

Alaska Universal Service Administrative Company
Request For Proposal
Revenue Reporting Audit Services

July 2025

Introduction

Alaska Universal Service Administrative Company (AUSAC) is soliciting proposals from certified public accounting (CPA) firms to validate and verify the revenue reporting of companies that contribute to the Alaska Universal Service Fund (AUSF).

AUSAC administers the AUSF, a telecommunications universal service support mechanism within the State of Alaska as defined and designated by the Regulatory Commission of Alaska (RCA). Payments by intrastate telecommunication carriers to the Alaska Universal Service Fund are collected in the form of a percentage surcharge on intrastate end user revenues of telecommunications carriers providing the designated intrastate telecommunications services that are set forth on RCA Tariff 998, Sheet No. 15, Attachment A. The complete RCA Tariff 998 is available at www.ausac.org. Such intrastate telecommunications carriers whose payments would exceed \$100 per year and/or who have received AUSF support during the calendar year are required to make monthly payments to the AUSF at the approved surcharge rate. All carriers subject to payment of the surcharge are required to make monthly payments to the AUSF, calculated by applying the approved amount of the surcharge to the gross amount of intrastate end user revenues for which bills were rendered in the preceding calendar month. The calculation is shown on the Monthly Carrier Remittance Worksheet, Attachment B.

Scope of Services

The CPA firm will perform specified Agreed Upon Procedures agreed to between AUSAC and the chosen CPA firm. AUSAC expects that the Agreed Upon Procedures would include validation of the accuracy of the AUSF calculation for the prior year, tracing prior year revenue base back to the revenue accounts, and examining the overall reasonableness, if necessary, of any allocation the company may have made of revenues between the interstate and intrastate jurisdictions. This engagement is not an audit of company revenues or financial statements. It assumes reliance on the work of a company's own external auditors that revenues recorded are free from material misstatement. The focus of the AUSF audit is the validity and accuracy of the calculation of the AUSF payment.

Bidders should read the attached RCA Order U-98-168 (8), Attachment C, for further background information on the scope of services. Also, please note, the possible expansion of the review to include audits of support mechanisms such as public interest pay telephone (PIPT) financial reporting as referenced in Page 3 of RCA Order U-98-168 (8) no longer applies.

There are approximately 120 companies who contribute to the AUSF. The CPA firm will select three to five companies at random to audit.

The contract will be for an initial one-year period. The contract may be extended for up to two (2) additional years upon the mutual agreement of both parties

Auditor Responsibilities

1. Furnish all labor, equipment, materials, and supervision necessary for the completion of the services.
2. Develop agreed upon procedures in cooperation with the AUSAC Board of Directors to achieve AUSAC's objectives.
3. Provide AUSAC with the engagement plan fifteen (15) days after the agreed upon procedures are approved.
4. Apprise AUSAC of status of engagements with progress reports until the project is complete.
5. Provide an engagement letter to the AUSAC Board of Directors including the services specified in this RFP, terms applicable, and fee schedules.
6. Provide proof of insurance coverage in an insurance company or companies authorized to conduct insurance business in the jurisdiction in which the Services under this Agreement are to be performed.

Pre-bid Conference

A pre-bid conference will be held via teleconference with AUSAC at 9:00 a.m., Alaska Standard Time, on August 8, 2025. Interested bidders may attend virtually, contact AUSAC at info@ausac.org for a meeting link.

Evaluation of Proposals

The proposals will be evaluated based upon the degree to which services match AUSAC's needs and on the technical experience, qualifications and costs of the bidder.

Submission of Proposals

All proposals, including those submitted by email, must have the signature of a representative of the bidder who is authorized to bind the bidder. All proposals must be received no later than close of business, August 25, 2025.

Proposals may be submitted by regular mail or email. Mailed proposals must be received no later than August 25, 2025.

Please submit your proposals to the following address:

Alaska Universal Service Administrative Company
PO Box 241281
Anchorage, Alaska 99524

Email proposals should be submitted to **info@ausac.org** and received no later than close of business August 25, 2025. AUSAC will acknowledge receipt of email proposals within one business day. If you do not receive such acknowledgement, please contact Keegan Bernier at 907-561-6300 to confirm receipt or to make alternative delivery arrangements.

Compensation

Compensation will be based on a fixed fee. Expenses such as travel and lodging will not be reimbursed; the audit will be completed electronically.

Contact

Please contact the Agent, Keegan Bernier, at 907-561-6300 with any questions or view www.ausac.org/rfp.

Attachments RCA Tariff 998, Sheet No. 15 Attachment A
Monthly Carrier Remittance Worksheet and Instructions – Attachment B
RCA Order U-98-168 (8) and R-18-001(5) – Attachment C

Attachment A
RCA Tariff 998, Sheet 15

RCA No. 998 Second Revised Sheet No. 15

Cancelling First Revised Sheet No. 15

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STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

ALASKA UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

ALASKA UNIVERSAL SERVICE FUND SURCHARGE

B. Carriers Subject to Payment of Surcharge

An Intrastate Telecommunications Carrier that provides telecommunications service to the public, or to those classes of users as to be effectively available to the public for a fee, shall pay a universal service surcharge to the AUSF. Telecommunications carriers include carriers offering the following services:

1. Cellular telephone and paging services;
2. Mobile radio services;
3. Operator services;
4. Personal communications services (PCS);
5. Local exchange service;
6. Special access service;
7. Wide Area Telecommunications Service (WATS);
8. Toll-free service;
9. 900 service;
10. Message telephone service (MTS);
11. Private line service;
12. Telex;
13. Telegraph;
14. Video services;
15. Satellite service;
16. Resale of intrastate services;
17. Pay phone services; (T)
18. Network Access Fee assessed on end users in accordance with Section 109 of the Alaska Intrastate Interexchange Access Charge Manual; and (T)
19. Interconnected Voice over Internet Protocol (VoIP) (N)

Tariff Advice No. TA24-998

Effective: March 8, 2017

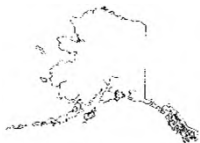
Date Issued: _____

Issued By: **ALASKA UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

By: _____
Lisa Phillips

Title: President

Attachment B
Monthly Carrier Remittance Worksheet
And
Remittance Worksheet Instructions



State of Alaska
Universal Service Fund
Monthly Carrier Remittance
Worksheet

Please read instructions before completing.

A. Company Code:	
B. Submission Date:	
C. Revenue Data MM/YY:	
D. Original	Revision

SECTION 1 - CARRIER IDENTIFICATION

1. Company Name: _____
- 1.a. Complete Mailing Address: _____
- 1.b. Telephone: _____
- 1.c. Email Address: _____

SECTION 2 - MONTHLY INTRASTATE END USER REVENUE DATA

- | | |
|---|---|
| 2. Local Service Revenues | 2. _____ |
| 3. Wireless/PCS/Mobile/Paging Revenues | 3. _____ |
| 4. Interexchange Switched Toll and Private Line Revenues | 4. _____ |
| 5. Pay Telephone Revenues | 5. _____ |
| 6. VoIP Revenues | 6. _____ |
| 7. Other Revenues | 7. _____ |
| 7.a. Less Uncollectible Revenue | 7.a. _____ |
| 8. Total Intrastate End User Revenues (sum of lines 2 through 7.a.) | 8. <div style="border: 1px solid black; width: 100px; height: 20px;"></div> |

SECTION 3 - REMITTANCE CALCULATION

- | | |
|---------------------------------------|------------------|
| 9. AUSF Rate (effective 01/01/2019) | 9. <u>10.00%</u> |
| 10. AUSF Amount Due (line 8 X line 9) | 10. _____ |

Monthly worksheets and remittances must be received by AUSAC by the 20th calendar day of each month. If payment is not received in immediately available funds by the due date, interest at the rate of .000287, calculated on the total amount due, will be charged until the date paid. In addition to interest, if payment is not received in immediately available funds within two (2) days of the due date, a one-time liquidated damages sum equal to one percent (1%) of the total amount due will be charged.

SECTION 4 - CHANGE IN COMPANY STATUS

11. Date: _____
12. If business has been discontinued in Alaska:
- | | | | | | |
|-----------------|---------------|-----------------|-----------------|-----------------|-----------------------|
| _____
(date) | Business Sold | _____
(date) | Business Merged | _____
(date) | Business Discontinued |
|-----------------|---------------|-----------------|-----------------|-----------------|-----------------------|
- 12.a. Company sold to or merged with: _____
- If business has recently started in Alaska, _____ business began.
(date)

SECTION 5 - CERTIFICATION

Under penalties as provided by law, I certify that I have examined this report and to the best of my knowledge and belief it is true, correct, and complete. I further acknowledge AUSAC's authority to request additional supporting information as may be necessary.

- | | | | | |
|-----|---------------------------------|---------------|----------------------|-------|
| 13. | Date | Name | Authorized Signature | Title |
| 14. | Contact Name | Contact Title | Phone Number | |
| 15. | Signer's Mailing Address: _____ | | | |
| 16. | Signer's Email Address: _____ | | | |

Send worksheet and payment to:

Alaska Universal Service Administrative Company
Email: info@ausac.org
Phone: (907) 561-6300

ALASKA UNIVERSAL SERVICE FUND

Monthly Carrier Remittance Worksheet Instructions

I. Filing Requirements and General Instruction

A. Introduction

On December 30, 1998, the Regulatory Commission of Alaska (RCA) (formerly known as the Alaska Public Utilities Commission or APUC) issued Order R-97-6(8) to create the Alaska Universal Service Fund (AUSF) and designating the Alaska Universal Service Administrative Company (AUSAC) to administer the collection and distribution of the monies for the Alaska Universal Service Fund (AUSF). The Alaska Universal Service Fund (AUSF) is established to promote the efficiency, availability and affordability of universal telephone service in Alaska. These instructions explain how to complete the Monthly Carrier Remittance Worksheet, which is used to calculate and provide underlying support for monthly payments by intrastate telecommunications carriers to the Alaska Universal Service Fund (AUSF). The monthly payments due are computed as a specified percentage of revenues billed to end-users.

B. Who Must File

With certain exceptions, the AUSF is to be funded by all intrastate telecommunications carriers that operate or provide telecommunications services within the State of Alaska. An intrastate telecommunications transmission is one that originates and terminates in Alaska, irrespective of actual routing.

C. When and Where to File

Monthly Carrier Remittance Worksheets and remittances must be received by AUSAC on or before the 20th calendar day of each month. Payment shall be delinquent on the 21st calendar day.

Monthly Carrier Remittance Worksheet Instructions

Payments due shall be made by wire transfer or Electronic Fund Transfer (EFT) directly to AUSAC's AUSF bank account on or before the 20th calendar day of each month. If this due date is a local bank holiday, funds shall be wire transferred or EFT on the prior workday.

Email completed worksheet to:	info@ausac.org
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In cases where technical issues with online banking prevent a carrier from making EFT payments, carriers must contact AUSAC prior to sending any non-EFT remittance payments. Exceptions or waivers may be made on a case-by-case basis.

D. Interest and Damages on Late Payments

Late Payment

If payment is not received in immediately available funds by the due date, interest at the rate of .000287 per day, calculated on the total amount due, will be charged until the date paid. In addition to interest, if payment is not received in immediately available funds within two (2) working days of the due date, a one-time liquidated damages sum equal to the greater of one percent (1%) of the total amount due or \$35.00 will be charged.

Late submission of AUSF Monthly Carrier Remittance Worksheet

AUSF Monthly Carrier Remittance Worksheets are due on or before the 20th calendar of each month.

If the AUSF Monthly Carrier Remittance Worksheet is not received by the due date, a one-time penalty charge of \$35.00 will be charged.

II. Line-by-Line Instructions for Completion of the Monthly Carrier Remittance Worksheet

All information provided must be legible and printed in black ink, typed, or electronically reproduced.

Monthly Carrier Remittance Worksheet Instructions

Filing Identification Information

The following blocks are located in the top margin of the Monthly Carrier Remittance Worksheet. Fill in the information as follows:

Block A - Company Code

The company code, supplied by AUSAC, starts with AK followed by four digits. For existing companies, this code is located in the top right corner of the packet cover letter. If this is the first filing for this company, and you have not been assigned a code, indicate NEW in this block.

Block B - Submission Date

The Submission Date is the date the Monthly Carrier Remittance Worksheet is being forwarded to AUSAC. AUSAC should receive the worksheet by the 20th day of each month.

Block C - Revenue Data Month and Year

The Revenue Data Month and Year indicates the month and year that corresponds to the revenue data being reported.

Block D - Original or Revision

Carriers should indicate if this is the initial (original) submission of a revenue data month or if the Monthly Carrier Remittance Worksheet contains a revenue data month revision. Revisions should be indicated only when filing a correction or adjustment to a previously filed data month.

Filing Revisions

Revisions may be used for correction of revenues previously reported. Revision period is the most recent 6 months. When filing a revision, follow these same instructions, making certain that the correct Revenue Data Month has been entered in Block C and revision is indicated in Block D. Attach a copy of the original filing for the Revenue Data Month being revised. Provide actual revised revenue amounts, not differences.

Monthly Carrier Remittance Worksheet Instructions

Section 1: Carrier Identification

Line 1 - Company Name

Enter the carrier name that identifies the filing entity and/or any doing business as (d/b/a) names if applicable.

Line 1a - Mailing Address

Enter the complete mailing address of the corporate headquarters of the carrier including street address, city, state, zip, suite numbers, floor, etc.

Line 1b - Telephone

Enter telephone number for the company headquarters.

Line 1c – Email Address

Enter email address for the company headquarters.

Monthly Carrier Remittance Worksheet Instructions

Section 2 - Monthly Intrastate End User Revenue Data

Enter numbers to the nearest whole dollar; for example, enter \$1,258.67 as \$1,259; enter \$1,258.34 as \$1,258.

Revenues entered here should be for the revenue data month indicated in Block C of this form. These revenues should correspond to the official accounting records of the company except if using estimated numbers to be reconciled to actuals at the end of the filing company's accounting period.

End-User Revenues: General Instructions

As a general rule, the AUSF surcharge is charged to a company as a percentage of end-user revenues billed for intrastate telecommunications services. Intrastate telecommunications carriers may recover the surcharge from end-users through a line item charge on their bills, identified as "Alaska Universal Service Fund Surcharge."

End-user revenues are revenues billed to end-users. An end-user is any customer of an intrastate telecommunications service who is not a telecommunications carrier, (hereinafter referred to as a "carrier") except that a carrier shall be deemed to be an "end-user" to the extent that such carrier uses a telecommunication service for administrative purposes, without making such services available to others, directly or indirectly. Telecommunications carriers offer telecommunications services for a fee directly to the public or to such classes of users as to be effectively available to the public. Telecommunications carriers subject to the AUSF surcharge are those carriers offering one or more of the following services:

Monthly Carrier Remittance Worksheet Instructions

Section 2 - Monthly Intrastate End User Revenue Data (Continued)

1. Cellular telephone and paging services;
2. Mobile radio services;
3. Operator services;
4. Personal communications services (PCS);
5. Local exchange service;
6. Special access service;
7. WATS;
8. Toll-free service;
9. 900 service;
10. Message telephone service (MTS);
11. Private line service;
12. Telex;
13. Telegraph;
14. Video services;
15. Satellite service;
16. Resale of intrastate services; and
17. Pay phone services.
18. Network Access Fee
19. Interconnected Voice over Internet Protocol (VoIP)

In order to ensure that the surcharge is charged equitably and fairly on end-user revenues once but not twice, when a carrier receives revenues from sale of telecommunications service to another carrier, most generally as a wholesale transaction, the selling carrier's revenues are exempt from the AUSF surcharge. In such cases the purchasing carrier is charged the AUSF surcharge when it converts the purchased service into a service sold to the public or to an end-user. However, if the carrier purchasing the service uses the service for its own administrative purposes, then that revenue is considered an end-user revenue and is treated for surcharge purposes like any other end user revenue. For example, if a long distance company purchases from another long distance company, whether retail or wholesale, to the extent that it resells the service to end-users, the purchasing company is responsible for paying the AUSF surcharge. To the extent that the purchasing company uses the service for its own administrative purposes, and does not resell it, then the company selling the service should pay the AUSF surcharge. Specific examples and illustrations are given later in these instructions.

Monthly Carrier Remittance Worksheet Instructions

Section 2 - Monthly Intrastate End User Revenue Data (Continued)

Exemptions

There are several categories of exemptions from the AUSF surcharge. They are described below with illustrative examples. The examples are meant as illustrations and do not necessarily limit the possible exemptions.

1. Wholesale transactions between carriers, including access charges, interconnection charges, and billing and collection charges are exempt from the AUSF surcharge because they are not end-user revenues. The exception is when the purchasing company uses the service for its own administrative means. For example, carriers purchasing interexchange service from a facilities based carrier's wholesale tariff are normally exempt from the AUSF surcharge. In addition, if a reselling company purchases from the retail tariff of an interexchange carrier with the intent of reselling the service, the AUSF surcharge is not charged to the selling carrier. As another example, if an interexchange carrier purchases an intrastate special access or private line link from a local exchange carrier and repackages it to an end-user, the interexchange carrier who receives the end-user revenues directly should pay the AUSF surcharge.
2. All interstate revenues and international revenues are exempt from the AUSF surcharge by definition. If carriers are not able to directly segregate intrastate revenues from interstate and international revenues, they may use accepted, rational and systematic methods to allocate such revenues. Such allocation methods are subject to verification and audit.
3. Services offered by telecommunications carriers but which are not considered telecommunications services are also exempt from the AUSF surcharge. Examples of such services are sales and rentals of telephone equipment, inside wire and maintenance services sold to customers, and yellow pages ("directory") advertising. Also exempt are other surcharges imposed by the RCA; for example the regulatory cost surcharge, E911 surcharges, and the TRS surcharge. Late payment fees are also exempted.
4. Also exempted are state, local and federal taxes, federal USF payments, and support payments from the AUSF. These are not end-user revenues.
5. Other exemptions include cable TV services, open video systems, cable leased access, and direct broadcast satellite services. These are exempted by the RCA's order establishing the AUSF. Refer to RCA Tariff 998, Part II.C. for Exemptions from Payment of Surcharge.

Effective: October 14, 2022

Monthly Carrier Remittance Worksheet Instructions

Section 2 - Monthly Intrastate End User Revenue Data (Continued)

In summary, a company purchasing a service for resale to an end-user will assess the AUSF assessment on revenues collected from its end-users. The wholesale company will not include service that it sells to resellers in its retail revenues. Services purchased for internal use and not resold to end-users will be considered end user revenues to the wholesale company, which should calculate and make AUSF payments on such revenues. They will not be included in the reseller's retail revenues.

Line 2 - Local Service Revenues

Includes basic monthly charges, customer charges, installation fees, service order charges, vertical features, extended area service charges, location charges for mileage bands, and all other local exchange service revenues, such as would be found in the Company's tariff. (Do not include the federal subscriber line charge.) Also includes revenues from providing local services that involve dedicated circuits, private switching arrangements and/or predefined transmission paths.

Line 3 - Wireless/PCS/Mobile/Paging Revenues

Includes intrastate charges such as basic wireless monthly charges, usage charges, activation fees, service restoration, service order processing charges, end user prepaid wireless charges, administration fees, and all other wireless telecommunications revenues. Also includes airtime charges and roaming usage in Alaska. Airtime should include revenues billed to wireless customers for actual airtime usage.

Line 4 - Interexchange Switched Toll and Private Line Revenues

Includes intrastate toll message revenues including operator services, cellular intrastate long distance revenues and intrastate 800 revenues. For purposes of determining intrastate 800 revenues, carriers may use the Percent Interstate Usage (PIU) factor used for reporting interstate access minutes to allocate revenues between interstate and intrastate. Also includes revenues from providing dedicated circuits, private switching arrangements and/or predefined transmission paths that extend beyond the basic service area.

Line 5 - Pay Telephone Revenues

Includes intrastate revenues derived from public and semi-public telephone services.

Monthly Carrier Remittance Worksheet Instructions

Section 2 - Monthly Intrastate End User Revenue Data (Continued)

Line 6 - VoIP Revenues

Includes interconnected Voice over Internet Protocol (VoIP) intrastate end user revenues.

Line 7 - Other Revenues

Includes miscellaneous intrastate end user revenues that would not reasonably be included with one of the other service categories.

Line 7 a. Less Uncollectible Revenue

Intrastate uncollectible Revenue is required to be listed here.

Report intrastate uncollectible revenues to the period the uncollectible revenue is recognized (written off). Represented by a negative amount in Line 7a.

Report recovered intrastate uncollectible revenue (uncollectible revenue that was previously reported) to the period the uncollectible revenue is received. Represented by a positive amount in Line 7a.

Line 8 - Total Intrastate End-User Revenues

Total the figures for Line 2 through Line 7 a. and enter this amount on Line 8. This represents the total monthly intrastate retail revenues.

Section 3 - Remittance Calculation

Line 9 - AUSF Rate

The current AUSF effective date and percentage rate appears on this line.

Line 10 - AUSF Amount Due

Multiply the amount on Line 8 by Line 9 as indicated on the worksheet and enter the result on Line 10.

Section 4 - Change in Company Status

Line 11 - Date

If there is a carrier name change, enter the effective date.

Effective: October 14, 2022

Monthly Carrier Remittance Worksheet Instructions

Line 12 - Business Status Change

If business status has changed in Alaska, enter the date that the business was sold, merged, or discontinued.

Line 12 a. - Survivor Company Name

If business has been sold or merged, provide the survivor company name. If the business has recently started in Alaska, enter the date the business began.

Section 5 - Certification**Line 13 - Signature Information**

Enter date, name, signature, and title of the person signing the report. The signature attests to the accuracy of all information on this remittance worksheet.

Line 14 - Contact Information

Provide name, title, and telephone number of a person to contact if there are questions regarding this report. If contact person is same as authorized signature, indicate "same as line 14." Mailings will be sent to the contact person address unless other arrangements are made with AUSAC.

Line 15 - Signer's Mailing Address

Enter the complete mailing address of the person signing the report.

Line 16 - Signer's Email Address

Enter the complete Email address of the person signing the report.

Monthly Carrier Remittance Worksheet Instructions

Worksheet Submission and Payment Method

Email the completed AUSF Monthly Carrier Remittance Worksheet to info@ausac.org.

Contact AUSAC for EFT payment account information.

Worksheet Record and Retention Period

Contributors to the AUSF shall maintain records and documentation to justify information reported in the Monthly Carrier Remittance Worksheet Instructions including the methodology used to determine projections, for five years and shall provide such records and documentation to the Commission or AUSAC upon request.

Attachment C

RCA Order U-98-168 (8)

RCA Order R-18-001 (5) and Appendix

STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Mark K. Johnson, Chair
Kate Giard
Dave Harbour
James S. Strandberg
G. Nanette Thompson

In the Matter of the Selection of an Administrator
of the Alaska Universal Service Fund and Other
Implementation Issues

U-98-168

ORDER NO. 8

**ORDER DESIGNATING AUSAC AS ADMINISTRATOR
OF THE AUSF, AMENDING AND APPROVING AUDIT PLAN,
SPECIFYING CHANGES IN AUSAC'S QUARTERLY DISBURSEMENT
REPORT, REQUIRING PUBLIC REPORT SECTION
TO BE ADDED TO WEBSITE, AND CLOSING DOCKET**

BY THE COMMISSION:

Summary

We adopt the recommended plan by Alaska Universal Service Administrative Company (AUSAC) used to verify the validity of revenue reports submitted by companies that make payments to the Alaska Universal Service Fund (AUSF). We designate AUSAC as Administrator of the AUSF. We add requirements for the reporting and posting of AUSF data. We close this Docket.

Background

We determined that AUSAC had performed efficiently in recent years, but we had concerns about confidentiality and conflicts of interest resulting from AUSAC's Board of Directors being composed of telecommunications industry representatives,

1 some of whom are competitive rivals.¹ We stated that AUSAC needed to increase its
2 financial oversight of revenue reports by companies that make payments to the fund.
3 We directed AUSAC to submit a plan for verifying the validity, through random audits, of
4 revenue reports submitted by companies that make payments to the AUSF. In addition,
5 we required that the plan identify and address confidentiality and conflict of interest
6 concerns without compromising the fiduciary responsibilities of the members of the
7 Board of Directors. We also required AUSAC to estimate the cost associated with
8 implementing its plan. Finally, we stated that if we are reasonably satisfied that the plan
9 is workable and that it will eliminate confidentiality and conflict of interest problems
10 without significant additional expense, we would reconsider AUSAC's temporary
11 designation.

12 We required AUSAC to sponsor a workshop for the purpose of
13 establishing uniform accounting practices and filing procedures for information as
14 required by 3 AAC 53.760.² AUSAC filed its report, as directed, in Docket U-03-15.³ In
15 response to Commission inquiry, AUSAC suggested that the Commission request
16 AUSAC to perform an audit of public interest pay telephones (PIPTs) if there is a benefit
17 or, alternatively, have PIPT finances audited by the providers' outside auditors as part of
18 their annual financial audits. We determined that we would not address PIPT audits in
19 that proceeding but would consider the issue as part our review of AUSAC's audit
20

21 ¹Order U-98-168(7), dated January 8, 2003.

22 ²Order U-01-124(4), dated December 2, 2002. That proceeding is entitled: *In*
23 *the Matter of the Designation of Public Interest Pay Telephones under 3 AAC 53.740 –*
24 *3 AAC 53.799.*

25 ³That proceeding is entitled: *In the Matter of the Report Filed by the ALASKA*
26 *UNIVERSAL SERVICE ADMINISTRATIVE COMPANY Concerning Uniform Accounting*
Practices and Filing Procedures for Information Required by 3 AAC 53.760.

1 proposal in this Docket.⁴ AUSAC submitted its audit plan and cost estimate on
2 May 28, 2003 in this proceeding.

3 Discussion

4 Audit Plan

5 AUSAC has submitted two options for complying with our requirement to
6 develop an audit plan. The first option, recommended by AUSAC, involves selecting a
7 certified public accounting firm through competitive bid to conduct random audits of
8 three to five companies each year at a cost of approximately \$10,000. The second
9 option involves each member company's own auditor conducting an annual compliance
10 audit. Both audit options would involve use of "Agreed-Upon Procedures" with
11 compliance reports submitted to both the Commission and AUSAC.⁵

12 We agree with AUSAC that it's recommended Audit Plan is the preferred
13 alternative and direct AUSAC to begin the process of implementing that plan.
14 Additionally, we require AUSAC to expand its audit plan to include periodic audits of
15 PIPT financial reporting for these audits. AUSAC shall file with us copies of its Agreed
16 upon Procedures and Bid Awards upon Board approval. We authorize AUSAC to
17 amend its 2004 budget by an additional amount up to \$15,000 to cover the cost of the
18 AUSF revenue remittance and PIPT audits.

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20
21
22
23

⁴Order U-03-15(2), dated October 13, 2003.

24 ⁵We also agree with AUSAC's suggestion that in most cases it is reasonable to
25 rely on the work of a company's own external auditors that revenues recorded are free
26 from material misstatement and to focus the AUSF audit on the validity and accuracy of
the calculation of the AUSF payment.

1 Confidentiality and Conflicts of Interest

2 In its report to the Commission, AUSAC discussed the various
3 confidentiality and conflicts of interest issues it faces and the steps it has taken to
4 resolve or minimize problems related to those issues. We believe that the steps
5 AUSAC has taken, and will take, under its recommended audit plan to address
6 confidentiality and conflict of interest concerns are reasonable. We are satisfied that the
7 current and future procedures outlined by AUSAC are adequate to ensure the
8 confidentiality of company data and avoid potential conflicts of interest.

9 Designation of AUSAC as Administrator

10 AUSAC has served as temporary Administrator of the AUSF since its
11 inception in 1998. AUSAC has successfully performed its duties during that time and
12 has significantly improved its operational efficiency in recent years. Given AUSAC's
13 past performance, its submission of an acceptable audit plan, and its assurances
14 regarding confidentiality and conflicts of interest, we believe that AUSAC has resolved
15 any concerns we may have had about its ability to comply with the requirements of
16 3 AAC 53.310 on a long-term basis. Therefore, we designate AUSAC as Administrator
17 of the AUSF, effective immediately.

18 Monitoring Reports

19 AUSAC currently provides us with a quarterly monitoring report as
20 required by 3 AAC 53.330(4). The report includes disbursements from the AUSF for
21 administrative costs and for three categories of AUSF support. The amounts for two of
22 the three support categories (PIPT and Dial Equipment Minute weighting) are known
23 and fixed at the beginning of the year and do not generally change from month-to-
24 month. The third AUSF program (Lifeline) changes from month-to-month with changes
25 in the number of Lifeline customers. In order to monitor changes more closely in
26 Lifeline support, we have determined that AUSAC should include a greater level of

1 detail on Lifeline disbursements in its quarterly report. Specifically, Lifeline support
2 should be disaggregated by company and by month.

3 In addition, in order to better comply with our requirements for public
4 reporting of AUSF costs under 3 AAC 53.330(b), we require AUSAC to post annual
5 summaries of its remittances and disbursements in a Public Report section of its
6 website (www.ausac.org) for each year since its inception. The annual disbursement
7 reports should be disaggregated by support category (including administrative cost) and
8 by each company receiving the support. The remittance report should, at a minimum,
9 include revenues by industry group (interexchange, local, wireless, PIPT, other),
10 beginning balance, ending balance, and interest income. AUSAC's posting of this
11 information should include an option for the user to download the information in
12 spreadsheet format such as Microsoft Excel or Quatro Pro.

13 ORDER

14 THE COMMISSION FURTHER ORDERS:

15 1. The recommended audit plan, as amended, by the Alaska Universal
16 Service Administrative Company is adopted. The Alaska Universal Service
17 Administrative Company shall begin implementing the audit plan and shall file its
18 Agreed-Upon Procedures and Bid Awards once those items have been approved by the
19 Alaska Universal Service Administrative Company Board of Directors.

20 2. The Alaska Universal Service Administrative Company is designated
21 as the Administrator of the Alaska Universal Service Fund.

22 3. The Alaska Universal Service Administrative Company shall modify its
23 quarterly disbursement report to the Commission as discussed in the body of this Order.
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4. By 4 p.m., August 20, 2004, the Alaska Universal Service Administrative Company shall include a Public Report section on its website containing the remittance and disbursement information discussed in the body of this Order.

5. Docket U-98-168 is closed.

DATED AND EFFECTIVE at Anchorage, Alaska, this 20th day of May, 2004.

BY DIRECTION OF THE COMMISSION
(Commissioners Dave Harbour and
James S. Strandberg, not participating.)

(S E A L)

STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners: Stephen McAlpine, Chairman
Paul F. Lisankie
Robert M. Pickett
Antony G. Scott
Janis W. Wilson

In the Matter of the Consideration of Repeal of) R-18-001
Alaska Universal Service Fund Regulations)
ORDER NO. 5

ORDER ADOPTING REGULATIONS

BY THE COMMISSION:

We opened this docket to consider the repeal, replacement, or revision of the Alaska Universal Service Fund (AUSF) regulations and sought comments on a proposal to repeal the AUSF.¹ We received nine comments, including draft regulations filed by the Alaska Telephone Association (ATA).² The ATA Consensus Proposal capped the AUSF surcharge at 10% effective January 1, 2019.³ It also proposed revision of the AUSF by (1) eliminating the State Lifeline program; (2) eliminating the Public Interest Pay Telephone program; (3) initiating a two-year stepdown in dial equipment minute weight

¹Public Meeting, held January 3, 2018, Tr. 56-60; Order R-18-001(1), *Order Opening Docket, Issuing Proposed Regulation Revisions for Comment, and Addressing Timeline for Decision*, dated January 12, 2018 (Order R-18-001(1)).

²Public Comment from K. Henriksen, filed February 7, 2018; Public Comment from K. Janssen, filed February 22, 2018; *Comment of GCI*, filed February 26, 2018; *Comments of AT&T*, filed February 26, 2018; *Office of the Attorney General Comments*, filed February 26, 2018; *Comments of Alaska Communications*, filed February 26, 2018; Public Comment from Representative D. Guttenberg, filed February 26, 2018; *Initial Comments of the Alaska Telephone Association and Consensus Proposal for the Alaska Universal Service Fund*, filed February 26, 2018 (ATA Consensus Proposal).

³ATA Consensus Proposal at 2-4.

1 support for remaining eligible rural carriers; (4) recasting Carrier Common Line (CCL)
2 support and Carrier of Last Resort (COLR) support as Essential Network Support (ENS)
3 that would be capped at 2016 CCL and COLR support levels for each local exchange
4 carrier (LEC); and (5) adopting the federal definition for remote areas in Alaska to reduce
5 ENS support in non-remote areas by excluding COLR support from the ENS calculation.⁴

6 Order R-18-001(1) proposed repealing our existing AUSF regulations
7 effective July 31, 2019. The ATA Consensus Proposal was submitted with comments
8 filed on the initial proposal. We subsequently decided at our public meeting held February
9 28, 2018, to open a period for reply comments ending April 3, 2018.⁵ We issued an order
10 seeking reply comments and scheduled an oral hearing that was held April 9, 2018, to
11 address the initial and reply comments.⁶ We received eight comments.⁷

12 At our public meeting held April 27, 2018, we voted to revise the ATA
13 Consensus Proposal to include a sunset deadline for the AUSF of June 30, 2023,
14 preceded by a comprehensive review of the AUSF to commence June 30, 2021.⁸ We
15 further voted to issue those revised draft proposed regulations for comment.⁹ We issued
16 the revised proposed regulations for comment and scheduled an oral hearing that was

17 ⁴ATA Consensus Proposal at 2-5.

18 ⁵Tr. 13.

19 ⁶Order R-18-001(2), *Order Seeking Reply Comments and Scheduling Special*
20 *Public Meeting*, dated February 28, 2018, as corrected by *Errata Notice to Order*
R-18-001(2), dated March 1, 2018.

21 ⁷Public Comment from Representative D. Guttenberg, filed April 2, 2018; *Reply*
22 *Comments of Alaska Communications*, filed April 3, 2018; *Reply Comments of the Alaska*
23 *Telephone Association*, filed April 3, 2018; *Reply Comments of the Rural Coalition*, filed
24 April 3, 2018; *Reply Comments of AT&T*, filed April 3, 2018; *Office of the Attorney*
General Reply Comments, filed April 3, 2018; *Reply Comments of GCI*, filed April 3, 2018;
Reply Comments of CTIA, filed April 9, 2018; *Reply Comments of CTIA in Docket No.*
R-18-001, filed April 13, 2018.

25 ⁸Tr. 119-122.

26 ⁹Tr. 120-122.

1 held May 30, 2018, to discuss the proposed regulations.¹⁰ We received seven
2 comments.¹¹

3 At our public meeting held August 8-9, 2018, we approved revisions to the
4 *Alaska Intrastate Interexchange Access Charge Manual* and issued the revised manual
5 effective August 9, 2018.¹² During the public meeting, we discussed the final revisions to
6 the AUSF regulations and adopted the proposed regulations.¹³ A copy of the adopted
7 regulations is attached as an appendix to this order.

8 Discussion

9 Our decision to make significant revisions to the AUSF is intended to correct
10 the escalating crisis resulting from a large decrease in assessable intrastate revenues
11 and the resultant increase in the AUSF surcharge paid by intrastate telecommunications
12 consumers. In Order R-18-001(1), we explained:

13 We observe that AUSF contributions have steadily declined in recent years,
14 requiring a steady increase to the AUSF surcharge factor that is applied
15 against all intrastate gross revenues from those telecommunications services
16 listed in 3 AAC 53.340 that are provided within Alaska. We note that fully
17 funding the AUSF's current support outlays, including support to all currently
18 designated LEC COLRs, recently pushed the AUSF surcharge to 19.0% for
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21 ¹⁰Order R-18-001(4), *Order Issuing Proposed Regulation Revisions for Comment*
22 *and Scheduling Oral Hearing*, dated May 8, 2018.

23 ¹¹*Comments of ATA*, filed May 25, 2018; *Comments of the Attorney General*, filed
24 May 29, 2018; *Comments of the Alaska Telephone Association Regarding Proposed*
25 *Regulations*, filed June 15, 2018; *Comments of AT&T*, filed June 15, 2018; *Reply*
26 *Comments of the Rural Coalition*, filed June 15, 2018; *Additional Comments of the*
Attorney General, filed June 15, 2018.

¹²<http://rca.alaska.gov/RCAWeb/AboutRCA/RCAStatutesAndRegulations.aspx>;
Tr. 169-170.

¹³Tr. 173-174.

1 calendar year 2018, in addition to a federal universal service fund surcharge
2 of 19.5% and other fees assessed for telecommunications services. We
3 observe nothing that suggests the AUSF surcharge will not rise still higher
4 given the ongoing decline in intrastate telecommunication revenues and our
5 frustrated efforts to control AUSF outlays, and we believe the AUSF surcharge
6 itself may become an impediment to the affordability mandate in AS 42.05.840
7 (the statute that allows us to create a universal service fund). Therefore, we
8 will consider whether the AUSF, as presently constituted, is fundamentally
9 broken and requires full repeal.¹⁴

10 Throughout our review in this docket, including at two oral hearings, we
11 were presented with a unified voice from interested parties and AUSF stakeholders,
12 including the Attorney General, urging us not to fully repeal the AUSF and instead to take
13 the measured compromise advanced in the ATA Consensus Proposal.

14 We find that the ATA Consensus Proposal continues to promote parity of
15 intrastate and interstate long distance rates and also maintains a support mechanism
16 designed to compensate LECs for reductions in access charge¹⁵ revenues and for
17 fulfilling COLR¹⁶ duties. While the reforms adopted in Docket R-08-003 significantly
18 increased payments from the AUSF, they provided both ratepayer benefits (allowing
19 consumers to make calls within the state of Alaska at rates comparable to rates for
20 out-of-state calls) and carrier benefits (reducing the access payment obligations of
21 intrastate interexchange telecommunication carriers (IXCs) and providing a steady
22 revenue stream for LECs confronted with revenue erosion after competitive entry).

23 For consumers, the benefit of the Docket R-08-003 reforms was a reduction
24 in intrastate long distance calling rates. One major impetus for the Docket R-08-003

25 ¹⁴Order R-18-001(1) at 2.

26 ¹⁵Access charges are fees paid by long distance (interexchange) carriers to LECs
for use of the local exchange telephone network to originate and terminate long distance
calls, a statutorily mandated assessment in Alaska. See AS 42.05.820.

¹⁶A COLR is a telecommunications company that is required to provide service to
any customer in a service area upon request even if serving the customer would not be
economically viable at prevailing rates.

1 reforms was the disparity between intrastate and interstate long distance calling rates.
2 Intrastate long distance calling rates exceeded 13 cents per minute before the Docket
3 R-08-003 reforms, while interstate calling rates were under 4 cents per minute.¹⁷ This
4 disparity created incentives for access charge arbitrage and caused certain long distance
5 service providers to decline to serve Alaska due to the high intrastate access charges.¹⁸

6 In order to achieve intrastate and interstate long distance rate parity, we
7 transitioned access charge payment responsibilities from IXCs to LEC customers.¹⁹ IXCs
8 were no longer required to pay the CCL²⁰ access charge rate element to LECs serving
9 competitive markets but were required to achieve intrastate and interstate long distance
10 rate parity at the end of five years.²¹ In addition to a phased-in increase of the pre-existing

16 ¹⁷See Order R-08-003(1), *Order Seeking Comment*, dated May 20, 2008 (Order
17 R-08-003(1)), at 12-13. Intrastate calls are long distance calls within the same state,
18 while interstate calls are long distance calls between two states.

19 ¹⁸See Order R-08-003(1) at 2; see also Order R-08-003(8)/R-09-003(4), *Order*
20 *Adopting Regulations and Requiring Report*, dated August 18, 2010 (Order R-08-003(8)),
21 at 2.

22 ¹⁹This approach was consistent with the approach taken by the Federal
23 Communications Commission, which adopted Subscriber Line Charges (SLCs) to
24 transition a portion of CCL costs from long distance providers to LEC customers. See
25 Order R-08-003(1) at 15.

26 ²⁰Before the Docket R-08-003 reforms the largest component of state access
charges was a fixed charge covering the cost of the local telephone company's loop,
called CCL. See Order R-08-003(1) at 11.

²¹As part of the Docket R-08-003 reforms, the commission imposed a requirement
that long distance carriers phase down intrastate long distance rates over a five-year
period with a goal of achieving parity between intrastate and interstate long distance
calling rates. See Order R-08-003(8) at 7, 13-18; see also 3 AAC 52.372.

1 NAF,²² two additional support components were added to the AUSF - CCL support to
2 offset access charge revenue losses by all LECs and COLR support to compensate the
3 incumbent LEC for performing COLR duties.²³

4 The Docket R-08-003 reforms successfully created intrastate and interstate
5 rate parity in the long distance market and provided necessary relief for LECs confronted
6 with revenue erosion in the new competitive era. However, some expectations that
7 spurred adoption of the Docket R-08-003 reforms were frustrated.²⁴

8 Some hoped that the Docket R-08-003 reforms would place the wireline
9 industry on more of an equal footing with the wireless and VoIP²⁵ industries, abating a
10 growing trend of consumers discontinuing wireline LEC service in favor of wireless or
11 VoIP-based services. This would have slowed the rate at which long distance revenues
12 were decreasing as customers migrated to substitute technologies.²⁶ That hope proved
13 unfulfilled, as Alaska participated in the growing national trend of consumers “cutting the
14 cord” by transitioning from wireline to wireless or VoIP service. At the time of the Docket
15 R-08-003 reforms in 2010, there were approximately 351,949 LEC (wireline)

16 ²²Network Access Fee (NAF), a line-item charge imposed on wireline LEC
17 customers to reduce access charge payment requirements for IXCs. The NAF was
18 adopted in 2005 and initially set at \$1.50 per line/month. See Order R-01-001(13), *Order*
19 *Adopting Regulations*, dated September 28, 2004, at 8-9 (adopting AAICM Section 109
20 to implement the NAF). The NAF increased to \$3.00 per line/month in 2007, and was later
21 subject to a phased-in increase as part of the Docket R-08-003 reforms until it reached
22 the current (capped) level of \$5.75 per month. AAICM Section 109.

23 ²³See generally, Order R-08-003(8); *Id.* at 7-8.

24 ²⁴Intermodal competition refers to provision of the same service by different
25 technologies.

26 ²⁵Voice-over-Internet-Protocol (VOIP), which allows the delivery of voice
communications over Internet Protocol networks such as the Internet.

²⁶We noted in Docket R-08-003 that wireless carriers were exempt from paying
access charges by federal law, and also noted that intrastate long distance revenues
declined 40 percent while intrastate wireless revenue increased 600 percent from 1999
to 2006. Order R-08-003(1) at 10-11.

connections,²⁷ down from 440,638 in 1999.²⁸ As of the end of 2017, Alaskan LEC connections were down to 222,051,²⁹ a decrease of 50.4 percent from 1999.

There was also some belief that reducing intrastate access charges would spur increased usage of the wireline network to place intrastate long distance calls and result in an increase of intrastate calling revenues. We noted in Docket R-08-003 that intrastate long distance revenues totaled \$39,150,711 in 2006, down from \$64,155,209 in 1999 (a 40 percent decline). This would have ameliorated the competitive inequity that stems from the fact that market rules required one type of service provider to pay access costs not imposed on other service providers for essentially the same type of service creating regulatory arbitrage.³⁰ Instead of increasing, intrastate long distance revenue steadily declined over the years, with intrastate revenues down to \$14,429,935 at the end of 2017 (a decline of over 63 percent since 2006 and 77 percent since 1999).

While the Docket R-08-003 reforms provided LECs with a reliable revenue stream to offset lost access charge revenues and the revenue erosion caused by

²⁷TRS Report For December 2010:

<http://rca.alaska.gov/RCAWeb/ViewFile.aspx?id=5f9a080a-0bf7-4109-8678-fa0256a6923e>.

²⁸This data is a compilation of the responses to Order R-01-001(2), *Order Granting, in Part, Motion to Extend Procedural Schedule; Establishing Reporting Period and Format for Data Submissions in Compliance with Order R-01-01(1); Requiring Addition Data Submissions; and Establishing Deadline for Data Submissions*, dated May 29, 2001. The responses can be found by going to:

<http://rca.alaska.gov/RCAWeb/Dockets/DocketDetails.aspx?id=d6c5e6c0-2162-4fa6-ab41-aade6a57091b>.

²⁹TRS Report For December 2017:

<http://rca.alaska.gov/RCAWeb/ViewFile.aspx?id=3223c25e-d7a8-46c6-ab7d-a15477b9446e>.

³⁰We cited the example of IXCs being required to pay access charges to LECs, while service providers using Internet-based protocols to provide telephone service were not subject to the same access charge payment requirement. Order R-08-001(1) at 20.

1 intermodal competition, the AUSF surcharge escalated as intrastate revenues and LEC
2 access lines decreased. The Docket R-08-003 reforms were designed to provide a stable
3 subsidy amount for AUSF recipients,³¹ but this came at a considerable cost to ratepayers
4 as the AUSF surcharge increased from 1.32 percent of the billed amount in 2011 to 19.0
5 percent of the billed amount currently.³²

6 In Docket R-08-003, we stated our belief that the pre-existing access charge
7 system was not sustainable due to declining intrastate interexchange revenues and
8 unequal treatment of similarly situated providers.³³ We find ourselves in a similar position
9 today as the AUSF surcharge continues to increase as intrastate revenue and LEC
10 access lines decrease, and AUSF expenditures are limited to supporting the wireline LEC
11 industry. The ATA Consensus Proposal addresses the escalating surcharge issue by
12 capping the AUSF surcharge, with the pre-existing CCL and COLR support merged into
13 a consolidated ENS capped at the 10 percent level.

14 One other important aspect of our adoption of the ATA Consensus Proposal
15 is the inclusion of a five-year sunset provision. We initially proposed a five-year sunset
16 provision for CCL and COLR in Docket R-08-003,³⁴ but declined to adopt the sunset
17 provision based on concerns from participants in Docket R-08-003.³⁵ Instead, we
18 adopted two provisions we believed provided us with discretion to curtail COLR support
19

20 ³¹The CCL, NAF and COLR financially insulated incumbent LECs from revenue
21 loss in competitive markets, with incumbent LECs receiving their last RCA-approved
22 access revenue requirement (determined at the time of competitive entry). To accomplish
23 this, COLR support increased when NAF and CCL revenues (both of which are capped)
were insufficient to provide the LEC access revenue.

24 ³²See AUSAC Tariff Sheet No. 27.

25 ³³Order R-08-003(8) at 4.

26 ³⁴Order R-08-003(1) at 24-25.

³⁵Order R-08-003(8) at 3-5.

1 based on competitive market conditions or unreasonable use of funds.³⁶ Those
2 provisions – which addressed the authority but not the process for such curtailment -
3 proved ineffective once we attempted to exercise this discretion as affected COLR
4 recipients objected on both procedural and substantive grounds to our decision to
5 eliminate COLR support in areas we deemed sufficiently competitive.³⁷ The adoption of
6 a sunset provision, along with the contemplated interim review of AUSF processes, may
7 provide a vehicle to reach consensus on procedures and authority to curtail AUSF
8 expenditures should we opt to continue state universal service support beyond the date
9 the ATA Consensus Proposal will sunset.

10 With the inclusion of a sunset provision and an interim review requirement,³⁸
11 we view the ATA Consensus Proposal as an acceptable transitional measure that will
12 prevent further escalation of the AUSF and related surcharge. We also believe adoption

13
14 ³⁶Specifically, we stated:

15 A negative aspect of the July Proposal is that we would lose all discretion in
16 awarding COLR Support. COLR Support is determined based on a formula
17 that allows no opportunity for adjustment regardless of merit. We find this
18 aspect of the proposal unacceptable, but easily remedied by inserting terms
19 that give us an opportunity to control support levels in two ways:

20 3 AAC 53.345(h) – which would allow us to withdraw COLR status or COLR
21 Support if we determine a COLR is no longer needed in an area due to
22 competitive market conditions and other relevant factors; and

23 3 AAC 53.345(i) – which would allow us to reduce the level of COLR Support
24 if we find the support in whole or in part was being used for an unreasonable
25 purpose, if federal universal service funding is made available to replace
26 COLR Support, or for good cause.

We believe these two additions to the July Proposal provide us with the
necessary procedures to control or eliminate the COLR support level should it
become necessary.

Order R-08-003(8) at 35-36.

³⁷Two cases are currently under judicial review to determine our authority and
process to withdraw COLR in areas we deemed sufficiently competitive to no longer
require a COLR. See RCA Docket U-16-069 (Superior Court Case No. 3AN-17-07403
Civil); RCA Docket U-16-071 (Superior Court Case No. 3AN-17-07893 Civil).

³⁸As previously noted, the AUSF sunset deadline of June 30, 2023, will be
preceded by a comprehensive review of the AUSF commencing June 30, 2021.

of an interim review of agency rules and the AUSF program will allow time to investigate market structure issues and determine what AUSF subsidy level (if any) is appropriate given existing regulatory oversight levels and market structure conditions.

Final Order

This order constitutes the final decision in this proceeding. This decision may be appealed within thirty days of this order in accordance with AS 22.10.020(d) and Alaska Rule of Appellate Procedure 602(a)(2). In addition to the appellate rights afforded by AS 22.10.020(d), a party has the right to file a petition for reconsideration in accordance with 3 AAC 48.105. If such a petition is filed, the time period for filing an appeal is tolled and then recalculated in accordance with Alaska Rule of Appellate Procedure 602 (a)(2).

ORDER

THE COMMISSION FURTHER ORDERS that the regulations set out in the appendix to this order are adopted.

DATED AND EFFECTIVE at Anchorage, Alaska, this 24th of October, 2018.

BY DIRECTION OF THE COMMISSION
(Commissioner Stephen McAlpine, dissenting.)



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3 AAC 48.430(d) is amended to read:

(d) 47 CFR 36.2(b)(3)(iv), 36.126(c)(3), and 36.154(c)—(f) are not adopted. The following applies:

(1) **No portion of** Category 4.13 **or** [AND] Category 1.3 costs, as defined by 47 C.F.R. 36.126(a) and (b) and 36.154(a), will be apportioned **to state toll** [BY AN ALLOCATION FACTOR OF .20].

(2) Repealed 1/10/99.

(3) Repealed 1/10/99.

(4) Repealed 1/10/99.

(5) Repealed 1/10/99.

(6) Support received from Essential Network Support, as provided by 3 AAC 53.346, and from the Network Access Fee, as established under Section 109 of the Alaska Intrastate Interexchange Access Charge Manual, adopted by reference in 3 AAC 48.440, shall be offset against the local exchange revenue requirement.

3 AAC 48.430(e) is amended to read:

(e) 47 C.F.R. 36.125(b) – (f) are not adopted. The following applies:

(1) Category 3 investment, as defined by 47 C.F.R. 36.125(a), is apportioned to the state toll jurisdiction on the basis of the state toll dial equipment minute (DEM) factor. The state toll DEM factor is the ratio of the state toll DEM to total DEM.

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(2) Category 3 investment, as defined by 47 C.F.R. 36.125(a) is apportioned to the AUSF on the basis of weighted state toll DEM minus state toll DEM. Weighted state toll DEM is equal to state toll DEM times in weighting factor set out in (3) of this subsection.

(3) The applicable weighting factor is as follows:

[NUMBER OF ACCESS LINES IN LOCAL EXCHANGE COMPANY STUDY AREA	WEIGHTING FACTOR
0-10,000	3.0
10,001-20,000	2.5
20,001-or ABOVE	1.0]

(A) in a local exchange carrier study area with 10,000 or fewer access lines, the applicable weighting factor is 2.33 beginning January 1, 2019, 1.67 beginning January 1, 2020, and 1.0 beginning January 1, 2021 and thereafter.

(B) in a local exchange carrier study area with more than 10,000 but fewer than 20,001 access lines, the applicable weighting factor is 2.0 beginning January 1, 2019, 1.5 beginning January 1, 2020, and 1.0 beginning January 1, 2021 and thereafter.

(C) in a local exchange carrier study area with 20,001 or more access lines, the applicable factor is 1.0.

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(4) Notwithstanding (1) – (3) of this subsection, the allocation factor to intrastate toll and universal service is limited to a level that brings the total allocation to interstate toll plus federal universal service support for switching, intrastate toll, and the state universal service support for DEM weighting to the percent of Category 3 investment determined for each focal exchange company by the following formula:

$$.85 + (.05 \times (A \div B))$$

where:

A = the number of exchanges with toll free calling to less than 100 access lines

B = the total number of exchanges

(5) Reductions to intrastate factors resulting from application of (3) and (4) of this subsection are applied first to reduce the DEM weighting support portion of the state universal service factor, with any residual used to reduce the intrastate toll DEM factor.

(Eff. 7/18/75, Register 55; am 11/25/83, Register 88; am 4/9/89, Register 110; am 3/28/90, Register 113; am 1/10/99, Register 149; am 5/20/99, Register 150; am 1/1/2001, Register 156; am 4/24/2004, Register 170; am __/__/__, Register __.)

Authority: AS 42.05.141 AS 42.05.151 AS 42.05.401

3 AAC 48.440 is amended to read:

3 AAC 48.440. Rates for interexchange access. Access charges shall be assessed for use of local exchange telephone utility facilities by the providers of intrastate interexchange telecommunications services. Those charges must be determined, assessed, and collected, and revenues from those charges must be distributed, in accordance with the commission's rules as

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set out in the *Alaska Intrastate Interexchange Access Charge Manual*, dated [MAY 4, 2011],

August 9, 2018 and adopted by reference. That manual is available at the offices of the

Regulatory Commission of Alaska as specified in 3 AAC 48.010(a). (Eff. 2/16/90, Register 113;

am 4/7/93, Register 126; am 1/10/99, Register 149; am 4/24/2004, Register 170; am 7/9/2004,

Register 171; am 12/12/2004, Register 172; am 8/14/2006, Register 179; am 7/31/2011, Register

199; am __/__/__, Register __.)

Authority: AS 42.05.141 AS 42.05.321 AS 42.05.381

AS 42.05.151 AS 42.05.361 AS 42.05.401

AS 42.05.311 AS 42.05.371 AS 42.05.830

3 AAC 53.290(a) is amended to read:

(a) Except as provided in 3 AAC 48.440 and the Alaska Intrastate Interexchange Access Charge Manual, adopted by reference in 3 AAC 48.440, the provisions of

(1) 3 AAC 48.275 do not apply to those services for which the carrier is a nondominant carrier; and

(2) 3 AAC 48.277 and 3 AAC 48.430

(A) do not apply to a local exchange carrier

(i) after its application for certification to provide local exchange telephone service in competition to an existing local exchange carrier is granted; or

(ii) for services in an area designated by the commission as a competitive local exchange market; and

(B) apply, notwithstanding (A) of this paragraph, to a local exchange carrier whose

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(i) costs are used as the basis for determining intrastate access charge rate caps; or

(ii) costs or rates are used as the basis for determining state universal service support under 3 AAC 53.300 - 3 AAC 53.399[, EXCLUDING THE LIFELINE PROGRAM]. (Eff. 6/21/98, Register 146; am 11/11/2001, Register 160; am 4/24/2004, Register 170; am 9/16/2005, Register 175; am 7/31/2011, Register 199; am 11/6/2016, Register 220; am 10/27/2017, Register 224; am 11/13/2017, Register 224; am __/__/__, Register __.)

Authority:	AS 42.05.141	AS 42.05.221	AS 42.05.711
	AS 42.05.151	AS 42.05.241	AS 42.05.990

3 AAC 53.300 is amended by adding a new subsection to read:

(d) The provisions of 3 AAC 53.300 – 399 do not apply after June 30, 2023. The commission will commence a comprehensive review of the AUSF by no later than June 30, 2021. (Eff. 1/10/99, Register 149; am __/__/__, Register __.)

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

3 AAC 53.330 is amended by adding a new subsection to read:

(c) A carrier that receives Essential Network Support pursuant to 3 AAC 53.346 shall file with the commission, no later than July 1 of each year, a report explaining how Essential Network Support was used during the prior year to fund capital investment or pay ongoing

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operation and maintenance expenses. (Eff. 1/10/99, Register 149; am 11/6/2016, Register 220; am __/__/__, Register __.)

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

3 AAC 53.340(d) is amended to read:

(d) By October 1 of each year, the administrator shall calculate a proposed budget for the estimated total amount of the universal service support payment that will be needed from the AUSF for the following calendar year and for the administrative costs anticipated to be approved by the commission. The administrator shall recommend the annual universal service surcharge factor for the following year to cover the proposed budget. The universal service surcharge factor is calculated based on the ratio of the total estimated amount of disbursements for the AUSF to the total annual gross revenues from intrastate end users subject to the universal service surcharge. The administrator shall recommend to the commission adjustments to the universal service surcharge factor on a quarterly basis, as necessary, as described in 3 AAC 53.330. The recommended universal service surcharge factor and adjustments must be approved by the commission, before implementation by the administrator. **The universal service surcharge factor is capped at and may not exceed 10 percent.** (Eff. 1/10/99, Register 149; am 1/30/99, Register 149; am 7/31/2011, Register 199; am 3/1/2017, Register 221; am __/__/__, Register __.)

Authority:	AS 42.05.141	AS 42.05.431	AS 42.05.800
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AS 42.05.145

AS 42.05.711

AS 42.05.840

AS 42.05.151

3 AAC 53.345 is repealed:

3 AAC 53.345. Local exchange carrier of last resort support and rate cap increase.

Repealed. (Eff. 7/31/2011, Register 199; am 10/27/2017, Register 224; repealed __/__/__, Register __.)

3 AAC 53 is amended by adding a new section to read:

3 AAC 53.346. Essential Network Support for Local Exchange Carriers. Effective January 1, 2019, carrier of last resort support and carrier common line support are eliminated. As of that date, carriers that previously received carrier of last resort support or carrier common line support shall receive support, designated Essential Network Support, as follows:

(a) a carrier that previously received carrier common line support but not carrier of last resort support shall receive, on an annual basis, Essential Network Support in an amount equal to the amount of carrier common line support received for the year ended December 31, 2016. Essential Network Support is frozen at that level and the amount payable is subject to 3 AAC 53.350(e).

(b) a carrier that provides service in a study area that is entirely a remote area and that previously received both carrier common line support and carrier of last resort support shall

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receive, on an annual basis, Essential Network Support in an amount equal to (i) the amount of carrier common line support received for the year ended December 31, 2016, plus (ii) the amount of carrier of last resort support received for the year ended December 31, 2016. Essential Network Support for both is frozen at those levels and both are subject to reduction under the 10 percent rate cap provided for under 3 AAC 53.340(d).

(c) a carrier that provides service in a study area that has both remote and areas that are not remote and that previously received both carrier common line support and carrier of last resort support shall receive, on an annual basis, Essential Network Support in an amount equal to

(i) the amount of carrier common line support received for the year ended December 31, 2016, plus

(ii) the amount of carrier of last resort support received for the year ended December 31, 2016. Essential Network Support for both is frozen at those levels and both are subject to reduction under the 10 percent rate cap provided for under 3 AAC 53.340(d). The amount of carrier of last resort support received solely for service provided in remote areas shall be determined based on the percentage of access lines in the remote area, using the average of January 2016 and December 2016 line counts. (Eff. __/__/__, Register __.)

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

3 AAC 53.350(a) is amended to read:

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(a) The administrator shall disburse on a monthly basis money approved by the commission from the AUSF for universal service support eligible in the current month for

(1) dial equipment minute (DEM) weighting; **and**

(2) essential network support.

[(2) LIFELINE PROGRAM;

(3) PUBLIC INTEREST PAY TELEPHONES DESIGNATED UNDER 3 AAC 53.740 - 3 AAC 53.799;

(4) LOCAL EXCHANGE CARRIER OF LAST RESORT SUPPORT; AND

(5) CARRIER COMMON LINE SUPPORT PROVIDED UNDER (C) OF THIS SECTION

AND UNDER SECTIONS 104 AND 105 OF THE ALASKA INTRASTATE

INTEREXCHANGE ACCESS CHARGE MANUAL, ADOPTED BY REFERENCE IN 3 AAC 48.440.]

3 AAC 53.350(b) is repealed and readopted to read:

(b) Beginning January 1, 2019, the administrator shall distribute to each company 67 percent of the DEM weighting support paid to such company for the year ended December 31, 2016. Beginning January 1, 2020, the administrator shall distribute to each company 33 percent of the DEM weighting support paid to such company for the year ended December 31, 2016. Beginning January 1, 2021, no DEM weighting support shall be paid. In addition to the annual reductions in DEM weighting support specified in this subsection, the amount of DEM weighting support payable is subject to 3 AAC 53.350(e).

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3 AAC 53.350(c) is repealed:

(c) repealed __/__/__;

3 AAC 53.350(d) is repealed:

(d) repealed __/__/__;

3 AAC 53.350(e) is amended to read:

(e) The administrator shall disburse the AUSF in the following order of priority:

(1) administrative costs;

(2) repealed 3/17/2018;

(3) repealed __/__/__;

(4) repealed 3/17/2018;

(5) repealed 3/17/2018;

(6) repealed 3/17/2018;

(7) repealed 3/17/2018;

(8) other universal service support programs listed in (a) of this section, oldest claims first, pro-rated among claimants within a monthly accounting period based on total unpaid claims for that period;

(9) valid claims for universal service support accrued before March 17, 2018; except for those claims, the administrator may not pay any claim that remains unpaid more than six months after accrual.

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3 AAC 53.350(f) is repealed:

(f) repealed __/__/__. (Eff. 1/10/99, Register 149; am 1/11/2001, Register 157; am 7/31/2011, Register 199; am 3/17/2018, Register 225; am __/__/__, Register __.)

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

3 AAC 53.390 is repealed:

3 AAC 53.390. Lifeline and link up eligibility. Repealed. (Eff. 1/28/2005, Register 173; repealed __/__/__, Register __.)

3 AAC 53.399 is amended by adding a new section to read:

(13) “remote areas” means all areas of Alaska except the ACS-Anchorage incumbent study area; the ACS-Juneau incumbent study area; the Fairbanks zone1 disaggregation zone in the ACS-Fairbanks incumbent study area; and the Chugiak 1 and 2 and Eagle River 1 and 2 disaggregation zones of the Matanuska Telephone Association incumbent study area. (Eff. 1/10/99, Register 149; am 1/28/2005, Register 173; am 7/31/2011, Register 199; am 3/1/2017, Register 221; am __/__/__, Register __.)

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

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3 AAC 53.740 is repealed:

3 AAC 53.740. Applicability, purpose, and waiver. Repealed. (Eff. 1/11/2001, Register 157; repealed __/__/__, Register __.)

3 AAC 53.745 is repealed:

3 AAC 53.745. Criteria for designation of a public interest pay telephone. Repealed. (Eff. 1/11/2001, Register 157; repealed __/__/__, Register __.)

3 AAC 53.750 is repealed:

3 AAC 53.750. Designation of public interest pay telephones. Repealed. (Eff. 1/11/2001, Register 157; repealed __/__/__, Register __.)

3 AAC 53.755 is repealed:

3 AAC 53.755. Assignment of public interest pay telephones. Repealed. (Eff. 1/11/2001, Register 157; repealed __/__/__, Register __.)

3 AAC 53.760 is repealed:

3 AAC 53.760. Funding for public interest pay telephones. Repealed. (Eff. 1/11/2001, Register 157; repealed __/__/__, Register __.)

3 AAC 53.765 is repealed:

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3 AAC 53.765. Service requirements. Repealed. (Eff. 1/11/2001, Register 157;
repealed __/__/__, Register __.)

3 AAC 53.770 is repealed:

3 AAC 53.770. Maximum charge for a public interest pay telephone. Repealed. (Eff.
1/11/2001, Register 157; repealed __/__/__, Register __.)

3 AAC 53.775 is repealed:

3 AAC 53.775. Miscellaneous provisions. Repealed. (Eff. 1/11/2001, Register 157;
repealed __/__/__, Register __.)

3 AAC 53.799 is repealed:

3 AAC 53.799. Definitions. Repealed. (Eff. 1/11/2001, Register 157; repealed __/__/__,
Register __.)