

**S B**

**242**

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER SB 242

SPONSOR Adams

BILL TITLE Certification of telecommunications  
utilities

DATE REFERRED 3-28-89

HEARING SCHEDULED 4-12-89

FISCAL NOTE PREPARED Martha req.

SPONSOR CONTACTED Martha 3707

INTERESTED PARTIES CONTACTED

APUC, etc.

(see SB 206 file)

OTHER

242POOP.TXT  
4/12/89

SB 206, RELATING TO INTRASTATE COMPETITION IN TELECOMMUNICATIONS  
THIS IS THE "PRO-COMPETITION" BILL (SPONSOR: SEN. FRANK)

SB 242, RELATING TO CERTIFICATION OF TELECOMMUNICATIONS UTILITIES  
THIS IS THE "NO COMPETITION" BILL (SPONSOR: SEN. ADAMS)

TELECONFERENCE SITES: ANCHORAGE, FAIRBANKS, KETCHIKAN, KOTZEBUE,  
DILLINGHAM, TELLER, BETHEL, MAT-SU, WYOMING

TO TESTIFY FIRST, ON COMPETITION GENERALLY:

ALEX ELIOPULOS (EE-LEE-O'-PUH-LUHS), CHIEF COUNSEL, WYOMING  
PUBLIC SERVICES COMMISSION (AND MIKE KORBER). COMPETITION WAS  
NOT A BIG DEAL IN WYOMING -- LEGISLATURE WASN'T INVOLVED,  
COMMISSION HELD ONLY A COUPLE HEARINGS. THEY ADDRESSED RURAL  
RATE INCREASES AND SOME OF THE OTHER ISSUES RAISED BY ALASCOM.

MANY OF THE PEOPLE LISTED BELOW WILL SPEAK ABOUT BOTH BILLS:

THE FOLLOWING ARE MEMBERS OF THE ALASKA TELEPHONE ASSOCIATION,  
AND WOULD LIKE TO SPEAK IN THIS ORDER:

STEVE HAMLIN, UNITED UTILITIES (WILL BE IN JUNEAU)

MS. LOREN CARL, O.T.Z. TELEPHONE, KOTZEBUE

DAVE BOOKER, NUSHAGAK TELEPHONE, DILLINGHAM

DWAYNE DURAND, BRISTOL BAY TELEPHONE, ANCHORAGE

PERRY STOOP, SUMMIT TELEPHONE, FAIRBANKS

PAULA ELLER, YUKON TELEPHONE, WASILLA

BOB BLODGETT, TELLER

THE FOLLOWING PEOPLE WILL BE STANDING BY FOR QUESTIONS ON SB 206,  
AND MAY WANT TO MAKE FORMAL COMMENTS ON SB 242:

SUSAN KNOWLES, A.P.U.C.

ALASCOM (POSSIBLY BARBARA GRUENSTEIN)

DANA TINDALL, G.C.I. (WILL BE IN JUNEAU)

OTHERS: SEE WITNESS LIST

F.Y.I.

ALASKA TELEPHONE ASSOCIATION SUPPORTS SB 242 (AL INTRODUCED IT AT  
REQUEST). A.P.U.C. OPPOSES BOTH SB 206 AND SB 242 ON  
GROUNDS THAT THEY'RE "PREMATURE" -- A.P.U.C. WANTS TO CONTINUE TO  
WORK ON THE ISSUE.

Several  
ATA members?

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: Certification of certain telecomm.  
utils. & to intrastate toll svcs. agents.  
 Sponsor: Adams, Binkley, Zharoff  
 Requestor: Senate State Affairs

Agency Affected: Commerce & Econ. Development  
 BRU: APUC  
 Components: Operations

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**FUNDING: (Thousands of Dollars)**

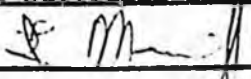
GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**POSITIONS:**

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

**ANALYSIS :** (Attach a separate page if necessary)

See attached.

Prepared by: T.S. Moninski II, Executive Director Phone: 276-6222  
 Division: Alaska Public Utilities Commission Date: 4/5/89  
 Approved by Commissioner:  Date: 4/12/89  
 Agency: Commerce & Economic Development

**Distribution (by prepare):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

TEXT FOR SB242 FISCAL NOTE

If enacted, SB242 would essentially perpetuate the existing structure of the state's telecommunications network by precluding alternative or competitive entry into established service areas without a Commission finding that adequate service was not being provided by the existing certificated utility. Section 2 of the bill appears to mandate the existing "separations" method of revenue accounting that exists between local exchange and inter-exchange carriers. Since these provisions tend to mirror the status quo, no fiscal impact is anticipated if the bill becomes law.

# STATE OF ALASKA

ALASKA PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

STEVE COWPER, GOVERNOR

420 "L" STREET  
SUITE 100  
ANCHORAGE, ALASKA 99501  
(907) 276-6222

## ALASKA PUBLIC UTILITIES COMMISSION

### COMMENTS ON SB 242

April 10, 1989

The Commission's comments on SB 206 generally apply to SB 242 also. (A copy of those comments and Appendix 1 only are attached for easy reference.) To summarize, the Commission recommended that a legislative decision on competition be deferred to allow the Commission an opportunity to complete the comprehensive plan it has outlined for addressing the state's telecommunications issues, including competition. The Commission further suggested that if the competition question were decided by the Legislature, the mechanics of implementing competition be delegated to the Commission.

Section 1 of SB 242 limits the Commission's authority to allow competition if the existing telecommunications utility is currently providing, or is likely within a reasonable period of time to provide, adequate service. The Commission again finds it premature to define the ground rules for telecommunications competition before it has addressed this issue under its comprehensive plan. In addition, the restrictive approach proposed by this section is directly contrary to the Commission's current interpretation of the statute to allow competition whenever the

facts of a given situation demonstrate that it is the better structure for assuring reasonably priced, reliable utility services. Thus, existing certificate holders are not insulated by law or Commission policy from other entities being authorized to provide the same or similar services in all or part of the same service territory, when such competition is in the public interest. In this regard, it should be noted that Section 1 could prohibit the competition in the radio common carrier and cellular industries which is already in place.

Section 2 of the bill appears to formally adopt the current settlements system between local telephone companies and Alascom and to implicitly reject the access charge system which is typically used in a competitive environment for long distance services. The issue of the appropriate system for interexchange companies to compensate local telephone companies for use of their facilities to complete intrastate toll calls (with or without competition) is currently under active consideration by the Commission as part of its comprehensive telecommunications plan. A hearing on access charges is scheduled for June 1989. Thus, this section is also premature relative to the Commission's activities and relative to the overall question of competition.

ALASKA PUBLIC UTILITIES COMMISSION

COMMENTS ON SB 206

March 27, 1989

What is the Commission's position on SB 206?

The Commission does not yet have a position on whether competition in the provision of state toll service is or is not in the public interest. This important public policy question is currently pending before the Commission.

Does the Commission have any advice for the Legislature on its consideration of the public policy issue presented by SB 206?

The competition question is an extremely complicated one. It is tied to resolution of a number of issues which involve the total restructuring of the state's telecommunications industry. Because of the complex, interrelated nature of these issues and the importance associated with their timely and fair resolution, the Commission issued an order in June 1988, which established a comprehensive plan for addressing the issues and ultimately deciding the competition question. This was adopted as the Commission's highest priority in its FY1989 work plan and will continue in that status in FY1990. The issues and plan are summarized in Appendix 1, and a copy of the omnibus telecommunications order is attached as Appendix 2.

Based on the above, the Commission believes that it is well positioned to use its expertise and the information it has and will acquire to thoroughly examine and competently decide the competition question. Given the importance of telecommunications service to the citizens of this state, it is too fundamental an issue to be decided without the benefit of independent information and advice. Accordingly, the Commission recommends that it be allowed to complete the plan that it has outlined for addressing the state's telecommunications issues, including competition.

However, if the Legislature elects, as is its prerogative, to unilaterally decide the policy question at this time, it is urged to leave the mechanics for implementing any competition which is possible to the Commission. The Commission has not included any comments on the technical aspects of the bill but notes that it has a number of questions and concerns which it would like to address when appropriate. (Appendix 3 is a list of preliminary questions which the Commission's Staff has raised independent of those which the Commissioners may have after further analysis.) Given these uncertainties, no fiscal note has been prepared, but one may subsequently be necessary as the mechanics of the bill become better understood.

But hasn't the Commission been considering the issue of competition for a long time?

From 1983 to 1986, in response to changes made by the Federal Communications Commission (FCC) to interstate toll costs and charges, the Commission conducted an investigation into the possible adoption of state toll access charges. (Access charges are a per minute charge from the local telephone company to the interexchange company for access to local telephone company customers in order to initiate and complete toll calls.) After comments and a hearing on access charges and related subjects, the Commission was persuaded that it should first decide whether

state toll competition should be allowed. Additional comments and a hearing on the competition question led to proposed regulations. After the hearing on the proposed regulations, the Commission decided to terminate the proceeding because of actions being taken on the federal level to reconcile the FCC's conflicting policies. (See the answer to the next question for a more complete discussion of the FCC's actions.)

In late 1986, GCI filed an application to be authorized to provide state toll service and proposed regulations to govern competition. After a full proceeding on those regulations, GCI asked that it be allowed to redraft and resubmit new regulations. The second set of proposed regulations also were subject to comment and a hearing. When it became apparent that the redrafted regulations also had a number of problems, GCI asked the Commission to assume control of the process, which the Commission did through its omnibus telecommunications order and plan. (See Appendix 4 for a more detailed description of the timeline for processing GCI's application and regulations.)

Since issuing its omnibus telecommunications order, the Commission has systematically addressed the issues facing the industry in accordance with the plan it established. Some issues have been resolved in whole or in part; some issues are ready for resolution; some issues have been scheduled for further comment and hearings; and the remaining issues will be addressed as these preliminary issues are concluded.

Notwithstanding any criticisms that may be made of the Commission's prior handling of these issues, it would be difficult to implement a more timely, efficient approach to resolving them than is presently in place.

But didn't the FCC decide the interstate toll competition question much more quickly than the Commission?

The FCC took a number of years to examine and allow interstate toll competition, in particular for Alaska. In addition, the FCC decided to allow competition to/from Alaska before it had worked out all of the technical details associated with competition, so it is now trying to resolve those problems. On the other hand, most state commissions, including the Alaska Public Utilities Commission, have adopted the approach of addressing the details of implementing competition before approving the concept. This difference in approach is in part a reflection of the closer proximity of state regulators to the ultimate consumers of telecommunications services and a concern for the impact of policy changes on them.

In February 1978, the FCC opened its investigation into the issue of whether or not the interstate toll market should be open to competition. After consideration of the sub-issue of whether or not Alaska, because of its uniqueness, should be exempt from its pro-competitive policy, the FCC opened Alaska to competition in November 1982. GCI began providing interstate toll service to and from Alaska shortly thereafter.

Ever since GCI was authorized to go into business, the FCC has been wrestling with a number of issues created as a result of its decision to allow competition for Alaska interstate toll service. The primary problem is that the rates charged by Alascom/AT&T for interstate toll service are nationwide average rates, i.e. the same rates are charged for calls made for the same distances throughout the nation regardless of the actual costs of those calls. However, the costs of Alaska interstate toll service are well above average. (In fact, AT&T alleges that it costs \$100 million more to serve Alaska than is received in revenues for interstate calls to/from Alaska.) To be competitive, GCI

must charge rates that are comparable to or lower than those charged by Alascom. When GCI complained to the FCC that it could not compete against rates "subsidized" under the joint agreement between Alascom and AT&T, it was granted interim and then permanent cost relief in the form of lower rates for its use of AT&T facilities to distribute calls throughout the United States. The question of how to reconcile the FCC's policies of competition and nationwide average rates is currently pending before a Joint Board of federal and state commissioners. The State of Alaska is an active party in this proceeding because of its potential effect on the cost of both interstate and state toll services.

Is the Commission being thorough in its consideration of this issue or is it fundamentally pro-monopoly?

It is a matter of historical fact that regulatory commissions were created by legislatures primarily to oversee industries affected with a public interest which tended to be monopolistic. For the Commission, like most other state and federal regulatory agencies, regulation of such industries continues to be a predominant part of its workload. However, the Commission also has established a track record of identifying opportunities for introducing competition into previously monopolistic industries when possible. Specifically, the Commission has allowed competition in the garbage and radio common carrier industries.

In addition, as a matter of law, the Commission has interpreted the statute governing certification as allowing competition whenever it is in the public interest. It is the Commission's job to examine the facts of any given situation and to determine whether a monopoly or competitive structure is better for assuring reasonably priced, reliable utility services. Thus, existing certificate holders are not insulated by law or Commission policy from other entities being authorized to provide the same or similar services in all or part of the same service territory.

**Have other states authorized competition?**

Competition comes in many shapes and forms. Some type of competition has been adopted in a number of states. However, in order to fully understand the nature and extent of that competition, it is necessary to get complete information on the legislative and regulatory decisions that have been made. For example, legislation may have been required simply to give a state commission the necessary statutory authority to allow competition or the necessary flexibility to reduce the level of regulation of competitive services. No "competition" legislation is required in Alaska to accomplish these purposes.

Thus, while there is a considerable amount of raw data on administrative and legislative initiatives on competition, it is important to look behind the data to understand what was done and why. The particular states and circumstances must be compared to Alaska to see if the decisions on competition in those states are relevant and appropriate for the unique conditions that exist in this state.

Restructuring Alaska's  
Telecommunications Industry:  
Objectives, Issues, and Plan

Background:

On June 16, 1988, the Commission issued its so-called omnibus telecommunications order (see Appendix 2). In this order, the Commission:

1. set forth its policy objectives for restructuring the Alaskan telecommunications industry;
2. identified the key issues facing the telecommunications industry; and
3. outlined a comprehensive plan for addressing those issues.

The purpose of this paper is to summarize those issues and their current status under the plan adopted by the Commission. Also included is a chronological description of the actions taken to date and scheduled for the future.

Policy Objectives:

Based on the critical importance of telecommunications service to the citizens of Alaska and the current cost and availability of that service, the Commission adopted the following policy objectives:

1. Preserve and promote universal local and toll telecommunications services in Alaska.

2. Promote efficient use and enhancement of the statewide telecommunications network.

3. Discourage uneconomic bypass and arbitrage that adversely affect the statewide telecommunications network and other public interest considerations.

4. Foster and promote a high quality of service to the public in the most efficient and reasonable manner possible.

5. Evaluate and, as appropriate, promote or discourage competition.

6. Establish costing methodologies and a regulatory structure which promote quality telecommunications services at just and reasonable rates.

Issues:

Primarily as a result of actions taken by the Federal Communications Commission (FCC), the telecommunications industry is being totally restructured. A number of interrelated issues are associated with this change, and they are currently being addressed

by the Commission. All of these issues affect the ultimate question of whether or not there should be competition in state toll services. The issues are:

1. Cost Separations: Each local telephone company provides three types of service-- local, state toll, and interstate toll. The toll services are provided in conjunction with an interexchange company, such as Alascom or GCI, which carries the calls between local telephone companies. In order to price these services to consumers, it is necessary for the local telephone companies to divide or separate their costs between the three services.

The FCC decides what costs are interstate, and state commissions must decide how the remaining costs should be divided between local and state toll services. The FCC has reduced the level of costs assigned to interstate toll. As a result, all states are facing increased costs to be recovered in rates for state toll and/or local services.

The separation of costs is relatively easy for those which vary by the type, number, and length of calls that are made, i.e., costs that are traffic sensitive. The separation is not so simple for costs which are non-traffic sensitive (NTS). An example of an NTS cost is the line (called local loop) connecting a consumer's telephone to the local telephone company's office which receives and directs calls to the number which has been dialed. The cost of the local loop is basically the same regardless of the type or number or length of local and toll calls that are made. The separation of local loop costs between local and state toll services is important since they represent a large percentage of the costs of a local telephone company. A number of cost and non-cost factors must be considered in allocating NTS costs to the local or state toll services. The non-cost factors include public policy issues such as the impact of cost separations on universal service or the implications of continuing or

interexchange companies. Thus, the difference between settlements and access charges is that the former is a private contractual arrangement between two companies, and the latter is a non-negotiable, published tariff which all interexchange companies are required to pay.

It is generally agreed that access charges are necessary before competition is allowed. This position is also reflected in SB 206. There may be other good reasons for having access charges which are also part of the Commission's consideration of this issue. A proposed access charge plan was filed and the subject of comments and a public hearing in October 1988. Further comments were filed earlier this year, and a second hearing is scheduled in June 1989.

3. Subscriber Line Charges: Another mechanism for recovering NTS costs which have been allocated to state toll services is to institute what are called subscriber line charges (SLCs). Currently, all telephone consumers pay a monthly federal SLC of \$3.20 per line for residential and single-line business consumers and \$6.00 per line for multi-line business consumers. This charge recovers certain NTS costs previously allocated to interstate toll service by charging all consumers a flat fee for being able to use the interstate toll system. The same charge is paid regardless of whether a large number or no interstate toll calls are made in a month.

It has been suggested that a similar SLC be adopted to recover a portion of the NTS costs allocated to state toll services. This question is interrelated with the cost separations and competition issues. For example, SLCs have the effect of shifting costs from per minute rates for state toll service to a flat monthly charge to all customers. SLCs, therefore, would reduce both the rates of Alascom and any access charges paid by all interexchange companies.

Last year, the Commission proposed cost separations regulations based on those adopted by the FCC. After comments and a hearing, modified regulations were adopted. However, the final decision on NTS cost assignments was delayed until the local telephone companies could evaluate the impact of other accounting and cost separations changes on their costs and provide financial data to the Commission. This information is due in May, and a hearing to finalize cost separations regulations will be held in June.

Cost separations regulations must be in place before the financial implications and mechanics of competition can be analyzed and decided.

2. Access Charges: The cost separations process defines what portion of the local telephone company's costs are related to state toll services. These costs are not paid through local rates; they are recovered through state toll rates charged by the interexchange company and subsequently paid to the local telephone company as one of the interexchange company's operating expenses. Currently, this payment is made through private settlement agreements between each local telephone company and Alascom. It is generally agreed that this system will not work with competition.

The settlements process was used to pay local telephone companies for their costs of providing interstate toll service until 1984 when it was replaced by what are called access charges. Access charges are a per minute charge from the local telephone company to the interexchange company for access to local telephone company customers in order to initiate or complete toll calls. The local telephone company charges the same access charges to all

Bypass and arbitrage are under consideration by the Commission because they affect the revenues and financial stability of existing telephone companies and also because they may indicate the need for changes in the structure of the industry or in the structure of regulation.

Arbitrage was the subject of a complaint against GCI by Alascom which, after lengthy proceedings, culminated in a settlement last fall. Specifically, GCI agreed to block arbitrage calls by its customers.

Comments have been filed on the bypass issue for consideration in deciding other issues and for separate action as appropriate.

6. Competition: The Commission currently has before it an application from GCI for entry into the state toll service business. GCI has also proposed two sets of regulations to govern competitive interexchange service. Both sets were the subject of extensive comments and hearings and found to be lacking. (See another section of the Commission's comments for additional detail on this.) The Commission believes that it will be easier to formulate workable regulations for competition after the other issues which are pending before it are resolved. Therefore, it is currently the Commission's plan to work on regulations at that time and then to process any outstanding certificate applications under the competitive entry regulations which are adopted. This aspect of the Commission's work plan and schedule will be discussed further at its monthly Public Meeting on March 30 as a result of the most recent comments filed on the access charge issue.

7. Other Issues: There are a number of other issues which have come up while the Commission has been processing these cases and which must be considered in the ultimate decision on competition. These include the establishment of a universal service

fund, billing and collection services for toll calls, and examination of lifeline rates.

Chronology:

Following is a chronological summary of the actions taken to date or scheduled for the future which were described above and which will ultimately lead to a restructuring of the state's telecommunications industry. This list excludes any actions taken prior to issuance of the omnibus telecommunications order, such as approval of a new system of accounts for use by local telephone companies and interexchange companies, participation in an FCC proceeding involving intrastate private lines, consideration of GCI's certificate application and competition regulations, and previous actions on the arbitrage complaint against GCI or Alascom's rate design.

- 6/16/88: Omnibus telecommunications order issued by Commission
- 7/22/88: Comments filed on cost separations issue
- 8/3/88: Reply comments filed on cost separations issue
- 8/8/88: Public hearing held on cost separations issue
- 8/18/88: Settlement conference held on arbitrage complaint against GCI
- 8/19/88: Settlement approved in order issued by Commission
- 8/22/88: Comments filed on bypass issue
- 8/24/88: Preliminary decision on cost separations issue made by Commission at Public Meeting
- 8/26/88: Supplemental prefiled testimony filed by Alascom in rate design case
- 8/26/88: Comments filed on subscriber line charge issue
- 9/9/88: Reply comments filed on subscriber line charge issue
- 10/3/88: Public hearing held on subscriber line charge issue

10/6/88: Proposed access charge plan filed by Alaska Telephone Association

10/12/88: Comments filed on Alaska Telephone Association access charge plan

10/17/88: Workshop held on access charge issue

10/18 to  
10/19/88: Public hearing held on access charge issue

10/26/88: Preliminary decision on access charge issue made by Commission at Public Meeting

10/28/88: Prefiled testimony filed by intervenors in Alascom rate design case

11/7/88: Preliminary decision on access charge issue published by the Commission

11/14/88: Prefiled testimony filed by Staff in Alaska rate design case

12/21/88: Preliminary decision on access charge issue reconsidered by Commission at Public Meeting

1/6/89: Reply prefiled testimony filed by Alascom in rate design case

1/18/89: Reconsideration decision on access charge issue published by Commission

2/6 to  
2/17/88: Public hearing held on Alascom rate design case

2/15/89: Comments filed on access charge issue

3/13/89: Reply comments filed on access charge issue

5/1/89: Industry data on cost separations issue due

5/22/89: Comments on cost separations issue due

6/5/89: Public hearing on access charge issue to be held

6/6/89: Reply comments on cost separations issue due

6/12/89: Public hearing on cost separations issue to be held

# Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Falks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V  
State Capitol  
Juneau, Alaska 99811

907-465-3712

## Senate State Affairs Committee

### MEMORANDUM

TO: Senate State Affairs Committee Members

FROM: Senator Pat Pourchot, Chairman

RE: April 12 Committee Meeting

DATE: April 11, 1989

On Wednesday, April 12 at 1:30 p.m. in the Beltz Room the State Affairs Committee will hear the following bills. The hearing will be teleconferenced to Anchorage, Fairbanks, Kotzebue, Ketchikan, Dillingham, Mat-Su, and Bethel. It is not my intent to move either of the bills out of committee tomorrow.

#### SB 206, An Act relating to intrastate competition in telecommunications

SB 206, which would require the APUC to allow competition in the long distance telephone industry within Alaska, was before the committee on March 29. At that time Alascom, GCI, and the APUC presented testimony. At tomorrow's hearing testimony will be presented by a number of telephone cooperatives and the general public.

Back-up materials were provided at the committee's initial hearing. Additional copies are available from committee staff.

#### SB 242, An Act relating to certification of certain telecommunications utilities and to intrastate toll services agreements

SB 242 also addresses the issue of competition in the long distance telephone industry. Section 1 of the bill would require the APUC to evaluate the services being provided by an existing utility and to allow competition only if the existing utility is not providing adequate service or is unlikely to improve its service to an adequate level.

Section 2 would require that the owners of toll facilities enter into agreements with local telephone companies regarding the use of the local facilities for toll service.

1 IN THE SENATE

BY ADAMS, BINKLEY,  
AND ZHAROFF

2

SENATE BILL NO. 242

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to certification of certain tele-  
7 communications utilities and to intrastate toll  
8 services agreements."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 42.05.221(a) is amended to read:

11 (a) A public utility may not operate and receive compensation  
12 for providing a commodity or service after January 1, 1971 without  
13 first having obtained from the commission under this chapter a certifi-  
14 cate declaring that public convenience and necessity require or will  
15 require the service. The commission may grant a telecommunications  
16 utility a certificate to furnish service in an area already served by  
17 a certificated telecommunications utility only if the commission finds  
18 that the existing utility is not providing adequate service and is  
19 unlikely to improve to a satisfactory level within a reasonable period  
20 of time. Where a public utility provides more than one type of util-  
21 ity service, a separate certificate of convenience and necessity is  
22 required for each type. A certificate shall describe the nature and  
23 extent of the authority granted in it, including, as appropriate for  
24 the services involved, a description of the authorized area and scope  
25 of operations of the public utility.

26 \* Sec. 2. AS 42.05.311(b) is amended to read:

27 (b) A telecommunications utility shall permit connection to be  
28 made and service to be furnished between a system operated by it and  
29 the system or toll facilities operated by another public utility or

1 with the communications facility or system of a nonutility, or between  
2 its toll facilities and the toll facilities of another public utility,  
3 when public convenience and necessity require the connection and the  
4 connection will not result in substantial injury to the owner or other  
5 users of the facilities of either public utility or in substantial  
6 detriment to the service of either public utility. The use of the  
7 facilities of a local telecommunications utility for toll service  
8 shall be based on an intrastate toll services agreement, entered into  
9 between the owner of the toll facilities and the local telecommunica-  
10 tions utility. The agreement must set out the method of compensation,  
11 services to be received, points of interconnection, and other respon-  
12 sibilities of the parties. The parties shall file with the commission  
13 a copy of an agreement entered into under this subsection. The com-  
14 mission shall establish by regulation standardized compensation  
15 methods for the agreements, including accounting and cost separations.  
16 A dispute arising from an agreement or from the failure of the parties  
17 to enter into an agreement shall be referred to the commission for  
18 hearing and resolution under this chapter.

19 \* Sec. 3. A telecommunications utility that is a party to an intrastate  
20 toll services agreement on the effective date of this Act shall file a copy  
21 of the agreement with the Alaska Public Utilities Commission.

# ALASKA STATE LEGISLATURE

SENATE STATE AFFAIRS,  
CHAIR

ETHICS COMMITTEE,  
CHAIR



ANCHORAGE  
P.O. BOX 104036  
ANCHORAGE, AK 99510  
(W) (907) 561-7623  
(H) (907) 338-2425

JUNEAU  
P.O. BOX V  
STATE CAPITOL  
JUNEAU, AK 99811  
(907) 465-3712

## Senator Pat Pourchot

June 12, 1989

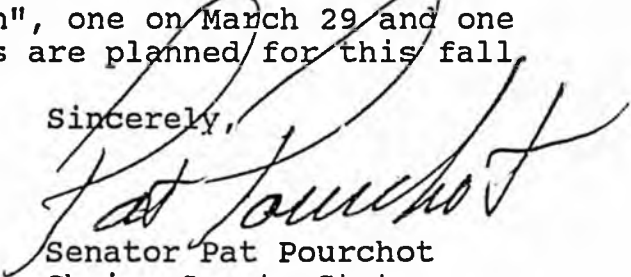
Editor  
Anchorage Times  
P.O. Box 40  
Anchorage, Alaska 99510

Dear Editor:

On June 9 you ran an AP story on expenditures by various companies for lobbying state government. The story names Alascom as the top spender for 1988 in its lobbying against a campaign by GCI to deregulate in-state long-distance telephone service.

The article stated that no hearings were held this past legislative session on a bill to open in-state service to competition. This is not accurate. As a matter of fact, two hearings were held by the Senate State Affairs Committee on the so-called "GCI legislation", one on March 29 and one on April 12. Additional hearings are planned for this fall.

Sincerely,

  
Senator Pat Pourchot  
Chair, Senate State  
Affairs Committee

# ALASKA STATE LEGISLATURE

SENATE STATE AFFAIRS,  
CHAIR

ETHICS COMMITTEE,  
CHAIR



Senator Pat Pourchot

June 12, 1989

Editor  
Anchorage Daily News  
P.O. Box 149001  
Anchorage, Alaska 99514-9001

Dear Editor:

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Sincerely,

A handwritten signature in cursive script that reads "Pat Pourchot".

Senator Pat Pourchot  
Chair, Senate State  
Affairs Committee

ANCHORAGE

P.O. BOX 104836  
ANCHORAGE, AK 99510  
(W) (907) 561-7623  
(H) (907) 338-2425

JUNEAU

P.O. BOX V  
STATE CAPITOL  
JUNEAU, AK 99811  
(907) 465-3712

# City/State

# B

# Alascom leads lobbyist spending

By BRIAN S. AKRE, Associated Press

JUNEAU — Alascom Inc., the telecommunications company that holds a lucrative monopoly on long-distance telephone service within Alaska, spent more than any other company or organization lobbying state government in 1988.

Municipalities and school districts won the influence-spending race among special-interest groups by forking out \$1.1 million in public money to keep more public money coming their way.

They were followed by the oil industry at \$759,910 and native corporations, which reported a total of \$281,714 in lobbyist fees

## Alaska's top 10 organizations, contract lobbyists listed

JUNEAU (AP) — Here are Alaska's top 10 organization and contract lobbyists for 1988, according to statistics compiled by the Alaska Public Offices Commission.

The first list includes the organization name, the total amount it spent on lobbying and a brief description of its field of interest.

The second list includes the lobbyist's name, total income and expenses, and the lobbyist's clients in descending order of

and expenses. In all, a record \$5.8 million was spent to influence state lawmakers and administrators last

contract value. The 1988 total was \$201,586 more than what was reported spent in 1987.

- Top Organization Lobbyists**
1. Alascom Inc., \$233,334, telecommunications.
  2. Chevron USA Inc., \$143,398, oil.
  3. Exxon Co. USA, \$140,280, oil.
  4. Akhiok-Kaguyak Inc., \$134,067, native corporation.
  5. North Slope Borough, \$127,117, local government.
  6. BP Exploration (Alaska) Inc., \$120,776, oil.

7. Alaska Public Employees Association, \$117,807, state workers' union.
8. Alaska Bankers Association, \$100,444, banking.
9. Alliance Bank, \$93,491, banking.
10. IBM Corp., \$89,779, computers, office equipment.

**Top Contract Lobbyists**

1. Mitch Gravo, \$468,998; City of Homer.
- See List, page B-5.

year, according to year-end reports recently published by the Alaska Public Offices Commission. The total was \$201,586 more

than what was reported spent in 1987. Brooke Miles, the state's lobbyist regulator, said Thursday

that she had expected the 1988 total to be higher because spending usually increases sharply in the second year of a legislative

session. Among individual organizations, Alascom reported spending \$233,334 in lobbyist fees and expenses. It was followed by two oil companies: Chevron USA Inc. at \$143,398 and Exxon Co. USA down from the No. 1 spot in 1987 with \$140,280.

Miles said she was not surprised that Alascom led the spending list. "They've always got some of the big guns working for them," she said.

Alascom's big guns in 1988 this year were lobbyists Anne Reed, Jerry Reinwand and Consultants, an Anchorage firm. See Lobbyists, page B-5.

# Lobbyists: Record \$5.8 million spent to influence legislators

Continued from page B-1

bying firm, operated by Kim Hutchinson and longtime Alaska power broker Lew Dischner.

Dischner last month was convicted of 21 charges in the North Slope Borough corruption scandal.

Alascom is trying to thwart a campaign by competitor General Communications Inc. to deregulate in-state long-distance service. GCI can only provide interstate long-distance service in Alaska.

Legislation to open in-state service to competition was introduced this year, but Alascom spokesman Tom Jensen said the lobbying for and against deregulation was well under way in 1988.

No hearings were held on the GCI bill in the 1989 session.

GCI reported spending just \$17,370 for its lobbying in 1988, about 93 percent less than Alascom.

Alascom is owned by Pacific Telecom Inc. of Vancouver, Wash., which is a subsidiary of the giant utility conglomerate, PacifiCorp of Portland, Ore.

Records show Alascom, while

ranked No. 5 among individual organizations in 1987, also was the top individual spender when lobbying expenses for 1987 and 1988 were combined.

In interest group spending, municipalities and school districts exceeded the oil industry for the third consecutive year. During the decade before 1988, spending by the oil and natural gas industry far outpaced that of other special interests.

Officials say the true cost of public spending to influence state decisions is far higher, because Alaska's lobbying laws do not require reporting by public employees who receive no special compensation for lobbying.

Miles said many people are under the mistaken impression that public agencies cannot spend public money for lobbying. There is no such prohibition in state law.

The North Slope Borough spent \$127,117 for lobbying last year, leading the 39 municipalities and school districts that had lobbyists in Juneau. Municipalities represented by lobbyists ranged from Upper Kalskag, population 165, to Anchorage, the state's largest city with 248,263 residents.

## List: State's top 10 lobbyists for 1988

Continued from page B-1

Northern Air Cargo, Alaska Bingo Management, Anchorage Convention & Visitors Association, City of Cordova, King Cove School District, Kuspuk School District, Alaska Chiropractic Society, Municipality of Anchorage, Adak School District, Alaska Association of Realtors, Alaska Continental Bank, Home Savings Bank.

2. Ashley Reed, \$334,540; Alascom Inc., Alliance Bank, North Slope Borough, Cook Inlet Region Inc., Duty Free Shoppers Ltd., Alaska Pacific Refinery Inc., City of Kenai, Allvest Inc., Anerada Hess Corp., Mary Conrad Center, Anchorage, Refuse Inc.

3. Sam Kito Jr., \$331,617; North Slope Borough, Arctic Slope Regional Corp., City of Kotzebue, Sealaska Corp., Alaska Visitors Association, Alaska Community College Federation of Teachers, Alaska Dental Society, Aleut Corp., Doyon Ltd., Ame-

rada Hess Corp., Alaska Optometric Association, Alaska Federation of Natives, Association of Alaska Housing Authorities, Kake City School District.

4. Dawson & Associates, \$297,830; City of Seward, Usibelli Coal Mine Inc., Cominco Alaska Inc., Alaska Action Trust, Alaska Cable TV Association, Perseverance Theater.

5. Trust Consultants (Kim Hutchinson, Lew Dischner), \$234,744; Alascom Inc., City of Valdez, Alaska International Industries, Alaska Cabaret Hotel and Restaurant-Retailers, Alliance Bank, Perseverance Theater.

6. Jerry Reinwand, \$194,603; Alascom Inc., Matanuska-Susitna Borough, Workers' Compensation Committee, Health Association of Alaska, Alaska Loggers Association, City of Dillingham, Alaska Children's Services Inc., Fred Meyer-Safeway-Sears, Anchorage Refuse Inc.

7. Wes Coyner, \$194,127; Alaska Bankers

Association, The Tobacco Institute, cruise ship operators, Southeast Alaska Pilots Association, Southwest Alaska Pilots Association.

8. Bill Miles, \$177,994; BP Exploration (Alaska) Inc., Anchorage School District, City of St. George, Municipality of Anchorage, Blue Cross of Washington and Alaska, Alaska Continental Bank, Home Savings Bank, Alaska Repertory Theater.

9. Alaska Strategies (Jim Ayers), \$146,289; Ketchikan Gateway Borough, City and Borough of Juneau, Southeast Conference, Arthur J. Gallagher & Co., Alaska Retarded Citizens Association, KIDPAC, Professional Secretaries International.

10. Clark Gruening, \$134,168; City and Borough of Juneau, City of St. Paul, Alaska Visitors Association, Chugach Electric Association Inc., Alaska Credit Union League, Alaska Library Association, Alaska Psychiatric Association.

# Alaska State Legislature

Al Adams  
District L

WHILE IN SESSION  
P.O. Box V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-3707

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OUT OF SESSION  
P.O. Box 333  
Kotzebue, Alaska 99752  
(907) 442-3245

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3111 C Street  
Anchorage, Alaska 99503  
(907) 561-7622

Official Business

TO: Senator Pat Pourchot, Chair  
Senate State Affairs Committee

FROM: Senator Al Adams *MA*

RE: Senate Bill 242, "An Act relating to certification of certain telecommunications utilities and to intrastate toll service agreements."

DATE: February 27, 1990

Please schedule the aforementioned legislation in the Senate State Affairs Committee. I would like to have the bill heard and moved on to the Labor and Commerce Committee at the earliest opportunity.

I appreciate your consideration in this matter.