ORIGINAL

E000010065

Memorandum

From the Office of
Commissioner Lea Márquez Peterson
Arizona Corporation Commission
1200 W. WASHINGTON
PHOENIX, ARIZONA
(602) 542-3625

TO: Docket Control

DATE: November 12, 2020

FROM: The Office of Commissioner Lea Márquez Peterson

RE: Docket No. T-00000A-20-0336
In the matter of the notice of Proposed Amendments to the Arizona Universal Service Fund.

Attached please find a copy of the presentation Commissioner Lea Marquez Peterson delivered at the November 5th Staff Meeting regarding Arizona Universal Service Fund (High Cost Fund), Transition to Rural Broadband Development Fund.

ACC - Docket Control - Received 11/12/2020 9:32 AM
ACC - Docket Control - Docketed 11/12/2020 9:48 AM

Arizona Universal Service Fund (High Cost Fund)

Transition to Rural Broadband Development Fund

Presentation by Commissioner Lea Márquez Peterson, MBA

Staff Meeting, November 5, 2020, Item No. 4

Table of Contents

Commissioner Lea Márquez Peterson
Arizona Corporation Commission

Presentation to the Arizona Corporation Commission
Staff Meeting, November 5, 2020, Item No.4
Arizona Universal Service Fund (High Cost Fund)
Docket No. RT-00000H-97-0137

Arizona Rural Broadband Development Effort

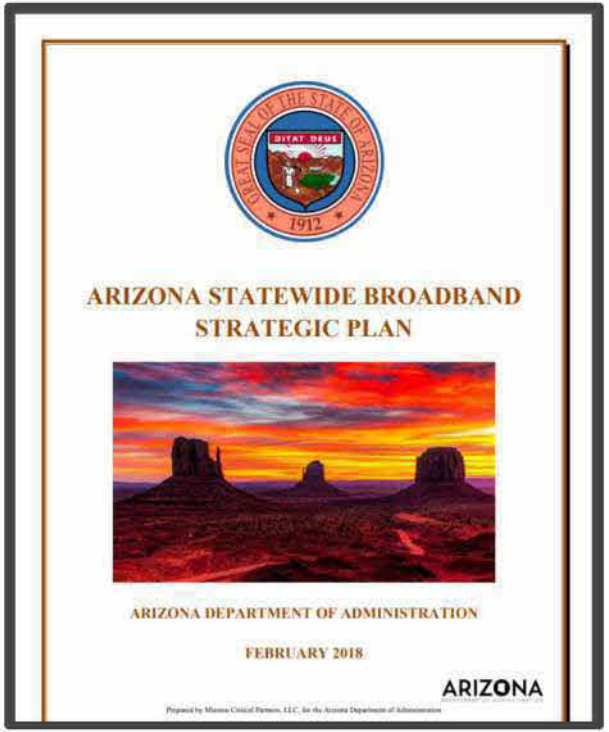
- **Goals:** Arizona Statewide Broadband Strategic Plan
- **Solutions:** Broadband Programs (E-Rate, Connect America, Rural Broadband Development Grant)
- **Issues:** Low Broadband Access; Gaps in Coverage (Too many Arizonans still don't have access)

Arizona Universal Service Fund (High Cost Fund)

- **Background:** Deregulation/Competition in Telecom; Higher Cost of Service in Rural Areas
- **Structure:** Funding; How it works today.
- **Issues:** Continuous Subsidy; Rate Case Requirement; Low Participation; Obsolete Purpose
- **Other states:** AR, CA, CO, ME, NM, OR, UT, VT, WI
- **Solutions:** Transition to Broadband

Next Steps

AZ Broadband Goals


ARIZONA STATEWIDE BROADBAND STRATEGIC PLAN

ARIZONA DEPARTMENT OF ADMINISTRATION

FEBRUARY 2018

ARIZONA

STATE OF ARIZONA STRATEGIC BROADBAND GOALS

Goal 1: Broadband is accessible and affordable.

Goal 2: Broadband expansion is strategically governed and implemented.

Goal 3: Existing broadband infrastructure is identified, leveraged and expanded.

Goal 4: Funding opportunities are identified, leveraged and expanded.

Goal 5: Citizens understand the impact of broadband and promote adoption.

Goal 6: Policies are implemented to incentivize provisioning of and/or reducing barriers to broadband.

Programs

Federal Communications Commission

Connect America Fund Phase II

E-Rate - Schools & Libraries USF Program

USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE

Rural Broadband Access Loan & Loan Guarantee

Telecommunications Infrastructure
Loans & Loan Guarantees

ARIZONA COMMERCE AUTHORITY

ARIZONA RURAL BROADBAND DEVELOPMENT GRANT
MOBILE HOTSPOT DONATION DRIVE

ARIZONA DEPARTMENT OF EDUCATION

E-Rate Program

Arizona Universal Service Support For Schools and Libraries

Low Broadband Access in Arizona

Broadband by School Districts

PERCENT LACKING BROADBAND ACCCES

0.20 % — 100 %

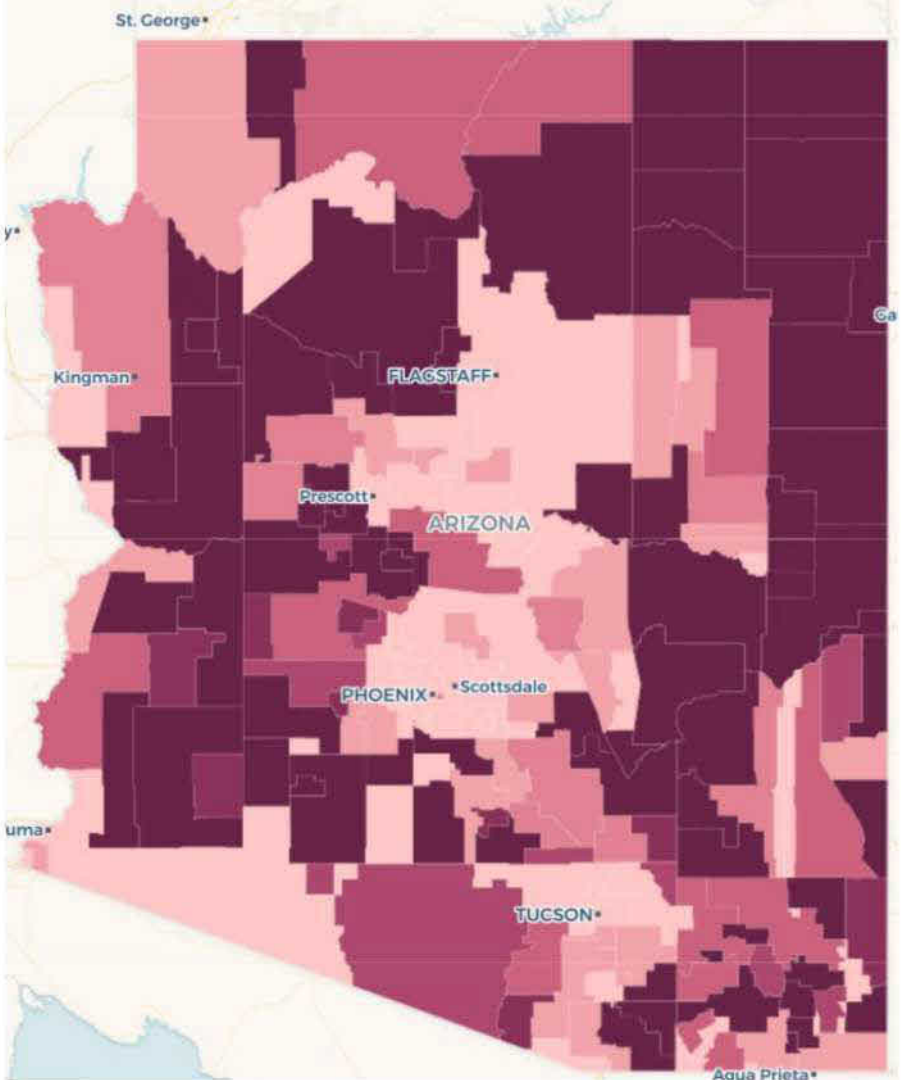
50.4 AVG

Data Sources:

1. FCC 477 Broadband Data (Dec 2018)
2. FCC Block Population Estimates (2018)
3. ACS 5-Year Estimates (2014-18)
4. Census TIGER/Line (2018)
5. IES NCES (2018-19)

More information on methodology

Map published May 2020



ORIGINAL

OPEN MEETING AGENDA ITEM

E000005292

COMMISSIONERS
Robert "Bob" Burns - Chairman
Boyd Dunn
Sandra D. Kennedy
Justin Olson
Lea Márquez Peterson

LEA MÁRQUEZ PETERSON
COMMISSIONER

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ARIZONA CORPORATION COMMISSION
OFFICE OF COMMISSIONER LEA MÁRQUEZ PETERSON

March 13, 2020

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: **Docket No. AU-00000A-20-0050: Commission Inquiry into Utility Preparedness Plans to Ensure Safe and Reliable Operations During the COVID-19**

Subject: **Broadband Accessibility & Reliability During COVID-19 School Closures & Business Telecommuting Periods**

Chairman and Commissioners,

I want to thank the Commission for the timely opening of the above-captioned docket. As Commissioners Dunn and Kennedy have acknowledged, the Commission's actions "will be particularly important to residential ratepayers as many will be dependent on water, sewer, electric, gas, and telecommunications while they work from home;"[1] and, "As more employers encourage telecommuting,

Letter from Commissioner Márquez Peterson (Mar. 13, 2020)

The Digital Divide: A Call to Action from Arizona School Board Members

We are now nearly two weeks into school closures. The Digital Divide is front and center. The disparities are growing. The achievement gap is widening because our students in low-income communities across urban and rural Arizona have always had access to less opportunities. They rely heavily on our schools to provide that access. During the closures, too many of our students are being left behind – farther behind.

We, Governing Board members across Arizona, are not only signing on to the letter published by Superintendents last week, but we are turning up the volume on the megaphone. We need action. We need action now.

Youth across Arizona in low-income and rural communities are still without academic and social-emotional support. Educators across our state in suburban and middle-class neighborhoods are not only delivering lessons online, but they are also providing virtual counseling sessions and wellness checks. Youth without access to a device and/or the internet are not only missing out on learning, they are also becoming more and more isolated. Depression and anxiety were already at frighteningly high levels. This pandemic, and the seclusion it will cause, is reason for abundant concern from all Arizona residents.

Philanthropy is fundraising at record-high levels, but more needs to be done. Many technology and communications companies have stepped up, but they need to take bigger and bolder steps. Business and industry must contribute. And should lawmakers return in April, helping youth living in poverty and youth in rural communities get access to devices and/or internet must be a large part of any relief or stimulus package.

Simply put, technology in Arizona must be a right, not a privilege. Our schools cannot

Letter from Governing Board Members & School Superintendents (Mar. 20, 2020)

Broadband Accessibility & Reliability During COVID-19 School Closures & Business Telecommuting

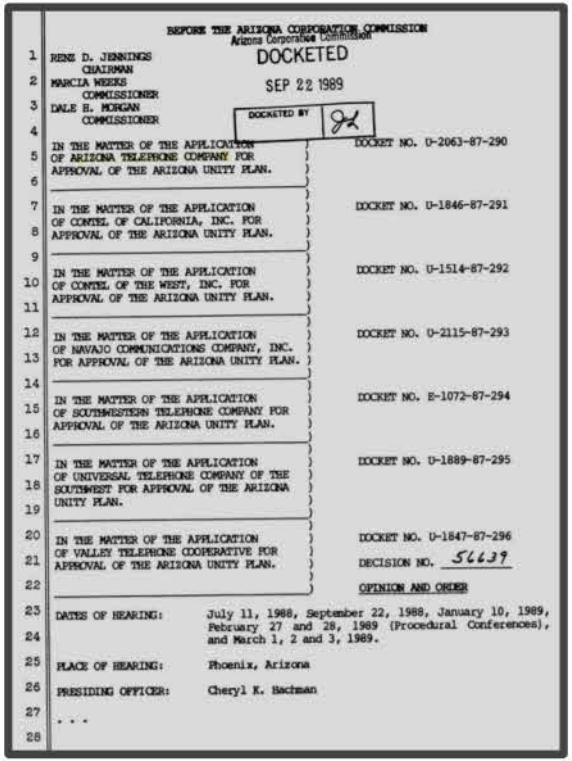
$465,000 AUSF Dollars Unused during COVID-19

Request in April 2020: "Docket No. AU-00000A-20-0050 (Regarding COVID-19); Docket No. RT-00000H-97-0137 (Regarding Arizona Universal Service Fund); Commission discussion, consideration, and possible vote regarding the immediate, emergency disbursement of up to $500,000 in unused Arizona Universal Service Fund dollars to the Arizona Department of Education to assist the Department in addressing the digital divide resulting from COVID-19 and help to ensure continued, universal, equal, and equitable access to broadband internet for Arizona students during state-wide school closures."

AUSF Background

Commissioner Lea Márquez Peterson
Arizona Corporation Commission

Presentation to the Arizona Corporation Commission
Staff Meeting, November 5, 2020, Item No.4
Arizona Universal Service Fund (High Cost Fund)
Docket No. RT-00000H-97-0137



BEFORE THE ARIZONA CORPORATION COMMISSION
Arizona Corporation Commission
DOCKETED
SEP 22 1989
DOCKETED BY

RENE D. JENNINGS
CHAIRMAN
MARCIA WEEKS
COMMISSIONER
DALE H. MORGAN
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF ARIZONA TELEPHONE COMPANY FOR APPROVAL OF THE ARIZONA UNITY PLAN. — DOCKET NO. U-2063-87-290

IN THE MATTER OF THE APPLICATION OF CONTEL OF CALIFORNIA, INC. FOR APPROVAL OF THE ARIZONA UNITY PLAN. — DOCKET NO. U-1846-87-291

IN THE MATTER OF THE APPLICATION OF CONTEL OF THE WEST, INC. FOR APPROVAL OF THE ARIZONA UNITY PLAN. — DOCKET NO. U-1514-87-292

IN THE MATTER OF THE APPLICATION OF NAVAJO COMMUNICATIONS COMPANY, INC. FOR APPROVAL OF THE ARIZONA UNITY PLAN. — DOCKET NO. U-2115-87-293

IN THE MATTER OF THE APPLICATION OF SOUTHWESTERN TELEPHONE COMPANY FOR APPROVAL OF THE ARIZONA UNITY PLAN. — DOCKET NO. E-1072-87-294

IN THE MATTER OF THE APPLICATION OF UNIVERSAL TELEPHONE COMPANY OF THE SOUTHWEST FOR APPROVAL OF THE ARIZONA UNITY PLAN. — DOCKET NO. U-1889-87-295

IN THE MATTER OF THE APPLICATION OF VALLEY TELEPHONE COOPERATIVE FOR APPROVAL OF THE ARIZONA UNITY PLAN. — DOCKET NO. U-1847-87-296
DECISION NO. 56639

OPINION AND ORDER

DATES OF HEARING: July 11, 1988, September 22, 1988, January 10, 1989, February 27 and 28, 1989 (Procedural Conferences), and March 1, 2 and 3, 1989.

PLACE OF HEARING: Phoenix, Arizona

PRESIDING OFFICER: Cheryl K. Hachman

. . .

- Established in 1989 through the Arizona Unity Agreement in response to competition in the telecom industry. (Decision No. 56639) (AT&T, US West, Contel of the West, Southwestern Telephone, Arizona Telephone, Valley Telephone, Citizens Utilities, etc.)

- Created to subsidize landline service providers whose costs would be increased due to competition and increased costs to consumers associated with serving rural areas in a competitive marketplace.

- At creation, the telecom companies wanted applicants to file a rate case showing that rates would increase by more than $4.00.

Arizona USF High Cost Fund - Current Structure

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- In 1989, the ACC denied the parties' request for a $4.00 cap and adopted a five-factor test instead.

- Today, the AUSF is funded by 315 "Category One" & "Category Two" service providers.

  Category One providers:

  - $0.016328 per access line
  - $0.163280 per interconnecting trunk line

  Category Two providers:

  - 0.3418 percent of intrastate toll revenues

- The ACC has jurisdiction to increase or decrease the surcharge amounts each year.
- With the Category One & Two contributions, the AUSF collects approximately $1.2 million each year.

Issues

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- **Continuous, Automatic Subsidy**
  - No incentive or requirement to return to the Commission for a new rate case, once the subsidy has been granted.
  - 1 recipient has received the same amount of funds for the last 30 years (October 10, 1989).
  - The recipient has not filed an application for a rate case since 1989.
  - A recurring, automatic subsidy may be contrary to the intent stated in the 1989 decision.

- **Rate Case Requirement**
  - 14 potential recipients in Arizona (Frontier, Navajo, Valley, Table Top, Copper Valley, etc.)
  - But, only 1 potential recipient has applied for and received funds over the last 30 years.
  - The rate case requirement may be serving as a deterrent for competitive companies.

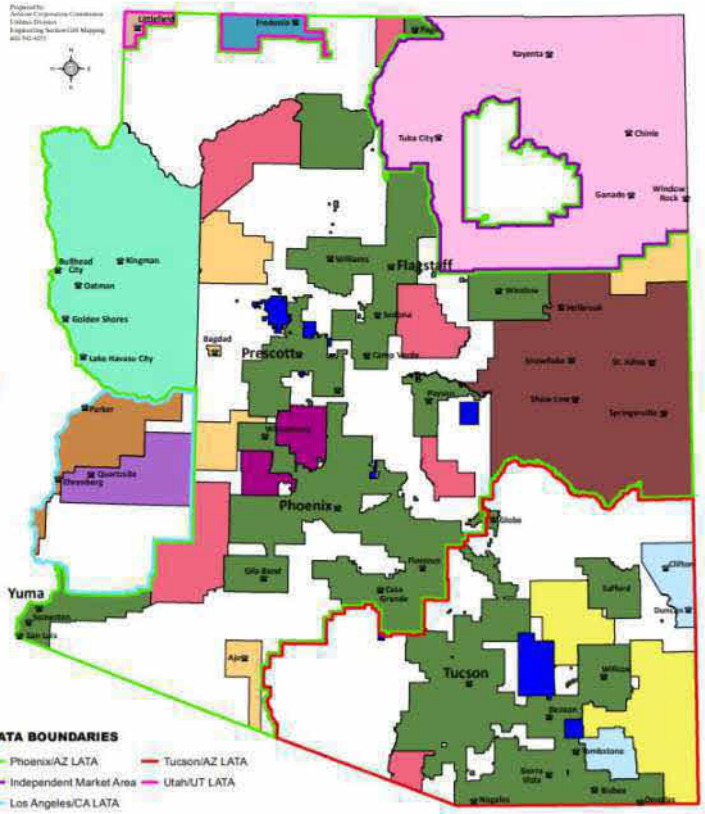
- **Valid Intent, Obsolete Mechanism**
  - Commitment to “universal service” and providing the “broadest connectivity reasonably attainable”
  - Even with the AUSF in place, rural landline service is diminishing
  - Stagnant or negative customer growth
  - 54 CC&N deletions since 1991; 34 have occured in the last 10 years.
  - Large telecom companies now subsidize their landline services through other business revenues

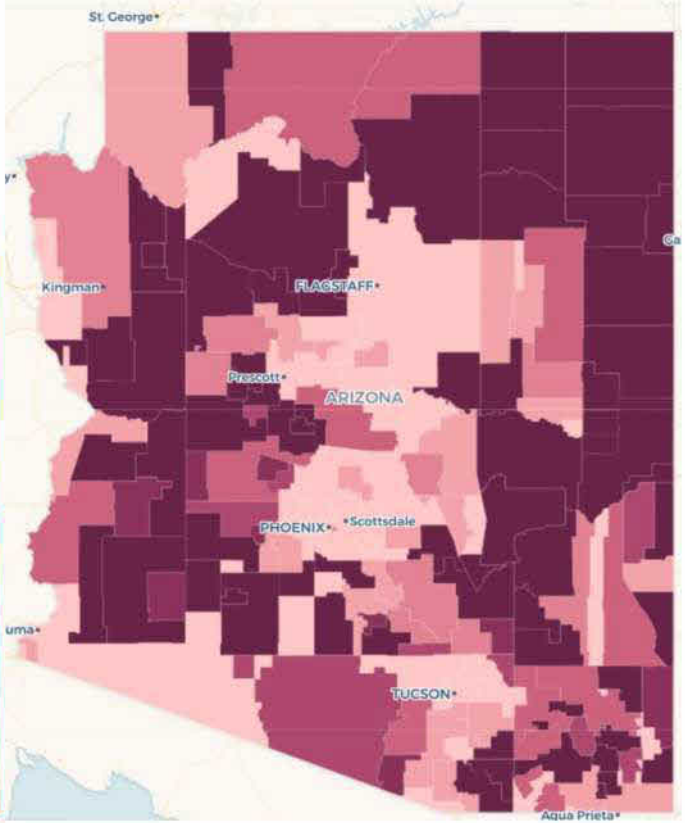
What other states have done:

Arkansas	Requires HCF to be used for broadband
California	Allows HCF to be used for broadband in rural areas
Colorado	Transitions HCF to broadband use over time
Maine	Allows flexibility to use funds for broadband
New Mexico	60% of USF must go toward broadband access
Oregon	$5 Million a year of USF funds dedicated to broadband
Utah	Allows USF to be used for broadband
Vermont	Allows USF to be used for broadband
Wisconsin	Allows USF to be used for broadband

Intent

- Accipiter Communications, Inc.
- Arizona Telephone Company
- Copper Valley Telephone, Inc.
- Frontier Citizens Utilities Rural
- Frontier Communications of the Southwest
- Frontier Communications of the White Mountains
- Midvale Telephone Exchange, Inc.
- Navajo Communications Company, Inc.
- Qwest Communications, Inc. dba CenturyLink
- Rio Virgin Telephone Company
- South Central Utah Telephone Assoc.
- Southwestern Telephone Company
- Table Top Telephone Company, Inc.
- Valley Telephone Cooperative, Inc.





Possible Solutions

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Arizona Universal Service Fund (High Cost Fund)
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- ~~Continuous, Automatic Subsidy~~ → **One-Time Grant**
  - Applicants/Recipients will continue to be Commission-jurisdictional public service corporations
  - Funds could be used to reduce the cost of construction for bona fide broadband projects
  - Funds would no longer be used to subsidize landline service or current / future broadband service

- ~~Rate Case Requirement~~ → **Application Requirement**
  - The ACC-jurisdictional PSC must currently provide or have bona fide plans to provide broadband service (such as by providing designs, drawings, contracts, subcontracts, and financing)
  - Technology agnostic (e.g., fiber, broadband over power, microwave tower, 5G, satellite, wireless, etc.)

- ~~Valid Intent, Obsolete Mechanism~~ → **Transition the AUSF to Adapt to Modern 'Universal Service' Needs**
  - Continued commitment to providing the "broadest connectivity reasonably attainable," including broadband
  - Transition period to phase-in the new process & provide sufficient notice
  - No change to the existing collection mechanism or amount.
  - The new process needs to be streamlined & reasonable in relation to the award amount.
  - Minimize the impact to existing AUSF recipients.

Next steps...

- Open a new docket
- Continue research on issues and solutions in collaboration with the staff
- Seek feedback and support from fellow Commissioners & stakeholders

Thank You

Contact Commissioner Lea Márquez Peterson's Office
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(602) 542-3625