do, at times, look at more of a
24 technology-neutral approach, not focused on
25 existing wireline solely.

1 COMMISSIONER ROKEBERG: Thank you,
2 sir. What I'd like to do today, just very
3 briefly, to kick off our discussion, is to -- I --
4 I'll posit a question and ask Mr. Gazaway to
5 comment on it; and then ask the members of the
6 Commission to have -- any comments they may have.
7 And then after that, bring up any anything they
8 wish to at this juncture.

9 So, in looking forward to this
10 process, we have a short time frame to move
11 forward on this. And I think we'll -- we'll be
12 stretching the capability of our staff and the --
13 our other workload. But this is a very important
14 subject, of great interest to everybody in the
15 state.

16 First I'd like to posit a question
17 and -- well, let me just say this: What I'd like
18 to do today is not really talk so much about
19 jurisdictional issues and also not delve into the
20 financing aspects of it so much, but just more of
21 a general, broad overview.

22 And the staff's already done, I
23 think, some really good financial digging. And I
24 think we can make a lot of progress just in the
25 next week by getting -- getting with the work that

1 we've already done moving forward on this.

2 But I'm going to put you on the hot
3 seat, Rich, and to -- just to get the ball rolling
4 on this, is -- the question is: If the State
5 financial support -- and this would -- could be
6 from any source -- for broadband deployment and
7 adoption is authorized by the Legislature by
8 appropriation or otherwise, what State entity
9 could -- and I'll ask the four questions -- one,
10 fund broadband investment?

11 Secondly, administer that entity?
12 Three, establish eligibility criteria and a
13 framework for award, if you will, or funding?
14 And, four, a point you just raised was, should it
15 be technology agnostic? In other words, would it
16 include all elements?

17 We heard a case for Lower 48
18 fibers, but we didn't hear about the fact that we
19 need satellite to be able to hit the last mile in
20 Alaska without question. Or could it be a VoIP or
21 a, you know, fiber or microwave or whatever
22 technology it is as a media of transport, be it
23 last mile or middle mile?

24 So those are the basic questions.
25 So first, if you want to make any comments about

1 what type of State entity? Perhaps keeping in
2 mind your experience on the last State broadband
3 task force.

4 ALJ GAZAWAY: Well, for the RCA to
5 do it, I do think you would need some legislative
6 clarification. Another -- I mean, your statutory
7 definition of "telecommunications" is pretty
8 bright open -- broad open, wide open, as I think
9 Commissioner Pauli has mentioned in the past.

10 But the construct predates
11 broadband. It was developed at a time when long
12 distance competition was entering the markets.
13 The focus was solely voice, and the languages
14 in -- mere several areas of the statutes focused
15 on basic telephone service.

16 So to expand your regime to somehow
17 promote broadband deployment and adoption, I think
18 you would need some statutory clarification, is my
19 opinion.

20 with that said, should it be a
21 separate entity or a outside entity? Well, I
22 mean, there's arguments on both sides. And there
23 is some expertise with in-house on broadband
24 issues that could be utilized -- you know, could
25 be helpful.

1 But there's also, you know, a
2 workload related to that, that, you know, could
3 press other workloads, given your two-man common
4 carrier staff, for example.

5 And -- sorry, Ryan. Is Mr. Kramer
6 out there too? But -- so -- but the point -- so
7 the first question is: I think that's up to the
8 Legislature, but I do think you could do it with
9 statutory expansion authority -- or at least
10 clarification.

11 Could you kind of -- you kind of
12 went through four in a hurry. Can you -- what --
13 could you go to the second question, please?

14 COMMISSIONER ROKEBERG: Well, it
15 was funding, and then what -- what would be a
16 general nature of funding capabilities without
17 getting into the details?

18 ALJ GAZAWAY: Well, I mean, there's
19 a lot of federal funding out there. But as far as
20 State funding, I mean, there is the option of
21 direct grant awards and direct funding from the
22 State's general fund, which doesn't seem highly
23 probable at the moment. But nonetheless, is an
24 alternative.

25 The State AUSF could, you know,

1 with some clarification over guiding statutes, be
2 diverted to support broadband adoption measures,
3 or at least a portion of it. It depends on the
4 priorities that are established by yourselves and
5 the Legislature is, I guess, my answer to that
6 question.

7 COMMISSIONER ROKEBERG: Well,
8 that's certainly something we can talk about in
9 the immediate future. And as the diminution of
10 the revenue base from a -- for example, even
11 trying to cannibalize the AUSF as a source of
12 funding, may be a -- an area of diminishing
13 returns.

14 So -- and I think many states are
15 looking at general fund appropriations because it
16 spreads the cost over something that's certainly a
17 wider public service than a discrete narrowing
18 base of telephone subscribers, particularly of --
19 in the areas like VoIP and things like that, which
20 despite safe harbor rules from FCC, collections
21 are very difficult to make sometimes, so whatever.

22 we'll get into that a little later.
23 How about establishing eligibility criteria, what
24 kind of an entity do you need to be able to
25 enforce things like that?

1 ALJ GAZAWAY: Well, I think -- I
2 think you need the policy directives, and that
3 defines your answer. The technology agnostic
4 approach is what you're promoting or is it an
5 industry that you're trying to, you know, maintain
6 revenue streams for? I mean, that's the core
7 question that -- in one policy issue.

8 And if -- so the construct kind of
9 depends on what your fundamental policies are
10 driving the use of money. Does that not answer
11 your question, Commissioner?

12 COMMISSIONER ROKEBERG: Yes, that's
13 fine. It's as far as we can go. That's a \$64,000
14 question.

15 ALJ GAZAWAY: Could I add one
16 thing?

17 COMMISSIONER ROKEBERG: Yes, sir.

18 ALJ GAZAWAY: One difficulty with
19 AUSF, like we pointed out, is you guys have kind
20 of stretched your contribution base as far as you
21 go by going to VoIP.

22 I mean, because broadband -- well,
23 while jurisdiction is not where you wanted to go
24 today -- while there's some arguments over whether
25 there's any jurisdiction over broadband, it is

1 clear that you cannot assess AUSF or any rate
2 regulation over broadband services.

3 So you cannot use that to tap -- to
4 contribute to the AUSF. That's clear by federal
5 precedent.

6 So you're struck with your existing
7 contribution base, essentially, as far as what
8 industries you can use for AUSF assessments, is my
9 reading of the statute and the federal precedent.

10 COMMISSIONER ROKEBERG: I think
11 that's something we need to make clear to the
12 Legislature, the limitations and the restrictions
13 about that. Particularly that's one reason
14 they're asking about financing.

15 We've even heard a few suggestions
16 today, even from Commissioner Pauli, about using
17 an electric industry template for the organization
18 of maybe a joint venture-type organization, like a
19 TRANSCO or some type of co-op.

20 So there's any -- yeah, don't let
21 your mind restrict you in being creative about
22 what kind of an entity it could be.

23 There has been some criticism of
24 the broadband task force that was last established
25 because of the kind of unwieldy nature. I, for

1 one, am not a real big fan of legislative task
2 forces.

3 I think they get bogged down and
4 end up being a creature of a legislative draft
5 that you were -- you try to satisfy all levels of
6 constituency and then start building -- you start
7 with, for example, 8 members, and you end up with
8 22 because you're trying to satisfy too many
9 interests, if you will.

10 So one thing I think that we'll be
11 suggesting is that the House and Senate Labor and
12 Commerce Committees take on their
13 jurisdictional -- or purview and provide even a
14 joint meetings or basis for establishments,
15 clearly, of the legislative construct that will
16 come out of the Legislature.

17 Yeah, which, you know, last time
18 ultimately ended up in a -- in a task force. And
19 I think there's current legislation from
20 Representative Guttenberg, more or less along
21 those lines.

22 So -- but somewhat -- I'm glad they
23 asked us for our opinions on a more formal basis
24 because I -- I'm really kind of not particularly
25 predisposed of that type of organizational

1 structure.

2 So with that, I'd throw it open to
3 any other Commissioners that want to make a
4 comment on any of these or anything else on this
5 topic. If they have input now, and -- and
6 certainly we'll be in the midst of this in the
7 next few weeks.

8 COMMISSIONER PAULI: Mr. Gazaway,
9 you made a statement regarding industry revenue
10 stream, the -- as a choice of policies, I think it
11 was. And I didn't understand what you were
12 referring to.

13 ALJ GAZAWAY: The way the AUSF is
14 currently constructed, you basically reimburse
15 carriers -- there's additional support that goes
16 through carriers in competitive markets to keep
17 them at a whole level from the revenue requirement
18 at the time they left the access charge pool.

19 So basically it's -- it's
20 supporting the industry to keep them -- you know,
21 to somewhat mitigate the access charge reduction
22 losses -- the money lost through access charge
23 reductions and also compensate them for providing
24 carrier of last resort.

25 COMMISSIONER PAULI: Okay.

1 ALJ GAZAWAY: And maintaining the
2 wireline network. And so I think it's kind of --
3 in my view, it's constructed now to be a revenue
4 stream. This construct of the AUSF is to protect
5 carriers from the economic impacts in competitive
6 markets.

7 COMMISSIONER PAULI: The
8 competitive markets, there's -- I was reminded
9 last week, there's -- our regulations sort of talk
10 about two types of competitive markets. You've
11 got the non-pooling, which is out of the Telecomm
12 Act, competition for purposes of that, which then
13 kicks you into the COLR-type area.

14 And then you have competitive,
15 which I think of as, you know, the open
16 marketplace, having multiple providers and not
17 having to set prices. That sort of thing.

18 So when we're looking at the
19 revenue stream, isn't that revenue stream that
20 comes out of the -- the Telecomm Act definition of
21 "competition" and not competition in a more
22 general economic sense?

23 ALJ GAZAWAY: I'm having a hard
24 time grasping your question. Let me say it this
25 way: AU- -- exit from the access charge pool is

1 triggered by competitive entry by one entity.

2 I mean, so there's no measure of
3 competition, other than one other. And it's
4 basically always been the wireline and GCI, who's
5 entered markets.

6 And that has triggered exit from
7 the access charge pool with people remaining in
8 the pool remaining under an access charge system
9 of people outside the pool receiving carrier
10 common line support and COLR support.

11 And the way it's constructed is,
12 the COLR support picks up the difference between
13 CCL and NAF revenues that they get from their
14 customer base, and basically makes them whole
15 based on the revenue requirement from a previous
16 year.

17 COMMISSIONER PAULI: It's the X
18 factor, is what we often call it. The X factor is
19 the COLR. It's to keep the formula equal. But
20 the competition that kicks you out of the access
21 charge pool, is that competition under the
22 Telecomm Act or competition in general?

23 ALJ GAZAWAY: The Telecomm Act
24 defines which markets they can enter through --
25 well, basically they can enter any market with

1 their own facilities. So --

2 COMMISSIONER PAULI: Uh-huh.

3 ALJ GAZAWAY: -- I don't know if I
4 can directly answer your question. I mean, the
5 construct you built was not solely tethered to the
6 Telecomm Act. It was based on your reform of an
7 access charge system where intrastate revenues,
8 access revenue -- or intrastate access charge
9 costs were roughly \$0.14.

10 And intrastate, between states, was
11 down to 3 and a half or some -- I'm throwing
12 numbers out from memory, which is always a
13 problematic expedite --

14 CHAIRMAN MCALPINE: Dangerous.

15 ALJ GAZAWAY: -- but that's
16 essentially what drove that whole AUSF reform in
17 R-08-003.

18 COMMISSIONER PAULI: Uh-huh.

19 ALJ GAZAWAY: And so the -- so in
20 that stage you've struggled with a definition of
21 "competition."

22 And the comp- -- the definition you
23 chose wasn't based on Telecomm Act, it was based
24 on -- it was the -- ACS' argument. And it was
25 based on having an existent -- and it wasn't

1 unequivocally stated either.

2 It just said, basically there was
3 one wireline competitor and more than one wireless
4 affiliate -- or wireless carrier in the market.
5 And, therefore -- and the competition was mature.
6 And, therefore, there was no need for COLR support
7 in that market.

8 And that, to me, was kind of how
9 you guys defined "competition" at that stage at
10 this -- at a State level. But that's not the
11 federal definition. So I'm not sure how to answer
12 your question, other than to fill in that
13 background.

14 COMMISSIONER PAULI: Okay. Thank
15 you.

16 CHAIRMAN MCALPINE: Commissioner
17 Pickett?

18 COMMISSIONER PICKETT: Oh, I'm
19 trying to think how I talk about this
20 diplomatically. But I was somewhat concerned when
21 this report first emerged, you know, at the -- of
22 course the tail end of the legislative session
23 with absolutely no resources and a rather
24 unreasonable time line, given all the other stuff
25 we have going on.

1 Plus, the ability to take -- and I
2 think the -- if we -- I think we're going to
3 approach this like this is going to be some light
4 version of broadband task force 4.1. We're sort
5 of delusional, quite frankly.

6 And the more we can speak clearly
7 and directly as to the reality of what's out
8 there -- and ultimately, it is going to get into
9 funding.

10 I mean, there are those who, in
11 Juneau, believe you set up some uncapitalized,
12 with no equity, magical corporation, whether --
13 whatever form of organization it takes -- is going
14 to be the silver bullet to deploy broadband in the
15 state of Alaska is absolutely delusional. I'm
16 sorry.

17 And given the fact that we have
18 phenomenal dollar figures out there -- and I'm
19 leaving out the jurisdictional stuff with the
20 Commission at this point, sort of on the sideline.
21 I'm just talking about reality -- and economic
22 reality will ultimately determine the nature of
23 broadband deployment in the state of Alaska.

24 It's -- you know, and that whole
25 picture's going to include the subsidy streams

1 from the State and the feds and what the
2 ratepayer -- what the customer's going to actually
3 pay and what the companies are willing to invest,
4 whether that be a co-op or an AT&T or an ACS.
5 That's just the way stuff works.

6 And for us to try to soft pedal
7 that and pitch some imaginary construct is not
8 going to do the Commission any good. It's not
9 going to do the industry any good. And I think
10 ultimately, will be harmful to the overall
11 situation.

12 So with that, I think we should be
13 cautious, you know. And I would suggest we at
14 least look at the format we used with our report
15 on the electrical side, which continues to go on.

16 And we're making some traction on
17 that, with whether we want to call it an outright
18 finding, but observation or something like that,
19 as far as the conditions we're seeing.

20 And then to the extent we can, some
21 sort of recommendation for next steps. And try to
22 keep it as simple. Given the time frame, I doubt
23 we could do more than three or four of those
24 things.

25 Because otherwise, we're going to

1 get into a bunch of gobbledegook that has already
2 been regurgitated multiple times with the early
3 iterations of reports. So with that cautionary
4 note, I will just be still. So thank you,
5 Mr. Gazaway.

6 CHAIRMAN MCALPINE: Commissioner
7 Rokeberg, I'd like to take a moment to commend to
8 the audience, I'm not certain that they got notice
9 of the reports that Mr. Gazaway referred to us.

10 They're NRRI reports, all of which
11 were authorized by Sherry Lichtenberg. And
12 Dr. Lichtenberg is a principal in
13 telecommunications research from NRRI, and there
14 are four reports.

15 And I'm going to give you the
16 report number so that if you want to -- it's 279
17 pages of reading that -- capped on to the 3,000
18 pages that I was given with -- from ML&P, is how I
19 spent the last two days.

20 In any event, the first one is
21 State Universal Service Funds; it's dated
22 June 2015, and it's report number 15-05. The
23 second one is of particular interest, Carrier of
24 Last Resort: Anachronism or Necessity?; report
25 number 16-06, July 2016.

1 The third one is Broadband
2 Availability and Adoption: A State Perspective.
3 And this one is of particular interest because it
4 goes into the various approaches that other states
5 have engaged in.

6 And one of the items I mentioned to
7 Commissioner Pauli is -- given anyone who's had
8 experience in State government is -- somewhat
9 amusing -- is that one industry went to their
10 Legislature to prohibit another industry from
11 carrying broadband.

12 So it'd be tantamount to the
13 telephony folks going to the Legislature and
14 saying, you got to prevent electric from ever
15 going into broadband. And since we have better
16 lobbyists than they do, we get the legislation
17 passed.

18 But in any event, it's report
19 number 17-03, and it's dated June 2017. And the
20 final one is the Year End Review, 2016: Moving
21 Past Reduced Regulation. It's report number
22 16-10, dated December of 2016.

23 And I would be remiss, Rich, if I
24 didn't thank you for bringing those to our
25 attention. And would certainly recommend to the

1 other Commissioners and members of the audience
2 that you take the time to at least peruse them.
3 There are executive summaries if you don't want to
4 get into the full 279 pages.

5 Back to you, Commissioner.

6 COMMISSIONER ROKEBERG: Well, a
7 thought just occurred to me, which is very
8 dangerous. You talk about cross-fertilization and
9 competition between the industry sectors.

10 One of the things I find very
11 intriguing is when I've begun to study about 5G.
12 And the interconnection between the utilization of
13 light poles and power poles, which will be
14 necessary to disperse and create cell areas for 5G
15 transmission, we were seeing nothing.

16 And my understanding -- I'm not
17 sure I've got the numbers correct -- but just in
18 terms of perspective, you're going to have to have
19 5 to 10 times the amount of transmission
20 transponders or dishes to be able to carry 5G.
21 But they'll be much smaller, and they'll be
22 adaptable to installation on public light poles.

23 But it's my understanding, every
24 few have to be metered. So they'll have to have
25 electrical service to a pot of them. So there's

1 going to be a real interesting cross-fertilization
2 between both the electrical service industry and
3 the telecommunication industry about how 5G is
4 deployed.

5 And I'm concerned about when we're
6 talking about this whole thing, is the
7 expectations of people's desire to have advanced
8 technology. And I might add, and as Commissioner
9 Pickett rightly points out, one of the biggest
10 demand elements is for content and entertainment
11 value.

12 I mean, that's something that
13 concerns me about State and federal subsidy of
14 broadband speeds, merely because they want to
15 download Netflix, Google -- alphabet -- you name
16 it. And we're looking at the bottom line of
17 Silicon Valley and not the real desire to have
18 schools, clinics, and rural areas served. So that
19 is a problem.

20 But it's kind of interesting what's
21 going to happen technologically, and it's just
22 right around the corner. And what's going to
23 happen is, countries like Japan and so forth,
24 which are highly urban in their nature where you
25 can have a deployment of a 5G system, is going to

1 be way ahead of the U.S.

2 And there's going to be demands
3 for -- or there's going to be a urban/rural divide
4 issue we're evolving around it. So that's a
5 little extraneous tangent.

6 But this will be a -- I think
7 Commissioner Pickett is correct, we're going to
8 have to narrow our focus and ability to deliver.
9 But I'm going to recommend, I think, to my
10 colleagues, that we recommend to the Legislature
11 that this be an ongoing process.

12 A initial report is one thing. And
13 have, I think, the Legislature take this up as an
14 issue. It's a very important issue and very
15 timely. Notwithstanding the other expedencies of
16 their time demands.

17 It's something they can actually do
18 year round and don't need a 90-day session for.
19 So with that, any other comments today? I'll turn
20 it back over to the Chairman.

21 CHAIRMAN MCALPINE: Seeing none,
22 that concludes item number four on agenda. There
23 is an item number five, and I'm going to go
24 halfway through it. Grace, if you would come
25 forward, please. Don't look surprised, just come

1 forward.

2 And we should have someone with a
3 camera, right? Obviously I didn't tell you ahead
4 of time that you're here -- you don't get fired in
5 a public session, okay -- you're here to get a
6 20-year pin.

7 So let me present to you a letter,
8 which is now a collector's item. It's signed by
9 Commissioner Hladick, and not Commissioner
10 Navarre. It's -- and a certificate, and with that
11 a 20-year pin that doesn't account for all your
12 service, does it?

13 How many years do you actually
14 have? 26. Remember I had to present Commissioner
15 Pickett with his 5-year, 10-year, 20-year --
16 whatever it was -- several pins. So with that,
17 congratulations. And we appreciate your service
18 to the State of Alaska. Thank you very much.

19 And I was going to defer the other
20 one. But since I see his presence is here, Kevin
21 Luckey, if you would come forward, please.
22 Sometimes if you walk in backwards, people will
23 think you're leaving.

24 MR. LUCKEY: There you go.

25 CHAIRMAN MCALPINE: So how many

1 years do you really have?

2 MR. LUCKEY: 26.

3 CHAIRMAN MCALPINE: 26. So you're
4 both owed a 5-year pin in addition to the 20 that
5 you got. Again -- is that signed by Commissioner
6 Hladick also? This one is. That one's signed by
7 the Governor.

8 MR. LUCKEY: Oh, okay. Yes.

9 CHAIRMAN MCALPINE: And here's the
10 20-year pin to go with it. Thank you very much
11 for your service to the State of Alaska.
12 Appreciate it.

13 Now, if you're going to follow
14 through true to your last name -- it's "Luckey" --
15 you'll be retiring, right, and off to the nearest
16 fishing hole?

17 MR. LUCKEY: Exactly. Yeah.

18 CHAIRMAN MCALPINE: Okay.
19 Congratulations, Kevin.

20 MR. LUCKEY: Thank you.

21 CHAIRMAN MCALPINE: That concludes
22 any other business that I have. Is there any
23 other business from the Commission? Seeing none,
24 does the Attorney General have need for an
25 executive session?

1 MR. GOERING: No.

2 CHAIRMAN MCALPINE: Hearing none,
3 the Chairman will entertain a motion to adjourn.

4 COMMISSIONER PICKETT: So moved.

5 CHAIRMAN MCALPINE: Is there
6 objection? Hearing none, we're adjourned.

7 (Off record - 12:03 p.m.)
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I, Brooklende D. Leavitt, hereby certify
that the foregoing pages numbered 3 through 140
are a true, accurate, and complete transcript of
the Public Meeting of the Regulatory Commission of
Alaska, held on November 8, 2017, transcribed by
me from a copy of the electronic sound recording
to the best of my knowledge and ability.

_____	_____
Date	Brooklende D. Leavitt, Transcriber