ALASKA COMMUNICATIONS SYSTEMS, INC.
2024 PRICE CAP REVISIONS
Issued June 17, 2024

Description and Justification

I. Introduction

A. Background

Alaska Communications Systems, Inc. hereby submits this material in support of the 2024 Annual Access Charge Tariff Filing. This information is being filed pursuant to the Federal Communications Commission's ("Commission") decisions in:

- In the Matter of July 1, 2024 Annual Access Charge Tariff Filings, WC Docket No. 24-41, *Order*, DA 24-294, released March 27, 2024;
- In the Matter of Material to be Filed in Support of 2024 Annual Access Tariff Filings, WC Docket No. 24-41, Order, DA 24-434, released May 10, 2024; and
- Business Data Services in an Internet Protocol Environment et al., WC Docket No. 16-143 et al., Report and Order, 32 FCC Rcd 3459 (2017) (Business Data Services Order).

This filing includes adjustments consistent with the requirements of Sections 61.41 through 61.49 of the Commission's Rules. The issuing carriers ("ACS Companies") for the ACS Companies Tariff FCC No. 1 are listed below:

Company	**Study Area**	**COSA**
ACS of Anchorage	Anchorage	AKAN
ACS of Fairbanks	Fairbanks	AKFB
ACS of Alaska	Greatland	AKGL

ACS of Alaska	Juneau	AKJU
ACS of the Northland	Glacier State	AKGS
ACS of the Northland	Sitka	AKSK

B. Waivers

The ACS companies list below all currently applicable waivers that permit rate elements different than those specified in 47 C.F.R., Part 69.

The Commission Order, In the Matter of ACS of Alaska, Inc., ACS of Anchorage, Inc., ACS of Fairbanks, Inc., and ACS of the Northland Inc., Petition for Conversion to Price Cap Regulation and Limited Waiver Relief, released April 17, 2009, DA 09-854, Released April 17, 2009, provided the ACS Companies with the requested relief to convert its companies subject to rate-of-return regulation to price cap regulation and establish initial price cap indexes ("PCIs") for price cap baskets.

C. New Services

The ACS Companies have no new services to report for the 2024 Annual Access Charge Tariff Filing.

II. Index and Rate Development

A. Existing Indices

The existing indices are those indices that will be in effect on June 30, 2024. See IND for transmittal numbers under which existing indices became effective.

B. PCI/ATS Development

The PCIs were developed with a Gross Domestic Product Price Index ("GDP-PI") factor of 2.6644%. The factor is based on the percentage change between the GDP-PI for the quarter ending December 31, 2023 and for the corresponding quarter of 2022. See Exhibit PCI.

C. Exogenous Costs

The ACS Companies developed exogenous cost changes according to the Price Cap Rules. These exogenous costs were measured at the 2023 base period level of operations and apportioned on a cost-causative basis between price cap and non-price services and then among the price cap baskets. To apportion exogenous costs changes between Special Access services remaining in price caps and Special Access services de-tariffed in the Business Data Services Order, a ratio was developed between of total Price Cap Special Access revenue prior to the implementation of Business Data Service Order and after the Business Data Service Order was implemented. Exogenous cost changes and allocations are shown in Exhibit EXG.

For each allowed exogenous cost, the Exogenous Cost adjustment ("EXG_Cost_{Adj}") is equal to the change in the current Price Cap Exogenous Cost ("EXG_Cost_{t-1}") less the Exogenous Cost already reflected in the Price Cap indices ("EXG_Cost_{t-2}").

$$EXG\_Cost_{Adj} \quad = \quad EXG\_Cost_{t-1} - EXG\_Cost_{t-2}$$

The current Price Cap Exogenous Cost is calculated by multiplying current year's 499A Total Revenue ("$499A\_Total\_Rev_{t-1}$") by the current Exogenous Cost Factor ("Exg_Factor_{t-1}") adjusted by the ratio of the current year's 499A Price Cap Revenue ("$499A\_PriceCap\_Rev_{t-1}$") to the current year's 499A Total Revenue ("$499A\_Total\_Rev_{t-1}$"). This formula simplifies to the current Exogenous Cost Factor multiplied by the current year's 499A Price Cap Revenue.

$$\begin{aligned} EXG_{Cost_{t-1}} \quad &= \quad (499A\_Total\_Rev_{t-1} * EXG\_Factor_{t-1}) * \frac{499A\_PriceCap\_Rev_{t-1}}{499A\_Total\_Rev_{t-1}} \\ \rightarrow \quad &= \quad EXG\_Rate_{t-1} * IS\_PriceCap\_Rev_{t-1} \end{aligned}$$

The level of exogenous cost already reflected in the Price Cap indices is calculated by multiplying the previous year's 499A Total Revenue

("499A_Total_Rev$_{t-2}$") by the exogenous cost factor included in the price cap indices ("Exg_Factor$_{t-2}$"). This result is then multiplied by the ratio of the previous year's 499A Price Cap Revenue ("499A_PriceCap_Rev$_{t-2}$") to the previous year's 499A Total Revenue ("499A_Total_Rev$_{t-2}$"). The result is lastly multiplied by the ratio of the current year's 499A Price Cap revenue ("499A_PriceCap_Rev$_{t-1}$") to the previous year's 499A Price Cap revenue ("499A_PriceCap_Rev$_{t-2}$"). This formula simplifies to the exogenous cost factor included in the price cap indices multiplied by the current year's 499A Price Cap revenue.

$$
\begin{aligned}
EXG\_Cost_{t-2} \quad &= \quad (499A\_Total\_Rev_{t-2} * EXG\_Factor_{t-2}) * \frac{499A\_PriceCap\_Rev_{t-2}}{499A\_Total\_Rev_{t-2}} * \frac{499A\_PriceCap\_Rev_{t-1}}{499A\_PriceCap\_Rev_{t-2}} \\
\rightarrow \quad &= \quad (IS\_499A\_Rev_{t-2} * EXG\_Rate_{t-2}) * \frac{IS\_PriceCap\_Rev_{t-1}}{IS\_499A\_Rev_{t-2}} \\
\rightarrow \quad &= \quad EXG\_Rate_{t-2} * IS\_PriceCap\_Rev_{t-1}
\end{aligned}
$$

Thus, the Exogenous Cost adjustment is equal to the current Exogenous Cost Factor ("EXG_Factor$_{t-1}$") multiplied by the current year's 499A Price Cap revenues ("499A_PriceCap_Rev$_{t-1}$") less the Exogenous Cost factor already in the Price Cap indices ("EXG_Factor$_{t-2}$") multiplied by the current year's 499A Price Cap revenue ("499A_PriceCap_Rev$_{t-1}$"). This simplifies to the changes in the Exogenous Cost factor, i.e. the current Exogenous Cost factor less the Exogenous Cost factor already in the Price Cap indices, multiplied by the current year's 499A Price Cap revenue.

$$
\begin{aligned}
EXG\_Cost_{Adj} \quad &= \quad (EXG\_Factor_{t-1} * 499A\_PriceCap\_Rev_{t-1}) - (EXG\_Factor_{t-2} * 499A\_PriceCap\_Rev_{t-1}) \\
\rightarrow \quad &= \quad (EXG\_Factor_{t-1} - EXG\_Factor_{t-2}) * 499A\_PriceCap\_Rev_{t-1}
\end{aligned}
$$

1) Regulatory Fees

Local Exchange Companies are allowed to recover the impact of regulatory fees as an exogenous cost. The calculations of the regulatory fees to be paid in the 2024 tariff year are based on the factor of 0.00540 as referenced in *Appendix B of the Assessment and Collection of Regulatory Fees for Fiscal Year 2023 and Review of the Commission's Assessment and*

Collection of Regulatory Fees, MD Docket No. 23-159 & 22-301, Report and Order and Notice of Inquiry, FCC 23-66, released August 10, 2023. This factor is already reflected in the company's price cap indices.

2) Telecommunications Relay Service Fee

All common carriers providing interstate telecommunications services are required to contribute to a fund designated to support telecommunications relay services. For the 2024 tariff year, the fee will be based on the TRS IPCTS factor of 0.01615 and TRS Non-IPCTS factor of 0.00025 as set forth in *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket Nos. 03-123 & 10-51, Order, DA 23-577, released June 30, 2023. This factor is already reflected in the company's price cap indices.

3) North American Numbering Plan Administration Fee

In the North American Numbering Plan Administration ("NANPA") Order, the Commission required all telecommunications carriers to contribute to the cost recovery for numbering administration. To remain consistent in the price cap treatment of such fees, *i.e.,* Regulatory Fee and Telecommunications Relay Services Fee, the NANPA fee is treated as an exogenous change. For the 2024 tariff year, the fee will be based on the factor of 0.0001047 as set forth in Public Notice, "Wireline Competition Bureau Announces the Proposed North American Numbering Plan Administration Fund Size Estimate and Contribution Factor for October 2023 through September 2024," CC Docket No. 92-237, DA 23-675, released August 10, 2023. This factor is already reflected in the company's price cap indices.

D. CMT Per Line Revenue

Section 61.3(d) of the Commission's Rules, 47 C.F.R. § 61.3(d) (2023), sets forth the calculation of the maximum SLC for residential and single-line business customers, non-primary residential, and multi-line business service categories based on the average common line, marketing and transport interconnection charge revenue (“CMT” revenue) per line. Exhibit CMT depicts the CMT per line calculation.

E. Excluded Services

Exhibit OUTPC provides a detailed listing of those services which are excluded from price cap regulation.

III. USF/ICC Order

A. Access Recovery Charge (ARC) True-Up Worksheet

In compliance with the Commission Rules set forth in Section 51.915(d)(1)(viii), 47 C.F.R. § 51.915(d)(1)(viii) (2023), ACS is including the ARC True-Up workbook. Carriers are required to include True-Up Revenues for Access Recovery Charges for the year beginning July 1, 2022. True-up revenue is determined by taking the difference in the Projected Access Lines for the time period and the Actual Access Lines for the time period multiplied by the tariffed ARC rate. Lines eligible for an ARC assessment include those assessed an end user common line charge pursuant to Section 69.152 of the Commission’s Rules, 47 C.F.R. § 69.152 (2023). ACS extracted the line counts meeting the definition criteria for in-service lines within the time period.

ACS utilized the “2024 True-Up” template released by the FCC on May 10, 2024 in the *TRP Order*. The FCC spreadsheet provides the methodology for calculating the 2022 ARC True-Up revenues, and the total 2022 ARC True-Up Revenues are included in the Eligible Recovery Form and the 2024 Summary Eligible Recovery Form.

B. Eligible Recovery

Pursuant to Section 51.915(d)(1)(viii), ACS calculated the total Eligible Recovery amount based upon reductions calculated pursuant to 51.915(d)(1)(vii)(A) through 51.915(d)(1)(vii)(H), as well as ARC True-Up revenues for the year beginning July 1, 2022 and qualifying common line exogenous cost adjustments. No payments which were received during FY11 for services outside of FY11 were included in the calculation of eligible recovery amounts. Also, billed late fees were excluded from eligible recovery amounts.

The Eligible Recovery amount is calculated by first multiplying the eligible reductions calculated pursuant to Section 51.915(d)(1)(vii)(A) through 51.915(d)(1)(vii)(H) by the July 1, 2024 Price Cap Carrier Traffic Demand Factor of 25.42% and by the July 1, 2024 non-CALLS study area factor of 90%. This amount was then added to ARC True-Up Revenues and Exogenous Cost ARC recoverable amount found in CAP-5, Line 610, of the Tariff Review Plan to derive the total Eligible Recovery Amount.

C. Summary Eligible Recovery

In compliance with the Commission-approved Summary Eligible Recovery TRP, ACS, when applicable, has reported its Access Reduction, Net Reciprocal Compensation, Net CMRS, Eligible Recovery, Max ARC Revenue, Residential Eligible ARC Lines, Single-Line Business Eligible ARC Lines, and Multi-Line Business Eligible ARC Lines.

D. Access Recovery Charge

For each residential rate group, ACS calculated an Access Recovery Charge ("ARC") that was set equal to $2.50, a level that, in compliance with Section 51.915(e)(5)(i)(E), when added to the other residential rate ceiling components the aggregate rate did not exceed the $30.00[1] rate ceiling. Also, in compliance with Section 51.915 (e)(5)(i)(E), the ARC for single-line business customers was set equal to $2.50. In compliance with Section 51.915 (e)(5)(ii)(E) and Section 51.915 (e)(5)(iv), the ARC for multi-line business customers was set equal to the lesser of the per line cap of $5.00, or an amount that when added to the multi-line business SLC does not exceed the $12.20 ceiling.

For each rate group, a forecast of access lines was developed. The forecasted access lines were multiplied by the proposed ARC. At these rate levels, the estimated tariffed ARC revenues do not exceed the eligible recovery amount.

E. CAF ICC Support

Pursuant to 47 C.F.R. § 51.915(f)(5), beginning July 1, 2019, a Price Cap Carrier may no longer recover any amount related to revenue recovery under this paragraph from CAF ICC Support.

[1] See CFR Section 51.915(b)(12)