

**SCOMM**

**88:3**

## TRANSCRIPT INDEX (MAJOR PARTICIPANTS)

|                                        |          |
|----------------------------------------|----------|
| Commissioner Knowles                   | page 5   |
| John Katz<br>Governor's D.C. Office    | page 74  |
| Dana Tindall<br>Vice-President, GCI    | page 103 |
| Doug Wilcox<br>General Manager, AT&T   | page 128 |
| John Ayers<br>General Manager, Alascom | page 169 |
| Gail Garey<br>MCI                      | page 184 |
| Panel discussion                       | page 233 |

STATE OF ALASKA  
HOUSE OF REPRESENTATIVES TELECOMMUNICATIONS TASK FORCE

IN RE:

Receive Technical Briefing  
and Public Comment on  
Proposals Currently Before  
the Federal Communications  
Commission/Joint Board, to  
Restructuring the Alaska  
Telecommunications Industry

TRANSCRIPT OF PROCEEDINGS

Friday, August 27, 1993

Anchorage, Alaska

Reported By:

Joy S. Brauer, RPR

## 1       IN ATTENDANCE:

2               Representative Bill Hudson  
3               Representative Mike Navarre  
4               Representative Brian Porter  
5               Representative Kay Brown

## 6       ALSO PRESENT:

7               Red Boucher  
8               John Ayers  
9               Susan Knowles  
10              Lorraine Kenyon  
11              Dr. Larry Pearson  
12              Dana Tindall  
13              Gail Garey  
14              Mike Porcaro  
15              Mark Dinneen  
16              Neil Slotnick  
17              Jack Ryner  
18              Martha Stewart  
19              Doug Wilcox  
20              Steve Conn  
21              Francine Taylor  
22              Barbara Huff  
23              Julie Kitka  
24              John Shively  
25              Pat Abney  
              Dick Traini  
              \*And Others

## PRESENT VIA CONFERENCE PHONE:

              John Katz  
              Bob Halperin  
              \*And Others



1                   CHAIRMAN HUDSON: Woke everybody up. Good  
2 morning, ladies and gentlemen. My name is Bill Hudson.  
3 I'm the Chair, Chairman of the House Task Force on  
4 Telecommunications appointed by Speaker Barnes during the  
5 last session to monitor and to try to protect the  
6 public's interest in the issue of restructuring telecom-  
7 munications in the State of Alaska. This morning, August  
8 27th, it's nice to be here in Anchorage, we have with us  
9 one of the members of our task force, Representative Mike  
10 Navarre from Kenai. Representative Harley Olberg who is  
11 the other member, there were three of us appointed, is  
12 not able to be here today because of illness. We had  
13 discussed with him, he intended to be here but he was  
14 unable to do so, and it's my understanding that Sandy  
15 Provost is either here or going to be here to kind of  
16 listen in and to represent his interest.

17                   Also at the table Representative Brian  
18 Porter, right over here to my left, and Representative  
19 Kay Brown and Former Lieutenant Governor and one of my  
20 colleagues in the House when I first came into the House,  
21 Representative Red Boucher. Red is going to be  
22 testifying today, and I've invited him to join us at the  
23 table.

24                   I'd also like to recognize the audience,  
25 although there's many friends and people that I recognize

1 out there, but somebody that I've worked with is the  
2 Former Commissioner of CNRA, Emil Nadi (phonetic), and  
3 Emil, nice to have you today, sir. There will be many  
4 others, of course, that are here to testify and some to  
5 listen in. I believe we may be joined by the Speaker of  
6 the House in time sometime this morning here, but in  
7 order to get this going, we're going to go ahead and  
8 start now.

9 The way I'd like to deal with this, as I've  
10 given everybody kind of an outline of the agenda, we're  
11 going to start out with Susan Knowles -- thank you for  
12 joining us this morning, Susan -- who will be providing  
13 us a briefing on the Joint Board proposal, and what I'm  
14 going to do is I have a few questions after poring over  
15 literally a foot of material that's been presented to my  
16 committee over the time, and I'll be asking various  
17 questions and asking in some cases for information and  
18 perhaps for some documentation.

19 The interest of this committee or this task  
20 force is to try to make certain and protect the consumer,  
21 the people of Alaska, including rural Alaska as well as  
22 urban Alaska. It's not a new subject. It's something  
23 that's been around as long as I've been involved in  
24 government. I can remember as a former commissioner of  
25 the administration when we first created

1 telecommunications, combined all of the telecommuni-  
2 cations in the State of Alaska, the subject was there.  
3 So it's always been there.

4 Alaska is unique. It's a different state.  
5 We have far-flung, vast geography, small population  
6 centers, and different cost factors I think that probably  
7 exist anywhere else in the nation, perhaps not in the  
8 world. So what we're going to try to do as we go through  
9 this is to make certain that we have a good, clear record  
10 of what the proposals are. As much as anything else,  
11 what I hope to achieve is to understand what's on the  
12 table from the various entities out there, Joint Board,  
13 I'd like to understand from the governor's office what  
14 the administration's position is on the various  
15 proposals. We're anxious to hear from AT&T and GCI and  
16 Alascom and others that will testify and have an interest  
17 in this, and ultimately from people representing  
18 themselves, as well as Alaskan groups.

19 So with that, I'd like to get started this  
20 morning. I'll ask you to give us your name and your  
21 position for the record, and welcome to our committee.

22 COMMISSIONER KNOWLES: Thank you, Mr.  
23 Chairman. My name is Susan Knowles. I'm a Commissioner  
24 on the Alaska Public Utilities Commission. However, I'm  
25 appearing before you today as a member of the -- what's

1 affectionately called the Alaska Joint Board, not as an  
2 APUC commissioner. Appearing with me today and sharing  
3 in these comments is a staff member of the APUC, Common  
4 Carrier Specialist, Lori Kenyon.

5 Under the Communications Act, the FCC  
6 establishes joint boards to deal with certain issues that  
7 cross federal and state boundaries. Joint boards are  
8 comprised of seven members, with four state members and  
9 three federal members. In the case of the Alaska Joint  
10 Board, the other state members come from Idaho, North  
11 Dakota and Pennsylvania. Additionally, there is a staff  
12 established to assist the Joint Board in its duties made  
13 up of federal and state members.

14 The job of the Joint Board is to make a  
15 recommendation to the full FCC, and in this instance,  
16 this Joint Board was established in 1985 based on a  
17 proceeding or within a proceeding that began in 1983. I  
18 have personally served on the Joint Board since 1987. My  
19 predecessor is Marvin Weatherly (phonetic), whom some of  
20 you probably know.

21 This morning, I thought about what I should  
22 say, given the fact that you are stepping into what is a  
23 ten year proceeding which has got an enormous amount of  
24 information that has been filed in it. It's extremely  
25 technical in nature, a lot of it, and I'm sure you're



1       aware by now if you weren't from the get-go that there's  
2       some level of contentiousness involved in this proceeding  
3       because of varying interest of parties. So I tried to  
4       put myself in your shoes and I decided that were I there,  
5       I would want to ask and answer the following basic  
6       questions, and I intend to have our remarks follow this  
7       outline.

8               The first question is, why did the FCC  
9       create this Joint Board. In other words, what issues is  
10      the Joint Board addressing and why. The second question  
11      is what process or procedures has the Joint Board used to  
12      fulfill its responsibilities. Third, what proposals are  
13      currently being considered by the Joint Board and lastly,  
14      where does the Joint Board go from here.

15             You earlier mentioned that, Representative  
16      Hudson, that you might have questions. I do hope that  
17      you or Representative Navarre or other Representatives  
18      present would feel free to interrupt me as I go along,  
19      because I will unintentionally resort to the vernacular  
20      and apologize in advance for that and would be pleased to  
21      offer any further explanation.

22             So why did the FCC create this Joint Board?  
23      What is it supposed to do? I've handed out to you quotes  
24      from the actual order which states what the purposes are  
25      and they are, one, to recommend, quote, any market

1 structure changes necessary to harmonize rate integration  
2 and competition in the Alaska interstate market, close  
3 quote, and two, to recommend, quote, any changes in  
4 separations procedures relating specifically to Alaska  
5 that may be required to implement any market structure  
6 changes it recommends, close quote.

7 What does that really mean? Seems to be a  
8 mouthful, at best. I think to really understand what the  
9 Joint Board is attempting to do, it's necessary to go  
10 over some background in the development of  
11 telecommunications industry, both nationally and Alaska.  
12 So I'm going to begin with is -- what I will call sort of  
13 the golden book version of the history of telecommuni-  
14 cations and I've given you a timeline to sort of  
15 facilitate this discussion.

16 In the beginning, there was the Bell System.  
17 They of course were around before the turn of the  
18 century. The Bell System was comprised of the local Bell  
19 companies, AT&T, the long distance company, Western  
20 Electric which manufactured equipment, Bell Labs  
21 involving research and development, et cetera, et cetera.

22 In the lower 48 essentially all  
23 telecommunications services were provided by the Bell  
24 System or a number of independent companies that were  
25 interconnected with the Bell System to form a

1 comprehensive national network that operated by the same  
2 rules. What were those rules? Essentially, local  
3 companies were involved in providing both local service,  
4 as well as toll service, state and interstate. The toll  
5 services were provided in conjunction with the long  
6 distance companies who provided the transmission between  
7 the local companies and the local companies provided  
8 access to the end users. The cost that the local  
9 companies experienced were divided between state,  
10 interstate and federal jurisdictions in accordance with  
11 the cost separations manual that the FCC had adopted.

12 Those costs, the instate costs were in turn  
13 dependent on what the local commission decided, as far as  
14 how those should be divided between state toll and local.  
15 In our case, the APUC essentially mirrors the FCC cost  
16 allocations manual.

17 In any event, under this framework, all  
18 companies used AT&T essentially as a central bank and  
19 they combined all the costs of providing toll service and  
20 they shared the revenues that were received from those  
21 toll services. What you had is a situation where in some  
22 areas of the country, costs were higher than rates and in  
23 other areas they were lower, but in total, the toll rates  
24 were designed to cover the costs of the overall system.

25 Now, this process of sharing costs, dividing

1 revenues, was called settlements, and as long as the  
2 revenues that were collected were adequate to pay the  
3 overall cost of the system, it really didn't matter  
4 particularly how those particular rates related to costs  
5 in an area or to a particular class of customers.

6 Additionally, in the lower 48, interstate  
7 toll rates were based on nationwide average rates. In  
8 other words, you pay the same amount for the same  
9 distance call, regardless of the costs. So those were  
10 the rules that were in effect until lo and behold, the  
11 world began to change. Technological developments, the  
12 fact that there was increasing awareness of this  
13 disparity between what the rates were and costs were in  
14 some markets. You had very persistent market entrants  
15 who were eager to get involved in providing services,  
16 governmental policies were involved, et cetera. Then  
17 competition became the driving force in the world of  
18 telecommunications.

19 As early as 1959, or maybe you want to look  
20 at it as late as 1959, depending on one's perspective,  
21 the FCC first authorized essentially competition in the  
22 transmission area. They allowed companies to provide  
23 their own services. Now in this day and age, that seems  
24 sort of hard to believe that at one time people weren't  
25 able to provide their own services, but in fact it just



1       wasn't done.

2                       Subsequently, the FCC allowed carriers to  
3       provide private line services for others. The FCC,  
4       however, was still on a fairly conservative course, but  
5       in 1977, there was a court decision which had the effect  
6       of requiring the FCC to open the voice telecommunications  
7       market to competition and MCI began actively competing  
8       with AT&T. I'm sure you're aware the customer premises  
9       equipment or telephones went through a similar evolution.  
10      At one point, we all got that stuff from our telephone  
11      company and of course now we are well aware and fully  
12      expect that we can shop around and find the equipment we  
13      want where we want.

14                     I think it would be fair to say that before  
15      1977, the prevailing philosophy at the FCC was that  
16      the -- either the self provision of telephone service or  
17      the few competitors providing private line service were  
18      in fact supplementing our basic telephone network and  
19      they were still very much focused on what benefits or  
20      detriments the introduction of any competitive force  
21      would have to the monopoly provider.

22                     However, after 1977, the FCC clearly  
23      embraced a pro competition philosophy as its own and  
24      subsequently, competition rather than monopoly has become  
25      essentially the policy norm.

1                   January 1, 1984, the Bell System was broken  
2 up through the modified final judgment. AT&T was  
3 required to divest itself of its local companies and  
4 those local companies were required to begin to offer  
5 service to all interchange or long distance companies on  
6 a non discriminatory basis. In other words, AT&T could  
7 no longer serve the central banking function. The  
8 settlements process as it existed was replaced by a  
9 system of access charges.

10                   The other initiative besides introducing  
11 access charges that the FCC undertook at this time was to  
12 consciously reduce the costs of service on the interstate  
13 side. And this was in response to the pressures of  
14 competition and an average rate system that they were  
15 observing. In the early 1980s, GCI was certificated to  
16 provide interstate service to Alaska.

17                   Turning to the Alaska history, and trying to  
18 put that into the national context, as I'm sure you're  
19 aware, the long distance network was originally started  
20 by the federal government and it was acquired by RCA  
21 Alascom, Alascom's predecessor in 1970. At the time, the  
22 network was extremely limited. There were well in excess  
23 of 140 communities that either had no long distance  
24 service or only occasional ham radio service. So  
25 Alascom's first initiative was to put rural radio service

1 in communities in Alaska. That was subsequently replaced  
2 by the smaller station satellite system ~~that we have in~~  
3 place today.

4 Initially, there were just two lines, one  
5 for the public to use and one for public health services.  
6 Mean time, local companies were few and far between in  
7 Alaska. The medium and larger cities had local companies  
8 but there were none operating in rural Alaska. Between  
9 1979 and 1985, there was a flurry of certifications and  
10 local companies began to operate in most of rural Alaska  
11 and you saw that a more structure that more closely  
12 resembled what you had outside.

13 In 1977, a Joint Board was established also  
14 typically called an Alaska Joint Board, the first Alaska  
15 Joint Board, I guess, and its purpose was to look to see  
16 how rate integration would be implemented for Alaska.  
17 Now rate integration was the policy adopted by the FCC in  
18 1972, which stated that with the advent of satellites,  
19 the benefits of nationwide average rates ought to be  
20 extended to Alaska, Hawaii and other offshore points. Up  
21 to this point, however, Alascom had interconnected with  
22 AT&T in the lower 48 and our interstate rates were really  
23 a lot closer to international rates than they were to  
24 interstate rates.

25 In 1980, AT&T and Alascom entered into a

1 joint service arrangement. This was a partnership  
2 between AT&T and Alascom which provided that Alascom  
3 would do the service from the lower 48 to and from  
4 Alaska, as well as within Alaska, and AT&T of course  
5 would provide service within the lower 48. AT&T would  
6 not be free to enter the market, itself, Alaska market,  
7 that is. Nationwide cost separation rules were at this  
8 point adopted for Alaska, and after a transition period,  
9 nationwide average rates would be in effect in Alaska.

10 In turn, AT&T would pay all of the costs of  
11 Alaska interstate service and receive all of the  
12 revenues, which by all accounts we've certainly seen a  
13 number of different numbers in this proceeding but in any  
14 event I think there's at least the concession that they  
15 are considerably less than the costs. Also, at the  
16 inception of this transition, AT&T paid an additional  
17 amount to help pay for the high cost of Alaska service.

18 This joint service arrangement was adopted  
19 by that first Alaska Joint Board and by the FCC and it's  
20 what is currently in place and governs the provision of  
21 interstate service in Alaska. The effect is that AT&T  
22 continues to pay to Alascom settlements which are in many  
23 ways analogous to what the arrangement it had in effect  
24 with the Bell independent operating companies until 1984.

25 This Joint Board that's before you today was



1 established as you know in '85. In 1987, the final step  
2 of rate integration was accomplished. That additional  
3 supplement paid by AT&T to Alascom was terminated.

4 Subsequently, during the period '87 to '91,  
5 there was a massive restructuring of the intrastate  
6 telecommunications industry. The APUC, reacting to the  
7 policies and dictates, some instances of the FCC, went  
8 about the business of changing the uniform system of  
9 accounts, adopting a new cost separations manual, toll  
10 settlements for intrastate purposes were terminated,  
11 access charges were introduced, rules were established  
12 for competition. As you know, the law was passed in 1990  
13 which supported the introduction of competition and  
14 subsequently, GCI was certificated in 1991 and the  
15 following year Sprint was certificated.

16 Well now, let's return if we could to these  
17 purposes that I gave you by row at the beginning of these  
18 comments to see if we can use this historical context to  
19 make some sense of it. I'd also like you to keep in  
20 mind, if you will, this chart that I handed out, which  
21 was a conceptual rendering of rates and costs. And what  
22 it's designed to do, again in a conceptual way not in a  
23 sort of mathematically precise way is to show that if you  
24 have rates that are set on an average basis you're going  
25 to have some areas where costs are higher than rates and

1       some that are lower. And in a situation where rate  
2       integration is the policy of rates, of course are set on  
3       an average basis. Nonetheless, competition is a world  
4       that is governed and driven by costs. So you can see  
5       that there are some conflicts that begin to emerge in a  
6       market.

7                   Competitors have different incentives to  
8       come to into the market in Point A than they do at Point  
9       B. Point A they have an opportunity to undercut the  
10      rates that the carrier offering average rates is selling  
11      its services at. At Point B, they are inhibited from  
12      entering the market because they experience the higher  
13      costs and they don't have the benefit of cost averaging  
14      that this carrier might have.

15                   Conversely, if you're the provider of those  
16      services at average rates, you're extremely sensitive to  
17      your total costs because you can see competitors nipping  
18      at your business in areas where you were charging rates  
19      that are higher than costs. This in turn raises issues  
20      with respect to what cost separations might be applicable  
21      to this particular market, because the cost line can go  
22      higher or lower depending upon the cost separations  
23      process that one uses. So that, I guess in a sort of a  
24      historical, conceptual sense is the issue that the Alaska  
25      Joint Board is trying to wrestle with.



1 I'd like to turn next to the second question  
2 that I posed which is what process or procedures does the  
3 Joint Board use to try to perform its responsibilities to  
4 try to get its arms around these issues and examine  
5 whether or not there should be some changes in the market  
6 structure. The year after the Joint Board was created,  
7 it issued an order which requested extensive data on what  
8 it cost to provide both interstate and intrastate  
9 service. It also asked for a lot of demographic  
10 information about Alaska in order to better comprehend  
11 the magnitude of the high cost problem that Alaska was  
12 facing. I've already referenced the fact in 1987 the  
13 Joint Board implemented the final step of rate  
14 integration.

15 The next significant benchmark in the  
16 process was an order issued in January of 1989 by the  
17 Joint Board. In that order, it set forth certain  
18 tentative objectives or goals, and I've given you a  
19 handout with those printed on them. They are preserve  
20 universal service, continue rate integration, maintain  
21 jurisdictional revenue requirement neutrality, allow for  
22 market based competitive entry and increase efficiency.  
23 These goals or objectives have been the guiding light to  
24 the Joint Board as it has analyzed materials in front of  
25 it and attempted to move forward with any kind of

1 resolution of the difficult issues at hand.

2 That order also analyzed the comments and  
3 the materials that have been received in response to the  
4 earlier order and set forth two alternative plans for  
5 comment. Indeed, a large number of comments and reply  
6 comments were filed, as well as alternative plans  
7 suggested which in turn generated further comments among  
8 the parties. There was, however, after that order and  
9 the filings in response to that order, a hiatus in the  
10 Joint Board activity. This was in large part because the  
11 intrastate market was undergoing such radical changes  
12 that members of the Joint Board did not feel it  
13 appropriate to move forward on interstate market changes  
14 before at least one half of the picture had resolved  
15 itself and settled in some manner, and about the time  
16 that it would have been appropriate and desirable to get  
17 the show on the road, Alascom and AT&T filed the master  
18 agreement. That was in February of '92. This was a  
19 proposal advanced by those parties to terminate the joint  
20 service arrangement that they had and establish a new  
21 interstate and intrastate market structure. Because it  
22 had interstate and intrastate implications, a parallel  
23 filing was made before the APUC.

24 The master agreement dictated that final  
25 action be taken by the two regulatory bodies no later

1       than November 1, 1992, although that date was  
2       subsequently extended to January 15, 1993.

3               In March of '92 the master agreement was put  
4       out for comment. Comments were received from a large  
5       number of parties, a lot of those from the State,  
6       including the State of Alaska, GCI, the Alaska Telephone  
7       Association, some individual local companies, all of whom  
8       uniformly criticized or opposed the master agreement.

9               In addition to its own staff, the APUC had  
10      hired consultants to assist in the technical analysis of  
11      both matters bending before the State proceeding as well  
12      as the Joint Board proceeding and briefing papers and  
13      testimony were filed in varying proceedings accordingly.

14              In late July of '92, the State members of  
15      the Joint Board met with State staff and consultants to  
16      discuss the master agreement and the comments that had  
17      been received. As a result of those meetings, the State  
18      members issues a document which was entitled Memorandum  
19      of Understanding. It outlined some preliminary concerns  
20      we had with the master agreement and encouraged the  
21      parties to consider those concerns and possible revisions  
22      to the master agreement.

23              Filings were forthcoming, and in October,  
24      the State members, staff, consultants had a special  
25      meeting in Chicago to review the master agreement,

1        comments, responses to the Memorandum of Understanding,  
2        and based on those meetings, a Memorandum of Principles  
3        was developed which set forth the State members tentative  
4        findings and recommendations regarding the master  
5        agreement.

6                The bottom line of that particular document  
7        was that the master agreement was not in the best  
8        interest of the public. However, I think it goes without  
9        saying that the master agreement provided stimulus to  
10       moving this process along. It clearly jump-started the  
11       Joint Board and got us going, as well as the parties who  
12       have been following this matter from its inception.

13               In November of '92, there were ex parte  
14       presentations by the parties regarding state members  
15       Memorandum of Principles. That plan was ultimately put  
16       out for public comment by the FCC. In March, there were  
17       some extensive work sessions talking about the plan, the  
18       comments, et cetera. In late March, AT&T filed the  
19       consumer benefit plan and then in May of this year, the  
20       tentative recommendation was issued by the Joint Board  
21       which requested comments both on the tentative  
22       recommendation and the consumer benefit plan.

23               I guess to summarize, the -- while the Joint  
24       Board proceeding has been under -- going on for a number  
25       of years, I think it would be fair to characterize the



1 time since the filing of the master agreement as sort of  
2 the modern era of the Joint Board, and since that time,  
3 which is approximately 18 months, there's been an  
4 incredible record amassed addressing these issues. There  
5 have been six formal data requests that State members and  
6 Joint Board have issued to parties. There's been  
7 considerable amount of other data provided on a less  
8 formal basis. Recognized experts have evaluated the data  
9 and the issues both on staff and private consultants.  
10 There's literally an enormous written record. I've given  
11 you in your packets 17 pages listing the filings that the  
12 Commission has received since the beginning of 1992. In  
13 my own office, I have over 13 feet of book shelves  
14 dedicated to this. I've discerned that I have read in  
15 the last year and a half a pile of materials two and a  
16 half size -- times my own height in trying to stay  
17 abreast of the matters pending before this Joint Board,  
18 and mind you, this is an extracurricular activity for me.  
19 I still have my commission work that I'm doing. There  
20 have been scores of ex parte presentations by the  
21 parties. Under the rules that were established by the  
22 FCC at the inception of this proceeding parties can visit  
23 with the decision makers and staff subject to appropriate  
24 disclosure and there have been hundreds of hours spent on  
25 conference calls and work sessions bringing us to where



1 we are at this point in the process. It's really a  
2 formidable amount of material that we have been  
3 attempting to digest and comprehend over the last months.

4 REPRESENTATIVE NAVARRE: Have you prepared  
5 an executive summary?

6 COMMISSIONER KNOWLES: Give me a few months  
7 and I can do it.

8 At this point, having set the scene, I'd  
9 like to ask Lori to respond to the third question I posed  
10 which is what proposals are currently being considered  
11 for resolving the issues. At least with respect to the  
12 tentative recommendation, they represent a culmination of  
13 what's gone on over the previous months. So if I could,  
14 Lori?

15 MS. KENYON: Hello, can you hear me? My  
16 name is Lori Kenyon and I'm on the staff of the Alaska  
17 Public Utilities Commission and I'm also assigned to  
18 Susan Knowles as a staff member before the Alaska Joint  
19 Board. What I'd like to do is summarize the tentative  
20 recommendation, the consumer benefit plan of AT&T, and  
21 then provide you with very brief overview of the summary  
22 of the comments that have been filed on both. Now, to  
23 help you along, there's been a chart, I believe it's at  
24 the back end of your packet, that provides you with a  
25 rough idea of the different mechanisms under the

1 tentative recommendation of the Joint Board.

2 The tentative recommendation was a multi-  
3 step plan to move Alaska to a new interstate market  
4 structure over the period of ten years. A key part of  
5 that plan was to create a situation where Alascom and  
6 AT&T would operate independently of one another. To  
7 achieve this independence, the joint service arrangement  
8 that is the agreement between AT&T and Alascom, was to be  
9 eliminated. For conceptual purposes, you might imagine  
10 the joint service arrangement as a partnership between  
11 the two utilities to provide long distance interstate  
12 service to Alaska.

13 The Joint Board's plan proposed a number of  
14 mechanisms to ensure that universal service at reasonable  
15 rates would continue and be preserved given the  
16 partnership was dissolved. First, the plan required that  
17 AT&T continue to provide interstate long distance  
18 services throughout Alaska to any customer that asked for  
19 that service. Furthermore, the service had to be  
20 provided at the same rates, terms and conditions that  
21 AT&T provides service everywhere else in the nation. The  
22 goal for this requirement was to make sure that  
23 regardless of where you were in Alaska, you always had a  
24 carrier available, namely AT&T, that would provide  
25 interstate service and that you would be guaranteed of

1       having the low rate integrated rate levels available to  
2       you.

3               Alascom would continue to provide instate  
4       services in the market. It would also be required to  
5       provide interstate private line services. The plan  
6       allowed Alascom to become an enter -- to remain an  
7       interstate long-distance carrier in the market but it  
8       would not be required to provide rates at rate integrated  
9       levels. The plan also required that the joint service  
10      arrangement settlement mechanism be replaced by a system  
11      of tariffs.

12              CHAIRMAN HUDSON: Excuse me, explain what  
13      you said, that they would not be required to provide  
14      services at rate integrated levels. Can you expand on  
15      that a tiny bit for me?

16              MS. KENYON: Yes. AT&T has nationwide  
17      rates. It takes all of its costs, evaluates and comes up  
18      with an average rate. Well Alascom's costs aren't the  
19      same as AT&T's. Therefore, the plan stated that Alascom  
20      would not be required to set its rate at AT&T's levels.

21              CHAIRMAN HUDSON: Which assumes that perhaps  
22      that they would have higher rates; is that correct?

23              MS. KENYON: It would assume they could  
24      have --

25              CHAIRMAN HUDSON: Could have higher rates?

1 MS. KENYON: Higher rates, lower rates.  
2 There was no presumption, no statement in the order.

3 CHAIRMAN HUDSON: No relationship?

4 MS. KENYON: Well, the order did not specify  
5 any presumption about what those rates would be and  
6 Alascom, itself, had stated that it had -- it did not  
7 have an intention to stay in the market if it was to  
8 compete against AT&T in that segment of the market, that  
9 is.

10 CHAIRMAN HUDSON: Susan?

11 COMMISSIONER KNOWLES: If I could perhaps  
12 reaffirm something that Lori had said before, AT&T had  
13 the obligation to continue to provide intrastate service  
14 to Alaskans at nationwide average rates, so there was  
15 that protection or assurance provided to Alaskans, but  
16 the responsibility was no longer a function of this  
17 partnership, it was solely the responsibility of AT&T,  
18 which liberated Alascom to, you know, stay in the market  
19 or not as it chose and charge what it chose.

20 MS. KENYON: To continue, the plan also  
21 required that the joint service arrangement, which is a  
22 settlement mechanism, be replaced by a system of tariffs  
23 and the service, instead of being the joint service, it  
24 now is characterized as common carrier services by  
25 Alascom.

1           The requirement was that the services would  
2       be provided under tariff so GCI or AT&T or any other  
3       interexchange carrier, if they needed Alascom's services  
4       they'd know what the rates were and they'd basically pay  
5       as they go. If they used a minute of service, they'd pay  
6       for a minute of service.

7           Alascom would not be allowed to leave the  
8       interstate market unless it had first petitioned the FCC  
9       to do so and follow their standard procedures that  
10      protected against abandonment of service. Alascom would  
11      also be required to file a plan if it decided that it no  
12      longer wanted to continue in the interstate long distance  
13      market. The plan would ensure that its current customers  
14      wouldn't be left stranded, that there would be a way that  
15      those customers would continue to have a smooth level of  
16      service.

17          An important aspect of the tentative  
18      recommendation required that Alascom reduce its  
19      interstate allocation factor for circuit equipment. The  
20      circuit equipment factor currently rests at 86 percent.  
21      The Joint Board proposed to reduce that factor to 75  
22      percent. The order stated that the new factor would  
23      reduce a barrier to Alascom's ability to compete  
24      efficiently in the market by reducing Alascom's interest  
25      in the costs. Also, the order stated that the 75 percent



1 factor was more consistent with the character of  
2 Alascom's costs.

3 The Joint Board was concerned that this  
4 aspect of their proposal, as well as the other aspects of  
5 their proposal, would increase intrastate rates.  
6 Consequently, the Joint Board proposed a number of  
7 transition mechanisms to mitigate this problem. First,  
8 the joint service arrangement would be retained for three  
9 years. This would allow Alascom to further adapt itself  
10 to the new market proposal and the new market structure.

11 Second, the plan called for Alascom's  
12 overall costs to be reduced through an accelerated cost  
13 recovery mechanism. AT&T and Alascom were to file a  
14 implementation plans to try to develop this exact  
15 accelerated cost recovery mechanism. One option  
16 suggested in the order was that a series of payments be  
17 made from AT&T to Alascom to reduce the value of  
18 Alascom's assets or actually the book value on the  
19 records. Next, a requirement was placed on AT&T that it  
20 must purchase services from Alascom for a series of seven  
21 years. During the first three years, AT&T would be  
22 subject to the joint service arrangement. It would have  
23 to -- to purchase 100 percent of its services from  
24 Alascom. After that, the series of common carrier  
25 service tariff, the tariff would kick in and for the next

1       seven -- pardon me, for the last four of that seven year  
2       transition period, AT&T would still have to provide -- to  
3       purchase its services from Alascom, but it would be under  
4       a graduate -- graduating reducing level. For example, in  
5       the fourth year it would go to 80 percent of the services  
6       that AT&T must purchase and fifth year would be 60  
7       percent and so on until it reached zero. AT&T could buy  
8       more services but they would not be required to.

9               Lastly, the proposal suggested that the  
10       allocation factor that was to be reduced from 86 percent  
11       to 75 percent that that reduction would occur over a ten  
12       year period. During the first three years, no change  
13       would occur. During the last seven years, the allocation  
14       factor would change slowly over time.

15              An Alaska fund was created under the plan to  
16       allow Alascom to set its rates immediately as if the 75  
17       percent factor were in existence. The Alaska fund paid  
18       for this to allow that to happen. Otherwise, Alascom's  
19       rates would have to be set at the 86 percent factor.

20       **Secondly**, the Alaska fund paid for the phase-out from 86  
21       percent to 75 percent on the State level, so that the  
22       State could experience that phase-out and it wouldn't be  
23       hit with this abrupt change.

24              The Alaska fund would be administered by a  
25       wholly owned subsidiary of the National Exchange Carriers

1 Association. The fund would be paid for by interexchange  
2 carriers like AT&T, GCI and MCI in the market. Any  
3 carrier that contributed to the current universal service  
4 rate would also pay into the Alaska fund.

5 There are three other miscellaneous --  
6 pardon me?

7 CHAIRMAN HUDSON: Representative Porter?

8 REPRESENTATIVE PORTER: Thank you. Let me  
9 try to do what you just did on a previous point. I'm  
10 getting lost in this allocation factor. Could you kind  
11 of give us the basis for its existence in the first place  
12 and now what is it that you're doing?

13 MS. KENYON: Okay, when you make a phone  
14 call, a lot of different utilities provide the service to  
15 make that phone call possible, and the same equipment is  
16 used regardless if you make a interstate call or an  
17 intrastate call, but there are different regulators that  
18 govern each piece. So when I place an intrastate phone  
19 call, the APUC governs how that works. When I place an  
20 interstate phone call, the FCC governs how that works,  
21 but since the same equipment is used for each, for the  
22 same call, it becomes very complicated as to who pays for  
23 that part of the equipment. So they developed at the FCC  
24 level a very elaborate separations manual that says, for  
25 example, for one piece of equipment, if that equipment

1 carries 100 minutes of state calls and 200 minutes of  
2 interstate calls, then they're going to split it one to  
3 two, and that's the type of factors that we're talking  
4 about. They have different factors for each type of  
5 equipment. The equipment that is specifically discussed  
6 here is called circuit equipment. That's the satellite  
7 earth station equipment. It's one of the more expensive  
8 parts of Alascom's system. Currently that equipment is  
9 based -- is allocated based on a factor that it considers  
10 mileage when it's being developed, and so the factor was  
11 set at a very high level, 86 percent, because when it was  
12 set, the mileage was based on measuring it from Seattle,  
13 lower 48. It wasn't measured with specific --

14 REPRESENTATIVE PORTER: That 86 percent  
15 represents what?

16 MS. KENYON: The 86 percent represents the  
17 part of the circuit equipment that the interstate  
18 jurisdiction is willing to pay for. Okay, so if you  
19 have -- if you had a big piece of pie of all the dollars,  
20 that is the cost of the circuit equipment, 86 percent of  
21 that cost pie would be paid for through interstate rates.  
22 Now, that percentage has been frozen I believe since 1985  
23 to current.

24 REPRESENTATIVE PORTER: And it was  
25 originally based on --



1 MS. KENYON: On miles. It's really miles  
2 and minutes. It's a very complicated formula that says  
3 you basically add up all the minute miles in the system  
4 and you have so many state minute miles and so many  
5 interstate minute miles, and that's how you divvy it up  
6 and miles were calculated based on a point of connection  
7 in the lower 48 which meant you had more miles, all the  
8 miles going from say Seattle to Anchorage added into the  
9 interstate pie, and the long and sort of short of it is  
10 at the end of that calculation, 86 percent of it became  
11 interstate costs and 14 percent became state costs.

12 REPRESENTATIVE PORTER: But to change that  
13 to 75 is arbitrary, not -- not -- maybe that's not the  
14 right word, but it's not use driven, it's some other  
15 goal; would that be fair?

16 MS. KENYON: The order specifically did not  
17 calculate a new minute mile factor or a new minute  
18 factor. It stated it wanted a fixed factor and it chose  
19 75 percent.

20 CHAIRMAN HUDSON: Representative Boucher,  
21 did you have a question?

22 MR. BOUCHER: Yes, you mentioned telephone.  
23 Is that voice transmission or does that include  
24 transmission of data, computer data, et cetera?

25 MS. KENYON: Well, the joint service



1 arrangement is primarily for the voice transmission.  
2 It's what we call switched services, when you place phone  
3 calls.

4 The private line which is generally --  
5 that's generally what's used for data transmissions is  
6 outside of the joint service arrangement and AT&T and  
7 Alascom provide private lines separately from one  
8 another.

9 CHAIRMAN HUDSON: At this stage, maybe it's  
10 good even for myself to remind myself since we haven't  
11 done this for a while, since we are on teleconference, we  
12 have Barrow and Homer, Kotzebu and of course Washington,  
13 D.C. is listening as well, so if you do have a question,  
14 state your name first so that we can make sure we get it  
15 on our recorder over there and the people on the line  
16 know who's talking and I tried my darnedest to grab the  
17 button and recognize you, but in case I miss it, give  
18 your name ahead of time when you ask a question and we'll  
19 keep better track of that. Thank you.

20 MS. KENYON: Are there any other questions?  
21 Okay, I'll continue.

22 The last point I'd like to make is that  
23 there's -- actually, the last three points regarding the  
24 tentative recommendation that I'd like to make are as  
25 follows:

1 First, AT&T doesn't serve predominantly in  
2 the interstate Alaska private line market. Generally  
3 your choices are Alascom or GCI. The proposal said that  
4 if AT&T wanted to enter the interstate private line  
5 market in Alaska it had to do it statewide and it had to  
6 provide service the same as it does everywhere else in  
7 the nation, same terms and conditions.

8 Second, United Utility would use the same  
9 circuit equipment factor that Alascom used and this would  
10 occur because there's some parts of the Alascom network  
11 that United Utilities owns jointly with Alascom,  
12 generally some of the earth stations.

13 And as a last point, Alascom would be  
14 required to file its interstate tariffs and contracts  
15 with the FCC for approval.

16 And that's a general summary of the  
17 tentative recommendation. There are some other points,  
18 but these are the high points.

19 CHAIRMAN HUDSON: The last point, this would  
20 be a deviation, then, from the norm, that Alascom would  
21 file with the FCC as opposed to the APUC for rates  
22 intrastate?

23 MS. KENYON: It was not intrastate rates I  
24 was referring to. This would be -- would be standard,  
25 standard procedure that they would be recommending.

1 Intrastates remain under the jurisdiction of the APUC,  
2 but the interstate special contracts, the interstate  
3 tariffs would have to be filed with the FCC and they do  
4 that today. Alascom files its interstate private line  
5 and they have a interstate long distance tariff with the  
6 FCC.

7 CHAIRMAN HUDSON: Thank you. Any other  
8 questions? Representative Navarre.

9 REPRESENTATIVE NAVARRE: Yeah, the  
10 requirement that AT&T provide the interstate service on a  
11 statewide basis, is there a -- is that automatic or do  
12 they -- are they allowed transition time into that?

13 MS. KENYON: Technically, they do that  
14 today. It depends how you view it. They do it today but  
15 it's under the joint provisioning of the joint service  
16 arrangement.

17 REPRESENTATIVE NAVARRE: And back to the 86  
18 percent versus 75 percent, does that mean that intrastate  
19 is going to pick up an additional 11 percent under any  
20 scenario?

21 MS. KENYON: Under this tentative  
22 recommendation it would pick up that 11 percent at the  
23 end of the ten year period.

24 REPRESENTATIVE NAVARRE: Okay, and what will  
25 happen if -- to the traditional -- is 11 percent -- I

1 guess the argument is that that should be allocated in  
2 intrastate, anyway?

3 MS. KENYON: Excuse me, could you repeat  
4 your question, please?

5 REPRESENTATIVE NAVARRE: The 11 percent that  
6 we're talking about phasing out down to 75 percent which  
7 intrastate will then be picking up, what happens if we  
8 don't go along with the Joint Board's recommendation?  
9 What happens to that 11 percent? Is the allocation  
10 continued.

11 MS. KENYON: Presumably, if you don't change  
12 the factor then it would still be picked up by AT&T in  
13 its -- well, anybody who would pay for services from  
14 Alascom. Anybody who would buy Alascom's services would  
15 pick up that 11 percent because the costs would go into  
16 the interstate tariffs or special contracts or whatever  
17 mechanism that is used for Alascom to sell its services.

18 REPRESENTATIVE NAVARRE: Then is that cost,  
19 or the 11 percent, do you expect that -- it's the  
20 expectation that it will be recovered through cost  
21 efficiencies or simply intrastate additional moneys or a  
22 combination?

23 MS. KENYON: The order stated there were a  
24 number of sources that they expect it would take, would  
25 recover that 11 percent. I'm trying to find my notes to

1 state exactly what they said. Well, let me try to do it  
2 from memory. Here you go.

3 They stated the 11 percent would be  
4 recovered through increased efficiencies, through cost  
5 cutting, through increased traffic demand, and through  
6 the various mechanisms, including the accelerated cost  
7 recovery mechanisms, that mechanism they had proposed.

8 REPRESENTATIVE NAVARRE: Not that I probably  
9 want to read it, but what did they use to base those  
10 assumptions on?

11 MS. KENYON: It wasn't specifically spelled  
12 out in the proposal what those -- why those assumptions  
13 were made, except for that that was their understanding  
14 of what would happen. I think that you can show at least  
15 for the traffic, the traffic stimulation factor that they  
16 are -- I'm using buzz, words I'll explain what it  
17 means -- but when they're stating they're assuming that  
18 some increase in demand will occur, what they're telling  
19 you is that over time, people make more and more phone  
20 calls and we have historical records that say this is the  
21 case not only in Alaska but throughout the nation. The  
22 statistics I've seen recently show that for the last two  
23 or three years, the intrastate call volume has gone up  
24 from around between 8 and 11 percent, depending upon what  
25 year you're looking at. So I would presume that they



1       were basing their analysis on the -- on the data that  
2       they had before them and on their experience.

3               CHAIRMAN HUDSON: Representative Brown, did  
4       you have a question on this?

5               REPRESENTATIVE BROWN: With respect to the  
6       Joint Board's recommendation, what level of detail did  
7       you have from the companies with respect to their costs  
8       and their revenues to be able to determine that this  
9       would -- well, let me ask, are you assuming that there  
10      will not be an increase in costs to users in Alaska if  
11      this tentative recommendation were implemented and did  
12      you have the underlying hard data from the companies to  
13      be able to reach that conclusion?

14              MS. KENYON: The order specifically asked  
15      the parties to comment on what they thought the  
16      intrastate cost should be as a result of this plan and  
17      we've provided -- we've received a variety of data from  
18      Alascom regarding what they believe or what it believes  
19      will be the cost shift, depending upon whether or not the  
20      tentative recommendation was put into effect.

21              We also have extensive separation studies  
22      for Alascom. We have an incredible amount of volume of  
23      data on Alascom's costs, both before the APUC through  
24      various proceedings that have occurred at that level and  
25      through the six data requests that the Joint Board state

1 members had placed and requested from the companies.

2 CHAIRMAN HUDSON: Continue.

3 REPRESENTATIVE BROWN: With respect to the  
4 changes that are occurring generally in the computer  
5 industry, which affects the costs of telecommunications,  
6 are those declining costs continued to be factored in out  
7 to the year 2004 is one question, and second question is,  
8 to what extent are you assuming that universal service  
9 remains the same or are you assuming that a new level of  
10 universal service is provided given the changes occurring  
11 in all these industries.

12 MS. KENYON: To answer your first question,  
13 we are currently evaluating the forecasted information  
14 that is provided, given the various assumptions regarding  
15 market growth, cost, declining curves, and things of that  
16 nature, plan investment, and I'm not prepared to give you  
17 a response regarding our results yet at this time.

18 Regarding the universal service question,  
19 the order does not specifically state it, but if it  
20 assumed that would be growth or whatever with universal  
21 service but it appears to be one of the goals of the  
22 Joint Board that universal service would be promoted. So  
23 therefore, I'm assuming that the plan that they presented  
24 would not degrade universal service, at least in their  
25 eyes.

1 REPRESENTATIVE BROWN: Well, universal  
2 service, I guess as it's been defined, means everybody  
3 has access to a telephone and now there is a growing  
4 demand for high speed data transmission and public uses  
5 in schools and health clinics and all kinds of other  
6 things, so for example, we heard recently from the Bethel  
7 consortium that they don't think 1200 baud is adequate to  
8 meet their needs and requirements. Is universal service  
9 locked at this particular point in time or do we get  
10 better service in the future under this arrangement.

11 COMMISSIONER KNOWLES: I think I can respond  
12 in part. The Alaska Joint Board has not undertaken what  
13 is an exercise that's being done nationally, that is an  
14 attempt to provide universal service. Your question is  
15 an insightful one but it's also one that is sort of  
16 intractable right now because it's one that's being  
17 debated nationally. I personally participated in a  
18 couple think tank sessions where we are trying, as  
19 regulators are very much trying to get our arms around  
20 that particularly as the industry is converging and  
21 merging and changing so dramatically. So the -- there  
22 was no conscious attempt made to be the first out of the  
23 box to come up with the new definition of universal  
24 service.

25 On the other hand, I think we are extremely

conscious of the fact that we need to position the Alaska market so that it is receptive as a matter of basic structure to the changes that occur everywhere else. So at least at that level, we're very sensitized to it, but you're not going to see, I don't think, in any final work product, you know, the new national definition of universal service coming forward from this Joint Board.

REPRESENTATIVE BROWN: Going back to the question about the cost of computers, do I understand your answer to be that you're assuming computer costs continue as they are today or are you -- I didn't understand what you said in answer to that.

MS. KENYON: The answer that I gave you was that we're looking at it right now and our people are not prepared to tell you all the assumptions we are going to make or have made regarding our analysis of the costs that are given to us and once that we may eventually may develop as a result of our analysis.

REPRESENTATIVE BROWN: But some assumptions were made, right, in coming up with the tentative recommendations about what these costs would be in the future?

COMMISSIONER KNOWLES: We're dealing with a declining cost industry, generally. We're also dealing with an industry that is modifying its cost structure as



1 a result of competitive forces and all of this has been  
2 sort of factored in. We also had the benefit of  
3 information provided in context of the master agreement  
4 which addressed the issue of efficiencies and  
5 modifications and operations that could be possible. So  
6 it has been, you know, certainly factored in in one  
7 sense. We are continuing to evaluate this. This is a  
8 tentative recommendation for precisely that reason. We  
9 want as much information as we can before it becomes a  
10 final recommendation.

11 CHAIRMAN HUDSON: Susan, this is the --  
12 probably one of the areas that was most troubling to me  
13 as I went through this entire regimen of background  
14 materials, we don't -- it's not twice my height. Thank  
15 god for that because I probably wouldn't understand  
16 anymore if it were, but one of the concerns that I've had  
17 is that there's been very little hearings in Alaska. I  
18 don't think there's been a whole lot of communications,  
19 even with policy makers or decision makers to try to  
20 identify what are the long term needs for Alaska, not  
21 necessarily just the citizens of Alaska, but for services  
22 that are going to be provided over time. You know, we're  
23 sitting down in Juneau, Representative Brown and my  
24 colleagues and I, discussing and actively considering  
25 expanding interactive video teleconferencing. We have



1 agencies that are really eager to get in there and try to  
2 use this state of the art and in many respects, it  
3 appears to me at any rate as though that's going to  
4 expand the use along those lines for that purpose.

5 On the other hand, from a policy point of  
6 view, we are very likely looking at a rapidly declining  
7 economic base, revenue base to provide a lot of these  
8 services. And so what I'm interested in is that do you  
9 have any analyses or studies that professionally that  
10 you've acquired professionally that analyzes the long  
11 term needs of the people of the State of Alaska that have  
12 been used in making your determination to come up with  
13 this recommendation to, you know, to drop it to 75 and  
14 then to phase it out over the next four years, and do  
15 your studies or your analyses, which I would hope that  
16 you'd provide us a copy with, at least for the record --  
17 this committee wants to become at least repository of the  
18 high grade information that makes the decisions that are  
19 going to affect the lives of the consumers of the State  
20 of Alaska, the people of Alaska.

21 So I guess the first question is, do you have  
22 such studies or analyses that gives you this  
23 understanding of what's going to be needed out there  
24 over, say, over 10 or 15 years?

25 COMMISSIONER KNOWLES: I think the answer is

1        yes, but we are continuing to acquire more knowledge and  
2        more information as we move forward in this process.  
3        There isn't any one piece of paper or one study that says  
4        it all. It's the cumulative effect, beginning back in  
5        1986 when the State of Alaska, for example, provided  
6        extremely useful fundamental demographic data about the  
7        State of Alaska, where people are, what the economy is  
8        like, what the terrain is like, I mean just basic  
9        information that advanced the decision makers'  
10       understanding of what they were dealing with, and it's  
11       been the cumulative effect of many, many studies and a  
12       lot of data.

13                    In addition, the individuals who comprise  
14       the Joint Board are charged in their capacities as state  
15       regulators or federal regulators with representing the  
16       public interest. They wrestle with telecommunications  
17       issues, the sort you all are wrestling with as well, as a  
18       daily diet. That's what we do for a living, and we are  
19       constantly concerned with, you know, what the public  
20       needs, what the public is well served by, and so all of  
21       that experience and our awareness of what's happening  
22       elsewhere, that's one I think advantage of having  
23       individuals outside of Alaska who are part of the Joint  
24       Board process is brought to bear on the thinking as we  
25       deal with the very difficult Alaska specific issues. And

1 they also deal with them with some recognition at you  
2 know this -- some of the tensions that are there in the  
3 market structure are not necessarily unique to Alaska,  
4 happen to be in the forefront right now because we have  
5 this problem in front of us, but they have broader  
6 implications, as well.

7 CHAIRMAN HUDSON: But Susan, come back to  
8 my -- my concern about the representation of the interest  
9 of the people of Alaska as stated by the people of  
10 Alaska. I look through the list of -- that you just  
11 provided us here of all the correspondence and everything  
12 else and I don't really see it. Maybe you have it and  
13 I'd like to have it if you have it, some appreciable  
14 input from Alaskans. You know, the only reason that  
15 we're constituted is to try to protect the consumers of  
16 the State of Alaska and what I fear often in a Joint  
17 Board with what is it four members, three of which are  
18 non Alaskans, we have a right to be a little bit suspect  
19 of what their motives and understanding of Alaska's needs  
20 are, and I know you do and I have a great respect for you  
21 and I know you've been there for some time, but as it was  
22 one policy maker at any rate, I'd really like to see some  
23 justification. What I'm trying to get to is that what  
24 kind of assurances do we have that the proposals for  
25 service from the various entities are based on, you know,

1       some rational judgment and have they been bounced off the  
2       people who, you know, have to use the service,  
3       particularly in rural Alaska. I guess that's my biggest  
4       concern, probably was the biggest reason I convened this  
5       hearing was because I was concerned that rural Alaska and  
6       that a -- what is it, a carrier of, you know, the carrier  
7       that we could hold responsible and regulate would be here  
8       ten years from now, you know, the satellite would be  
9       replaced that you could guarantee that it would be  
10      replaced, that rates would be controlled and the services  
11      would be those that were needed and demanded by the  
12      people of Alaska, as well as the State of Alaska.

13                So if you have -- if you have some specific  
14      studies, I know that the legislature, as I look back into  
15      the thing, did underwrite and pay for one of the studies  
16      here, let's see. I believe that the State of Alaska  
17      underwrote part of Overland Consultants service with the  
18      analysis of interstate matters; is that correct?

19                COMMISSIONER KNOWLES: Well the State of  
20      Alaska underwrites me, Lori, and any consultants we hire  
21      through our interstate budget.

22                CHAIRMAN HUDSON: Did you hire Overland  
23      Consultants?

24                COMMISSIONER KNOWLES: Yes.

25                CHAIRMAN HUDSON: Do you have a report from



1 Overland?

2 COMMISSIONER KNOWLES: We have a report that  
3 they had presented when the master agreement was in front  
4 of us and they are continuing to develop what are now  
5 proprietary staff work papers evaluating the data that's  
6 been received and the comments, but which will become  
7 public in due course. I guess that's the best I can say.

8 CHAIRMAN HUDSON: Mr. Boucher?

9 MR. BOUCHER: Now that's a question, Susan,  
10 in due course. Now you have -- excuse me, Red Boucher.  
11 I think the feeling that I had, studies, we're the only  
12 state that has a telecommunication conference that the  
13 governor is on. We, by law, do not allow anybody lower  
14 than a commissioner to serve on it. So I think there's a  
15 general impression out there, Mr. Chairman, if I may and  
16 I'll just editorialize slightly, that we are ignorant of  
17 telecommunications issues in the State of Alaska. I  
18 think that that is far from true. I mean, I think some  
19 of maybe the people in private industry don't realize the  
20 indepth study that's gone as it relates to rural Alaska.  
21 But the question now to me, you do have Overland  
22 Consultants, does not Mr. Katz back in Washington, is  
23 there not also some consultants there, and is this  
24 information available to APUC or the policy makers of the  
25 State of Alaska?



1 COMMISSIONER KNOWLES: Thank you, Mr.  
2 Chairman. The -- I'm sorry, I didn't mean to interrupt.  
3 I believe the analysis and the studies that have been  
4 performed by private and public entities have been  
5 reflected in the comments that have been filed, et  
6 cetera, and that the State beyond that they can speak for  
7 themselves as to how they've used their resources, but I  
8 believe the ~~numbers~~ that have been advanced in the  
9 studies and the State's comments reflect the results of  
10 those, that input.

11 CHAIRMAN HUDSON: I thought you were going  
12 on, Susan.

13 COMMISSIONER KNOWLES: Well, I --

14 CHAIRMAN HUDSON: You thought maybe I better  
15 stop now while I'm ahead?

16 COMMISSIONER KNOWLES: No, I ~~wasn't~~ sure if  
17 I was starting to meander.

18 CHAIRMAN HUDSON: Representative Navarre?

19 REPRESENTATIVE NAVARRE: Yes, so I guess the  
20 studies that were part of which -- the Overland study  
21 which was part of the joint submittal sometime ago  
22 between AT&T and Alascom?

23 COMMISSIONER KNOWLES: Yes, that --

24 REPRESENTATIVE NAVARRE: That is public  
25 information and anybody who wants it can have it.

1 COMMISSIONER KNOWLES: That's right.

2 REPRESENTATIVE NAVARRE: Now, new studies  
3 that are taking place now --

4 COMMISSIONER KNOWLES: Are still in  
5 progress.

6 REPRESENTATIVE NAVARRE: And they're not  
7 public yet until they're finished and reached.

8 COMMISSIONER KNOWLES: Until they're  
9 finished in part because, you know, the Alascom data,  
10 which we recently requested, trying to remember when the  
11 last data request was, I guess in April, was received in  
12 July, was delivered to me in my hotel room in San  
13 Francisco, and so we've not had very long to look at it.  
14 But we are actively looking at it and --

15 REPRESENTATIVE NAVARRE: And that analysis  
16 will be available to the parties for their purview prior  
17 to any decision is made by the Joint Board?

18 COMMISSIONER KNOWLES: I can't tell you  
19 exactly what the process will be in that regard. I think  
20 the typical sort of regulatory approach is that when you  
21 have staff or advisors to a commission, the parties  
22 present their studies, the staff assists you in analyzing  
23 the studies, and unless you create a new work product as  
24 opposed to an analytical critique of the party's work  
25 product, that, you know, analytical critique becomes part

1 of the decision making process as opposed to something  
2 that's subject to another round of comments. So there's  
3 sort of two different routes that could be undertaken  
4 here.

5 REPRESENTATIVE NAVARRE: So an analytical  
6 critique would be something that would be an internal  
7 document that would be used?

8 COMMISSIONER KNOWLES: It would be reflected  
9 in the decision. Don't misunderstand that, but I mean  
10 ultimately, you as decision makers close the record, you  
11 use your own brains and your own staff and your own  
12 analytical tools to evaluate that record and you come up  
13 with a decision which you support based on your  
14 independent analysis of the record. We go through a  
15 similar process. If we always then put that out for  
16 comment, we would in effect never conclude the process,  
17 because then that comment would generate new things. We  
18 would then do our independent thinking. We would produce  
19 yet another -- potentially yet another work product  
20 which -- do you see the distinction?

21 Now that is -- I think should be contrasted  
22 with a situation where you have someone generate an  
23 original work product that you in fact put out for public  
24 scrutiny and then you want people to evaluate, critique  
25 and give you feedback on. We're in the mode right now,

1 I'd say, of the former, which is the parties have had  
2 many opportunities to give us data. We are evaluating  
3 that data using our own brain power, horsepower, if you  
4 will, to see what makes sense.

5 CHAIRMAN HUDSON: Representative Navarre?

6 REPRESENTATIVE NAVARRE: So if someone were  
7 to critique what happened at the Joint Board, would we  
8 have to derive the information that you reached or  
9 conclusion you've reached from the same information that  
10 the parties give to you without the benefit of having  
11 seen what your independent internal critiques of that  
12 material was that led you to whatever conclusion the  
13 Joint Board comes up to? How do we know, as policy  
14 makers for the State, that you interpreted the material  
15 correctly?

16 COMMISSIONER KNOWLES: You may never know  
17 that. That will be, believe me, in the eye of the  
18 beholder and you can expect conflicting reviews but the  
19 more typical approach, I reflect my APUC experience is  
20 when you issue an order that involves commission  
21 evaluation of data you have appendices that are attached  
22 to the order that detail, you know, the kind of economic  
23 analysis or financial analysis that led you to conclude  
24 what you concluded. So it's not like it's a mystery,  
25 it's --

1                    REPRESENTATIVE NAVARRE: And do you  
2 continually work with whoever submits that information to  
3 you to try to make sure that there haven't been any  
4 misstatements or, I mean, so that you get a continual  
5 update on -- on something that's in there so that you  
6 don't misconstrue what's attempting to be said.

7                    COMMISSIONER KNOWLES: We do the best we  
8 can, recognizing that we have advocates who are appearing  
9 before the Joint Board. They are attempting to present  
10 information in the best light for their own interests,  
11 but just to use this most recent iteration of data as an  
12 example, in its comments, Alascom provided certain  
13 information in a rather summary form and made certain  
14 representations. We issued a data request asking them to  
15 please give us the underlying studies that you used to  
16 put those numbers in your filing. They provided that to  
17 us. Since then, there have been informal discussions,  
18 follow-up discussions to file additional information or  
19 better understanding that information.

20                   REPRESENTATIVE NAVARRE: I apologize. That  
21 last question was a stupid question. Of course you do.  
22 I just didn't think before I proposed the question. Back  
23 to the 11 percent cost allocation, you mentioned that you  
24 looked at efficiencies that are going to be achieved  
25 through costs, cost efficiencies, increase in usage and



1 something else, and you mentioned that 8 to 11 percent is  
2 the historical increase, or something like that, usage.  
3 Have we seen a cost reduction over that historical period  
4 of time from the same factors that you're using to  
5 project that we'll see it in the future, the 11 percent  
6 recovery?

7 MS. KENYON: Perhaps I should explain that  
8 we had received a large amount of voluminous financial  
9 data in July from Alascom, and much of this data is  
10 fairly new. That's the point that we're -- I can't  
11 explain further how our analysis is going, but we are  
12 looking at that in great detail, and taking into account  
13 the things that you've just discussed to see how it all  
14 fits together and what the end result is.

15 COMMISSIONER KNOWLES: But I -- Alascom has  
16 had some significant intrastate rate decreases,  
17 Representative Navarre, during this -- you know, in the  
18 recent past, at the same time intrastate traffic was  
19 increasing. I don't know if that directly responds.

20 REPRESENTATIVE NAVARRE: That's what I'm  
21 trying to find out is if we've seen increases.

22 COMMISSIONER KNOWLES: Both before -- maybe  
23 I should qualify my remarks to say in anticipation of a  
24 change in market structure and after the market structure  
25 changed, i.e. the introduction of competition, there was

1       some significant intrastate rate decreases.

2                   REPRESENTATIVE NAVARRE: Increases?

3                   COMMISSIONER KNOWLES: Decreases. I

4 apologize if I mumbled.

5                   REPRESENTATIVE NAVARRE: Thank you.

6                   CHAIRMAN HUDSON: Susan, one more time,  
7 then, will there be, what I understand now is what you  
8 have is sort of a tentative recommendation, this is not  
9 the final; is that correct. You're telling me you're  
10 still analyzing data.

11                  COMMISSIONER KNOWLES: That is absolutely  
12 correct.

13                  CHAIRMAN HUDSON: Now will there be a  
14 hearing in Alaska when you come up with some final  
15 product that the people of the State of Alaska can have  
16 some input into?

17                  COMMISSIONER KNOWLES: I would say no  
18 hearing is currently contemplated. The hearing, albeit  
19 somewhat perhaps much maligned, that was held on July 1st  
20 was scheduled to at least raise consciousness and provide  
21 an opportunity for comment. I don't know if those who  
22 participated were aware that essentially such a hearing  
23 is unprecedented on the part of the FCC. Unlike state  
24 regulatory commission, they don't do public hearings.  
25 That's just not their normal operating mode. We found,

1       Lori in particular, in working out the logistics with  
2       them, that you know they didn't really have a clue about  
3       a public hearing, and nonetheless, I was very pleased,  
4       and this was in large part because of the prompting of  
5       Senator Stevens that they were willing to embark on this  
6       experiment, from their perspective, and I do think it did  
7       provide an opportunity for some members of the public to  
8       become better aware and comment.

9                       I think, given what I've said, you might  
10       discern it would be somewhat outside the realm of their  
11       normal practices to contemplate a further public hearing  
12       in Alaska. Is it possible? Anything is possible, but --

13                      CHAIRMAN HUDSON: And I have one additional  
14       question. We're doing fine here. One of the -- the  
15       things that appears to be extremely important in these  
16       matters is the -- the way in which the industry is  
17       regulated is on the basis of whether or not the  
18       designated dominant carrier, and in reading the proposal  
19       and looking over the material here, if it were to turn  
20       out that it all went forward and the joint proposals,  
21       recommendations happened, and you know, the subsidy was  
22       phased out and competition occurred, and development by  
23       AT&T as an example putting a new infrastructure, et  
24       cetera occurred, looking now at the rural side of our  
25       needs here, the intrastate side of it, assuming that the

1 market will not hold or carry three principal providers,  
2 Alascom, AT&T, GCI, perhaps even more, Alascom at the  
3 present time is the dominant carrier and therefore, the  
4 pervasively regulated carrier for the intrastate side.  
5 You can tell them, I believe, and that's what I want you  
6 to tell me, here, you can be assured and you can make  
7 sure that the public is protected that when the satellite  
8 by the year 2001 or -2, or whenever it, you know, falls  
9 out of grace with the rest of us here is replaced, that  
10 now we're talking about a hundred million bucks, as I  
11 understand it from what I've been able to read. If  
12 Alascom exits the scene, do you have assurances that AT&T  
13 will assume the dominant carrier position? That is, will  
14 they become responsible under FCC requirements to not  
15 only the rates but also the upgrading, expansion of  
16 technology, and including the one thing that worries me  
17 most, I guess, is who's going to put that next satellite  
18 up there, and have it, you know, really reflect down on  
19 all parts of rural Alaska, including the Aleutians and  
20 things of this nature. It's my understanding that other  
21 satellites see part of Alaska but not all of Alaska; is  
22 that correct?

23 COMMISSIONER KNOWLES: I believe that's  
24 correct.

25 CHAIRMAN HUDSON: Can you give me some

1 response to this concern I have?

2 COMMISSIONER KNOWLES: Where to begin, I'm  
3 trying to separate the intrastate side from the  
4 interstate side, because your question involved both, in  
5 a sense, because under the tentative recommendation, AT&T  
6 would be essentially the carrier ultimately responsible  
7 for delivering rate integrated interstate service to  
8 Alaska and it --

9 CHAIRMAN HUDSON: Inter, between Alaska and  
10 other states?

11 COMMISSIONER KNOWLES: That's right, and it  
12 in that capacity would need to be able to have a  
13 satellite to perform the necessary connectiveness  
14 responsibilities a satellite does. Similarly, Alascom,  
15 with its intrastate responsibilities would also be very  
16 concerned with that. I do know that Alascom in at least  
17 one of its pleadings has suggested that under the  
18 tentative recommendation, its response would be to  
19 examine what the most cost-effective alternatives would  
20 be for providing satellite service, i.e. should it  
21 consider launching yet another aurora satellite or should  
22 it consider getting transponder capacity on one or more  
23 satellites to meet its service obligations.

24 I think the expectation at a minimum is that  
25 there would be a detailed and a conscientious examination



1 of what the least cost alternative was for providing the  
2 service. Neither carrier, as long as it has its service  
3 obligations can side-step the question, and one would  
4 hope that they would approach it intelligently.  
5 Regulators certainly can monitor the situation to be sure  
6 that that happens.

7 CHAIRMAN HUDSON: Susan, have they attested  
8 to you, for the record, before the Joint Board, that if  
9 Alascom were to drop out of service, some people feel it  
10 probably could very likely happen, that they would become  
11 the dominant carrier and be regulated and assume the  
12 responsibilities of becoming regulated by APUC and -- or  
13 the FCC as necessary?

14 COMMISSIONER KNOWLES: Is the "they" in your  
15 question AT&T?

16 CHAIRMAN HUDSON: Does the record reflect  
17 that they have --

18 COMMISSIONER KNOWLES: Is the "they" AT&T?

19 CHAIRMAN HUDSON: Yes, AT&T.

20 COMMISSIONER KNOWLES: Yes, they have  
21 offered to step into, as I understand as part of their --  
22 if not their original consumer benefit plan, the sort of  
23 evolution of it as they met with Alaskans around the  
24 state suggest that they have made the offer to step into  
25 Alascom's shoes, essentially, and to acquire Alascom's

1 facilities at net book value and provide that critical  
2 function if need be.

3 MS. KENYON: I believe GCI at one point in  
4 time also suggested it would be interested in buying at  
5 net book value Alascom's plant.

6 CHAIRMAN HUDSON: Yes, I believe that the  
7 record reflects that as well. And I guess the question  
8 then is -- or the answer is that in the event either  
9 happened, GCI or AT&T were to, say, assume that  
10 responsibility, that they would be assuming the same role  
11 that Alascom has at the present time of being responsible  
12 under your laws and regulations?

13 COMMISSIONER KNOWLES: Yes, I think I can  
14 assure you from the APUC perspective, putting on that hat  
15 briefly, very briefly, but also from my understanding of  
16 the FCC, that this would not be something which would  
17 fall in a crack. I think someone would be accountable  
18 and the objective obviously is to initially designate  
19 someone and then have the market structure evolve in a  
20 way where the most appropriate entity ultimately assumes  
21 that responsibility.

22 CHAIRMAN HUDSON: Good, thank you very much.  
23 Representative Boucher.

24 MR. BOUCHER: Thank you, Mr. Chairman. Just  
25 briefly, Susan, this is questions I've been wanting to

1 ask you. First of all, I know of your work and you're  
2 probably one of the most knowledgeable people in the  
3 country. You've really done an outstanding job, so I  
4 want to ask you --

5 COMMISSIONER KNOWLES: That's a very  
6 intimidating lead-in.

7 CHAIRMAN HUDSON: Be careful.

8 COMMISSIONER KNOWLES: Yes, I know, totally  
9 on guard. Go ahead.

10 MR. BOUCHER: Susan, as a member of APUC do  
11 you think that the State of Alaska's interests have been  
12 adequately represented by the Joint Board, and then  
13 secondly as a member of APUC, what is your position on  
14 this -- the information that's out there in front of us?

15 COMMISSIONER KNOWLES: My answer to the  
16 first question is yes, and let me explain why. First, as  
17 you will be hearing come shortly, the State of Alaska has  
18 itself been a very active participant in this proceeding  
19 from its inception. In fact it was conceived as a result  
20 of a state petition, been very competently represented.  
21 They've acquired the expertise while appearances to offer  
22 substantive comments every inch of the way, so that has  
23 been one element. I think the fact that you have private  
24 parties from the long distance as well as the local side  
25 who have actively participated who have varying

1 perspectives on what the right answer is, has assured  
2 a -- some checks and balances and a diversity of  
3 viewpoint being presented to the members of the Joint  
4 Board and lastly, not to be at all self-congratulatory,  
5 but the federal and state people who are on this board  
6 are charged in their normal lives and certainly in this  
7 additional responsibility with representing the public  
8 interest. That is our mindset, and that is the way we've  
9 approached our duties.

10 I can tell you that I have -- I feel that  
11 I've been particularly blessed with having state  
12 commissioners who -- you know, it doesn't say the Idaho  
13 Joint Board or the North Dakota Joint Board or the  
14 Pennsylvania Joint Board and yet they have dedicated  
15 enormous staff and personal resources to reading and  
16 studying the materials and understanding the issues and  
17 making a contribution to the advancement of the  
18 disposition. So I'm sorry, after that I forgot your  
19 second question. Oh, studies.

20 MR. BOUCHER: What is your position as a  
21 member of APUC on the various proposals that are before  
22 us?

23 COMMISSIONER KNOWLES: Well, I don't have --  
24 you mean if I had to vote on A or B? I -- I wouldn't be  
25 able to say that, because it's actively in front of me as

1 a member of the Joint Board. I'm not sure if that  
2 answers your question. I'm still personally very  
3 actively considering the comments we received in response  
4 to the tentative recommendation, as well as studying the  
5 consumer benefit plan that AT&T advanced.

6 CHAIRMAN HUDSON: Representative Porter?

7 REPRESENTATIVE PORTER: Thank you.

8 MR. BOUCHER: Thank you, Susan. Thank you,  
9 Mr. Chairman.

10 REPRESENTATIVE PORTER: Susan, the --  
11 perhaps what Red is responding to and at least I will, I  
12 was kind of taken back by your statement that while you  
13 put this APUC hat on just very briefly. What respective  
14 difference do you have with one hat on as opposed to the  
15 other?

16 COMMISSIONER KNOWLES: Well, I guess what  
17 I'm trying to do is to insulate my colleagues on the APUC  
18 from association with my remarks. That's what I'm  
19 primarily trying to do. In other words, I don't stand  
20 before you having developed some, you know, consensus  
21 position of the Commission and gone forward, and I don't  
22 want to taint them unnecessarily with my Joint Board  
23 activities. I obviously hope that they embrace them, at  
24 least to some degree, but that -- that is primarily the  
25 distinction. I'm still the same person in either



1 capacity, same intellect, or like thereof.

2 CHAIRMAN HUDSON: But Susan, you're our  
3 person.

4 COMMISSIONER KNOWLES: Yes, I'm trying.

5 CHAIRMAN HUDSON: Representative Porter?

6 REPRESENTATIVE PORTER: Yeah, I guess from  
7 what we know, that you are Susan. The objective, I  
8 guess, that Susan adopts in one role as opposed to the  
9 other, is there a differentiation?

10 COMMISSIONER KNOWLES: No. If this matter  
11 were pending before the APUC instead of the Alaska Joint  
12 Board, I would be approaching it the same way. I don't  
13 mean to infer anything other than that. I just don't  
14 want to suggest that the tentative recommendation or any  
15 other orders that have been issued by the Joint Board are  
16 APUC orders. They aren't. They are a product of the  
17 four state and three federal members of the Joint Board.

18 REPRESENTATIVE PORTER: Which actually both  
19 bodies would then have to endorse?

20 COMMISSIONER KNOWLES: That's right. Well,  
21 I'm sorry, maybe I -- when you say both bodies --

22 REPRESENTATIVE PORTER: APUC and FCC will  
23 then have to take that --

24 COMMISSIONER KNOWLES: No. I should clarify  
25 that when the master agreement, which was one particular

1 approach to resolving the market structure issue was in  
2 front of the Commission, because of the specific terms of  
3 that master agreement, it required APUC, as well as  
4 ultimately FCC approval. That's no longer on the table,  
5 and so this is strictly an interstate oriented process,  
6 which is not to suggest that it doesn't have intrastate  
7 implications. In fact, one of our objectives -- in fact  
8 really all of our objectives would be equally, I think,  
9 valid factors and relate to the intrastate side, as well,  
10 but there's no decision that must be made by the APUC  
11 relative to the way circumstances are evolving presently  
12 before the Joint Board.

13 CHAIRMAN HUDSON: Representative Brown.

14 REPRESENTATIVE BROWN: Thank you. With  
15 respect to the decision that was recorded in the paper  
16 this week that telephone companies will be able to get  
17 into the television business, into video, is that  
18 factored into this decision at all? Will Alaska  
19 companies operate in the same way as other companies  
20 subject to that decision, and do you anticipate they will  
21 be getting into that aspect of the communications  
22 business?

23 COMMISSIONER KNOWLES: Well, first of all,  
24 of course the decision as you said just came out this  
25 week, so clearly it wasn't factored into any document.

1 REPRESENTATIVE PORTER: And may be appealed.

2 COMMISSIONER KNOWLES: Maybe is -- I don't  
3 even think -- you don't need to be so qualified. I think  
4 shall be is probably appropriate view, but I -- you know,  
5 I haven't even sort of begun to contemplate whether it  
6 has any implications. I talked to a colleague who is at  
7 the FCC and they're in sort of a state of befuddlement  
8 presently trying to understand and internalize what the  
9 implications are of the decision. I don't know,  
10 however -- again, I think this kind of relates in some  
11 ways to your earlier comments about universal service --  
12 to what extent, you know, we are an omnibus Joint Board.  
13 I mean, we are looking fundamentally at, you know, sort  
14 of what exists today and a relatively parochial  
15 disposition. We are clearly, because this kind of court  
16 decision is part of our daily diet. As telecommuni-  
17 cations regulators, we of course are always factoring  
18 things like that into the equation, but the whole  
19 question of the extent to which telephone companies  
20 should be involved in cable service and vice-versa is  
21 being fought on many fronts, one of which is this court  
22 battle that's before the congress, before Judge Green, et  
23 cetera. It's a very dynamic issue that's I think far  
24 from being ultimately resolved.

25 REPRESENTATIVE BROWN: Mr. Chairman, what I

1        was getting at is whether this tentative decision when it  
2        becomes a final decision locks them into and puts  
3        restrictions on them that will be different from other  
4        communication companies that are involved in this  
5        dispute.

6                    COMMISSIONER KNOWLES: I think if anything  
7        the structure that is presently contemplated under the  
8        tentative recommendation will make Alaska look more like  
9        other places, and therefore, to the extent these policies  
10       are adopted by court appeal, by regulatory agencies or by  
11       congress, they will filter through our network, as well,  
12       and the players in our system will be in the same  
13       position they would be in other areas to go, no-go, and  
14       we may have other Alaska specific variables that will  
15       affect how our market evolves, but it would not be a sort  
16       of structural impediment to implementing those kinds of  
17       changes, I do believe.

18                   CHAIRMAN HUDSON: We're running our time  
19       right out of this. Obviously our schedule is doing good,  
20       the agenda's on track. Susan, the State of Alaska has  
21       submitted two filings, one as late as I think the 12th of  
22       July, regarding the Board's tentative recommendations.  
23       To what extent have the issues raised by Mr. Katz and the  
24       governor's office and recommendations been considered or  
25       will be considered?



1                   COMMISSIONER KNOWLES: We are very seriously  
2           considering all of the comments that have come in,  
3           because obviously the tentative recommendation is a much  
4           more focused document than other documents that people  
5           have had to comment on and so, you know, it's of extreme,  
6           I guess -- extremely critical to us to understand the  
7           positions and to internalize them as appropriate into any  
8           final decision.

9                   I will say this, the State is a unique  
10          participant in this process. They're not a telephone  
11          company, and when the State offers us input, we take it  
12          very seriously because they are in a position to distill  
13          all of those private interests into their comments, as  
14          well as their own independent analysis, you know,  
15          interrelationships with public officials, et cetera, and  
16          I believe they seriously represent the citizens of Alaska  
17          and I take their comments very seriously.

18                  CHAIRMAN HUDSON: And finally, is it  
19          possible -- I guess I'm kind of hung up on the fact that  
20          this is an issue of such major importance to people of  
21          Alaska, and I understand the Joint Board, you know, has a  
22          responsibility to the FCC, but I'm concerned about  
23          Alaskans, and particularly this committee, knowing what's  
24          coming down and what the basis and background of it, what  
25          the justification for it is, what assurances were given



1       that, you know, that you're guessing right, and that  
2       you're not just simply taking somebody's promise but that  
3       you have greater assurances than just a promise and that  
4       you are cranking into your final decision some mechanism  
5       to require, you know, some ironclad commitments that will  
6       protect the rural, particularly. I don't have any doubt  
7       but what competition isn't the right way to go. I  
8       wouldn't be a Republican if I didn't, I think.

9               So the question is -- the question is given  
10       the unique circumstances we have here in the State of  
11       Alaska, we also have a very broad geography here that  
12       really has different circumstances and APUC, as I said  
13       before you're our Susan. I mean that from an APUC point  
14       of view. I look to the APUC as the protector of the  
15       interest of the people of the State of Alaska. You do  
16       wear that hat, at least as one member of that task force  
17       and are you the chair of that task force.

18              COMMISSIONER KNOWLES: No, Don Schroer is  
19       the chairman of the commission.

20              CHAIRMAN HUDSON: Where's he from?

21              COMMISSIONER KNOWLES: He's from Anchorage.

22              CHAIRMAN HUDSON: We've got an Alaskan  
23       chair, so we've got Alaskan input.

24              COMMISSIONER KNOWLES: Oh, I'm sorry, were  
25       you talking about the APUC or the Joint Board?

1 CHAIRMAN HUDSON: No, the Joint Board.

2 COMMISSIONER KNOWLES: Oh, I'm sorry, I  
3 misunderstood. The chairman of the Joint Board is  
4 typically the chairman of the FCC. Presently it's  
5 Quello.

6 CHAIRMAN HUDSON: He's presently -- that  
7 always causes me great deal of suspicion. So I would  
8 hope that you would take into consideration the State of  
9 Alaska's input and recommendations. Not that I  
10 necessarily agree with all of them, I don't know yet.  
11 That's why we're having this hearing, and that you would  
12 really try to find some ironclad assurances or guarantees  
13 from whoever ends up ultimately carrying the ball in  
14 Alaska, that you know, all of the preservation, and  
15 universal services, as defined in my understanding, goes  
16 beyond just what's there today and beyond the telephone  
17 goes to what Representative Brown is talking about and  
18 that is the ability to take full advantage of, you know,  
19 the expanding state of the art of telecommunications.  
20 Coming from Juneau where they're trying to take our  
21 capital away, video teleconferencing is extremely  
22 important to me.

23 REPRESENTATIVE PORTER: Why would that be?

24 CHAIRMAN HUDSON: Well, so that we can have  
25 real access, you see. So with that, I'll go one time,

1 Mike, if I could before we get out of here, we do have  
2 some folks I understand in Barrow and Homer and Kotzebu  
3 and of course John Katz is coming in from Washington,  
4 D.C. in just a few minutes here. If there's anybody on  
5 the line in Barrow or Homer or Kotzebu, Barrow is anybody  
6 there that would like to ask a question or have any input  
7 at this moment.

8 BARROW: Not at this time, thank you.

9 CHAIRMAN HUDSON: Can you tell us, Barrow,  
10 who is on the line there?

11 BARROW: Robert Clements (phonetic) from GTE  
12 is here.

13 CHAIRMAN HUDSON: Thank you very much.  
14 Homer, is there anyone there that would like to pose a  
15 question? Homer, are you on the line?

16 HOMER: Homer is here. Linda Jolsen  
17 (phonetic) is here for Representative Gail Phillips.

18 CHAIRMAN HUDSON: Linda, do you have any  
19 questions on behalf of Gail or yourself?

20 HOMER: She's on the other phone right now  
21 but I don't believe she does. Thank you.

22 CHAIRMAN HUDSON: Thank you very much.  
23 Kotzebu, you're on the line. If you have any questions,  
24 this is your time.

25 KOTZEBU: Thanks for the opportunity, but

1 we're just listening in. Thank you.

2 CHAIRMAN HUDSON: Fine. Anyone else on the  
3 line? Just a minute here, getting a message. Fairbanks,  
4 anyone from Fairbanks that wishes to ask a question or  
5 provide any input.

6 FAIRBANKS: We just have two observers at  
7 this time.

8 CHAIRMAN HUDSON: Thank you very much. It's  
9 my understanding that that concludes the persons on the  
10 line. For the record and for your information, Susan, we  
11 do have two letters and for the members of the  
12 legislature and people assembled around the desk here and  
13 anyone else that wants a copy. We have a letter here  
14 from Senator Dave Donley and a letter from Senator Steve  
15 Frank that will be introduced for the record, and I won't  
16 read them at the moment here but we will make them  
17 available here, and also for the record, my good friend  
18 Dave Finkelstein joined me I think over an hour ago.  
19 Dave, I'm sorry I didn't recognize you earlier, but  
20 you'll get your pay, don't worry.

21 And at this time, then I guess, Susan,  
22 unless you have any closing comments, we'll go break at  
23 this moment and take about five minutes and then we'll  
24 pick up with John Katz from Washington, D.C. Do you have  
25 any final comments or does anybody at the table have any

1 final comments? Representative Navarre.

2 REPRESENTATIVE NAVARRE: I just wanted to  
3 comment, support that remark of competition is not  
4 limited to Republican Party.

5 REPRESENTATIVE BROWN: I do have one comment  
6 that -- one question.

7 CHAIRMAN HUDSON: Representative Brown.

8 REPRESENTATIVE BROWN: Could you -- Alascom  
9 asserts that the Board has not sufficiently analyzed the  
10 effect on Alaska consumers that this tentative plan would  
11 bring about. What are the effects on Alaska consumers,  
12 as you understand them?

13 COMMISSIONER KNOWLES: Well, we are  
14 presently attempting to better understand the allegations  
15 that are in Alaska's -- Alascom's excuse me, comments,  
16 which is the subject of this data request and informal  
17 follow-up is underway. So we're trying to take -- what  
18 we're trying to discern is taking their assumptions and  
19 better understanding them, to see if we arrive at  
20 comparable numbers or not. So we're actively involved in  
21 that consideration.

22 I think I should note that one of the  
23 challenges that we face here, and the question I think  
24 points to it, is we're relying on historical data plus  
25 projected data, which may or may not have assumptions



1       that everybody would agree with to make, to some degree,  
2       predictions about what the implications of change are and  
3       there will be no perfect answer because we cannot foresee  
4       the future. So -- but we're actively involved. We took  
5       their comments very seriously with respect to the impact  
6       and we're trying to make our own independent analysis,  
7       but that is interesting.

8                   CHAIRMAN HUDSON: Susan, on the same lines,  
9       that posed another question here. Do you have the  
10      services of Overland or somebody else to analyze your  
11      proposal or your final proposal? Will you have -- will  
12      you have professional assistance in analyzing your final  
13      proposal as to the implications on Alaskans?

14                   COMMISSIONER KNOWLES: Overland is still on  
15      contract and we are continually performing self  
16      assessments of whether or not the ideas and any  
17      modifications to those ideas that we're actively  
18      considering have positive or not positive effects. So  
19      it's a very dynamic ongoing analytical process, and you  
20      know, you put in one decisional variable and you attempt  
21      to sort out what the impacts are and then you try others,  
22      still working within these broad, you know, policy  
23      objectives that will not be compromised ultimately.

24                   CHAIRMAN HUDSON: And maybe one just final  
25      parting and then after that we will take a break.

1       What -- what pushes the time line on this subject? I  
2       mean, you know, you say -- you say yourself that you're  
3       still analyzing these different things, that you've only  
4       come up with a tentative recommendation, that you still  
5       haven't analyzed the latest information from say Alascom  
6       and I presume at any rate you're getting analysis and  
7       backup information from AT&T as to what they're basing  
8       their information on, as well as GCI, so there's volumes  
9       of this type stuff. Is there some drop dead date that  
10      this thing has to be concluded or would it be better to  
11      leave that open to try to analyze this information, you  
12      know, in a better manner?

13                   COMMISSIONER KNOWLES: The Joint Board is  
14      currently attempting to arrive at a decision before  
15      November 1 of this year. The, you know, matters have  
16      been pending as some will say for a long decade. There  
17      are some disadvantages with continuing the proceeding, at  
18      least in some entities' minds, perhaps there are  
19      advantages in other entities' minds which are certainly  
20      factored into this, but presently, we are attempting to  
21      conclude our business by November 1.

22                   CHAIRMAN HUDSON: All right. Thank you very  
23      much, and thank all members that participated in this  
24      segment. We will now take about a five minute break here  
25      and then we'll come back on. Presumably Mr. Katz is on

1 the line or ready to get on the line. Thank you very  
2 much.

3 (At about 10:59 a.m. - brief recess, and at  
4 about 11:11 a.m. - proceedings reconvened)

5 CHAIRMAN HUDSON: We're about seven minutes  
6 behind schedule. We have Mr. John Katz representing the  
7 State of Alaska, who has been on line, I understand, all  
8 this morning with us, as well as two of -- you can give  
9 us for the record your names and what relationship you  
10 have in this situation. My understanding that John, are  
11 you -- are you on the line at this time? .

12 MR. KATZ: Yes, sir.

13 CHAIRMAN HUDSON: All right. Well, want to  
14 welcome you and nice to hear your voice again. Good work  
15 with you again, John. John and I worked together back in  
16 the Hammond administration and he is going to give us a  
17 briefing on the State's position in filing, and John,  
18 with no more time lost in your presentation, would you  
19 just go ahead and give us your name, rank and serial  
20 number and we'd like to hear from you, sir.

21 MR. KATZ: Thank you, Mr. Chairman. My name  
22 is John Katz. I'm Director of State and Federal  
23 Relations and special counsel for the governor. With me  
24 here in Washington is Bob Halperin, a partner in the law  
25 firm of Crowell Moring. With you in Anchorage is Mark

1       Dinneen, who is our Associate Director for Commerce and  
2       Finance from this office and also Neil Slotnick,  
3       Assistant Attorney General in the Department of Law.  
4       With your permission, I would like to make a few brief  
5       comments and then open it up for questions from you and  
6       the panel.

7                   CHAIRMAN HUDSON: That will be fine, John,  
8       proceed.

9                   MR. KATZ: From the beginning, our work in  
10       this proceeding, which spans over nine years now, has  
11       been governed by several basic principles. To a fair  
12       extent, those principles mirror objectives that have been  
13       previously postulated by the Federal State Joint Board.  
14       The first of these is universal telephone service in  
15       Alaska at reasonable rates. This reflects the federal  
16       policy in the Federal Communications Act for universal  
17       service. Alaska has one of the lowest rates of telephone  
18       penetration in the United States and that is certainly  
19       not the result that's acceptable.

20                   Secondly, we have favored interstate rate  
21       integration, which simply means that Alaskans should not  
22       pay more for long distance telephone calls, interstate  
23       calls than for comparable calls in the lower 48 states.

24                   Third, we've objected to any initiative  
25       which would have the effect of transferring costs from



1 the interstate long distance jurisdiction to the  
2 intrastate jurisdiction, thereby having a negative impact  
3 on intrastate consumers in Alaska.

4 Fourth, we have sought parity between Alaska  
5 and the lower 48 in terms of the services and technology  
6 and equipment which are available in Alaska versus that  
7 which is available in the lower 48.

8 There are two subsidiary policies that we  
9 have advocated. The first is competition. Not  
10 competition for its end sake, but competition as a means  
11 to an end, and the end there is lower costs and better  
12 service to the Alaska consumer.

13 And then finally, we have favored greater  
14 efficiency in the Alaska telecommunications system. I  
15 think the Alaska Telephone Association, in particular,  
16 has been very eloquent in pointing out what some of the  
17 inefficiencies are that we hope to rectify over time. In  
18 all of these endeavors, our focus has been on the Alaska  
19 consumer. We have no other reason for being in this  
20 proceeding. The governor's question to us in all  
21 instances has been what is the impact on the Alaska  
22 consumer and that is the -- both the urban and rural  
23 consumer. I would venture to say that if it weren't for  
24 the concern of the State and some other parties with  
25 rural Alaskans that perhaps this proceeding would have



1 ended quite some time ago.

2                   How do we -- and I want to distinguish this,  
3 I think, from the interests of the private parties. I  
4 don't want to overemphasize this or sound sanctimonious  
5 here, but their interests are those of their shareholders  
6 and their boards of directors and under our system,  
7 that's quite proper and we've had no objection to that.  
8 But we have felt that the State needed to be involved in  
9 this proceeding pro-actively because the public interest  
10 needs to be represented, as well. So at various times in  
11 this proceeding, we've probably been strong allies of the  
12 various private parties, depending upon what the issue  
13 may be, and at other times, we probably have suffered the  
14 slings and arrows of some of the private parties.

15                   How do we accomplish this effort? Let me  
16 just take a second to introduce you to the basic team  
17 that works on these issues. First is Bob Halperin and  
18 other people at Crowell and Moring. That's a private law  
19 firm in Washington, D.C. and I want to distinguish them  
20 from lobbying firms. They are a real live law firm with  
21 a strong expertise in telecommunications. They've  
22 represented the State for quite some time and have a very  
23 good background in that regard.

24                   Secondly, we've had access to the work of  
25 Carl Koursmo of Ernst and Young. I think he is reputed

1 by friends and foes alike as one of the best telecommuni-  
2 cations economists in the United States and we've used  
3 him at critical junctures of the process to assist in  
4 economic analysis.

5 Third is Mark Dinneen, who has worked in  
6 this office for the last three years on a number of  
7 issues, but has immersed himself in these telecommuni-  
8 cations matters.

9 Fourth is Neil Slotnick of the Department of  
10 Law who is a relative newcomer to these proceedings, but  
11 is one of the most gifted people in the Department of Law  
12 and has a very quick learning curve.

13 And finally, through federal works, I get  
14 involved in this proceeding in various capacities for the  
15 last nine years and my first contact with Alaska  
16 telecommunications matters actually occurred in 1969.

17 For those of you who have worked with me  
18 when I was a Commissioner of Natural Resources, my modus  
19 operandi in dealing with this proceeding has not really  
20 changed very much from those days. First, we have an  
21 open door policy at almost all times to any of the  
22 parties who would like to talk to us about this  
23 proceeding.

24 Secondly, we have actually actively  
25 solicited their views when we've had questions about

1       their position or felt that their input and analysis  
2       could be helpful to us.

3               Third, while we have a policy of not  
4       allowing any of the parties to see our draft pleadings  
5       before we file them, we always discussed -- discuss our  
6       tentative conclusions with each of the parties before  
7       filing just to make sure that we haven't missed anything.

8               I was astonished in preparing for this  
9       hearing to note that we have filed some 35 major  
10      pleadings over the years, totaling over 1100 pages. In  
11      addition, we have filed numerous other pleadings of  
12      lesser dimension. I think Mark Dinneen has those  
13      pleadings there in Anchorage, if anybody is interested.

14              And then finally, beyond the pleadings, we  
15      advocate directly to members of the Federal State Joint  
16      Board, both state members and federal members, and I  
17      think this might be a good juncture to distinguish our  
18      role in this process from the Joint Board and from the  
19      APUC. It is true that we are all paid for with public  
20      dollars, but our role in this process is as a party, as  
21      an advocate. Admittedly an advocate with hopefully a  
22      little bit different perspective than the private  
23      parties, but we consider ourselves to be governed by  
24      exactly the same rules of structured communication that  
25      govern private parties when we communicate with the Joint

Board, including Alaska's own member of the Joint Board and the federal regulators. So we file aciduously so-called ex parte letters when we have communicated substantively to any of them and we are acutely aware that our role is as an advocate and their role is as the ultimate decision maker.

I want to deal briefly with some of the major milestones in our work on this proceeding and I don't want to dwell on them, because most of it is past history, but I think you have a right to know where your appropriated funding has been going.

First, a couple of key junctures in this proceeding, the principle of rate integration, that is that Alaskans should pay no more for interstate long distance phone calls than comparable phone calls in the lower 48 states was in some jeopardy, and we advocated long and hard that we didn't want to be treated any differently, for a whole host of reasons, not just our advocacy. We believe that that principle is now well ensconced and well understood.

Secondly, we have been very concerned about jurisdictional cost shifts from the interstate long distance market to intrastate consumers in Alaska. This probably as much as anything has been one of our continuing themes, and at various junctures in the



1 process, we've interjected ourselves when we felt that  
2 the intended or unintended result of a particular policy  
3 was to cause jurisdictional cost shifts.

4 Third, we reluctantly oppose the master  
5 memorandum of agreement between AT&T and Alascom. We  
6 felt that that was a great deal to the two private  
7 parties involved but it was not a good deal in the public  
8 interest. And one of the principal reasons that we  
9 opposed that was our feeling that it could well lead to  
10 jurisdictional cost shifts to intrastate consumers over a  
11 period of time, and I should mention in this regard that  
12 intrastate costs in Alaska are not low, they're not  
13 particularly low in comparison with the rest of the  
14 country. So we have felt that taking those costs and  
15 then adding to them the results of the jurisdictional  
16 cost shift would not be in the public interest.

17 Finally, we have supported the joint  
18 services agreement between AT&T and Alascom pending a  
19 comprehensive and final solution in this proceeding. We  
20 have resisted any efforts to terminate that joint  
21 services agreement in a way that we thought would be  
22 premature, because the net result would be additional  
23 costs and shifts.

24 Now we're faced with another critical  
25 juncture in this proceeding. After careful analysis, we



1 have concluded that the joint services agreement is not  
2 sustainable in the long term, and that we have to look to  
3 a restructuring of the telecommunications industry in  
4 Alaska. There are several reasons for that conclusion.

5 Briefly, they are the following. At various  
6 points in this proceeding, all of the parties have either  
7 recommended that the joint services agreement be  
8 concluded or have basically admitted that that was a very  
9 likely result.

10 Secondly, we get very strong messages from  
11 some of the regulators, particularly the federal  
12 regulators, that the joint services agreement has served  
13 its time and it's time to move on to a different  
14 structure.

15 And then finally, the competitive policies  
16 of both the federal government and the State of Alaska  
17 seem to militate in favor of change. But we don't favor  
18 change at any cost.

19 Looking at the proposals that are before the  
20 Joint Board, we have made the following comments on the  
21 tentative recommendations of the Joint Board.

22 First, we are concerned about unintended  
23 jurisdictional cost shifts to intrastate rate payers. As  
24 has been indicated previously, there is a recommendation  
25 in the tentative recommendation that so-called frozen

1        allocator, which allocates costs between interstate and  
2        intrastate calls be reduced from 86 to 75 percent. We're  
3        very uncomfortable with that and there may be some other  
4        aspects that could cover jurisdictional cost shifts, as  
5        well.

6                Secondly, we believe that the transition  
7        period is too long. It's a total of seven years. A lot  
8        can happen in telecommunications in that period of time.  
9        Uncertainty in our judgment about what the future will be  
10       in Alaska is a hard investment, is causing people to have  
11       second thoughts about putting in the best technology, and  
12       yet, it is also important to realize in our judgment that  
13       Alascom has been a regulatory stake holder in Alaska for  
14       many years and decades and they have served Alaska well,  
15       particularly in recent times, rural Alaska, and whatever  
16       policies we adopt we believe has to consider or are  
17       adopted have to consider the role Alascom plays and make  
18       sure that there is no stranded investment on Alascom's  
19       part, that they are fully compensated for what they've  
20       done and the services that they've provided and if there  
21       is a merging, a long policy that deals with the position  
22       of a regulatory stake holder such as Alascom in a  
23       situation like this.

24               Finally, and this is hard to quantify or  
25       qualify, the Joint Board proposal is very complicated.

1 It is based on a lot of regulation and a lot of  
2 monitoring and in saying that, I don't want to demean it  
3 at all, because in our opinion, the Joint Board and  
4 particularly with Susan Knowles' impetus, is to be  
5 congratulated for tackling this issue, for moving  
6 forward, generating some momentum and trying to lay the  
7 basis for Alaska to move into the 21st century.

8 Moving on to the AT&T proposal, on the one  
9 hand there's some very attractive elements in this  
10 proposal. First of all, it is much simpler and more  
11 eloquent and easier to implement.

12 Secondly, it would have the effect of  
13 tremendous new investments in Alaska in monetary terms.  
14 In terms of new state of the art equipment, it would  
15 bring new technology to Alaska and expose Alaskans to a  
16 full gamut of technology that's available in the lower  
17 48. But we believe that there are also some significant  
18 infirmities. First of all, there's no transition period,  
19 really, in the AT&T proposal at all, although there would  
20 inevitably be some start-up time before AT&T could begin  
21 to function in the Alaska context, and so we are  
22 concerned about the impact on other carriers and the  
23 performance of their service and responsibility.

24 Secondly, we don't believe that the AT&T  
25 proposal provides us sufficient detail. It's, as I say,

1 very attractive conceptually, but at least as an advocate  
2 in this process, we want to know much more about how  
3 these concepts will be implemented. If we were private  
4 parties, we might be willing to accept the risk that  
5 things will be implemented and in a way that is  
6 consistent with the promises in the various AT&T  
7 proposals, but we feel as partial custodians of the  
8 public interest, we have to be risk averse and we've  
9 encouraged AT&T in the many very fruitful and useful  
10 discussions we've had to put more on the record so that  
11 we and others in the regulatory process could look at it  
12 and make any final comments.

13 Finally, we have been concerned about the  
14 impact on rural Alaska. Now, in deference to AT&T,  
15 particularly in some of their recent papers, they have  
16 said a couple of things which are assuring. One is that  
17 they will accept the responsibility for service in rural  
18 Alaska, if for any reason Alascom is not able to provide  
19 it and they will accept the responsibility for launching  
20 a satellite. But again, I think we need more details.  
21 We need more security, we need to know exactly how all  
22 that will come together. So in the last pleading we  
23 filed before the FCC, which I guess is the shortest and  
24 at least in my tenure, we stated these problems in the  
25 hope that both the Joint Board proposal and the AT&T



1 proposal would continue to evolve, and that perhaps these  
2 issues could be addressed.

3 And then finally, we have pursued a parallel  
4 and separate track with the various parties and that is  
5 we have encouraged them and we have worked with them to  
6 determine whether they could develop a business oriented,  
7 privately generated proposal that could be considered by  
8 the regulators. We all share the uncertainty of what the  
9 regulatory process may ultimately yield. One way to  
10 resolve some of that uncertainty is to come up with a  
11 proposal that would fit within the public interest  
12 parameters. There's been discussion, meandering  
13 discussion over the years about the advisability of  
14 AT&T's purchasing or acquiring certain of Alascom's  
15 functions. That can't be mandated by regulators. It's  
16 an interesting concept and there may well be others.

17 Finally, Mr. Chairman, in conclusion, I  
18 guess I would like to conclude this way, in our opinion,  
19 this proceeding has been going on for a very long time  
20 and it's time, we believe, to bring it to a conclusion.  
21 Not every conclusion, obviously, is satisfactory. We, in  
22 our view of that conclusion, would have to fit within the  
23 public interest parameters that I discussed earlier.

24 I also believe that Alaska is being harmed  
25 by delays in this process, that we're not receiving all



1 of the service and all of the benefits that would accrue  
2 if the capitalistic sector had some security about what  
3 the ground rules might be. And so we would like within  
4 those parameters to see the proceeding concluded in a  
5 reasonable way.

6 If that were not the case, then I would  
7 certainly recommend to the governor that we sue, although  
8 I don't think the courts are the proper place to resolve  
9 this. But I also believe that -- that the history of  
10 telecommunications in the lower 48 demonstrates that  
11 there really are no final solutions, that once we get  
12 across this tremendous barrier, whenever that happens,  
13 that there will have to be continuing adjustments, and  
14 responses as the various parties implement whatever  
15 proposal is ultimately adopted and we also believe that  
16 the APUC has a role here in this proceeding, not in this  
17 particular proceeding, but on this issue, that we have  
18 sought to protect in our pleadings, so when the Joint  
19 Board process is ultimately concluded, I think it is very  
20 likely that the APUC will be asked to consider some of  
21 the intrastate implications of these issues, and there  
22 will be another opportunity for the public interest to be  
23 protected.

24 With that, Mr. Chairman, I will stop and see  
25 if we can respond to your questions.

1                   CHAIRMAN HUDSON: Thank you, John. That was  
2                   a good presentation and I must say that I believe that  
3                   you've expressed, at least from my perspective, a lot of  
4                   the concerns that I've wanted to have protected and some  
5                   of the areas that we need to be diligent and watchful of  
6                   as this is finalized. You have -- John, a question that  
7                   I've got as a result of looking over your comments and  
8                   listening to your comments there, you have now made two  
9                   pleadings with the -- with the Joint Board for crafting  
10                  these comprehensive solutions and could you give me some  
11                  idea of if your recommendations are not adopted, did you  
12                  suggest that there may be other avenues that the State  
13                  might have to take?

14                 MR. KATZ: Yes, Mr. Chairman. I certainly  
15                 don't want to commit us to that, and our hope and  
16                 expectation is that either under the auspices of the  
17                 Joint Board or the private parties, whichever, we will  
18                 have an acceptable conclusion, but we've been in this for  
19                 so long and the stakes are so high for the Alaskan  
20                 consumer that I don't think that the State can fall short  
21                 six inches of the finish line, and if the ultimate  
22                 conclusion really deviates from the interest of Alaskans,  
23                 then I think we would have to consider what other  
24                 remedies are available there.

25                 CHAIRMAN HUDSON: John also, one of the

1 things that have been made quite clear and one of your  
2 primary concerns with market restructure is potential for  
3 upward pressures on intrastate rates. I think you've  
4 elaborated on that through jurisdictional cost shifts and  
5 the Board, of course, proposed the transition period of  
6 seven years and you're recommending, the State is  
7 recommending a shorter period, five years. What does the  
8 State hope to accomplish by limiting the transition  
9 period? I mean, can you give me a little bit more  
10 information as to how that accrues a benefit to the  
11 various parties and to the people?

12 MR. KATZ: Our basic effort there was to try  
13 to strike a balance between the need to make sure that  
14 Alascom is whole in the aftermath of all this with the  
15 need to get on with business, and we were concerned that  
16 an overwhelmed transition period might do two things.  
17 One is it could deny Alaskans the opportunity to begin to  
18 participate in the 21st century technology, and secondly,  
19 it could postpone the decision of some competitors who  
20 might otherwise want to enter the market at some point in  
21 time.

22 CHAIRMAN HUDSON: Thank you very much. Any  
23 questions from anyone? Representative Porter?

24 REPRESENTATIVE PORTER: Thank you, Mr.  
25 Chairman. Mr. Katz, Representative Porter. From your

1 perspective, could you give us I guess your version of  
2 this, what your concern is in specifics as to why the  
3 current proposals would have an adverse effect on  
4 intrastate rates.

5 MR. KATZ: Well, in the case of the AT&T  
6 proposal, they contend that there really wouldn't be any  
7 jurisdictional cost shifts because they would be in both  
8 the interstate and the intrastate market. So our concern  
9 there has not been so much with jurisdictional cost  
10 shifts, but that is with much greater definition  
11 generally and with clarification of what they are willing  
12 to do to maintain and improve service to rural Alaska.

13 With respect to the Joint Board, our  
14 principal concern with jurisdictional cost shifts is the  
15 reduction in the so-called frozen allocator from 86 to 75  
16 percent, which would shift, we think, about ten million  
17 dollars in costs at the end of the transition period to  
18 the intrastate market, and in a collateral proceeding  
19 that was concluded some time ago, the State and then  
20 Commissioner Marv Weatherly of the APUC, were very active  
21 in trying to establish that 86 percent figure. So you  
22 know, we have some strong interest at maintaining it.

23 Also, we're not totally clear and certain  
24 about how the Alaska fund would work, which is in the  
25 Joint Board proposal, and whether that could, you know,



1 be counted on as a real guarantee against jurisdictional  
2 cost shifts.

3 REPRESENTATIVE PORTER: Thank you.

4 CHAIRMAN HUDSON: Mr. Boucher,  
5 Representative Boucher.

6 MR. BOUCHER: John, Red Boucher here. I  
7 want to congratulate you on the thoroughness of this.  
8 There's two questions that I would have for you. I think  
9 everybody wants to bring this to a conclusion, you and I  
10 have both been involved for a long period of time in it  
11 dating back to when I was lieutenant governor. How do  
12 you see -- Susan earlier stated November 1. Some of the  
13 written testimony is October 1. What do you consider as  
14 a reasonable drop dead date, if you will, based on what  
15 you have now? Then the second question, I hear a lot  
16 about technology, technology, and oftentimes we talk  
17 about technology as the solution to the problem a instead  
18 of the information that it genders. What technologies do  
19 you feel that we do not have in place in Alaska that this  
20 agreement would tend to bring here? I happen to feel  
21 we're pretty sophisticated, probably more so than 80  
22 percent of the other states. I mean, I've been sending  
23 stuff by modem since 1978 and I'm in receipt of my new  
24 Newton which will allow me to fax. I can do everything  
25 but send myself, and that's from -- that's from



1 Anchorage. So what technologies are we being told that  
2 we don't have?

3 MR. KATZ: Representative Boucher, let me  
4 start with your first question first. After nine years,  
5 I think I would have to admit that there is no -- you  
6 know, that it's sort of unreasonable to postulate a  
7 specific drop dead date and say that that has some  
8 talismanic significance. Our general feeling is that the  
9 proceeding should be brought to a reasonable conclusion  
10 and frankly, the last couple of phases of the proceeding  
11 have generated a lot more light than neither we nor  
12 probably of any of the private parties are seeing a whole  
13 lot that's new. The ultimate decision about the date is  
14 not ours to make, obviously, as the regulators, and I  
15 guess I would say that on the basis of what we know,  
16 November 1 probably gives them the time to analyze all of  
17 this data going back, you know, really to the original  
18 submission of years ago, and to come to their  
19 conclusions, but we believe that the Joint Board has been  
20 extremely dedicated and well motivated and if they could  
21 not complete the work to their satisfaction within that  
22 time period, I'm sure the State would be the first to cry  
23 uncle and ask to war.

24 With respect to your second question, I  
25 agree with what you've said and while we always want

1 improvements, I know from our work with other states back  
2 here that we're decades ahead in some of the  
3 technological aspects, witness this hearing which I think  
4 could probably not occur with any great facility in many  
5 of the other states that we work with.

6 What I'm thinking about, Representative  
7 Boucher, more than anything, is just exposing Alaskans to  
8 the full gamut of service options and cost reductions  
9 concomitant with those options that exist for consumers  
10 in the lower 48, whatever those service options may be,  
11 and they keep evolving, we just want to make sure that  
12 Alaskans have the opportunity to receive those at  
13 reasonable rates also.

14 MR. BOUCHER: Thank you, John. Thank you,  
15 Mr. Chairman.

16 CHAIRMAN HUDSON: Further questions from the  
17 table? Representative Finkelstein.

18 REPRESENTATIVE FINKELSTEIN: Thank you. Hi,  
19 John, this is David Finkelstein. We also, as always,  
20 appreciate all the great work you're doing back there.

21 MR. KATZ: Thank you.

22 REPRESENTATIVE FINKELSTEIN: The -- you've  
23 had the advantage to follow along these federal  
24 proceedings and regulatory proceedings over the years.  
25 One of the issues that concerns us is the issue of public

1 participation and, you know, participation by the various  
2 entities involved. In your experience, compared to other  
3 telecommunication proceedings like this occurring at this  
4 federal level or joint leveled in the last ten years, has  
5 the -- has the participation level been good, as good,  
6 bad or about the same as in the past.

7 MR. KATZ: It's been similar. There is a  
8 certain format for these federal state joint boards and I  
9 believe that the Joint Board in this instance is  
10 following that format. There are a couple things worth  
11 saying about all that. One is that at various times,  
12 state commissioners and federal commissioners on the  
13 various iterations of the Joint Board have been to  
14 Alaska, and we've encouraged the FCC a couple of times  
15 to -- to still work up there, but one of the -- while the  
16 principal reason that we're in this proceeding is because  
17 the average Alaskan doesn't have the time or the  
18 resources to be involved, and I don't claim that we have  
19 a monopoly on knowledge, by any means, in this  
20 proceeding. It's way too complicated for that, but in a  
21 way, this proceeding is unfolding like many federal  
22 issues do, in the sense that the people elect the  
23 governor and a congressional delegation and a legislature  
24 to -- to represent their interests and to oversee that  
25 they're properly carried out and without sounding

1 sanctimonious, we've tried to accomplish that,  
2 recognizing the limited access that the average Alaskan  
3 has to this proceeding, but also recognizing that these  
4 proceedings unfold this way almost every time.

5 And there are a couple of other things worth  
6 adding to that answer, I think. One is that we see our  
7 goal here in this proceeding exactly as Chairman Hudson  
8 stated his concerns at the beginning of this hearing, and  
9 certainly to the extent that 60 legislators are  
10 representative of the body of politics in Alaska. We  
11 would be pleased to work with you all if you believe that  
12 there are interests that are not being reflected.

13 Secondly, it's been pointed out to me that  
14 this kind of administrative proceeding is a little bit  
15 different than some others that we're all familiar with,  
16 and Alaskans can, as a right, without filing a motion to  
17 intervene, file their concerns and comments in this  
18 proceeding just by writing Dear FCC or Dear Joint Board.  
19 And because the FCC and the joint boards act not so much  
20 on the basis of oral presentations, but more on the basis  
21 of written presentations, that seems to us to be another  
22 way that Alaskans can represent themselves here. But you  
23 know, in addition to our work over time, the  
24 congressional delegation, in particular Senator Stevens,  
25 has also been very much involved and I think the total



1 effort here is to represent the interests of Alaskans and  
2 then finally, the private parties are sure there to make  
3 sure that neither we nor anybody else strays very far  
4 from the beaten track. And I feel through a combination  
5 of their advocacy and their economic self-interests and  
6 ours, and the rebuttals that go back and forth, that the  
7 Joint Board has been exposed to a pretty fair  
8 representation of Alaska thought on these matters.

9 REPRESENTATIVE FINKELSTEIN: Thank you, Mr.  
10 Chairman.

11 CHAIRMAN HUDSON: Thank you very much.  
12 John, we would appreciate receipt of any pertinent  
13 analyses or studies that you might have or obtain over  
14 the next few months as this issue is being resolved that  
15 would be pertinent to the formation of the administra-  
16 tion's adoption or agreement, you know, with the various  
17 proposals there. I understand now that it's all kind of  
18 working and you've got people that are analyzing  
19 different proposals, probably even your own, but in the  
20 final analysis, somewhere along the line, you'll probably  
21 come up with some justification, something that turns  
22 your attention to one particular concept or idea that you  
23 felt most represented those protective elements of the  
24 proposal that you wanted to obtain, public protection,  
25 cost suppression, things of this nature. We'd like to



1 get copies of that just so we have them in the  
2 legislative files there.

3 I don't -- I was trying to think back on  
4 the -- on this -- one of the areas that brings my  
5 attention to the need for some more information is this  
6 whole thing about collecting from all of the different  
7 carriers, putting it into a separate pot of the money,  
8 this is that goes on for the four years following the  
9 three in the AT&T -- or in the Joint Board proposal. Do  
10 you understand that? Does anybody understand how that  
11 would work? Did I understand you to say you don't?

12 MR. KATZ: Let me respond to the first part  
13 that you mentioned. We would be glad to provide you with  
14 analyses that we generate and frankly, we would be glad  
15 if you feel that there are particular topics you  
16 would like us to generate some analysis on for your own  
17 purposes. One of the reasons the governor has structured  
18 this effort the way he has is to make sure that what we  
19 do is first coordinated with folks in Juneau and then  
20 secondly with respect to important matters, he really  
21 does look at them and make the decision, and he would be  
22 glad to expose you to that aspect of the analysis also.

23 With respect to the Alaska fund that I think  
24 you are referring to, with Bob's indulgence, think I  
25 might turn that one over to him and let him explain

1 exactly how that one works.

2 MR. HALPERIN: Hello, Mr. Chairman. The  
3 Alaska fund as the Joint Board envisioned it would be  
4 funded by in effect placing a surcharge on all long  
5 distance carriers operating anywhere in the United  
6 States. The amount of that surcharge would be simply  
7 calculated to derive a set sum of money, that sum of  
8 money being the amount necessary to defray in ever  
9 decreasing percentage of the 11 percent difference  
10 between 86 and 75. Other of that differential would be  
11 recouped from this fund say beginning in the year four  
12 after the decision, year four after the adoption of the  
13 tentative recommendation, and that would phased down over  
14 I believe a seven year period so that by the beginning of  
15 the year four and the end of year ten, that fund would  
16 gradually decrease -- (inaudible) -- so that in the  
17 beginning, the 11 percent, all the 11 percent is recouped  
18 at the end. None of that 11 percent is recouped at  
19 the -- (inaudible). The thought is by the Joint Board  
20 that over that seven year period, the intrastate market  
21 would be able to absorb the ever increasing portion of  
22 the 0 to 11 percent of that cost and that the joint --  
23 the Alaska fund itself would not be doing.

24 CHAIRMAN HUDSON: Thank you, I think.  
25 There's a lot of questions as to -- and I guess that's

1 part of the problem is that we don't really have a lot of  
2 information on that. All we have is reference to it and  
3 it appears, at any rate, so it's an integral part of this  
4 plan of proposal here. So thank you very much for that  
5 information.

6 At this time, we'll go around the table one  
7 more time and see if there's any further questions here.  
8 Mike, you got any questions? Anybody? Red, would you  
9 have another one?

10 MR. BOUCHER: Thank you, sir, I'll be brief.  
11 It's what I wrote on the note. What is -- I do not see  
12 our delegation in Washington, and since this has been  
13 constantly emphasized it is more a federal issue and  
14 federal input, I see no input from Senator Stevens,  
15 Murkowski or Young's office, nor do I see them testifying  
16 here. Do we -- is this committee going to obtain  
17 information from them on the record as to their status?  
18 Maybe there's something that I don't know about.

19 CHAIRMAN HUDSON: We have notified them of  
20 this hearing and the committee will -- will certainly ask  
21 for the testimony. It's my understanding that at least  
22 Senator Stevens has corresponded with the committee here  
23 and is trying to facilitate the meetings between the  
24 various private entities and I presume at any rate that  
25 we'll receive information from the delegation as to their

1 position on this situation. And John, I would guess that  
2 you're probably in the best position to try to ascertain  
3 that for the record, if you could.

4 MR. KATZ: I'd be glad to do that. We  
5 coordinate closely with them. At various times,  
6 depending upon the issue involved, they've all been  
7 active. Senator Stevens is particularly active because  
8 he sits on the senate commerce committee which has  
9 jurisdiction over the FCC, but they aren't formal parties  
10 in the process, so they are a little bit careful in how  
11 they make their input, but we've tried throughout the  
12 proceedings to -- tried to present a consistent base to  
13 the FCC.

14 CHAIRMAN HUDSON: Thank you, John. One time  
15 going around on the teleconference network, if anybody  
16 has a question of Mr. Katz or the members of his staff  
17 that are here or of the committee at this time, just go  
18 ahead and call on in, tell us where you're calling from,  
19 give us your name and ask your question. Going once --

20 REPRESENTATIVE BROWN: I have a question.

21 CHAIRMAN HUDSON: Representative Brown.

22 REPRESENTATIVE BROWN: Thank you. John, are  
23 you in your office having ongoing discussions with AT&T  
24 about the details of their consumer benefit plan?

25 MR. KATZ: Representative Brown, we are, as



1 well as with the other party. We've -- we believe that  
2 some of the things in AT&T's latest filings may have been  
3 because of discussions we had with them, particularly  
4 about what would happen in rural Alaska if anything  
5 untoward happened to Alascom and what assurances AT&T  
6 would be willing to make in that regard, and secondly,  
7 what they would be willing to say on the record with  
8 respect to launching a satellite which would basically  
9 cover Alaska in the period of time when that would be  
10 required, and we've also talked to them about providing  
11 additional detail on other matters.

12 CHAIRMAN HUDSON: All right, John. Thank  
13 you. Hearing nothing from the -- from the conference  
14 line.

15 MR. DINNEEN: Representative Hudson?

16 CHAIRMAN HUDSON: Yes, please, Mr. Dinneen.

17 MR. DINNEEN: Yes, Mark Dinneen, I just  
18 wanted to make one short observation. It was my  
19 impression that Susan Knowles was unduly modest with  
20 respect to her self-congratulations in her role on the  
21 APUC and on the Joint Board and presenting and defending  
22 Alaska's interests with the FCC and the state members of  
23 the Joint Board, and I wanted to suggest my own high  
24 regard for her work on behalf of the interests of the  
25 State and the consumers of the State of Alaska, and also



1 suggest to anyone who would like to do further or more  
2 extensive elaboration of the State's participation or the  
3 State's role in the proceeding at all that I'll be here  
4 at home in the State through Labor Day.

5 CHAIRMAN HUDSON: And I might ask that any  
6 pertinent information that you think the committee needs,  
7 if you can't get hold of me since I might be over in the  
8 Yukon in a nice little cabin alongside a lake, Royce  
9 Weller (phonetic) over here is up on this whole subject  
10 and will make sure everybody gets a copy. Poor Royce, he  
11 doesn't get to go to the lake. Thank you very much.

12 Okay, at this time, then, we're going to go  
13 ahead. It's two minutes before noon. It's time to get  
14 some bread. Thank you all. John, thank you very much.  
15 Have a good day back there, sir.

16 MR. KATZ: Thank you very much. Bye now.

17 CHAIRMAN HUDSON: Good-bye.

18 (At about 11:59 a.m. - luncheon recess, and  
19 at about 1:20 p.m. - proceedings reconvened)

20 CHAIRMAN HUDSON: I apologize for those that  
21 have been waiting for us here. We're a little late in  
22 getting started, but I think we've got ample time in this  
23 afternoon's agenda. We did notice one thing in your  
24 published hearing agenda here that the time slot for this  
25 particular segment, which is the industry's

1 presentations, is only for one hour and we've actually  
2 got two. So I think we'll have plenty of time for  
3 everyone to make their full presentations and I offer  
4 that to the industry, and for that, matter of fact,  
5 anyone that wishes to testify that has not already signed  
6 up here if you'd also like to do that, be sure that you  
7 are signed up to testify so that we can catch you here.  
8 I think we'll have plenty of time this afternoon to  
9 conclude, get a good full hearing on this.

10 And so at this time, I'd like to -- I'm not  
11 even sure who's going to go first here on the industry  
12 side. How about -- how about the smallest going first.  
13 GCI, would you like to be the first?

14 MS. TINDALL: Is that company size we're  
15 talking?

16 CHAIRMAN HUDSON: Well, I'm sorry.

17 MS. TINDALL: I do my best to look pregnant.

18 CHAIRMAN HUDSON: Maybe I should have said  
19 both of you come up. And if you would, give us your  
20 name, please, and your affiliation and then we'd be happy  
21 to have your testimony.

22 MS. TINDALL: Thank you very much, Mr.  
23 Chairman. My name is Dana Tindall and I am the  
24 Vice-President of Regulatory Affairs for GCI and I thank  
25 you for this opportunity to be here today on this very

1 important issue.

2 Just very quickly a couple of facts about  
3 GCI to update those who may not have been following us,  
4 we do serve both the interstate and the intrastate market  
5 in Alaska. We provide service or offer service to 93  
6 percent of the access lines in the state. We are  
7 prohibited from going -- from providing facilities based  
8 service in the very rural areas of the state on both the  
9 intrastate and the interstate jurisdictions, something we  
10 hope changes soon. And we have, since the advent of  
11 intrastate competition, we have been competing and I  
12 think the market's been working very well.

13 Commissioner Knowles, both Commissioner  
14 Knowles and Mr. Katz provided backgrounds to the  
15 decisions. Commissioner Knowles did a pretty good job  
16 and I agree with everything she said. I'd just like to  
17 flush out a couple of points that are important from  
18 GCI's perspective. As Commissioner Knowles said, the  
19 Joint Board proceeding began in -- really began in 1985.  
20 There was a petition from the State to do a proceeding in  
21 1983, but it really got underway in 1985, and the  
22 question of harmonizing rate integration and competition  
23 would not seem at first to be an obvious question. GCI  
24 as a competitor in Alaska has no complaint with rate  
25 integration. It is a policy we've embraced. We think

1       should be maintained at all cost.

2                       What is more difficult to harmonize in  
3       Alaska is the way rate integration has been effectuated  
4       in Alaska and how that harmonizes with the competition,  
5       and that is the joint services arrangement, and the way  
6       we look at the joint services arrangement is a subsidy  
7       flow from AT&T to Alascom. Alascom charges AT&T's rates,  
8       it collects the revenues its receives from charging those  
9       rates and AT&T writes them a check for the difference  
10      between the revenues it recovers and their actual costs,  
11      plus a rate of return on most of those costs.

12                     This is a fine system and worked well. It  
13      satisfies universal service concerns and it works well in  
14      a monopoly situation. It does not work so well in a  
15      competitive situation where you have one carrier that's  
16      subsidized and one carrier that's not. To give an  
17      example of the type of costs that are paid for by AT&T,  
18      political contributions, legal fees, marketing costs, and  
19      I think that this arrangement has led to a distortion of  
20      many of the incentives in this market. You have far more  
21      marketing than you would have in this Alaska, pretty  
22      fairly small telecommunications market. You have your  
23      two telecommunications companies very active in politics  
24      here in Alaska, and other things that I think we're all  
25      aware of, strictly pretty much come about as a result of



1       this joint services arrangement, and that has been a  
2       problem for us to compete against since we began in this  
3       market.

4                       So that's really the question that, you  
5       know, why do you need to harmonize rate integration and  
6       competition in Alaska? That's why, because of the way  
7       rate integration has been effectuated. There are other  
8       ways of effectuate rate integration and I think the Joint  
9       Board has come up with a very good one and that is to  
10      make AT&T responsible for service in the State of Alaska  
11      and at their nationwide integrated rates and GCI  
12      certainly recognizes that that is the way we need to go  
13      in this state. So again, we have to problem with rate  
14      integration. We have a problem with the way it's been  
15      effectuated.

16                      I'd like to talk a little bit about why  
17      we're where we are today from our point of view. This  
18      proceeding's been going on for ten years. Why has it  
19      been going on for ten years? And I think -- I'm just  
20      guessing because I'm not a policy maker in this  
21      proceeding, but from my observations of this proceeding,  
22      as a policy maker you want do make sure that universal  
23      service is protected, you want to make sure rate  
24      integration is protected, you want to make sure that the  
25      other five goals that both Mr. Katz and Commissioner



1 Knowles laid out to you are protected, and so which way  
2 do you move, how do you make sure? As you've asked the  
3 question, how are we sure this is going to happen? Okay,  
4 and I think that that's why that this Joint Board has  
5 taken ten years to look at this issue and has looked at  
6 reams of data and conducted, you know -- has a record two  
7 and a half times the size of Commissioner Knowles, but in  
8 the last 18 months, something very profound has happened  
9 in this market and that is that all of the parties to the  
10 Joint Board have gone on record saying that the joint  
11 services arrangement that exists today is no longer  
12 sustainable. The State of Alaska has said it, GCI has  
13 said it, AT&T has said it, and Alascom has said it, and  
14 I'd like to read you a couple of quotes from Alascom in  
15 the proceeding before the APUC on the master agreement  
16 and testimony they filed. Of Vern Dunham (phonetic),  
17 Senior Vice-President in Alascom, the question was, do  
18 you believe that the status quo for Alaskan service and  
19 particularly frozen allocator can be maintained  
20 indefinitely, and the answer is no, I do not. The  
21 parties attacking the master agreement appear to operate  
22 from the unarticulated assumption that the joint services  
23 agreement and the frozen allocator related to it will  
24 continue indefinitely.

25 And then they have their lawyer filed some

1 testimony in what Mr. Naftalin from Washington, D.C. and  
2 what he has to say is what these witnesses have not taken  
3 into account in the testimony is that the present  
4 conditions under which rate integration is accomplished  
5 through a joint service arrangement between Alascom and  
6 AT&T, as well as the jurisdictional separation rules  
7 which assigned only a small fraction of the expense and  
8 investment of jointly used facilities to the intrastate  
9 jurisdiction are not conditions that can be counted upon  
10 to be preserved if Alascom's proposal here is denied.

11 Now, why is this important? I think this  
12 gets at the heart of what this community is looking at,  
13 which is do we need to leave the status quo, and if so,  
14 have we had enough Alaskan infusion into this process.  
15 Has there been enough Alaskan comment. And I think Mr.  
16 Katz alluded to the problem when he said that the State  
17 may sue or the FCC may take over.

18 All the parties are on record saying the  
19 existing arrangement is no longer stable. Given that, we  
20 have to move to another arrangement. If the Joint Board  
21 does not determine another arrangement, I believe that it  
22 will be taken out of Alaskan's hands. This issue will  
23 either be resolved by the FCC or by the courts.  
24 Somebody's going to sue. If it's not the State of  
25 Alaska, it most likely could be AT&T, who has said very

1 vocally and very often that they do not want to pay this  
2 subsidy to Alascom anymore.

3 Now, about the proposals before the Joint  
4 Board, as both Mr. Katz and Commissioner Knowles have  
5 said, there are two main proposals before the Board.  
6 There is the tentative recommendation by the Joint Board  
7 and there is the AT&T Alaska consumer benefits plan. GCI  
8 supports the tentative recommendation by the Joint Board  
9 for a number of reasons. One, we firmly believe that the  
10 Joint Board has been put in place to protect the public  
11 interest and we believe they've done so. They have stuck  
12 to their five goals and we believe that this tentative  
13 recommendation will preserve rate integration, universal  
14 service, as much as possible jurisdictional revenue  
15 requirement neutrality, market based competition and  
16 increased efficiency.

17 Some of the things that the Joint Board  
18 found are when they released the tentative recommendation  
19 are important from the perspective of helping Alaskans  
20 have a better world in telecommunications. One thing  
21 they said on the subject of efficiency is Alascom,  
22 however, has not felt the presence of formidable  
23 interstate competition. As long as the JSA exists there  
24 is little incentive for Alascom to control costs or trim  
25 its rate base as both its revenue requirement and a

1 customer for its interstate services are virtually  
2 assured. Based on current conditions and comments we  
3 tentatively conclude that the public interest would be  
4 better served by terminating the JSA and thereby  
5 restructure interstate telecommunications market in  
6 Alaska, to promote competition open entry and increased  
7 efficiency.

8 So not only does this proposal maintain  
9 integrated rates, universal service, but it increases  
10 efficiency, it improves market based competition and it  
11 will hopefully correct some of the distorted incentives  
12 brought about by the current joint services arrangement.

13 The other thing that's important to  
14 understand about this tentative recommendation that I'm  
15 sure that some of you who've been watching or partici-  
16 pating in Alaska telecommunications will appreciate is it  
17 is a fair compromise between the parties. This tentative  
18 recommendation does not give any party what they wanted  
19 and if you review what each party wants and then you look  
20 at the tentative recommendation, you'll see what I mean.

21 What would AT&T like? And I'm -- I don't  
22 mean to speak for AT&T. This is how GCI views the world.  
23 We think AT&T wants out of this joint services  
24 arrangement and they want out of it tomorrow. They want  
25 it stopped immediately. That's what the consumer benefit



1 plan is all about. The problem is AT&T entered into an  
2 agreement with Alascom a long time ago to participate in  
3 the joint services arrangement. So the tentative  
4 recommendation doesn't let AT&T out immediately. It  
5 let's them out after three years, after they have given  
6 Alascom a transition period to adjust to the new  
7 competitive world and after they have most likely  
8 compensated Alascom for some portion of their facilities  
9 rate base.

10 What does Alascom want? I guess that in the  
11 best of all worlds Alascom would like the status quo to  
12 continue, but even they say that's not going to happen.  
13 And so what does this tentative recommendation give them?  
14 It gives them an opportunity to remain in the market, it  
15 gives them time to slim down, become a competitive  
16 carrier, and it gives them money. It gives them a lot of  
17 options.

18 There is -- this is quite a deal. If you  
19 look at the history of when AT&T was broken up, they  
20 weren't given money for their rate base. They were just  
21 broken up and told to go forth and compete. Alascom's  
22 not being treated that way. This is quite a nice  
23 transition for Alascom.

24 What does GCI want? Best of all worlds, the  
25 subsidy would end tomorrow, same as AT&T, but we're not



1 getting that and what we want more than anything else is  
2 certainty. We want this issue resolved. We don't want  
3 it resolved in a court of law. We want it resolved here  
4 and that's why we are supporting the tentative  
5 recommendation as a fair compromise between the parties.

6 Some of the things that you were asking  
7 about, maybe I could shed some light on. The Alaska  
8 fund, that wouldn't be our first choice of how to do  
9 things, but we'll support it as part of the resolution  
10 and what that does is it does keep intrastate rates where  
11 they are for ten years, at least no higher. They may go  
12 lower. It does not shift any costs for ten years, and  
13 GCI's going to have to pay into that. We're going to  
14 have to give money to Alascom to keep costs at least  
15 where they are for ten years, but we'll do it if that's  
16 the price of resolution. And at the end of ten years, we  
17 believe since -- since telecommunications in general is a  
18 downward cost industry, it won't be an issue after ten  
19 years. It simply -- we believe that long before the ten  
20 years is up, the rates in Alaska intrastate telecommuni-  
21 cations are going to be below the level where there could  
22 be any damage.

23 Another question you have is what happens if  
24 Alascom wants to leave the market, the intrastate market,  
25 and my answer for that is Alascom today is regulated as a

1 dominant carrier. In this tentative recommendation, they  
2 would continue to be regulated as a dominant carrier for  
3 the intrastate market. What that means is in order for  
4 them to abandon any site in Alaska, there has to be a  
5 public proceeding where they have to prove it's in the  
6 public interest. Alascom cannot do that unless there is  
7 someone standing there willing to take their place. AT&T  
8 has said they will step in if Alascom wants to abandon  
9 the market. GCI has said the same.

10 What I think Alaskans, the notion that  
11 Alaskans have always had historically about Alaskan  
12 telecommunications is no longer true. That notion is  
13 that who would want to serve the rural areas of State of  
14 Alaska for god's sakes, can't be making money, why would  
15 you want to serve. It's not true. GCI wants to serve  
16 the rural areas of the state. We want to serve the  
17 entire state and on the state as a whole, we can make  
18 money. The telecommunications technologies and platforms  
19 are pushing us to want to serve everywhere and we have  
20 filed an application with both the FCC and the APUC to  
21 allow us to serve throughout the entire State of Alaska.

22 The next thing I'd like to talk about is  
23 the -- oh, I'm sorry, I didn't talk about the AT&T  
24 consumer benefit plan.

25 GCI supports a lot of the things that AT&T

1 brings out in the consumer benefit plan, but as a whole,  
2 we favor the tentative recommendation of the Joint Board  
3 over the consumer benefit plan. We believe there  
4 probably ought to be a transition period in this market  
5 and the major differences between the AT&T consumer  
6 benefit plan and the tentative recommendation is whether  
7 or not there's a transition, and again, GCI's position is  
8 in the best of all worlds the subsidy would end tomorrow,  
9 AT&T would come in, but we believe that that transition  
10 period is necessary to -- for fairness to all the  
11 carriers, as a fair compromise, because again, what we're  
12 looking for is certainty. We don't want this delayed in  
13 court.

14 One thing I'd like to review, I'm sure most  
15 of you are aware of it, but I'd like to bring it up  
16 again, is the history of the legislative role in this.  
17 Different legislators have been involved in telecommuni-  
18 cations from time to time, but recently I've heard the  
19 question asked on a number of occasions, can this market  
20 support three carriers and should we do something about  
21 that. You know, should we say that we don't think this  
22 market should support three carriers.

23 GCI's position is this market can support as  
24 many carriers as want to enter, and as many carriers as  
25 want to enter should be allowed to enter, and that was

1 our position when we lobbied for the bill that was passed  
2 in 1990 that adopted competition as the policy of the  
3 legislature of the State of Alaska, and I'd just like to  
4 remind you of the findings that were in those bill that  
5 by the way was passed unanimously by the legislature.  
6 The legislature found that, one, modern, affordable  
7 efficient and universally available local and long  
8 distance telephone service is essential to the people of  
9 the State. Two, facilities based long distance telephone  
10 service should be provided competitively, wherever  
11 possible. Three, technological advances, reduced costs  
12 and increased consumer choices for long distance  
13 telephone service resulting from the adoption of an  
14 appropriate competitive market structure will enhance the  
15 State's economic development. That's far more true for  
16 the rural areas of the state than ever before. Four, the  
17 benefits of competition and long distance telephone  
18 service should be shared by consumers throughout the  
19 state. Five, the commission should oversee competition  
20 in long distance telephone service to ensure that  
21 competition is fair to consumers and competitors, and  
22 six, the commission should provide for competition in a  
23 timely manner and should adopt regulations that eliminate  
24 inappropriate impediments to entry for long distance  
25 carriers fit, willing and able to provide that service.



1                   From our perspective, the legislature has  
2                   already spoken on this issue. This bill doesn't say let  
3                   GCI in and don't let anybody else in, although it was  
4                   kind of at GCI's instigation that this bill came about,  
5                   and GCI would never ask for a bill that says let GCI in  
6                   and don't let anybody else in. As a matter of fact, I'm  
7                   here asking you today to let any carrier into this market  
8                   that wishes to come into this market and we'll compete  
9                   with them.

10                   In conclusion, this issue is ripe for a  
11                   decision. This proceeding's been going on for ten years.  
12                   The last 18 months in particular the Joint Board and the  
13                   parties have engaged in an awesome discovery proceeding  
14                   where we looked at piles of data, we filed piles of data,  
15                   and at this point, any further delay is harmful to  
16                   Alaskan telecommunication users. We're in hold. We're  
17                   in limbo. The investment that we need to have going  
18                   forth in Alaska is not going forth. The rural areas  
19                   don't have digital service everywhere. They're not  
20                   receiving the technological platforms they need to be  
21                   part of the nationwide infrastructure, and any further  
22                   delay is just going to continue to make Alaska a  
23                   technological backwater.

24                   I've heard recently -- I had the pleasure of  
25                   listening to Senator Stevens talk about what he thinks



1 the future of rural learning is in Alaska and he thinks  
2 it's video conferencing capabilities and computer  
3 capabilities and instead of a school teacher, you'll have  
4 a technological expert who can run these things. It  
5 can't happen in Alaska today because we don't have the  
6 telecommunications infrastructure to do it. We need  
7 competitive services throughout the state. We need this  
8 resolved. We need to go forward so the carriers know  
9 where they stand and they can start investing in the  
10 state telecommunications.

11 And again, we need it from the perspective  
12 of if there is to be an Alaskan voice in resolving this  
13 issue, the Joint Board is the best bet, because after  
14 that, it's gone, out of our hands.

15 I'd be happy to answer any questions you  
16 have. Thank you.

17 CHAIRMAN HUDSON: Thank you, Dana. Let me  
18 bring you back to this issue of assurance. It's  
19 something that I've been hitting on when I talked to I  
20 think everybody else that's spoken to us here. How do we  
21 get the guarantee that -- you know, we've heard so much  
22 rhetoric nationwide from huge communication companies, I  
23 mean, pennies quite often make the difference and  
24 suddenly becomes a platform for a major communications  
25 media blitz, but what we're looking for, I think, is the

1       guarantee that -- not as to who's going to serve, but  
2       that we'll have somebody on the mark that can be held  
3       accountable and regulated and whether that be you, if you  
4       were to take over the bush, you know, and do you have  
5       anything in your filings or in your analysis or your  
6       studies that makes certain to you that you could do that  
7       and, you know, you seem to give the indication that you  
8       think three major players can participate into this thing  
9       and I'd be delighted if somebody could give us any kind  
10      of a study or analysis that shows that that's happening,  
11      because I'm looking at, from a legislative perspective at  
12      any rate, less revenues, I think more economic hard times  
13      coming up, you know, which may even demand more tele-  
14      communications, but we need to have that kind of  
15      information, and I've been all assuming all along that  
16      each one of the major carriers and the Joint Board and  
17      certainly the governor's office would be putting a  
18      tremendous amount of resources to make certain that what  
19      they say is what they can actually deliver and what we  
20      can hold them accountable for. How do we get that  
21      statement from you that if Alascom were to, through the  
22      process, walk away from serving the bush as we have known  
23      it for some period of time here, that we can hold you  
24      accountable? Do we have that guarantee for the record?

25                   MS. TINDALL: Yes.

1 CHAIRMAN HUDSON: Well, that's what I  
2 wanted.

3 MS. TINDALL: In addition to that, I have --  
4 I have some more answer to your question, but I want to  
5 make that clear at the start and not garble it up. Yes.

6 CHAIRMAN HUDSON: I like long answers.

7 MS. TINDALL: How are you sure? I think  
8 there is three parts to that answer. First of all, the  
9 laws of this state provide -- the laws in the regulations  
10 of this state have -- have quite a bit assurance there.  
11 If you take a look at the regulations by which the Alaska  
12 Public Utilities Commission regulates, as a dominant  
13 carrier, you simply can't walk away. And the APUC and  
14 the FCC have full authority to regulate Alascom as a  
15 dominant carrier. And that's a lot of assurance right  
16 there. That's a lot of assurance, and they have full  
17 authority to regulate AT&T as a dominant carrier and they  
18 do so today, and they regulate Alascom as a dominant  
19 carrier today.

20 The second thing is we have filed, as I  
21 said, with both the APUC and the FCC a plan to provide  
22 service to the entire State of Alaska and we call it our  
23 small busser station plan. What it is is Richard Dowling  
24 as I think you know him, Representative Hudson, Richard  
25 Dowling spent quite a bit of time and effort and worked

1 with Hughes satellite systems and he came up with a very  
2 small earth station that he calls TES, Telephony Earth  
3 Station, and that earth station is a digital earth  
4 station and it runs on two boards. The only wiring --  
5 it's kind of -- it's kind of the way, you know, the way  
6 calculators have gone. The only things that can go wrong  
7 with that earth station has to be on one of two boards  
8 and so for maintenance, if something goes wrong you  
9 switch one of them out or the other and if you're not  
10 sure, you switch them both out. It's no big deal. The  
11 person going in to maintain that earth station walks  
12 around with these spare boards and just puts them in.

13 We calculate that we could serve everywhere  
14 that Alascom serves today, and we calculated this in our  
15 filing, without a subsidy and at rates at or below  
16 integrated rates, and I would be happy to provide that to  
17 you.

18 CHAIRMAN HUDSON: Would you do that, please?

19 MS. TINDALL: Yes. The other -- the final  
20 part, answer to my question is a bit of history. This  
21 may or may not be a declining revenue industry. I think  
22 it tends -- right now it's probably going into a flatter  
23 period, but if you look at the history of interstate  
24 competition in Alaska, GCI has anywhere between 40 to 50  
25 percent of the market in the areas we serve. The



1 revenues that we have captured have come purely from  
2 demand stimulation due to lower rates. Alascom has not  
3 suffered a loss on the interstate side in trafficking  
4 minutes whatsoever.

5 CHAIRMAN HUDSON: Because of increased  
6 capacity?

7 MS. TINDALL: Because you lower rates and  
8 demand goes up and that's been the history all over the  
9 country, and it will continue to be the history, I think,  
10 because we're starting to come out with things like rural  
11 education through teleconferencing, video broadcasting.  
12 Look at the cellular telephone boom. Who would have  
13 thought telephones you have to hold to your ear in your  
14 car would be so popular. But they are. I've heard a  
15 couple go off in this hearing room today. The minutes  
16 just keep growing. As the technology develops and we  
17 keep coming up with more service, people just keep buying  
18 and that just keeps driving the costs down.

19 So the history of telecommunications is not  
20 only that it's a declining cost industry, but that the  
21 incumbent carriers, Alascom and AT&T, have not lost  
22 minutes. The competitors that have come in have taken  
23 their portion and we haven't even taken as much as we  
24 would like of our portion of the minutes that are  
25 stimulated as a result of this technological revolution



1 and so when people say to you that this market can't  
2 afford three carriers or more, what they are giving you  
3 is a very static analysis. It's assuming that minutes  
4 never change, but that's not true. The demand is always  
5 growing and new carriers coming in are just capturing the  
6 growth and the demand.

7 And I'd also like to add from the perspec-  
8 tive of a competitive carrier coming into a market,  
9 nobody wants to enter a market where they're going to  
10 lose their shirt. You wouldn't have carriers knocking at  
11 the door to come into a market unless they thought that  
12 they could make money at it.

13 CHAIRMAN HUDSON: And one additional  
14 question, if I might, the governor's office has entered  
15 two filings or two alternative proposals. Have you  
16 analyzed the governor's recommended changes to the joint  
17 services agreement proposed tentatively?

18 MS. TINDALL: As I understand the State's  
19 proposals, and the State can correct me if I'm wrong,  
20 it's something of a trade-off, there would be a  
21 shortening of the transition period and maintenance of  
22 the frozen allocator. That would be fine with us.

23 CHAIRMAN HUDSON: And a buy-down, I believe.

24 MS. TINDALL: And a buy-down. We agree  
25 that -- we support the buy-down, basically.

1 CHAIRMAN HUDSON: So GCI could support  
2 either the Joint Board or the Joint Board as amended by  
3 the governor's recommendations?

4 MS. TINDALL: With the exception that the  
5 State proposal calls for more fleshing out of the AT&T  
6 proposal, and we don't support anything that will  
7 generate further delay in resolving this proceeding. But  
8 with that caveat, yes. However, we tend to go with the  
9 tentative recommendation because it is the result of the  
10 Joint Board's full analysis on this, but if the Joint  
11 Board were to look at the State's proposal and say, oh,  
12 the State's got a point there, we think this would be  
13 better for the protection of rate payers, we would  
14 support it.

15 CHAIRMAN HUDSON: Questions? Representative  
16 Navarre?

17 REPRESENTATIVE NAVARRE: Thank you, Mr.  
18 Chairman. Does the earth station, the small earth  
19 stations that you're talking about, will that provide  
20 enough ability to do the video conferencing and long  
21 distance teaching? Is there enough capacity in that?

22 MS. TINDALL: As I understand it, yes. This  
23 would be a digital system that would support broad band  
24 services, such as video conferencing.

25 REPRESENTATIVE NAVARRE: And the teaching in

1 the villages?

2 MS. TINDALL: Yes.

3 REPRESENTATIVE NAVARRE: Thank you.

4 CHAIRMAN HUDSON: Yes, Representative  
5 Porter?

6 REPRESENTATIVE PORTER: Thank you, Mr.

7 Chairman. Dana, if you were able to alter, change, amend  
8 or upgrade one element of that joint marketing proposal,  
9 tentative proposal, what would it be?

10 MS. TINDALL: I might have to speak for  
11 myself on this. I think that I'm divided with Ron Duncan  
12 on this, but I'd probably go with a slightly shorter  
13 transition period, but Mr. Duncan thinks the transition  
14 period's just fine. Also, something that some of the  
15 parties have had problems with but is currently in the  
16 tentative recommendation is the maintenance of  
17 geographically averaged rates throughout the state for  
18 carrier offered rates, and I would like to see that  
19 maintained and I'm not sure -- none of us have any idea  
20 what the final order of the Joint Board is going to come  
21 out with, but that has been called into question by some  
22 of the parties and I would like to see that maintained.

23 REPRESENTATIVE PORTER: Thanks.

24 CHAIRMAN HUDSON: Mr. Boucher?

25 MR. BOUCHER: Thank you, Mr. Chairman, Red

1 Boucher. Dana, you continue to contribute to my  
2 knowledge on this thing and certainly your presentations  
3 are always outstanding. In the early part, you said that  
4 you are serving 93 percent of the access lines in the  
5 state. Are you authorized to service more than 93  
6 percent?

7 MS. TINDALL: Yes. We are not serving on a  
8 facilities basis in a few locations where we are  
9 currently authorized to serve.

10 MR. BOUCHER: Where are they?

11 MS. TINDALL: I can't list them off. They  
12 are listed in the --

13 MR. BOUCHER: Are they small communities?

14 MS. TINDALL: Yes.

15 MR. BOUCHER: Why aren't you serving them?  
16 You're authorized; right?

17 MS. TINDALL: Right now, until we get  
18 statewide authorization, it's a matter of one of the  
19 reasons that we can do the telephony earth station system  
20 at the cheap cost we have said we could do it at is  
21 because we would be buying in bulk and we've actually  
22 priced out all this stuff because we had -- we were very  
23 serious about our proposal. To do it onesy-twosy tends  
24 to cost quite a bit more and in addition, although I  
25 think that there are -- we continue to expand every year,

1       it's also a question of time and priorities, given the  
2       fact that we're not doing it a statewide build.

3               MR. BOUCHER: I'd like to know which  
4       communities you're not serving and you've, in essence,  
5       told me that it's too costly to serve them right now.

6               MS. TINDALL: No, I -- I don't mean to  
7       correct you, I just mean to correct the misperception I  
8       left. It is not too costly to serve them. If we get  
9       permission to serve the entire State of Alaska, we will  
10      engage in a three-year build where we are buying our  
11      material in bulk. It is more costly to go out and serve  
12      them one at a time where you are not buying your material  
13      in bulk. That doesn't mean to say it can't be done, but  
14      given the fact that it is more costly, we have not put  
15      the priorities and the resources on it as quickly as we  
16      otherwise would have if we were doing a statewide  
17      build-out. We do continue to expand every year, however.

18              MR. BOUCHER: One final question, Mr.  
19      Chairman. I was kind of taken aback by your comments  
20      we'd be in technological backwater and I kind of thought  
21      we were a little bit up front and Katz appeared to agree  
22      with me. What technology would you bring onto the scene  
23      if magically this agreement went into effect tomorrow  
24      that's not here already and that people want.

25              MS. TINDALL: Digital single hop



1 telecommunications throughout the State of Alaska.  
2 Currently in the rural areas there are still areas of  
3 Alaska that are analogued double hop. You can't get data  
4 transmission through them, and as I've been going around  
5 the state fishing, now that I have a young one who's not  
6 quite two, I have to call him every night and sing him  
7 his favorite song to get him to go to bed and that's very  
8 difficult over analogue double hop, so I know it's  
9 difficult to talk over that system, let alone send data,  
10 and you could not do video conferencing.

11 MR. BOUCHER: Thank you, Mr. Chairman.  
12 Thank you, Dana.

13 CHAIRMAN HUDSON: Any other questions? Are  
14 there any questions from anyone on the line? All right,  
15 Dana, I thank you very much. This task force would  
16 appreciate copies of any of what you consider to be  
17 pertinent document that -- documents that, you know, that  
18 reflect on your comments, the filings, the -- you've  
19 given us great assurance now that, lots of room in the  
20 marketplace here and that we can count on you to become  
21 the dominant carrier if we need one. So thank you very  
22 much.

23 MS. TINDALL: Thank you.

24 CHAIRMAN HUDSON: And I don't know, I guess  
25 next we'll ask for AT&T. I went by how it would appear

1 in the telephone directory.

2 MS. TINDALL: Is he still going by the  
3 biggest.

4 REPRESENTATIVE PORTER: Next biggest.

5 CHAIRMAN HUDSON: Good afternoon, sir.

6 MR. WILCOX: Good afternoon. Is this on?

7 CHAIRMAN HUDSON: You have to push the  
8 button forward, and then if you'd give us your name,  
9 please, your affiliation and then we'd like to have your  
10 testimony. Welcome to the Committee.

11 MR. WILCOX: Thank you. My name is Doug  
12 Wilcox. I'm the General Manager for Alaska for AT&T. I  
13 appreciate the opportunity to present some thoughts to  
14 you folks today and I -- I understand the activity level  
15 of the legislature in telephone matters in this state is  
16 probably unprecedented. I commend you for your -- your  
17 efforts here to understand this very complex and complex  
18 set of issues. It's a very difficult thing to get  
19 through and I commend your ambition. I'm glad to be of  
20 whatever assistance I can.

21 My remarks will not be very long. We filed  
22 a lot of documents. They're part of the record. I'm  
23 sure you've reviewed at least the executive summaries  
24 that are in each of those, so I won't spend a lot of time  
25 explaining the consumer benefit plan other than to say

1       that there are basically four simple things that it  
2       brings, lower prices, more modern infrastructure, wider  
3       array of services, and a guarantee of continued service  
4       in rural Alaska.

5               A couple things I would like to address  
6       today, though, given this opportunity, is to explain the  
7       misconception that I hear so often about what happens to  
8       the, quote, subsidy, unquote, when AT&T enters the  
9       Alaskan market. It is true that the costs that Alascom  
10      incurs and AT&T incurs to provide long distance services  
11      between Alaska and the lower 48, those costs are higher  
12      than the revenues generated by those services. So in  
13      that sense, AT&T is providing a subsidy to the share-  
14      holders or the owners of Alascom, and it's that subsidy  
15      to which we object.

16             When I talk to folks from rural Alaska, they  
17      seem to worry about another subsidy, and in some cases,  
18      the two get intermingled and confused. We've just heard  
19      Dana Tindall say that she doesn't think the costs of  
20      serving rural Alaska are more than the revenues generated  
21      in it. I would be very surprised if that were true for  
22      every village in rural Alaska. I certainly know it's not  
23      true for every rural village in Minnesota or North Dakota  
24      or Wyoming or Colorado or Maryland or Delaware or any  
25      state in the Union, possible exception of the District of

1 Columbia. That is the norm in the long distance  
2 industry. That is normal in the telephone industry in  
3 general. Urban areas subsidize rural and we have vibrant  
4 competition in the lower 48 in long distance industry and  
5 those subsidies continue to exist. There are some  
6 customers who get subsidized by other customers.

7 In the sense of level of usage, no long  
8 distance carrier that I know of can make money off a  
9 customer that makes one short call a month. It's just  
10 too expensive to keep track of billing, 29 cents for the  
11 stamp, keeping their account in your computer, not to  
12 mention handling the call, itself. Goodness gracious,  
13 ~~handling~~ questions about why the charge was what it was  
14 when they call up to get an explanation. You can't make  
15 money on a customer that makes one call a month, but  
16 every customer doesn't make one call a month and every  
17 customer might make one call this month and lots of calls  
18 next month. So there are continued subsidies in a very  
19 competitive market. That's true in the lower 48. I'm  
20 sure it's true in Alaska, and it will not go away. We  
21 understand those subsidies to the extent that rural  
22 Alaska revenues don't cover costs, big deal. We  
23 understand that. We know that will continue to the  
24 extent it has to.

25 Integrated rates are a national policy. We



1 support it and when you have integrated rates, it means  
2 that sometimes the cost of serving some customers in some  
3 months is going to be higher than the revenues you get  
4 from them.

5 The second question that comes up frequently  
6 to me and it's come up here today is is there enough room  
7 for more than two carriers in Alaska. We've heard GCI  
8 take the position that any carrier that wants to enter  
9 the state ought to be allowed to do so, take their own  
10 risks. The last time I gave some data on numbers of  
11 carriers in various states I was asked to be more  
12 specific and I couldn't. Now I can and I'd like to do  
13 that. In the 1990 census, there was one state with a  
14 smaller population than Alaska and that's Wyoming. The  
15 census said there were 453,588 people in Wyoming, or  
16 about a hundred thousand less than in Alaska. In Wyoming  
17 there happened to be 40 long distance carriers doing  
18 business, four zero, 40. 35 of those are resellers, four  
19 of them are facility based carriers, AT&T, Sprint, MCI  
20 and Wil-Tel, and there is an additional carrier, Western  
21 Telecommunications Company, Inc. that is what we call a  
22 carrier's carrier. They don't provide service to end  
23 users directly, in other words to people making the  
24 calls. They own facilities over which those calls are  
25 carried and lease those facilities to other carriers,



1       like AT&T, MCI and Sprint and Wil-Tel, who use them to  
2       complete their networks.

3               There were a few other states with  
4       population slightly higher than Alaska. Those include  
5       North and South Dakota and Vermont. In North Dakota,  
6       population 638,800, there are 3 facility based carriers  
7       and 78 resellers or alternative operator services  
8       suppliers. South Dakota, population 696,004, there are  
9       67 long distance companies, five of whom are facility  
10      based carriers. They are AT&T, MCI, Sprint, Express  
11      Communications, Inc. and Polaris Telecom and 62 resellers  
12      or alternative operator services providers. I have some  
13      data on other states as well and we'll make this part of  
14      the record, both here and the Joint Board proceeding, but  
15      I wanted to share that with you today and explain that we  
16      believe this market is a better market than many of those  
17      states I've just mentioned. Alaskan's spend more on  
18      telecommunications than do people in other states. Part  
19      of that is the fact that you're farther away from the  
20      lower 48 so your bills tend to be higher and telecommuni-  
21      cations are used more often to replace physical travel  
22      because of the geographic breadth of the state.

23              The final comment I'd like to make is  
24      actually on the record, but I thought it would be of  
25      particular interest to this panel. We did a study of

1       opinions of Alaskans relative to competition in long  
2       distance service in Alaska. We asked them specifically  
3       two questions. One was do you believe competition in  
4       long distance service in Alaska has been beneficial. 20  
5       percent of the people who answered -- and this was a  
6       statewide statistically valid study by the way -- 20  
7       percent of them, didn't know, 70 percent said yes, and 10  
8       percent said no. So seven out of eight Alaskans who have  
9       an opinion about whether competition in long distance has  
10      been beneficial or not think that it has.

11               The next question was do you think AT&T  
12      should be allowed to offer competitive long distance  
13      service to the Alaskan consumer. 86 percent said yes.  
14      Three and two-thirds percent said no, and ten percent  
15      either didn't know or didn't care.

16               We think we can provide more services in  
17      Alaska than are being provided today. We think we can do  
18      it at lower prices for consumers than they're being  
19      charged today. We can invest in a state of the art  
20      network to provide those services and make money. This  
21      is an attractive market to us and we don't think we will  
22      replace any existing carrier. Our guess is that once we  
23      get in, more will follow.

24               One of the reasons we think that is that  
25      the -- one of the reasons we think that there is a dearth

1 of resale activity in Alaska is that the services that  
2 resellers often use simply aren't available here.  
3 Software defined network, to name one. So we think that  
4 our entry in the market, the resolution of this Alaska  
5 market structure will probably provide a market structure  
6 and a framework that will encourage other competitors to  
7 enter as well.

8 I'd be happy to answer any questions.

9 CHAIRMAN HUDSON: Any questions from the  
10 committee here? Representative Boucher.

11 MR. BOUCHER: Thank you, Mr. Chairman. I  
12 focus back again on the new technologies that are going  
13 to be brought in. I guess it's two-fold, Mr. Wilcox.  
14 What services aren't being provided now that AT&T would  
15 provide and how much would that increase the volume of  
16 business in the state or employment in the state or are  
17 the two related? Other words, how many people would you  
18 bring into the state in jobs with this new technology or  
19 would it actually decrease?

20 MR. WILCOX: I think there are a number of  
21 questions there.

22 MR. BOUCHER: Okay.

23 MR. WILCOX: Let me see if I can take them  
24 from the beginning. We did list in our FCC filing the  
25 services at that time that AT&T was offering that were

1 not offered by Alascom. Some of them won't mean much to  
2 you if I give you the names. Virtual private line  
3 service is one of them. We call it software defined  
4 network service. Other carriers call it other things but  
5 it is a virtual private line service. That's of interest  
6 primarily to larger business customers. There are a  
7 number of services that are related to inbound calling  
8 and provide advanced features on 800 calls that customers  
9 make into reservation bureaus or service bureaus and so  
10 on. Many of those are not available in Alaska, either.

11 There are some multi location calling plans  
12 that are not available in Alaska and most -- well, there  
13 are two primary reasons why these services are not  
14 offered here by Alascom and I'm not -- when I say this,  
15 I'm not berating Alascom, don't mistake me. Alascom uses  
16 Northern Telecom switches which are very fine switches.  
17 They have a huge share of the market in the world, but  
18 they are not programmed to provide AT&T services. It  
19 wouldn't be practical for Northern Telecom to program  
20 their switches to handle our services since we don't buy  
21 many of their switches. We use our own. So many of  
22 these services like software defined network, like  
23 advanced 800 services, Megacom 800 service and so on, are  
24 specifically designed to work with AT&T manufactured  
25 switches. Those are not in Alaska at the present time



1       because we don't do business in Alaska.

2                       Some of the others have to do with combining  
3       volumes of calling from different locations around the  
4       country and since Alascom serves Alaska and doesn't serve  
5       Tennessee, they don't have those kinds of calling plans  
6       either. So those are the two main reasons why those  
7       plans are not available here. There are numbers of them.  
8       I can go through the attachment if you like.

9                       In terms of what effect those services would  
10       have on the Alaska economy, we commissioned a study by  
11       Leland Johnson and Peter Pitch to look at the effect of  
12       AT&T's entry into the Alaska market on Alaska and part of  
13       the study was devoted to looking at what might happen to  
14       the Alaska economy. That is a very difficult question to  
15       answer because there are so many factors that are  
16       involved in terms of impact on the economy. It's very  
17       difficult to single out one event and say this is what's  
18       going to happen to employment, this is what's going to  
19       happen to average disposable income and those kinds of  
20       ways that the economy is measured. I think it's fair to  
21       say, though, that the introduction of a wider array of  
22       services makes it possible for entire industries to exist  
23       where they do not today. Alaska for example today could  
24       not support a reservationist system because the  
25       telecommunications are not here that those kinds of



1 businesses demand. If you're going to have a state of  
2 the art reservation system, you're not going to put it in  
3 Alaska, not now.

4 MR. BOUCHER: Mr. Chairman, I guess -- I  
5 guess my question is we see technology grow and obviously  
6 great things are happening and I guess I'm really  
7 concerned. Alascom, whether you like it or not, has a  
8 presence in the state, a social, Dana pointed out  
9 political. We are a very political state and I want to  
10 know, when the big guy comes in, obviously you're the end  
11 of the world, as far as technology, how many jobs are  
12 coming in with you? I mean, we're in a downcline, as far  
13 as the economy is concerned. Oil is a finite resource,  
14 and some of us are talking about mining our brains, the  
15 opportunities, and if we are remotely controlled from  
16 someplace else via satellite, I mean, I'm not going to be  
17 happy no matter what the rates are and Alaskans will pay  
18 for them in the long time. So I want to know what you're  
19 bringing to Alaska beyond Bell Labs technology, which is  
20 the greatest in the world. There's no disputing that.

21 MR. WILCOX: We have, again, put on the  
22 public record that we will have a general manager for  
23 Alaska. We will -- that person will be responsible for  
24 community affairs, public affairs, legislative affairs,  
25 have a staff, and appropriate regulatory affairs. Have a

1 staff to help with that. We also will do customer  
2 service in Alaska for Alaskans. That is to say, if you  
3 want to talk to someone at AT&T or AT&T wants to call you  
4 up and see if you'd like to be a customer of ours, you'll  
5 be talking to an Alaskan. If you don't understand your  
6 bill and want to talk to us about that, you'll be talking  
7 to an Alaskan during -- I was going to say normal  
8 business hours, during most business hours, let's put it  
9 that way. We have an all night customer service center  
10 for those who find it needful to call in the middle of  
11 the night and it happens to be in Texas. So if that's  
12 when you want to call up and ask about your bill, you'll  
13 talk to somebody in Texas, just like somebody in New York  
14 City would. But as a practical matter, we know that in  
15 areas like Alaska, Hawaii, Puerto Rico, Virgin Islands,  
16 where there is a sense of pride in -- in either the  
17 statehood or the culture, that if you want to be  
18 successful as a long distance company, you better have  
19 presence there. You better have, in this case, Alaskans  
20 talking to Alaskans. We're starting with zero customers.  
21 We need people to feel good about us. We need to be  
22 Alaskans to do that. So all of those kinds of jobs will  
23 be located here in Alaska.

24 MR. BOUCHER: One final question if I may,  
25 Mr. Chair, do you see with AT&T's technology an

1 opportunity for Alaska to be a bridge to Siberia, Eastern  
2 Russia? We're reaching out there now and certainly with  
3 your presence here, are there opportunities in that area?  
4 Are you thinking about that or is it just a matter of  
5 you'd like to come here because it's a good market?

6 MR. WILCOX: The truth is the latter is the  
7 case. When we developed a consumer benefit plan, of  
8 course we included revenues for calls to oversize  
9 locations, and you know, customers call wherever they  
10 want to call, but we did not specifically look at Alaska  
11 as a jumping off point to the new Russia or to the new  
12 set of countries over there. That's come up several  
13 times in several venues since I've been here and it's a  
14 fascinating concept, but it was not part of the planning  
15 that we did in developing the consumer benefit plan.

16 MR. BOUCHER: Reason I ask that, Mr.  
17 Chairman, is Alascom is now serving across the creek  
18 there.

19 MR. WILCOX: Yeah, I know.

20 MR. BOUCHER: And I'd like to hear from you  
21 on that. Certainly you've got the brain power to begin  
22 to think in that area and as an opportunity, AT&T will  
23 probably be one of the first to see it. Thank you, Mr.  
24 Chairman.

25 CHAIRMAN HUDSON: Thank you. Representative

1 Navarre.

2 REPRESENTATIVE NAVARRE: Okay, when I'm  
3 talking with the different people about this, the  
4 subsidy, what's the value of the subsidy, 80 million?

5 MR. WILCOX: Let me take the most recent  
6 year for which we've completed the analysis of Alascom's  
7 costs and agreed on -- on what the payment would be. If  
8 you took all of the revenues that involved the lower 48  
9 and Alaska for long distance calling, in other words,  
10 switched services, private line is not part of the joint  
11 service arrangement, if you put all of those revenues  
12 into a pot and then you took out from that pot payments  
13 to local exchange companies in Alaska for access to their  
14 networks, if you took out Alascom's costs and the return  
15 on their investment devoted to these calls, if you also  
16 took out the payments to local exchange companies in the  
17 lower 48, and if you took out AT&Ts network costs of  
18 providing service for those calls, you would have about  
19 70 million more dollars in costs, those four sets of  
20 costs in total, than were collected in revenues  
21 associated with those, with those costs.

22 REPRESENTATIVE NAVARRE: Okay. So that's  
23 not an amount that you pay to Alascom?

24 MR. WILCOX: No, it's not.

25 REPRESENTATIVE NAVARRE: That's an amount



1 that's calculated over the entire length of the call,  
2 including all the local exchanges and like that?

3 MR. WILCOX: That's correct, that's correct.

4 REPRESENTATIVE NAVARRE: Okay, so your costs  
5 and Alascom's costs, do you guys agree on how much you're  
6 going to charge or how much each costs are?

7 MR. WILCOX: Every year, Alascom gives us a  
8 statement of what their costs were. We have an  
9 arrangement whereby we fund we provide funds to them on a  
10 monthly basis on an estimate of what their revenue  
11 requirement will be, revenue requirements including their  
12 rate of return, and then we true that up at the end of  
13 the year when they give us what we call a cost study that  
14 supports what they spent and what their rate of return  
15 requirement is. We audit those cost studies and then we  
16 come to an agreement as to what the amount is and we  
17 settle up the difference, plus or minus.

18 REPRESENTATIVE NAVARRE: And that's for  
19 interstate?

20 MR. WILCOX: Yeah, it's for interstate  
21 domestic switched services.

22 REPRESENTATIVE NAVARRE: Okay, so is the  
23 value of that, the subsidy to Alaska 70 million or is it  
24 somewhat less?

25 MR. WILCOX: Be careful now. The subsidy



1        isn't to Alaska, it's to Alascom and the subsidy would be  
2        something less. I mean, their revenue requirement on an  
3        annual basis I think is -- John can tell you better than  
4        I can, but I think it's around 124 million dollars, but  
5        that would be their -- their -- yeah, their revenue  
6        requirement. That's what we would pay them on an annual  
7        basis, AT&T of course taking all the revenues, both  
8        southbound and northbound.

9                        So how much the actual subsidy is to Alascom  
10       varies from year to year. It is a subsidy. I mean,  
11       there has never been a year in which there were more  
12       revenues than the revenue requirement would -- in other  
13       words, we've never had a positive year. Theoretically in  
14       this deal, if business got real good and they would still  
15       just get their revenue requirement and rate of return on  
16       their investment and we would get the -- the longfall.  
17       So far it's always been a shortfall.

18                       REPRESENTATIVE NAVARRE: Okay, and what  
19       about I guess in terms of how you calculate the costs,  
20       where is whatever the subsidy is going to be made up? Is  
21       that with your entrance into the market, do you think you  
22       can provide it cheaper than you're providing it now  
23       through your agreement with Alascom?

24                       MR. WILCOX: Yes.

25                       REPRESENTATIVE NAVARRE: How much cheaper?

1                   MR. WILCOX: Well, first of all, remember  
2                   the joint service arrangement is only for interstate  
3                   switched services. When we enter the Alaska market, we  
4                   don't intend just to provide interstate domestic switched  
5                   services. Obviously if -- if you're our customer, we'll  
6                   want to handle all of your calling, whether it's to  
7                   Russia or England or the lower 48 or Hawaii or within the  
8                   state. So when we looked at the consumer benefit plan,  
9                   we didn't propose investing in a new state of the art  
10                  fiberoptic cable just to offset the services presently in  
11                  the JSA. Those are for any service that needs to leave  
12                  Alaska, whether it's going to terminate there or  
13                  somewhere overseas.

14                 REPRESENTATIVE NAVARRE: Whatever the value  
15                  of the subsidy is, you figure that entering the market  
16                  you can provide that same service at less cost, including  
17                  whatever the value of the subsidy is, and still make  
18                  money?

19                 MR. WILCOX: Yes, absolutely. Furthermore,  
20                  we think that Alascom can be more efficient than they are  
21                  and continue to be an effective competitor as well  
22                  without the subsidy. Won't be able to do business like  
23                  they do it now, but we think they're capable of doing  
24                  that.

25                 REPRESENTATIVE NAVARRE: Okay, and when you

1 talk about entering the market, I assume that means local  
2 exchange?

3 MR. WILCOX: No, absolutely. If I gave that  
4 impression, Representative, no, I'm sorry. No, we do not  
5 feel it is in AT&T's strategic interest to be in the  
6 local exchange market. We were not interested in being  
7 in that market. We don't own any local companies. We  
8 have no intentions of buying any.

9 REPRESENTATIVE NAVARRE: So when you enter  
10 the market, though, you said that the rates will remain  
11 the same or lower?

12 MR. WILCOX: Yes.

13 REPRESENTATIVE NAVARRE: For interstate and  
14 intrastate calls both?

15 MR. WILCOX: Both, yes.

16 REPRESENTATIVE NAVARRE: Okay, how about  
17 other charges that you might assess to customers for not  
18 the phone call? You know, you see on the phone bill the  
19 60 cents to call directory assistance or 40 cents a  
20 minute to make a phone call somewhere, not that, but what  
21 about the other charges, customer charges?

22 MR. WILCOX: The only charge on your phone  
23 bill that I -- well, I won't speak for your phone bill.  
24 The only charge on a customer's phone bill that is  
25 related to long distance, in a way, is the subscriber

1 line charge that's actually an FCC charge. It's a flat  
2 rate per month, \$3.50. But that's not an AT&T charge. I  
3 mean, that's imposed by the Federal Communications  
4 Commission as a way to -- to recover the costs that are  
5 assigned to federal jurisdiction that are actually non  
6 traffic sensitive plan, local exchange kinds of costs.

7 There are no hidden charges. We're not  
8 going to make up for lower revenues from lower prices by  
9 jacking up prices somewhere else. In fact, to the  
10 contrary. Those prices that we talked about lowering for  
11 the basic schedule for long -- you know, basic dial one  
12 long distance calling, that schedule is used by people  
13 with moderate to low usage levels. For higher users,  
14 we'll be introducing Reach Out America, Simple Savings  
15 Plan, all the stuff you see on TV about the I Plan, so  
16 bigger customers, higher usage customers are going to get  
17 even better prices than that.

18 REPRESENTATIVE NAVARRE: One more question.

19 CHAIRMAN HUDSON: Go ahead.

20 REPRESENTATIVE NAVARRE: Okay, I guess the  
21 last question I'll ask then is that if you're not going  
22 to be providing a subsidy, is the service that's provided  
23 to Alaskans now overcharged by whatever the value of the  
24 subsidy is? I mean, is that a conclusion that you can  
25 draw from the fact that you're going to enter the market,

1 not pay the subsidy or not provide any subsidy and  
2 provide service at or below existing costs?

3 MR. WILCOX: I don't think you can make that  
4 simple a statement. I'll tell you what I can say for  
5 sure, and the reason I'm so confident in saying this was  
6 I used to be in charge of pricing for interstate long  
7 distance service. I was the product manager not too many  
8 years ago and every time we started to look at lowering  
9 prices because our costs were going down or MCI was  
10 pricing too far below us and we were losing too many  
11 customers, every time we looked at lowering basic  
12 schedule prices, we ignored the last two mileage bands,  
13 10 and 11. Only Alaskans and Hawaii, Hawaiians can make  
14 calls or receive calls that are over 3,000 miles long.  
15 There is a huge difference between calling from New York  
16 to L.A. at 25 cents a minutes during the business day  
17 versus calling Anchorage from New York, which is 30 cents  
18 a minute or Barrow or Bethel, which would be 33. Those  
19 are huge differences, and if you need to call Newark or  
20 right across the Hudson River from New York it's 22 cents  
21 a minute. Only costs three cents more to call Los  
22 Angeles, and the reason for keeping that difference in  
23 rates is because of the costs of the JSA to AT&T. People  
24 don't like it but it's the truth. The differential in  
25 rates doesn't cover the shortfall, by any means, but it's



1       there because of it. And those are the rates that we're  
2       proposing to do away with. We'll do away with mileage  
3       bands 10 and 11. So the if you're calling the eastern  
4       part of the United States from Anchorage, you might as  
5       well be in Seattle in that scenario, just eliminate those  
6       two mileage bands entirely.

7                       REPRESENTATIVE NAVARRE: Thank you.

8                       CHAIRMAN HUDSON: Just following along that  
9       if I might, I guess this is getting right down to where I  
10      had the most difficulty in understanding all the  
11      different proposals and the long term effects on the  
12      people of Alaska. I saw this subsidy going away, which  
13      is now part of the whole rate mechanism, and we heard GCI  
14      talk about how they want to get into all the rest of the  
15      State of Alaska and they're filing to do that, so there's  
16      great competition to get involved in that whole  
17      situation, and somewhere along the line, it looks to me,  
18      unless you're really going to get a tremendous reduction  
19      by modernizing or modifying your delivery system, which I  
20      can remember when they took all the men off the light  
21      stations, the coast guard light stations, every mariner  
22      and fisherman out there was at risk, you know, but more  
23      than that, I mean they just missed that voice and knowing  
24      there was somebody out there if they got into distress,  
25      and are we looking at -- and I guess this is where we're

1       trying to figure it out. Nobody's been able to --  
2       everybody's saying trust me, this is what's going to  
3       happen, but is there some sort of study or analogy that's  
4       put together that says this 70 to 80 to 100 million  
5       dollars goes away, how it's made up. How would you make  
6       it up? How would GCI make it up? And how would it  
7       impact Alascom? You say all three will thrive, but is it  
8       because there's going to be that much more usage by the  
9       Alaskan customers?

10               MR. WILCOX: I think it's two things.  
11       Certainly part of it is growth and demand. Demand is  
12       growing. We've published a ten year view of our best  
13       supplementary studies as what we can as to what demand  
14       for services in Alaska will be and every year is growing.

15               CHAIRMAN HUDSON: What's the total revenues  
16       derived on an annual basis approximately from these  
17       services from Alaska?

18               MR. WILCOX: Oh, 300 million, roughly.

19               CHAIRMAN HUDSON: So the total is about 300  
20       million through all of the people participating in the  
21       program, providing services, all users?

22               MR. WILCOX: I would like to make that  
23       subject to check, but yeah, I think that's about -- about  
24       it.

25               CHAIRMAN HUDSON: So we're going to make up

1 up to 100 million dollars of this --

2 MR. WILCOX: No, now remember, that's the  
3 same as Representative Navarre's 80 million here and 70  
4 million --

5 CHAIRMAN HUDSON: Yeah, maybe we're --

6 MR. WILCOX: Or 100. You hear the numbers  
7 tossed around. Again you have to remember what that  
8 number is. That is really the shortfall after  
9 everybody's -- in other words, if prices -- it is the  
10 shortfall after deducting our expenses, Alascom's  
11 expenses, the local exchange carrier costs in both Alaska  
12 and the lower 48 as compared to total revenues. It's  
13 sort of the shortfall of the JSA partnership, if you  
14 will. We bear the shortfall, solely, which is what  
15 causes us problems but --

16 CHAIRMAN HUDSON: You give that money to  
17 Alascom.

18 MR. WILCOX: Yeah, but it isn't, what I'm  
19 saying the 70 million isn't the level of subsidy that  
20 goes to Alascom because that includes our costs, as well  
21 in the equation. So if you're looking at what would -- I  
22 think what you're getting at is how much more efficient  
23 does Alascom have to be in order to not -- in order to  
24 stay in the business --

25 CHAIRMAN HUDSON: Without the subsidy.

1 MR. WILCOX: Given they're not going to get  
2 a subsidy from us. I think you're looking at a probably  
3 10 to 15 percent improvement in efficiency and cost,  
4 something like that. Not unheard of. Certainly we've  
5 reduced our costs more than that since the vestiture.

6 CHAIRMAN HUDSON: Dollar wise how many  
7 dollars, just approximately.

8 MR. WILCOX: My guess is 30, something like  
9 that.

10 CHAIRMAN HUDSON: We're really not talking  
11 about 70 to 100 million dollars, we're maybe talking  
12 about 30 million dollars, some figure? I'm not trying to  
13 pin anybody down to the bottom line, not trying to figure  
14 out anybody's -- also if we could, again I'm trying to  
15 collect and get as much intelligence as we can here.  
16 You've done a study through Leland Johnson --

17 MR. WILCOX: Yes.

18 CHAIRMAN HUDSON: As to what happens to the  
19 Alaska economy when this all occurs and we would like to  
20 have this. I'm getting a number of my colleagues saying  
21 that, you know, before you put any final report together  
22 make sure you make copies of stuff and let us know what's  
23 going on there. We're obviously interested. We know, I  
24 know just as a legislator and Mike and I and all of us  
25 here, we have to try to figure out how to even make

1 government run with fewer people, you know, by reducing  
2 our overhead, got less money, so that's not uncommon, but  
3 we'd like to know what to anticipate and if you have any  
4 ideas on what to anticipate, that would be very valuable  
5 I think to us.

6 Oh, one of the things that I was reading  
7 back through your filings there, some of them at any  
8 rate, you proposed 240 million dollars in investment for  
9 Alaska. I think one of them you indicated there, but  
10 none of it was for the bush. I think it was all for if  
11 the interstate situation.

12 MR. WILCOX: No, actually the -- well, there  
13 are a couple numbers that float around. That's one of  
14 them. To build the undersea cable, to put in our  
15 switching capacity here and to build a digital microwave  
16 route from Anchorage to Fairbanks, that's the backbone  
17 network, the fiberoptic cable to go into Juneau, back  
18 out, come up to Anchorage --

19 CHAIRMAN HUDSON: Through Whittier, I  
20 believe?

21 MR. WILCOX: Yeah, probably through Whittier  
22 and then conductivity through Fairbanks to Anchorage  
23 through digital microwave we would have points of  
24 presence as they're called in those communities. Beyond  
25 that we would just as soon lease facilities from Alascom



1 and/or GCI as opposed to build further microwave routes.  
2 We are -- we are probably going to ask permission to  
3 build those routes, those so-called secondary routes,  
4 just to make sure that we have an alternative in case the  
5 lease negotiations fall apart.

6 CHAIRMAN HUDSON: When you say secondary  
7 routes, you mean the part that you would rather lease  
8 from Alascom?

9 MR. WILCOX: Right, right and if you add  
10 that all together you get into the 220 to 240 million.  
11 The 180 is to do the backbone that I described and about  
12 120 of that is undersea cable alone.

13 CHAIRMAN HUDSON: I see and microwave  
14 switching, okay. That clears that up a little bit for  
15 me. If the Joint Board proposal is adopted and Alascom  
16 costs are reduced through the accelerated cost recovery  
17 program, have you done any studies showing the reduction  
18 in cost AT&T will derive if you use Alascom's reduced  
19 cost facilities in the future? That is, you obviously --  
20 you must feel that there's going to be some reduced costs  
21 to providing your services, you know, through that, and I  
22 don't -- see, that's the difficult part of sitting in  
23 this seat over here is when they start talking about  
24 write, you know --

25 MR. WILCOX: The write down and --

1                   CHAIRMAN HUDSON: Write downs, and things of  
2                   this nature there, but when I think of it in a practical  
3                   sense, it sounds to me you're going to amortize  
4                   somebody's debt and therefore that's part of the expenses  
5                   and therefore rates ought to go down. I'm looking at the  
6                   rate ends of the whole thing there, and I presume that in  
7                   your studies show that that will have rate reductions for  
8                   the users of Alaska. Is that part of your ability to  
9                   guarantee rate reductions or no increases in reductions?

10                  MR. WILCOX: There are two questions there  
11                  and they're both very important. Let me handle them one  
12                  at a time. We have done studies, we have looked very  
13                  carefully at what would be the impact on AT&T's payments  
14                  to Alascom for using its facilities if there were a write  
15                  down, okay. So for example, if we were to pay Alascom 50  
16                  million a year for three years and they were to write  
17                  down their plant, the book value of their plant, what  
18                  kind of savings would come back to AT&T as we lease those  
19                  facilities. I mean, you would think the rates would go  
20                  down because the rate base is lower so they have less to  
21                  earn on.

22                  CHAIRMAN HUDSON: Costs less to --

23                  MR. WILCOX: Right. Part of the problem  
24                  with it is that we don't have specifics on which or what  
25                  set of plant gets written down. Now this gets a little

1       tricky and I'll try not to bore you. When you write down  
2       the value of an asset, you don't change the depreciation  
3       expense for that asset until the asset is completely  
4       written off. So for example, if you were depreciating  
5       this table and it cost, say \$400, would be a good buy,  
6       and it has a ten year life, you're going to do straight  
7       line depreciation 40 bucks a year you're going to put on  
8       your expenses and you're going to recover through  
9       charging people to sit here, and then somebody comes  
10      along and says well look, here's \$200, write down the  
11      value of that table by \$200. Well you've only written  
12      off 40 so far, right, so it's down to 360. You write off  
13      200 more now it's down to 160, but for the next three  
14      years, next four years, you're still going to book \$40 of  
15      depreciation. You don't get any savings, me as a person  
16      sitting at the table, I'm going to pay the same rate  
17      because you're going to have the same expenses until  
18      those four years are over, and then zero. So how much we  
19      save depends on how much they're going the write down.  
20      It's tricky.

21                   Obviously, there are some savings. That's  
22      part of the reason I suspect GCI likes the write down  
23      plan. We pay for the write down, they get the lower  
24      rates because they lease a lot of capacity from Alascom,  
25      too.

1 CHAIRMAN HUDSON: Speaking of rates, what is  
2 a book rate? If I had a business and somebody came  
3 along --

4 MR. WILCOX: Oh, I'm sorry. Use the table  
5 again, okay. 400 dollar table when you bought it, after  
6 the first year you've depreciated \$40, the book value of  
7 the table is 360.

8 CHAIRMAN HUDSON: If you had a business and  
9 you were buying a business for \$400,000 and halfway  
10 through it somebody came in and said I'll give you the  
11 book rate for it, what would it be?

12 MR. WILCOX: It depends on the business.  
13 There are many businesses whose value on the market is  
14 lower than book and some higher than book.

15 CHAIRMAN HUDSON: Is that why we hear the  
16 proposal to buy everything at book rate? I mean how do  
17 we know what book rate is?

18 MR. WILCOX: Well, no, that's the reason you  
19 hear that. That is a specific number.

20 CHAIRMAN HUDSON: Sounds like a good deal.  
21 I'd buy it.

22 MR. WILCOX: You could go to their balance  
23 sheet and buy it at book and it's discernable. That's  
24 the reason it's said that way. I mean, our initial  
25 proposal on the bush, protecting service to the bush was

1 if Alascom wants out, have an auction. That sets the  
2 market rate, but then people started thinking, well gees,  
3 you're going to buy it cheap. Well, our thought was the  
4 auction would be probably higher than book. There's  
5 going to be at least three bidders that I know of.  
6 You've heard one today. There's another one sitting in  
7 the back of the room, you know. There's a lot of demand  
8 to serve that bush, apparently. So we said use an  
9 auction, but people thought that was wishy-washy. So  
10 we'll buy it at book.

11 CHAIRMAN HUDSON: Representative Porter?

12 REPRESENTATIVE PORTER: If you buy it at  
13 book you've just established market. Doug, may I ask you  
14 the same question I asked Dana, if assuming from your  
15 point of view there's going to probably be many, but if  
16 you had the ability to change one element of the Joint  
17 Board's tentative proposal, what would you change and  
18 how?

19 MR. WILCOX: If I were to be just flat out  
20 self-serving for AT&T, we'd eliminate the accelerated  
21 cost reduction plan, the write down. But if I were to  
22 take a broader view, I think it's important to understand  
23 that under the tentative recommendation, there are no  
24 tangible immediate benefits to consumers, none. AT&T  
25 doesn't enter the market, doesn't lower prices, doesn't



1 build new infrastructure, doesn't put in its switches and  
2 offer all the services we offer to customers in other  
3 states. There are no tangible benefits.

4 Now, the consumer benefit plan has a  
5 transition period implicitly in it. We can't build our  
6 switches overnight. We can't put up buildings to put  
7 them in overnight. It takes a year or so. During that  
8 year, we're going to be buying all of our services from  
9 Alascom. So we've said, don't call it the JSA but as a  
10 practical matter we're going to be paying for that first  
11 year exactly what we'd be paying if the JSA were in  
12 existence. Probably more, because we'll be in the  
13 intrastate business as well.

14 Secondly, the undersea cable is doing to  
15 take us three years to complete. So for that three year  
16 period we're going to be buying service from Alascom and  
17 their cable.

18 And finally, we don't want to build to those  
19 second tier locations. We'd rather lease or buy under  
20 tariff facilities from Alascom. So and of course as far  
21 as the bush is concerned, the earth station satellite  
22 network that's a monopoly we have. We have to use them.  
23 So we intend -- there is a transition in the consumer  
24 benefit plan. It's implicit. It isn't stated year one  
25 and year two and year three.

1                   So if the transition plan of the tentative  
2                   or the final recommendation incents AT&T -- not insenses  
3                   but incents AT&T to enter the market, in other words, we  
4                   haven't -- I'm third in line on this new fiberoptic  
5                   cable. Pacific and Atlantic come first, Alaska's third  
6                   and I'm having trouble keeping my place in line. If I  
7                   lose the place in line, it isn't three years it's many  
8                   more because demand is -- this is a quantum leap in  
9                   technology and demand is heavy for this stuff. So if  
10                  we're incented to enter the market, the order goes  
11                  through, we order the cable, cable ships put on alert  
12                  they're going to be installing it, we order the switch,  
13                  we buy the buildings, we exercise the options on land and  
14                  all of that stuff, and that's when prices go down.  
15                  That's when all the new services become available.  
16                  That's when the good stuff happens.

17                  So if I were to take a broader view, I think  
18                  it's the transition period associated with whatever final  
19                  recommendation comes down that's most important because  
20                  if the transition is such that we're incented to enter  
21                  the market, then all the things we promised in the  
22                  consumer benefit plan happen. If they don't, if it's  
23                  eight years from now, then sometime later on we're going  
24                  the make a business case study and see if this is a good  
25                  deal then.

1 REPRESENTATIVE PORTER: Thank you.

2 CHAIRMAN HUDSON: Yes, Red.

3 MR. BOUCHER: Now you're talking about --  
4 thank you, Mr. Chairman -- the backbone network, would  
5 your satellite now serve rural Alaska?

6 MR. WILCOX: Our present satellites don't  
7 see all of Alaska.

8 MR. BOUCHER: You could not via satellite  
9 serve rural Alaska today?

10 MR. WILCOX: Yeah, there are parts of rural  
11 Alaska that we can't see from our present satellite, sir.

12 MR. BOUCHER: What would you intend to do in  
13 that, since the emphasis has been rural Alaska? Now we  
14 know you're going to do this 180 million in the lucrative  
15 and backbone market. What are your plans on the  
16 satellite for bush Alaska?

17 CHAIRMAN HUDSON: We're looking for  
18 guarantees, remember?

19 MR. BOUCHER: Oh, yes, absolutely. I mean,  
20 I was surprised to see with satellite technology, we're  
21 not going to fiberoptic the bush. You talk about  
22 expenses.

23 MR. WILCOX: Not very soon.

24 MR. BOUCHER: Until we laser beam the stuff,  
25 I want to know what -- what the plans are there.

1                   MR. WILCOX: Okay. Well, today Alascom has  
2 a monopoly on that service. GCI is seeking to overturn  
3 it.

4                   MR. BOUCHER: If you could serve it  
5 tomorrow; would you?

6                   MR. WILCOX: Well, we could buy the monopoly  
7 that Alascom now owns.

8                   MR. BOUCHER: Okay.

9                   MR. WILCOX: I mean, if -- what we said is  
10 look if they want to get out of being the monopoly  
11 provider and just get out of serving the bush, we'll take  
12 over their satellite and their earth stations and any  
13 carrier who has that responsibility, whether it's us,  
14 Alascom, GCI, if there's -- there's got to be some  
15 carrier, as you put it, that you can put your finger on  
16 and say hey, Village X needs an earth station, 25 people,  
17 post office, go. You got to have one carrier that does  
18 that. We're willing to be that carrier. GCI's willing  
19 to be that carrier. Right now Alascom is. That means  
20 when they realize Aurora II, their satellite is going to  
21 run out of fuel they have to put engineering plans, buy a  
22 launch capacity, buy a satellite and replace it in a  
23 timely fashion so service isn't interrupted. That's  
24 their duty and I'm sure they'll do it, and if we're  
25 responsible for doing it, we'll do it. If GCI is

1 responsible, they'll do it.

2 MR. BOUCHER: Mr. Chairman that's a strong  
3 interest as Representative Brown well knows, the State  
4 has invested millions of dollars in satellite to supply  
5 bush Alaska and I for one would like to know beyond what  
6 Alascom's doing what AT&T's long range plans are in the  
7 satellite area, because obviously, in fiberoptic, which  
8 is in place, they seem to have a plan there. I have one  
9 other question, if I may, Mr. Chairman. Thank you for  
10 your patience.

11 You were saying -- we were talking about a  
12 rate decrease when Representative Navarre was here.  
13 Hasn't there been a recent rate increase filed by AT&T or  
14 did I misunderstand that?

15 MR. WILCOX: No, there was a recent filing.  
16 Some rates went up; some rates went down. The net effect  
17 was a very small increase in revenues. I would call it a  
18 market adjustment as opposed to a rate filing. It was a  
19 tweak.

20 MR. BOUCHER: But there has been --

21 MR. WILCOX: That's a technical term.

22 MR. BOUCHER: Market adjustment or what have  
23 you because I was surprised to hear that hadn't been  
24 mentioned throughout the process here. Now --

25 MR. WILCOX: In the basic schedule, some



1 rates went up, some went down. and the effects were very  
2 small.

3 MR. BOUCHER: And Alascom as it currently  
4 exists now they have to jack up their rates, too?

5 MR. WILCOX: They have to charge the same  
6 rates AT&T charges for interstate domestic switched  
7 services.

8 MR. BOUCHER: Thank you, Mr. Chairman.

9 CHAIRMAN HUDSON: Yes, Representative  
10 Navarre.

11 REPRESENTATIVE NAVARRE: What was the value  
12 of that tweak on an annual basis?

13 MR. WILCOX: Oh, it was less than 20 million  
14 dollars on a 30 some billion dollar base or something.

15 REPRESENTATIVE NAVARRE: In your overall  
16 base?

17 MR. WILCOX: Um-hum. Be a lot if you and I  
18 had to pay it but in the rate base it was a tweak,  
19 believe me.

20 CHAIRMAN HUDSON: Doug, that's been very  
21 enlightening and appreciated you coming in this afternoon  
22 and I think we've all learned a great deal and appreciate  
23 it.

24 MR. WILCOX: Thank you very much.

25 CHAIRMAN HUDSON: One additional question.

1 Go ahead, Mike.

2 REPRESENTATIVE NAVARRE: Still trying to get  
3 a grasp on this 70 million dollar issue and if that's  
4 going away how that's absorbed and what did you say the  
5 300 million dollar, is that the value of the Alaska  
6 market?

7 CHAIRMAN HUDSON: Total business.

8 REPRESENTATIVE NAVARRE: Total value.

9 MR. WILCOX: Subject to check, roughly.

10 REPRESENTATIVE NAVARRE: Give or take. I  
11 mean, that's -- 70 million is a significant amount of 300  
12 million.

13 MR. WILCOX: Now I'm sorry -- I'm sorry. I  
14 did confuse some numbers. The 300 million that is Alaska  
15 billed revenues, okay. So it doesn't include south --  
16 essentially what we call northbound -- wouldn't include  
17 revenues that we billed in the lower 48. In other words,  
18 it's the market that a competitive carrier's going to  
19 look at getting a chunk of by entering the Alaska market.  
20 So those two numbers don't touch.

21 REPRESENTATIVE NAVARRE: Okay, so the 70  
22 million, which is your difference between calls going  
23 south, not calls going north?

24 MR. WILCOX: It's both. The 70 million is  
25 the shortfall when you include the costs of both

1 northbound and southbound traffic and both northbound and  
2 southbound revenues.

3 REPRESENTATIVE NAVARRE: So after you  
4 calculate all that, you're losing money?

5 MR. WILCOX: Absolutely.

6 REPRESENTATIVE NAVARRE: And the amount of  
7 money you're losing is 70 million?

8 MR. WILCOX: Yes, per year.

9 REPRESENTATIVE NAVARRE: Per year.

10 MR. WILCOX: That's taking northbound and  
11 southbound revenues and subtracting northbound and  
12 southbound costs, including the costs obtained from local  
13 exchange carriers for access to their local networks.

14 REPRESENTATIVE NAVARRE: Okay, and -- okay.  
15 So what the -- still even if you double the amount for  
16 the -- the 300 million is just the calls billed Alaska,  
17 so that's south or is that both north and south?

18 MR. WILCOX: It doesn't include northbound.  
19 It wouldn't include calls billed in the lower 48.

20 REPRESENTATIVE NAVARRE: So if you doubled  
21 the amount, maybe more than double, I don't know, to 600  
22 million, still 70 million is more than a tweak in that  
23 amount of revenues.

24 MR. WILCOX: It's about 10 to 15 percent.  
25 That was the number I threw out before. That's the kind

1 of reduction in costs that need to be made.

2 REPRESENTATIVE NAVARRE: So you'll be making  
3 some reduction in costs?

4 MR. WILCOX: (Indicates affirmatively).

5 REPRESENTATIVE NAVARRE: So then the  
6 calculation of your costs now is either inflated or else  
7 technology's going to advance in the next few years to  
8 provide you with --

9 MR. WILCOX: Part of it's technology, part  
10 of it's operating efficiency, part of it is growth in the  
11 market spreads costs over a wider -- I mean raises  
12 revenues. Part of it's revenue costs, part of it's cost  
13 control, part of it's technological improvement.

14 REPRESENTATIVE NAVARRE: Okay. Now, as the  
15 market has grown in Alaska as there's been an increase in  
16 the amount of calls in Alaska, have your costs gone up or  
17 have they gone down or have they stayed the same and the  
18 subsidy's just gotten less? Because arguably there's 8  
19 to 11 percent a year already that we're having an  
20 increase in the market.

21 MR. WILCOX: Well actually, the subsidy is  
22 probably lower now than it used to be. So costs, you  
23 know, demand has gone up, costs have come down. Part of  
24 the problem with the joint service arrangement is that,  
25 you know, our friends over here from MCI, GCI have

1 captured 40 to 50 percent of what otherwise would have  
2 been revenues in the joint service arrangement. We'd get  
3 those back again, go back to good old monopoly days  
4 things wouldn't be so bad you see because that additional  
5 demand is spread. I mean, a lot of the costs of the  
6 network are fixed. That undersea cable was put in for  
7 what it was put in for and they're earning on that  
8 investment. If you double the amount of calls going  
9 through it and double the revenues, you don't double the  
10 costs. That's part of the problem.

11 REPRESENTATIVE NAVARRE: But they're leasing  
12 that.

13 MR. WILCOX: GCI is leasing a part of it.

14 REPRESENTATIVE NAVARRE: A part of it.

15 MR. WILCOX: Sure.

16 REPRESENTATIVE NAVARRE: So that cost must  
17 come off that calculation?

18 MR. WILCOX: It does, it does, but revenues  
19 are higher than cost. It's a recovery situation I'm  
20 referring to. If you took all the revenues for  
21 northbound --

22 REPRESENTATIVE NAVARRE: I see what you're  
23 saying.

24 CHAIRMAN HUDSON: Doug, just now you've  
25 piqued once again the business of subsidy. I thought you



1 told me the actual subsidy was only about 30 million  
2 bucks.

3 MR. WILCOX: If I were to guess, which it  
4 really is at this point. I can hear John scribbling  
5 behind me, so he's probably got a different number. If I  
6 were to say how much does Alascom have to reduce its  
7 annual costs to be to be competitive and to not need the  
8 subsidy, I think that's about the number they're looking  
9 at. I think he can tell you some other number, but  
10 that's my estimate. And I would -- having made it  
11 subject to check, let me check, Council, with our friends  
12 in Alascom and see if we can't put this in some orderly  
13 fashion that doesn't -- doesn't do apples and oranges  
14 things, which we've done enough of.

15 CHAIRMAN HUDSON: Anything you could put in  
16 writing that would try to afford a layman's understanding  
17 of this, this very complex subject I think will be very  
18 beneficial. Mark?

19 REPRESENTATIVE NAVARRE: Again, why would  
20 the costs go down if you're allowed to enter the market  
21 when they're not going down now because you have this  
22 joint services agreement? I mean why, if there's 15  
23 percent excess costs to Alaskan consumers, why?

24 MR. WILCOX: Be careful to -- when you make  
25 the connection between costs and what consumers pay,

1       that's a bit tenuous, but I can tell you that if I have a  
2       cost plus contract with a guaranteed rate of return, my  
3       inclination isn't going to be cutting out every single  
4       cost I can possibly cut out. And that's essentially what  
5       the JSA is. It's a cost plus contract with the  
6       guaranteed rate of return.

7               REPRESENTATIVE NAVARRE: That's the Alascom  
8       end of it?

9               MR. WILCOX: Right.

10              REPRESENTATIVE NAVARRE: What about your end  
11       of it? Because you're saying you're going to cut costs,  
12       too. Is that as compared what Alascom can deliver it for  
13       now?

14              MR. WILCOX: Yes.

15              REPRESENTATIVE NAVARRE: Or your costs will  
16       be reduced also?

17              MR. WILCOX: Well we're constantly trying to  
18       reduce our costs as a practical matter to stay  
19       competitive in the lower 48 and Hawaii, but yeah, we  
20       think we can -- I mean, the reason we're proposing to  
21       build the network is that the cost of building networks  
22       have decreased so dramatically in the last five to ten  
23       years. Switches are a third of what they used to cost.  
24       Fiber is a tenth of what it used to cost. So we can  
25       afford to build rather than lease from Alascom and do it

1 more cheaply. At least we think so.

2 REPRESENTATIVE NAVARRE: Thank you.

3 CHAIRMAN HUDSON: All right. And moving  
4 right on. Thank you, again, and we'd now invite to the  
5 table John Ayers. John, would you like to join us,  
6 please? Welcome to the committee, John, and if you  
7 would, give us your name and your position, sir, and your  
8 testimony.

9 MR. AYERS: Thank you very much, Mr.  
10 Chairman. My name is John Ayers. I'm Executive  
11 Vice-President, General Manager of Alascom, and it's  
12 particularly nice to be here. After hearing all the  
13 history, I don't have to repeat and find out how much  
14 money I have to save, so probably don't need to say a  
15 whole lot more but suffice it to say whatever plan is  
16 adopted has to do as well as the JSA to achieve and  
17 continue the goals of telecommunications progress the  
18 state has had. In fact whatever program we bring in has  
19 to be better.

20 We think it's important to recognize both  
21 the time and opportunity to ensure that the new Alaskan  
22 market structure is -- it is here. It's available. We  
23 need to take the time to make sure that whatever plan we  
24 have does in fact strive a better balance and make for  
25 better telecommunications resources in the state.

1                   We believe the times have changed and we've  
2           changed with them and we continue to change with them,  
3           but we're not benefited anymore by any other -- than any  
4           other carrier when it comes to a delay. We're not  
5           benefited by uncertainty. It's difficult for us to plan,  
6           as well as the other carriers in the marketplace and  
7           those desiring to enter.

8                   Alascom's not interested in delay but  
9           neither is it interested in a decision for decision's  
10          sake. We do believe that the Joint Board proposal is  
11          plausible. We responded to the Joint Board request with  
12          some substantive documented analyses. Anticipating your  
13          question, we'd be pleased to provide them to you. We  
14          have also proposed specifics which we think will ensure  
15          the Joint Board proposal achieves public interest goals  
16          on a basis that doesn't harm our customers, our employees  
17          or our shareholders. We do in fact consider our  
18          shareholders as others have said.

19                   With our specifics we have proposed that it  
20          would be less costly to AT&T than the JSA. We proposed a  
21          221 million dollar accelerated cost recovery and some  
22          prepaid expenses of about 72 million which is somewhat  
23          less than the 330 million dollars AT&T had agreed to in  
24          the master agreement with us, which expired January 15th.

25                   Our studies demonstrate that the Joint

1 Board's plan with our specifics would indeed prevent  
2 upward pressure on intrastraight rates beyond 2001 and  
3 would do so on a lawful basis and as such, we're prepared  
4 to go forward on this basis with the implementation of  
5 the proposal on the 1st of January, 1994, as we have  
6 proposed the changes.

7 I'd like to take a minute and talk a little  
8 about technology because I've heard a lot about what is  
9 and isn't here and whether it's good, bad or indifferent  
10 in some cases. We have a second generation satellite.  
11 It was built just for Alaska to serve the bush. It's in  
12 an orbital slot that let's us do that. It let's us see  
13 all of Alaska and let's us see it quite well. We have a  
14 fiberoptic submarine cable as you all know in place. We  
15 have digital switching systems by a vendor, Northern  
16 Telecom, which has about 2,200 of those switches in the  
17 marketplace today. Those switches also serve our major  
18 local exchange companies, the Northern Telecom DMS series  
19 of switches. The reason we have those by the way is  
20 because when we went to bid which we do on our major  
21 procurements, AT&T was too expensive in the cost per  
22 switch. I'm glad to hear Doug say the costs have come  
23 down. But at that time we wound up committed to a  
24 Northern Telecom strategy because of cost and its  
25 relationship to the rates we charge to our customers.



1                   We have digital microwave connecting the  
2           major locations here in Alaska, Anchorage, Fairbanks,  
3           Juneau and all the way down the Kenai Peninsula. We have  
4           other plans to continue that. We do on a regular basis  
5           upgrade bush area stations to digital and we have more to  
6           do. We have about 80 percent of our circuits in our  
7           system now are digital circuits.

8                   As to the Hughes technology that Dana  
9           referred to, we are well aware of it. We have invested  
10          about \$370,000 in the R&D Associates. So we continue to  
11          follow that technology very much. We believe that it is  
12          a future technology and it should be and probably will be  
13          deployed in Alaska and we intend to do so as soon as it's  
14          perfected. There is a trial of the technology going on  
15          right now in Canada and it's not working. It's only  
16          allowing about 90 percent of the calls to complete, which  
17          is clearly not a standard that we would choose to employ  
18          at this time. We do continue to work with them. We do  
19          continue to work with our Canadian counterparts as they  
20          test the system.

21                   We have frame relay, which is a term that  
22          you may hear, fabric on demand type services are in place  
23          and are being used and certainly will play a part in the  
24          State's desire for video teleconference facilities,  
25          although the first customer is likely to be the Teamsters

1 Union. We're connected into that network with Wil-Tel on  
2 frame relay because our network doesn't interface  
3 currently with the AT&T frame relay number.

4 We did attempt to bring software defined  
5 network into Alaska at the request of a major customer,  
6 but we were rejected by our partner who didn't want to  
7 deploy software defined network in 1991 when we requested  
8 it on behalf of our customer. But the technology is  
9 here. I mean, we are employing modern technology. Our  
10 switches being a DMS variety allow us to do certain  
11 things with local exchange companies that may enhance the  
12 services provided to users in the state as opposed to  
13 dealing with a -- an AT&T switch which may not be as  
14 easily interconnected. Although with all of the switches  
15 becoming software driven, the hardware technology is  
16 compatible as the software applications, and I think  
17 that's also what Mr. Wilcox had to say.

18 So as the switching competition grows, I  
19 think you'll see leapfrogs in that technology and the  
20 services provided, as we do in satellite technology or  
21 fiberoptic technology or microwave technology, but  
22 suffice it to say Alaska and Alascom have employed  
23 considerable modern technology in the past years.

24 In summary, we're prepared to move forward  
25 with the Joint Board proposal on the basis we put it in

1 the public record, and we wish to do so expeditiously.  
2 We're unaware that any other party, including the Joint  
3 Board, has done an analysis in the detail that we have  
4 done and we have yet to see any analysis from any party  
5 that's been submitted into the record rebutting our  
6 analysis. Any party proposing a different course  
7 obviously bears the burden of proof that the plan will  
8 work from a public interest perspective, and we're  
9 hopeful that the task force will encourage other parties  
10 and the Joint Board to develop and place those studies  
11 into the public record.

12 That's the end of my formal remarks.

13 CHAIRMAN HUDSON: Any questions from the  
14 members here. Red?

15 MR. BOUCHER: I guess, John, I'll ask you a  
16 pretty direct one, is -- are there conditions under which  
17 Alascom would support AT&T's entry into the market? I  
18 gather it's not whether they should come in but how they  
19 should come in. Am I correct there?

20 MR. AYERS: We supported their entry with  
21 the master agreement. So if you want to be led the  
22 charge of bringing AT&T into the market by virtue of the  
23 fact that we support the tentative recommendation as  
24 we've suggested it be amended, that also says we're  
25 willing to accept and bring them into the market and

1 work with them to do so.

2 MR. BOUCHER: Mr. Chairman, obviously there  
3 are the two corporate entities that are head to head and  
4 you have your interest, and as the Chairman so aptly  
5 pointed out, we have separate constituency. What is the  
6 gap between you two folks and is it possible to get that  
7 solved?

8 MR. AYERS: If they do it all my way, I'm  
9 sure -- no, certainly I think there's a middle ground and  
10 I think that both parties, I think all parties as Dana  
11 Tindall said want to get this resolved. So I think there  
12 is certainly an opportunity and I think that the Joint  
13 Board is taking the correct approach in doing so, and I  
14 think that AT&T will probably accept the recommendations  
15 of the Joint Board. I can't speak for them, but I would  
16 think that if the rest of the parties are of a mind that  
17 that's the most logical entry, I would expect them to  
18 support that.

19 MR. BOUCHER: May I ask the last question  
20 again in a different --

21 MR. AYERS: I don't know that for a fact.

22 MR. BOUCHER: Is there an identifiable  
23 number in millions of dollars that separates your  
24 thoughts and what's being handed to you now?

25 MR. AYERS: That's what we filed with the

1 Joint Board, said that if we could get an accelerated  
2 cost recovery of 221 million and some assurance that the  
3 network wouldn't be abandoned by AT&T and we suggested a  
4 transition expense payment, if you will, of 72 million  
5 for three years that that would be very good, would deal  
6 with it.

7 MR. BOUCHER: 72 million is the figure,  
8 then?

9 MR. AYERS: It's not that simple. I think  
10 that again we're back to the elements of the tentative  
11 recommendation, including everything that's associated  
12 with it, the transition period, the protection from the  
13 use of our facilities over that period, and the  
14 accelerated cost recovery.

15 MR. BOUCHER: One final question, if I may,  
16 Mr. Chairman, the software in 1991, did that relate to  
17 data compression? Was that the software that --

18 MR. AYERS: You mean when I was talking with  
19 AT&T?

20 MR. BOUCHER: Yes, you said --

21 MR. AYERS: Strictly the software design  
22 network, we have a large customer that is jointly, if you  
23 will, ours and AT&T's, and they asked us to pursue  
24 bringing a software defined network mode to Alaska. We  
25 did that they were unable to make that applicable.



1 MR. BOUCHER: Thank you, Mr. Ayers. Thank  
2 you, Mr. Chairman.

3 CHAIRMAN HUDSON: John, we've heard  
4 statements and I think they're in the record that Alascom  
5 has had no incentive to reduce cost upgrade, that since  
6 the subsidy is a guaranteed mechanism on the base of the  
7 costs that you've had no incentive to reduce your costs.  
8 Can you speak to that just a bit for us here?

9 MR. AYERS: Yes, I think that GCI is  
10 providing quite a good incentive for us to reduce our  
11 costs.

12 CHAIRMAN HUDSON: Would you call it  
13 competition?

14 MR. AYERS: I call it competition.  
15 Technology allows us to do some of that, as well as other  
16 process work. We're continually reviewing our processes,  
17 how we do our work and trying to find ways with fewer  
18 people or fewer resources, if you will, because people  
19 aren't the only resources that are applied. We're doing  
20 that with our network operation control center which  
21 allows us to look statewide and monitor our 260 locations  
22 from one location. We have something like 70 or 80  
23 thousand alarms to be monitored on an ongoing basis.  
24 We've consolidated the people to that one point and have  
25 remote test and access which let's us not dispatch

1 technicians where we used to, and all of these things are  
2 related to using technology to be more efficient. We do  
3 that on a regular basis.

4 CHAIRMAN HUDSON: Given the fact that it  
5 appears at any rate as though the joint services  
6 agreement is going away through whatever purpose there or  
7 however it's going to be reconciled there, think ahead  
8 now 5, 10, 15 years ahead here, how do you feel about the  
9 services? What can Alaska look forward to? Is this a  
10 positive optimistic view?

11 MR. AYERS: I think that Alaska can see what  
12 they have been seeing, which is a growing provision of  
13 all of these technologies but they are market driven.  
14 There needs to be someone there who wants to use the  
15 service. For example, the North Slope Borough said we  
16 want do use video conference for distance learning. They  
17 have a network that we helped them build to do that but  
18 they drove it. The technology's available it's a  
19 question of whether the technology is available at  
20 acceptable cost or what the benefits are going to be  
21 derived from it.

22 So some of it's market and the market, in  
23 all of the communities won't demand, if you will, ISDN  
24 and the video conference technologies that's are here.  
25 You see a lot of service requests for different long

1 distance message programs, things of that nature. But  
2 all of it isn't technology driven. Some of it is. Good  
3 bit of it is but they can expect to see all that  
4 technology coming perhaps slower because of the  
5 difficulty in getting to certain places, but again as  
6 Dana Tindall pointed out, the areospace technology's  
7 changing the way we deliver some of the services, it's  
8 changing and it's a question of how much money does it  
9 take and is there a certainty it will be paid for either  
10 through market or through some other -- (inaudible).

11 CHAIRMAN HUDSON: The AT&T's proposal to  
12 duplicate the cable and the switches and the microwave  
13 over land in certain places, your analysis of that? I  
14 mean, can we afford -- I mean, somebody's going to have  
15 to pay for it. Seems to me like if you got two cables  
16 running, will the market afford two cables, for example,  
17 undersea cables?

18 MR. AYERS: At some point in time, depending  
19 on growth and demand you'll see a requirement for  
20 additional cable capacity. I haven't seen the studies  
21 personally that would tell me when that would be.  
22 Certainly if we take advantage of the technology we have  
23 now and use digital compression -- we don't currently do  
24 digital compression on long distance with AT&T, you can  
25 gain capacity on the existing cable for some foreseeable

1 future. At some point you've exceeded that, that  
2 capability.

3 CHAIRMAN HUDSON: And then you need add on.

4 MR. AYERS: Then you need another facility.  
5 The question is when and in the interim how will those  
6 costs be covered by whoever installs it. So if AT&T  
7 installs a cable that isn't full, it has to amortize  
8 those costs somehow in it's overall rate base. But at  
9 some point, certainly there will be additional facilities  
10 required. I don't know, can't tell you today when that  
11 is.

12 CHAIRMAN HUDSON: All right. Thank you.  
13 Any other questions? Yes, Representative Brown.

14 REPRESENTATIVE BROWN: Thank you. When John  
15 Katz spoke earlier, he said that the present situation  
16 with its uncertainties is inhibiting carrier investments  
17 in new equipment and technology. Do you agree with that?

18 MR. AYERS: Sure. Yeah, it is. It's as if  
19 you have a major investment to make without any certainty  
20 as to the recovery mechanism, will you delay it if you  
21 can. The answer is yes and yes we do.

22 REPRESENTATIVE BROWN: With respect to the  
23 North Slope Borough facilities that you referenced, how  
24 much of that was private investment by your company  
25 versus subsidy, so to speak, by the local government?

1                   MR. AYERS: I don't know. They leased the  
2 facility, the transmission facilities, and they purchased  
3 the video conference equipment. So we provide the  
4 digital transmission facilities as we would any customer  
5 on a special instruction basis. So if you say did we  
6 invest that and was it sitting there, the answer is no.

7                   REPRESENTATIVE BROWN: My understanding is  
8 the facilities they have are orders of magnitude better  
9 than what is available anywhere else in the state,  
10 including the urban areas. Just wondering how is the  
11 demand so much greater in an area with such a small  
12 population and how is it that that area is able to  
13 convince your company to make that kind of -- put in that  
14 kind of service? What do other local governments or  
15 areas need to do to get comparable service would be  
16 another way to say it?

17                   MR. AYERS: First of all, that kind of  
18 service is available anywhere we have digital  
19 transmission facilities today. So it's available from  
20 here to Juneau if you want to put it in, or here to  
21 Fairbanks or here to Kenai, Homer. It's available to a  
22 number of rural Alaskan locations who currently have  
23 digital air stations. What the borough did was to say we  
24 want to use video teleconference equipment to teach and  
25 as an instruction medium, and they came to us and said



1       how can we -- how with can we do this and we said here's  
2       the way you do it. Here's the technology and the video  
3       conference equipment that they said, they selected that  
4       and we went in and upgraded the earth stations to meet  
5       that requirement.

6               Now, I don't -- I can't tell you whether or  
7       not there was special construction charges or not, but  
8       it's the demand that drives the earth station changes in  
9       many cases. So if you had a similar requirement it would  
10      depend upon the economics again of that requirement, if  
11      you're going to change that in advance of your normal  
12      schedule.

13             REPRESENTATIVE BROWN: Do you have a  
14      schedule for when upgraded services are going to be  
15      deployed throughout rural Alaska now?

16             MR. AYERS: Well, we have for example three  
17      earth stations that will be converted to digital,  
18      Unalakleet, Aniak, and one more. We do a certain number  
19      every year and take the technology that's there that  
20      was -- the older technology, the analogue technology and  
21      use it for growth until we bring the whole cycle full.  
22      It's difficult to say. You walk out there today, for us  
23      where we have an invented cost structure to say we're  
24      going to replace that whole sale because then you do have  
25      a write off on your hands or whatever that investment

1 still is on your books. So we have an organized  
2 schedule. I have one that goes out for two or three  
3 years but that again is dependent upon what the recovery  
4 mechanisms will be in the future. (Inaudible) -- can  
5 give you a (inaudible). Long way around to that answer.

6 CHAIRMAN HUDSON: Brian?

7 REPRESENTATIVE PORTER: Thank you. John,  
8 for the record, Representative Porter, let me ask the  
9 question that I've asked the other participants. You've  
10 mentioned a couple, but if you had the authority to amend  
11 or change or delete or add one element to that proposal,  
12 which one would it be?

13 MR. AYERS: We want the accelerated cost  
14 recovery increased.

15 REPRESENTATIVE PORTER: Thanks.

16 CHAIRMAN HUDSON: Any other questions?  
17 Dave? You've sat over there very quietly, haven't asked  
18 very many questions. It's not like you.

19 Thank you very much, John, and appreciate  
20 you coming before us. Again, I think with all this  
21 airing has a wonderful affect. It really does give us a  
22 better understanding of where the whole proposal's at and  
23 what the differences are and are not because there's  
24 certainly some misperceptions out there.

25 At this time, let's see, I think I have one

1 more and I don't have the name of the gentleman from MCI,  
2 but if he --

3 MS. GAREY: Actually, it's not a gentleman.  
4 That's maybe why you don't have it.

5 CHAIRMAN HUDSON: That's right. Welcome to  
6 our committee. Thank you.

7 MS. GAREY: Thank you, Mr. Chairman, no  
8 problem. My name is Gail Garey and I am from MCI, a long  
9 distance telecommunications provider and we deliver a  
10 wide array of products and services, voice data and  
11 message -- messaging services and for the record, we are  
12 a minority, do have a minority interest in GCI, and I'm  
13 here on behalf of MCI today to encourage the task force  
14 to support the Joint Board's efforts to create a market  
15 structure, a new market structure for the provision of  
16 interstate telecommunications service in Alaska, a market  
17 structure which is going to allow for and will encourage  
18 the development of competition.

19 I think MCI generally agrees with the  
20 tentative recommendations that have been put forth by the  
21 Joint Board. We filed comments and we filed comments on  
22 the recommendation, as well as on some of the suggestions  
23 of the parties, and as you've heard a lot of testimony  
24 here today, it's not a new issue. Lots of people have  
25 had the opportunity to comment. There's lots of

1 information out there to -- to read, but I think one of  
2 the things I want to reinforce and emphasize is one of  
3 the comments made earlier today by John Katz, that is any  
4 further delay is only going to harm consumers, and MCI  
5 believes that it's going to harm consumers and one of the  
6 reasons is it's going to deprive consumers of the  
7 benefits of the competitive telecommunications market.

8 I think you only have to look at what's  
9 happened in the long distance market in some of the other  
10 markets outside of Alaska to get an idea of what I might  
11 be talking about, as well as what is possible. I think  
12 the advent of competition, there's no question that it's  
13 produced an array of new products and services, new  
14 calling plans, it's encouraged technological innovation.  
15 It's been a catalyst for the development of hundreds of  
16 new businesses, new jobs associated with those types of  
17 businesses, and it's also resulted in substantial rate  
18 reductions for all classes of customers.

19 I think, you know, you look at the market in  
20 the lower 48 or in the long distance market and sure,  
21 AT&T has lots of markets here and that's what's going to  
22 happen to any monopoly provider once you introduce  
23 competition, but what we're seeing is they're certainly  
24 not losing any sort of revenue and the fact is the  
25 stimulation is definitely increasing the pie and



1 encouraging a lot more use of those systems.

2 I think since the break-up of the Bell  
3 System, interstate long distance rates have fallen about  
4 35 percent while on the contrary, you've seen the  
5 consumer price index rise by about 38 percent. You know  
6 again, I think as Commissioner Knowles pointed out,  
7 before competition we didn't have a whole lot of services  
8 or different choices in terms of services or much beyond  
9 a black rotary dial telephone and a lot has changed since  
10 then. MCI alone has 60 different types of products and  
11 offerings, more than that, actually, and I think you know  
12 when you look at the State of Alaska you've certainly  
13 benefited from competition since GCI was allowed into the  
14 market and rates for calls within the state have declined  
15 by 25 percent. You've seen a lot more increase in terms  
16 of customer service and also, an upgrade in the network  
17 that is going to be an automatic result of competition in  
18 terms of the actual infrastructure that's in place.

19 I think it's history, Chair Hudson, in terms  
20 of answering some of your questions about some  
21 assurances, history confirms that a pro competitive  
22 public policy is going to be the best catalyst for  
23 satisfying the public demand for new reasonably priced  
24 services and for the development of a state of an art  
25 network.



1                   Again, in the lower 48, it wasn't the  
2                   government promising AT&T billions of dollars that got  
3                   them to accelerate the development of digital technology.  
4                   It was MCI and Sprint laying thousands of miles of  
5                   fiberoptic cable that actually then got AT&T to speed up  
6                   the development of a network modernization plan.

7                   I think competition was also the best  
8                   medicine for encouraging the appropriate investments in  
9                   the telecommunications infrastructure. I think again,  
10                  it's been mentioned today and I guess I'd agree with  
11                  this, that the current joint service arrangement between  
12                  AT&T and Alascom does just the opposite, that it does  
13                  indeed provide little reason for Alascom to control its  
14                  costs and it, to some degree I think it might even create  
15                  the incentive for inappropriate investments. If you're  
16                  not subject to a totally competitive marketplace you  
17                  don't have to be quite as focused on what your costs or  
18                  what kind of investments you're making.

19                  Alascom will benefit definitely in the  
20                  future from a modern telecommunications infrastructure.  
21                  Telecommunications is a growing global market, and I  
22                  think when you look at the future it's ubiquitous  
23                  seamless network of networks that's powerful, has a  
24                  multitude of different types of services that are going  
25                  to be offered over it and that you can be connected to

1 encourage competition, because further delay is only  
2 going to harm consumers. Thank you.

3 CHAIRMAN HUDSON: Thank you, Dana.

4 MS. GAREY: Gail.

5 CHAIRMAN HUDSON: Gail.

6 MR. BOUCHER: Gail, I ask the same question.

7 We talk about the gee whiz and bells and whistles. I  
8 keep getting inundated with this stuff. I haven't even  
9 caught up with my 64K Apple, much less my new Newton but  
10 we just buy them because they're the in thing. Will you  
11 please tell me what technology the State of Alaska does  
12 not have today that MCI could bring into this state  
13 tomorrow if we had it and that people wanted it? What  
14 sort of -- what technology is not being provided?

15 MS. GAREY: Mr. Chairman, I think one of the  
16 things that has been mentioned is the ability for a  
17 digital -- a digital network all across the state. I  
18 don't think that probably everyone in the state has the  
19 benefits that you do, and again, it's MCI's philosophy  
20 and one of believing that competition is going to  
21 encourage the development of a proper infrastructure and  
22 once you get competition and you've got demand, which is  
23 obviously what's going to drive this whole thing, you're  
24 going to I think be surprised at what -- at what is out  
25 there and what could be out there.

1 from anywhere in the world. No matter where you are  
2 you're going to be able to access this multitude of  
3 different services and providers and that's what MCI's  
4 interest is, is one of being able to serve our customers  
5 no matter where they are. All of those services that are  
6 available over those networks and the potential services  
7 that are going to be available are going to be a benefit  
8 to your constituents and it's really just the imagination  
9 at this point that puts a limit what goes may or may not  
10 be.

11 I think services, just to mention a few such  
12 as the electronic transfer of health records, I mean it  
13 took digital facilities in order to be able to do that.  
14 Got some distance learning that's going on but being able  
15 to provide that on a ubiquitous basis all across is going  
16 to be able to help solve of some of the problems you're  
17 looking at and also just access to various libraries,  
18 being able to access the records or things from the  
19 library no matter where you're from are also some of the  
20 services that are out there.

21 So I guess just in conclusion, to end where  
22 I started, is that I do just want to encourage the task  
23 force to support the Joint Board's efforts in terms of  
24 ending the joint service arrangement and to begin the  
25 transition to a marketplace that is actually going to

1 MR. BOUCHER: I read Wired Magazine and  
2 there isn't much that's out there that I haven't tinkered  
3 around with or what have you. How are you going to  
4 provide a digital network for the State of Alaska?

5 MS. GAREY: Mr. Chairman, I think, you know  
6 we've heard some testimony in terms of certainly from GCI  
7 with the various types of earth stations that are  
8 possible that aren't employed.

9 MR. BOUCHER: It isn't working in Canada.  
10 It's still in the test -- beta test stage.

11 MS. GAREY: I think what is proven is that  
12 digital technology does provide for a lot of different  
13 services that aren't currently available today.

14 MR. BOUCHER: Mr. Chairman, I would agree  
15 with that. I mean everybody's going to go down the  
16 digital highway but there's going to be different  
17 vehicles driven down that and if I sound a little -- I've  
18 listened to this bells and whistles thing for a long time  
19 and I don't see that. Competition I agree with. It's  
20 great and probably in hindsight it's good, but I don't  
21 see technology alone as a solution to the problems of the  
22 State of Alaska, and I think that Representative Brown  
23 here -- besides, she's currently working on distant  
24 delivery of education, and I think we're as much up to  
25 date as anybody in Kansas City, although people hop off



1 the plane in here in town and I think they think that  
2 we're still sending semaphore and Morse code, but anyhow,  
3 I specifically have not heard anybody, Mr. Chairman, say  
4 what technology that is in place and proven that is going  
5 to be in place. If they can show me how it would reduce  
6 costs, I'll be a hundred percent for it, but so far, I've  
7 seen mostly bells and whistles.

8 CHAIRMAN HUDSON: Representative Brown.

9 REPRESENTATIVE BROWN: Well, just to comment  
10 briefly on that, I think in my mind the service that is  
11 not uniformly provided across Alaska would be just for  
12 faster transmission speeds that will enable some of these  
13 services to take place and that's really, you know, what  
14 we're talking about and plain old telephone service and  
15 universal service as we've known it does not enable  
16 distance delivery, does not necessarily enable access to  
17 Internet and other things that education, some people in  
18 education would desire to bring into the schools. So  
19 that's just one element.

20 I personally believe that this is -- we're  
21 not really talking bells and whistles so much as we are  
22 trying to make a high speed network widely available and  
23 more widely available than it is today.

24 CHAIRMAN HUDSON: Gail, did you have  
25 anything? The only thing I'd like to just indicate, I've



1        been around for a long period of time and I can remember  
2        when we didn't have telephones in many of the villages.  
3        I can remember going in White Mountain when they opened  
4        the first telephone there as a commissioner, myself, and  
5        seeing the line up of people for just that one single  
6        instrument. I can tell you that competition is a  
7        wonderful thing, but competition isn't what put that  
8        system in there. It was a recognition on the part of the  
9        State of Alaska that they were going to have to get out  
10       there and in some cases underwrite the major construction  
11       and development, and I think that's the thing that we  
12       have to keep in mind. We've turned the corner now. The  
13       State is much more sophisticated. We have most of the  
14       basic networks out there that can be built upon and  
15       obviously competition is going to be one of the things  
16       that I hope at any rate will drive the price down and I'm  
17       interested not just in the next four or five years but  
18       the next 15, 20 and 30 years, and I'm particularly  
19       interested in rural Alaska.

20                    I know that there'd be no problem whatsoever  
21       in competition, you know, moving in a spirited manner to  
22       try to take care of the urban areas of the State of  
23       Alaska but the very things that Representative Brown has  
24       been talking about and distance delivery of education and  
25       nursing services, you know, so that you got a victim

1 down, you can actually have a doctor observe the victim  
2 and things of this nature, in my way of thinking is the  
3 wave of the future for Alaska and I hope that competi-  
4 tion, you know -- and we want to guide that competition.  
5 We want to facilitate it, but I believe a little bit like  
6 the oil industry in Alaska, because the fact we own this  
7 percentage with all the oil derived from the North Slope,  
8 we're partners and I think the State of Alaska is going  
9 to have to continue to be a partner in the development of  
10 all of this electronic technology and to guide it and  
11 shape it and that's the reason we're holding this  
12 hearing.

13 Representative Porter?

14 REPRESENTATIVE PORTER: Gail, or fella,  
15 whatever the name is.

16 MS. GAREY: Gail.

17 REPRESENTATIVE PORTER: Let me ask, I  
18 recognize you're asking the task force to support the  
19 joint proposal and if you could enhance one feature of  
20 it, which feature would you enhance.

21 MS. GAREY: Mr. Chairman, I think from MCI's  
22 perspective, again we're reasonably satisfied with the  
23 tentative recommendation. I think one of the things that  
24 we'll be looking for would be a closer look at Alascom's  
25 costs or in conjunction with perhaps the move from the

1 transition from the subsidy to this Alaskan fund, the  
2 idea of looking at Alascom's costs and doing somewhat of  
3 an audit to make sure that kind of what's in there is  
4 reasonable and that Alascom is as efficient as possible  
5 so that we can kind of help move this market into one of  
6 encouraging competition as soon as possible, helping you  
7 know I guess Alascom to become a better competitor, also.

8 REPRESENTATIVE PORTER: Thank you.

9 CHAIRMAN HUDSON: All right. Thank you very  
10 much, Gail. Next, and then we're going to be moving to  
11 the public comment side, Jack Rhyner. And I believe,  
12 Jack, you're the last one that I have signed up from  
13 industry point of view to testify before us. If you  
14 would, sir, welcome to the committee.

15 MR. RHYNER: Thank you.

16 CHAIRMAN HUDSON: Turn the air conditioning  
17 on. It's cooler in this town than Juneau, in case you  
18 guys didn't know that. It's really nice down there.  
19 Jack, please.

20 MR. RHYNER: Good afternoon. My name is  
21 Jack Rhyner. I'm the President and General Manager of  
22 Telaska. It's a company that owns and operates two local  
23 exchange companies in the State of Alaska, Interior  
24 Telephone and Muckluck Telephone. I'm here today as the  
25 Representative of the Alaska Telephone Association and

1 I'll keep my comments very brief.

2 The ATA has commented on the two proposals  
3 that we've been discussing. First of all, on the ATA  
4 proposal, the consumer benefit for AT&T, the consumer  
5 benefit plan, our comment on that was that the filing is  
6 deficient. It's not a complete filing before the FCC and  
7 they haven't made the -- any filing here at the APUC. So  
8 while we hear their assertions and their assurances, we  
9 have no way of checking what it is that they really want  
10 to do.

11 The second thing that we commented on was  
12 the tentative recommendation by the Joint Board. We have  
13 a number of concerns where the tentative recommendation  
14 is concerned. Number one, the write down or the  
15 accelerated cost recovery, we're not convinced that that  
16 will really play a significant part in controlling  
17 Alascom's costs in the future. So if it doesn't  
18 accomplish that, we're not sure that that will stop rates  
19 from getting higher as you move through that whole  
20 transitional period and more of those costs are heaped on  
21 the intrastate side. That's our concern there.

22 And the other concern that we had in the  
23 T.R. is that it basically removes all incentives for  
24 Alascom to upgrade their network or install any new  
25 technologies and it definitely does inhibit AT&T's

1 investment in their own network, at least through the  
2 seven year transition of the T.R.

3 So those were our concerns and we'll be  
4 happy to provide you with a copy of the comments that we  
5 filed with the FCC.

6 CHAIRMAN HUDSON: Thank you very much. We  
7 would like that, for the record, then. Are there any  
8 questions for Mr. Rhyner? Representative Brown.

9 REPRESENTATIVE BROWN: Thank you. Could you  
10 elaborate on why this proposal removes the incentive for  
11 Alascom to continue to upgrade its facilities?

12 MR. RHYNER: Okay. The object of the  
13 accelerated cost recovery is to lower the total amount of  
14 the rate base and if the exercise is to move your rate  
15 base towards zero so you don't have the expense of return  
16 on rate base, then you don't really have an incentive to  
17 welcome an additional investment during that period.

18 REPRESENTATIVE BROWN: I'm not sure I  
19 understand that, but --

20 CHAIRMAN HUDSON: Okay. I was hoping you  
21 would understand that. Yes, Representative Finkelstein.

22 REPRESENTATIVE FINKELSTEIN: Just to try to  
23 understand, because I don't understand the answer either,  
24 isn't that -- isn't the -- what you're describing just  
25 for the past investment; right? That's how they're going



1 to try to pay off the past investment. That doesn't  
2 preclude future investment, future investment, and I  
3 think the point being made is it depends on who's going  
4 to be hearing carrying those services but anyone who will  
5 be carrying them will make their own decisions on future  
6 investments; isn't that the different here?

7 MR. RHYNER: That's correct, but if you're  
8 continuing to make those investments and you expect a  
9 return on it, how are you going to be reducing costs at  
10 the same time?

11 REPRESENTATIVE FINKELSTEIN: Say it -- if  
12 you continue to make your -- what I need your help in  
13 understanding is that the reduction is from past  
14 investments; isn't that correct? Whatever carries out  
15 there that's carrying these services that's going to make  
16 the decision on these new investments is going to make  
17 that irregardless, right, regardless of what goes on with  
18 the pay-off of the tax investments, and it may be this  
19 carrier it may be another carrier but whoever it is is  
20 going to have whatever degree of incentive based on the,  
21 you know, profitability of those future investments? I  
22 guess I can't understand -- this is a question, because  
23 I'm having a hard time understanding the answer to a  
24 question that deals with past investments when the issue  
25 is really future investments.

1 MR. RHYNER: Well, as I understand the plan,  
2 the idea on the accelerated cost recovery is to lower the  
3 rate base, okay, and the object there is to -- to lower  
4 the cost of return on rate base. If you're making  
5 additional investments at the same time you're trying to  
6 lower that -- that dollar value of that rate base when  
7 you're not really lowering the total dollar for your four  
8 rate bases, and if you're entitled to a return on that  
9 rate base, that's the cost component that we're trying  
10 to -- that we're dealing with here and trying to reduce.  
11 So if that's where you're trying to go, it's lowering  
12 that number, then where's the incentive to increase it at  
13 the same time?

14 REPRESENTATIVE FINKELSTEIN: So I  
15 understand, Mr. Chairman, it affects, you know, in the  
16 overall decisions on spending, but this assumes of course  
17 that it's the existing carrier; right?

18 MR. RHYNER: Correct.

19 REPRESENTATIVE FINKELSTEIN: If we see some  
20 of the proposals that have been made today for various  
21 changes, then, of course that wouldn't be the case;  
22 right?

23 MR. RHYNER: Right.

24 CHAIRMAN HUDSON: All right. Representative  
25 Brown, you have a question?

1 REPRESENTATIVE BROWN: Along that same line,  
2 did you also say that you think that it removed -- that  
3 there is not an incentive for AT&T either to make new  
4 investments under the tentative proposals?

5 MR. RHYNER: It inhibits them making those  
6 investments and that's what Mr. Wilcox testified to  
7 during that transitional period, and we agree with that.

8 REPRESENTATIVE BROWN: So do you see a  
9 solution to that problem?

10 MR. RHYNER: Well, I guess as they said, I  
11 think shortening the transition would -- would help that.

12 REPRESENTATIVE BROWN: Thank you.

13 CHAIRMAN HUDSON: All right, Jack. Thank  
14 you very much. And I think what we're going to do now is  
15 take about a five minute stretch here and we'll start  
16 back up with public testimony and then we're going to  
17 conclude with a panel where we're going to bring the four  
18 majors to the table and see if we can maybe get some  
19 final questions out and at that point in time, that'll  
20 conclude our -- our committee activities, task force  
21 activities here today. So give us about five minutes  
22 here. When you hear the gavel, time to come back.

23 (At about 3:34 p.m. - brief recess and at  
24 about 3:48 p.m. proceedings reconvened)

25 CHAIRMAN HUDSON: I'm going to ask to remind

1 all people who are speakers, those who testify and those  
2 of us around the table here to be sure and use our  
3 microphones, people in the audience cannot hear all of  
4 the testimony, so we'll try to comply with that, that  
5 would be good.

6 At this phase of the hearing, we're going to  
7 go into the public testimony and we have quite a few,  
8 about 10, 10 or 11 members of the public that would like  
9 to testify. So I would ask that if you could please come  
10 forward and everyone if you would give us your name, if  
11 there's an affiliation, I'd like to know who you're with  
12 or who you represent. If you represent yourself, that's  
13 fine, and then if you would, keep your comments or your  
14 testimony under three minutes, and if it looks like  
15 you're getting a little long-winded, don't be offended if  
16 I -- if I ask you very politely to finish it up here.  
17 And I'm going to take them in the order that it was  
18 handed to me here, and the first one I'd ask is Steve  
19 Conn. Steve, if you would step forward, please.

20 MR. CONN: Do I mess with the mike in any  
21 way? It's fine as it is?

22 CHAIRMAN HUDSON: If you would, turn the  
23 mike switch on and speak directly into it.

24 MR. CONN: I think it's on. Steve Conn  
25 here. Thank you very much, Representative Hudson and

1 members o the task force for allowing me to testify. I  
2 am the Executive Director of Alaska Public Interest  
3 Research Group. We have about 4,000 contributors  
4 statewide. We've been involved in consumer issues for  
5 about 20 years.

6 My testimony is to deal a the subject  
7 complementary to the one that I've been hearing so much  
8 about today but I think it will serve a major purpose as  
9 evinced by the committee in its comments to the industry  
10 representatives, involved in extremely well thought out  
11 and very educational, I might say, and that is to say  
12 AKPIRG is currently working to -- to achieve a passage of  
13 the legislature of a citizens utility board. The  
14 citizens utility board, I think, is a -- it would be  
15 independent of AKPIRG and it would be independently  
16 staffed, independently funded and would chart its own  
17 agenda. There have been consumer advocates in the past  
18 in the State. In fact AKPIRG years ago had an appendage,  
19 an ACAP (phonetic) program. They had good times; they  
20 had bad times. They tended to be dependent upon state  
21 money, and they went away. This one would receive a bit  
22 of C funding if it passes the legislative session but  
23 then would be self-supporting just as AKPIRG is receiving  
24 no federal or state money and nor are we seeking any.

25 I think what I've heard here today indicates



1       that we're on the cusp of a serious moment in Alaska's  
2       history. The telecommunications revolution is coming to  
3       us. Questions have been raised as to whether there has  
4       been adequate federal input -- I mean, sorry, public  
5       input, and a lot of concern has been manifested about the  
6       bush. I think the CUB could provide a sounding board for  
7       many different things, even as decisions are made and as  
8       we move into a transition period. It would be  
9       sufficiently staffed so citizens knowledgeable or non  
10      knowledgeable could receive neutral readings on many of  
11      the things that are being evoked by the industry  
12      representatives and obviously this is very tough stuff  
13      for any of us. However well educated we are, it is hard  
14      and it'll provide a useful instrument for that purpose.

15               AKPIRG itself is affiliated with the  
16      Consumer Federation of America that has a substantial  
17      interest both in cable deregulation and the telecommuni-  
18      cations revolution nationwide. We have a good feed of  
19      information. Ralph Nader is very active in a number of  
20      his entities in this as well.

21               Rural input is critical as has been  
22      underlined by this task force and we can -- I can assure  
23      that that will be a part of the CUB, based on our  
24      background and long term involvement with rural Alaska.  
25      I think, you know, the comments that have been made have

1 both connected, talked about rural Alaska as in the --  
2 its technological needs which are extraordinary and  
3 they're ready for them right now, and also the state's  
4 service to rural Alaska. Some of you are aware that as a  
5 university professor for many years I spent a lot of time  
6 looking at state service, particularly in the criminal  
7 justice area, and I could tell anecdotes but not in two  
8 minutes. I must say, though, that this link-up, this  
9 communication link-up, while no panacea neither in the  
10 education area or health delivery or criminal justice or  
11 other things will do much to finally allow the State of  
12 Alaska to come to grips with its responsibilities in the  
13 200 plus villages.

14 AKPIRG itself supports competition and  
15 obviously we're happy to be involved in this. We tend to  
16 do the back work to lay the basis for an information  
17 transfer to the CUB when it comes into being and many of  
18 you will see me in Juneau lobbying not a particular  
19 solution to this question, but rather for an independent  
20 citizens utility board that will undoubtedly take this on  
21 as a major leading issue.

22 And I thank you very much for allowing me to  
23 testify.

24 CHAIRMAN HUDSON: Thank you, Steve,  
25 appreciate that. Thank you very much. Next we will take

1       them in line here, and Martha Stewart, Senator Adams.

2                   CHAIRMAN HUDSON: Welcome, Martha. Good to  
3       see you again. Out of context here again, huh, or in  
4       context.

5                   MS. STEWART: Thank you. My name is Martha  
6       Stewart. I'm an aide to Senator Adams. He was here  
7       earlier this afternoon but had to leave for this portion  
8       of the hearing.

9                   Over the past two years, Senator Adams has  
10      experienced escalating concern with the procedural and  
11      substantive work with the federal and state board on  
12      Alaska telecommunications issues. He's expressed those  
13      views to both the state administration and to a  
14      congressional delegation. He welcomes the opportunity to  
15      reiterate some of those concerns today for his colleagues  
16      in the legislature. Primarily his message is driven by  
17      the duty to represent rural Alaska, and I think we'd all  
18      grant that rural Alaska is the most delicate and fragile  
19      component of the telecommunications market, but as  
20      knowledge increases over what's going on in this issue,  
21      the concern spreads not only for the impact of these  
22      market changes on rural Alaska but at the state as a  
23      whole.

24                   Foremost problem with the proposals before  
25      the federal state board are as fundamental as they come.

1       There's a dire lack of facts and studies and analysis to  
2       support the proposals that are on the table and for any  
3       of us to say this is okay, this is something we can  
4       support. None of us have that information in our hand.

5               Naturally, the Senator's concerns rest with  
6       service and rates in rural Alaska. Commissioner Knowles  
7       said today that Alaska is a unique market. Rural Alaska  
8       is even more unique. To draw an example for you, at this  
9       moment in the Northwest Arctic Borough, people there are  
10      not able to see a physician, who are ill, and they are  
11      talking through a health aide to a physician in the  
12      regional hubs through a telephone. All day long today in  
13      high schools, high school classes in chemistry and  
14      biology were conducted over the telephone. Through  
15      services starting at five o'clock this evening a branch  
16      of the University of Alaska is providing distance  
17      education for students who want to participate and get a  
18      college education who couldn't otherwise because they  
19      couldn't move out of rural Alaska.

20             All of those are very expensive, and there's  
21      been nothing on the table here really to show that rates  
22      aren't going to go up. The absence of a denial to  
23      Alascom's claim of increased rates should spark concern  
24      to all of us but the silence is deafening. Of what  
25      benefit is it to rural Alaskans to support a major market



1 change that predicts only uncertainty but probably grim  
2 results if not now then most assuredly seven years from  
3 now.

4 The nature of the proceedings before the  
5 Federal Joint Board have been troubling. Native Alaskans  
6 for years have experienced the untoward result of  
7 government deciding what best for them and at a distance  
8 from them. What has gone on here is nothing really  
9 different. I predict the result will not be much  
10 different. These meetings for the most part have been  
11 conducted on the opposite shores of the nation involving  
12 people without any vested interest in rural Alaska. The  
13 one instate hearing was poorly -- was announced only in  
14 the federal register the day the hearing was held and  
15 poorly noticed throughout the state. For all the  
16 rhetoric that we've heard here today and we've heard  
17 before about people's concerns for rural Alaska, it's  
18 still significant that there's very few rural Alaskans  
19 who are involved in this.

20 The Senator urges this task force to insist  
21 and follow through on the commitments that you've heard  
22 today, that the studies be brought on the table, brought  
23 before the legislature so that you can look at them, so  
24 the public can decide whether we're being told the truth  
25 or not. We need more firm assurances in any agreement



1       that's signed off by the Federal State Board that, for  
2       instance, things like the satellite will be maintained,  
3       that rural services will be given. Those things don't  
4       just need to be in a public record here today. They need  
5       to be finalized in agreements.

6               The need for this being in these agreements  
7       is amplified by the inconsistencies demonstrated even in  
8       the facts presented for you here today. While one  
9       representative of the industry stated that the costs did  
10      not exceed revenues in rural Alaska, another company  
11      reported just the opposite. Those things need to be  
12      looked at, they need to be analyzed and before any  
13      agreements are made, those commitments need to be put in  
14      the final agreements.

15             To wrap this up, a detailed objective  
16      analysis needs to be done and presented for public  
17      comments on rates and services of the future. Rural  
18      Alaskans need to be involved in the exchange of  
19      information and the studies that have been done by the  
20      State, by the APUC, by the industry, needs to be released  
21      so that the public can make a knowledgeable decision  
22      about whether these are good decisions for us.

23             Thank you.

24             CHAIRMAN HUDSON: Thank you, Martha,  
25      appreciate that. Next Dr. Larry Pearson. Nice to see

1       you again, sir.

2                   DR. PEARSON: Yes, it's been a while. Good  
3       afternoon Chairman Hudson, Members of the Committee. My  
4       name is Larry Pearson. I'm a professor at the University  
5       of Alaska in Anchorage. For five years during the latter  
6       part of the 1980s I was special consultant to the House  
7       Committee on Telecommunications. I'm appearing this  
8       afternoon however in my private capacity and with a  
9       minimum of preparation. I'd like to submit a written  
10      supplement to my testimony later if I can.

11                   I'd like to make just a few points. I'm  
12      speaking basically as a user of services. I spend about  
13      three hours a day on the telephone. Very little of that  
14      time is spent speaking. Most of it is spent transferring  
15      digital information, data. For example, yesterday  
16      afternoon, I took about 30 seconds to transfer a document  
17      from a federal agency, about a 40 page document to the  
18      editor of the Anchorage Daily News at his request. A  
19      week ago, I downloaded a color image from the Smithsonian  
20      Institution of an 1869 painting which looks better on my  
21      computer screen than it does on my television screen.

22                   One of the points that I think is important  
23      to consider today is the nature of the demand is  
24      changing. The kind of consumption I'm talking about is  
25      not a typical use of telecommunications today by most

1 Americans, but there's a growing number of Americans who  
2 are spending increasing amounts of time using their  
3 telephone lines for this kind of communication. I saw a  
4 figure not too long ago that the amount of communication  
5 on -- the message volume on Internet, an international  
6 telecommunications network that includes government  
7 agencies, universities and corporate and private  
8 individuals, was growing in recent months at the rate of  
9 10 percent a month. That's an enormous increase in  
10 volume and a very interesting business opportunity that  
11 is being taken advantage of by telephone utilities.

12 So demand is increasing, nature of the  
13 demand is changing, and those are the considerations I  
14 think should be kept in mind as issues such as the ones  
15 before you today are considered. That's true in Alaska,  
16 as well as in other places. It also is the reason why  
17 I'm interested in the prospect of some of the fiberoptic  
18 cable link to Juneau because I think the sorts of  
19 communication that businesses and Alaska States  
20 government engage in will benefit from that kind of broad  
21 down with noise free transmission. I think there are  
22 benefits to that coming. I'm not sure -- again since I  
23 haven't had the benefit that Susan Knowles has had of  
24 going through those 13 feet of documents, I'm not sure  
25 that the proposal before you is the best way of assuring

1       that kind of growth. Perhaps it is. I am in favor of  
2       increased competition.

3               The technologies are changing. Just as John  
4       Ayers testified a few minutes ago, a time of great  
5       uncertainty for utilities. It's a time in which they do  
6       seem well advised to spend their money cautiously and  
7       carefully. Their competitive environments changing  
8       greatly both for the local exchange carriers and for the  
9       long distance carriers. We're seeing newspaper headlines  
10      almost daily, I think the most recent one was this  
11      morning. I know there have been some this week regarding  
12      the changing local exchange competitive situation as  
13      cable becomes competitive with telephone utilities. They  
14      have a high level of moneys in the homes. Telephone  
15      companies are talking about installing in many places,  
16      the national high average is communication at homes at  
17      present. So by not the telephone utilities but by the  
18      cable companies, so there is a prospect we can see that  
19      already of competition at that level. Perhaps you've  
20      heard other testimony to that effect today during the  
21      period when I was unable to be here.

22              Concerning long distance communication,  
23      particularly looking at competition as it might apply to  
24      rural Alaska, I don't see evidences of increased  
25      competition are greatly going to reduce the costs of



1 communication services to rural Alaska although perhaps  
2 other people in this room might know that. I do see the  
3 prospect of increased competition by the end of this  
4 decade. I was looking at an entry into the market of  
5 competitors perhaps not even mentioned today such as  
6 Motorola which has for several years been working on the  
7 development of a low earth orbit communications system  
8 which large number of satellites would be placed in  
9 orbits ranging from 400 to 700 miles above the earth to  
10 about 88 of them, I believe, and there would be polar  
11 orbits and prevent transmission from personal  
12 communication network among the personal communication,  
13 in other words, so that you could be in ranger cabin in  
14 the shadow of Mt. McKinley, in effect you'd have a  
15 cellular system. Again, I'm not a technical expert on  
16 these things. I've been relying on explanations I've  
17 received from people at Motorola and the trade press.  
18 But you could transmit a message from the ranger cabin in  
19 the shadow of Mt. McKinley to someone who is on the sun  
20 deck of a ship in the South Atlantic. That's not cheaper  
21 than the kinds of communication talked about today but it  
22 does raise the prospect of bringing communication into  
23 the homes in rural Alaska that still haven't benefited  
24 from our efforts to achieve the goal of universal access.

25 Thank you.



1                   CHAIRMAN HUDSON: Thank you, Dr. Pearson and  
2 we would like to have a copy for the record of your  
3 extended testimony. Thank you for coming today. Next  
4 Mike Porcaro. Good to see you again, Mike. Welcome to  
5 the committee. Give us your name, please and your  
6 testimony.

7                   MR. PORCARO: My name is Mike Porcaro. I'm  
8 president of Porcaro Blankenship. We're an advertising  
9 agency and we occasionally do work for Alascom, so that's  
10 on the record.

11                   As you know, Commissioner, I'm sorry,  
12 Representative Hudson, the legislature and the government  
13 has had a long history in bringing telecommunications to  
14 the State of Alaska. As you mentioned earlier today, it  
15 didn't happen because of competition. It happened  
16 because Alaskans got together and made it happen. The  
17 government listened to the people.

18                   I'm delighted to see that this hearing has  
19 been convened today and I think this should be the first  
20 of a number of hearings, if I might suggest that. I've  
21 heard communications, consumer and rural Alaska is  
22 mentioned in just about everybody's testimony today.  
23 We're dealing with communications. I haven't seen a lot  
24 of consumers and I sure haven't seen a lot of rural  
25 Alaskans, and I think one of the ways we could do that

1 is, one, either to go there to rural Alaska, sit down as  
2 the ladies and gentlemen have done many, many times and  
3 look across the table and talk to your friends and  
4 neighbors and get their input or perhaps use the  
5 communications technology that you've built in this  
6 state, and what I'm suggesting is perhaps you could go to  
7 the assembly chamber here in Anchorage, interface with  
8 the cable system and put these proceedings on RATNET, get  
9 an eight hundred number. Maybe this is a little bit like  
10 Larry King Live. I don't know whether you want to get in  
11 show biz or not. But get the input from the folks that  
12 are going to be directly affected, and all I can do is  
13 just say that I think the best policy is the one that is  
14 made in the open and is the one that is made with the  
15 full input of the citizenry of this state. And I commend  
16 you for this first step and I encourage you to do this  
17 more often. Thank you very much.

18 MR. BOUCHER: Mr. Chairman, may I comment  
19 just briefly?

20 CHAIRMAN HUDSON: Yes, Mr. Boucher, go  
21 ahead.

22 MR. BOUCHER: Probably people are wondering  
23 what these two cameras are doing here. These people are  
24 volunteering their time along with Francine Taylor to  
25 make a public record of this information. We're paying

1 for it out of our own pocket. Nobody's paying for it.  
2 It's not political purposes and it is our effort to put  
3 it on the Channel 40, the Access Channel. We will make  
4 copies available to all access channels at what the cost  
5 is, and this is exactly what he's talking about. We have  
6 the opportunity and the technology is in place now to go  
7 public on issues such as this. If we were doing this  
8 business here, it could be playing on Channel 40 right  
9 now and probably on every public access channel in the  
10 state. So that is something that isn't touched on.

11 Most of the people will watch tonight. One  
12 television station covered this very important issue and  
13 what you'll get is a 30 second snippit of what was said.  
14 No indepth to what has happened here. So for those of  
15 you who may wonder who I'm under contract to, I'm under  
16 contract to nobody, and the reason that I am here is that  
17 I think that this issue deserves the widest possible  
18 discussion.

19 Excuse me for launching into that, but --

20 CHAIRMAN HUDSON: That's your three minutes,

21 Red.

22 MR. BOUCHER: Okay. Professor Pearson spoke  
23 for me.

24 CHAIRMAN HUDSON: Thank you, Mike. Next I'd  
25 like to call Barbara Huff with Teamsters. Welcome,

1 Barbara.

2 MR. BOUCHER: And anybody can have a copy if  
3 they want it, at cost. Right, John?

4 MS. HUFF: Mr. Chairman, members of the task  
5 force, my name is Barbara Huff. I'm a business  
6 representative from the Teamsters Local 959. For the  
7 record, I would like to state that I do need to --

8 UNIDENTIFIED SPEAKER: She needs to turn the  
9 mike on.

10 MS. HUFF: Is that better? Do I have to  
11 repeat myself or can I go on?

12 MR. BOUCHER: Yes, so they can get you,  
13 Barb.

14 MS. HUFF: My name is Barbara Huff. I'm  
15 business representative for Teamsters Local 959, and for  
16 the record, I would like to state that I did testify July  
17 1st rather extensively, which I'm sure Commissioner  
18 Knowles will testify to, and I would be more than willing  
19 to submit for the record a written copy of that  
20 particular statement. I also brought a prepared speech  
21 today and I've decided after listening to all of this  
22 discussion, this is part of why I'm here. I'm not a  
23 telecommunications expert and I don't pretend to be. I  
24 represent people and although we've talked about rural  
25 Alaskans, there's been lots of talk about technological

1 changes and advancements, there hasn't been a lot of talk  
2 about the people and I represent people. I represent  
3 members of Alascom. They are Teamster members, well over  
4 500 men and women, both operators as well as technicians  
5 throughout the State of Alaska. As an example of their  
6 expertise, when we've had problems in Panama, it was the  
7 technicians from Alascom, the Teamsters that were sent.  
8 Saudi Arabia, it was the technicians from Alascom that  
9 were sent. They have worked diligently. They've been  
10 with the company from an overall perspective for many,  
11 many years. They have thrived with the industry. They  
12 are a very efficient -- I've heard not only in this  
13 particular hearing but the previous hearing alleged  
14 allegations regarding inefficiency. And I'm here to put  
15 on the record that we represent members, employees that  
16 do work for Alascom that are very efficient, very  
17 dedicated and very technically qualified for the  
18 particular work that they do.

19 They have offered, through the years, built  
20 various facilities not only here locally but in a lot of  
21 the rural areas. We have members that literally live out  
22 in a lot of the rural areas monitoring the satellites.  
23 And I think that probably from my perspective that was  
24 something that we did need to add to the record here. We  
25 have employees that are going to be impacted by whatever



1 decision comes out of the Joint Board, whatever  
2 recommendation this particular task force may make, and I  
3 think the economy in Alaska, the ability -- Alaska could  
4 not afford to have 4,000 people laid off. We have seen  
5 through experience with Alascom -- yes, we've gone  
6 through reductions, currently Alascom is looking at an  
7 additional 10 percent reduction over a five year plan.  
8 They have gone through in a very people effective mode to  
9 deal with the technological changes but also recognizing  
10 the effect that it will potentially have on the employees  
11 out there. They've been very sensitive to that. They've  
12 offered early retirements and other sensitive -- other  
13 areas or alternatives to that particular crisis because  
14 nobody wants to lose their job, but I think one other  
15 aspect that was rather -- rather interesting and from  
16 being a labor union person, we get into cross training.  
17 There are a lot of fears that are built up. Within  
18 Alascom they are currently cross training operators to do  
19 other technical type jobs so that when and if the  
20 technological changes do occur and Alascom has been going  
21 through this not only this past year, the last couple  
22 years, but over the last five to ten years, in training  
23 these people to be able to effectively perform other jobs  
24 so that it not only benefits them but it benefits the  
25 company of Alascom as well.

1                   And I guess in closing I would make a  
2           request to this task force to please look at everything.  
3           There has been a lot of testimony entered today. There  
4           was a lot of testimony in the July 1 hearing. I also  
5           have not seen a lot of public testimony, per se, and I'm  
6           not really sure if it's they don't care or they don't  
7           know that this is going on. Probably had I not been  
8           involved in it I wouldn't have known it was going on. I  
9           do believe it is a very important issue. I believe it's  
10          going to happen. I just hope it happens the right way.

11                   As far as competition and I'm going to close  
12          with this, competition is good, as long as competition  
13          stays and I think in Anchorage, we can look at our  
14          newspaper situation.

15                   Thank you for offering and allowing me to  
16          make my comments on the record before this task force.

17                   CHAIRMAN HUDSON: Thank you. Representative  
18          Finkelstein.

19                   REPRESENTATIVE FINKELSTEIN: Thank you, Mr.  
20          Chairman. Just on the comment that people don't care or  
21          don't know, you know, why they don't show up, I was on  
22          the Labor and Commerce Committee previous two years and  
23          we had a number of telecommunications hearings, we  
24          advertised all around the state trying to get people to  
25          come and generally speaking, I think is true on all these

1 complicated issues, people from the general public just  
2 don't show up because the issues are just way too  
3 complex. It isn't a lack of interest. It's left to  
4 State of Alaska, these commissions, various others to  
5 represent those views because it's just too much material  
6 and it isn't a lack of interest, I feel. It's just that  
7 they have elected other people to represent them.

8 CHAIRMAN HUDSON: Maybe, Barbara, if we put  
9 it on TV we'd be seen.

10 MR. BOUCHER: It's going to be on TV.

11 CHAIRMAN HUDSON: By the way, I might say  
12 that I do agree with you that we do need to look at the  
13 human side of all of the proposals and that's the reasons  
14 I asked AT&T if they would provide us with a copy of the  
15 Johnson report because presumably it examines some of  
16 that and I would ask the same thing of Alascom GCI and  
17 MCI and anyone else that's involved in this whole thing.  
18 I think that's important when particularly we understand,  
19 you know, what -- where are we going with this thing and  
20 what's the effect to the people who are working and are  
21 there going to be new jobs, what's the transfer, things  
22 of this nature. Every job is important. Thank you very  
23 much.

24 MS. HUFF: Thank you, Mr. Chairman.

25 CHAIRMAN HUDSON: Next I'd like to call

1 Francine Taylor. Welcome, Francine.

2 MS. TAYLOR: Hello, is this on? Is it on  
3 now?

4 CHAIRMAN HUDSON: Push it forward it's on.

5 MS. TAYLOR: Thank you, Red. Obviously I'm  
6 representing Community Access. Good afternoon, Mr.  
7 Chairman and Members of the House Telecommunications Task  
8 Force. My name is Francine Taylor, and I am speaking on  
9 behalf of Community Access Television. I represent my  
10 own views as a member of Anchorage Community Access which  
11 is a nonprofit organization.

12 While it might seem a bit premature to  
13 inject television communication into this hearing since  
14 telephone companies do not as yet have the go ahead to  
15 deliver television on phone lines, we all know it is  
16 simply a matter of time and politics until this right is  
17 granted. Essentially I have input and concern of many  
18 individuals such as myself in the structuring of Alaska's  
19 telecommunications industry, is number one, that audio  
20 visual as well as voice and data be considered in  
21 restructuring considerations. Number two, that access in  
22 terms of easy to use and affordability for communities be  
23 addressed. There's a lot of speculation on how home  
24 shopping and movie channels will be available, however  
25 there is little discussion on community access to these



1 many channels.

2 I would like to give some historical  
3 background to justify my concern on these issues the  
4 first is that in the case of Anchorage's community access  
5 channel, the original contract negotiated by the APUC  
6 obligated the first cable company to provide staffing  
7 budget and production equipment to enable the general  
8 public to produce local programs to be aired on the  
9 channel. When the state's economy went into a nose dive  
10 in the middle eighties, the community access channel  
11 program was eliminated, along with an operating budget.

12 Since then, the public access channel has  
13 not been able to adequately serve the community and I  
14 suspect that for many of you Anchorage residents present  
15 here, many of you do not know that the channel still  
16 exists.

17 There is a commitment to community access by  
18 the cable companies who wrote it as the cable systems  
19 changed hands over the past few years. Because the  
20 contractor franchise was negotiated by the APUC rather  
21 than the Municipality of Anchorage there are no funds  
22 allocated to the channel. This is a unique situation.  
23 Cable franchises throughout the country are negotiated  
24 with specific amounts of funding going to community  
25 access channel. In our investigation, nowhere else in



1 the country has a franchise negotiated as this one has.

2 Why is a community access channel important?

3 Because it is the only access a community has to  
4 broadcast local programming. Commercial broadcast  
5 stations provide 30 to 60 minutes of local daily news and  
6 the rest with few exceptions are devoted to national  
7 programming. The same is true for public television  
8 which has also found it is far cheaper to buy outside  
9 programming than to produce and air local programs.

10 Alaska's communities like cities in the rest  
11 of the country do not have soap boxes in the town square  
12 anymore for people to share their concerns. The soap box  
13 in the town square is now the television in the living  
14 room. I would urge that community access, whether it is  
15 audio visual or voice and data, whether it is Anchorage  
16 or the smallest village in the state be considered and  
17 protected in any restructuring plan that is adopted. Our  
18 communications systems, particularly in Alaska, are  
19 lifelines to each other, as well as to the outside world.

20 Thank you.

21 CHAIRMAN HUDSON: Thank you very much.

22 MR. BOUCHER: Mr. Chairman?

23 CHAIRMAN HUDSON: Representative.

24 MR. BOUCHER: I wonder how many are aware  
25 that every place there's cable there's supposed to be an

1 access channel in that community. How many in this room  
2 are aware of it? And that you can take down and they are  
3 required to put on what you want to put on. That is  
4 truly the challenge. In other words, prime tells us, if  
5 I may, Mr. Chairman, put some programming together. Well  
6 we're going to give them eight solid hours of this, we're  
7 not going to edit it. We're just going to turn it on.

8 MS. TAYLOR: All right. We'll say we're  
9 doing it out of our own pocket. I'm not sure that's the  
10 way it should be done. Our pockets are very short  
11 pockets at this point.

12 CHAIRMAN HUDSON: Red, that's your second  
13 three minutes at this point. Julie Kitka. Welcome,  
14 Julie, nice to see you again.

15 MS. KITKA: Nice to see you, too. Good  
16 afternoon. Thank you for the opportunity to present some  
17 thoughts and some comments on that. My name, for the  
18 record, is Julie Kitka and I'm testifying today,  
19 presenting comments on behalf of the Alaska Federation of  
20 Natives and as you know, AFN is a statewide native  
21 organization formed in 1966 to represent concerns  
22 statewide in nature on behalf of the 85,000 Alaska native  
23 people. We very much appreciate the hearing being  
24 scheduled today and hopeful that there might be other  
25 opportunities and forums for people throughout the state

1 to participate in it also.

2 AFN has two primary concerns in the current  
3 discussions on the Alaska Federal State Joint Board of  
4 the Federal Communications Commission, and they're  
5 proposals of opinion. The first concern deals with  
6 affordability and the second concern is guaranteed  
7 universal access.

8 The statewide native community would like to  
9 see that affordable communication for all Alaskans and  
10 especially for rural Alaskans continues and unmet needs  
11 are addressed. The key to the maintenance of the  
12 telecommunications system that is developed in Alaska is  
13 affordability. People who live in rural Alaska are  
14 extremely vulnerable to changes in government policies  
15 and appropriations policies. They live on the razor's  
16 edge, so to speak. Changes in government policies and  
17 funding are felt quickly and on a community-wide basis  
18 and not absorbed only by a small sector of the population  
19 as is often the case in large cities.

20 Let me site some examples which I'm sure  
21 will be of interest to you and help convey the importance  
22 of the State continuing to demand rural needs be  
23 addressed in detail by either proposal before the Joint  
24 Board. For one the high cost of living in rural Alaska  
25 is well documented in many state and federal reports as

1 well as AFN's reports on the status of Alaska natives.  
2 In our report which we issued in 1990, the cost in --  
3 cost of living in villages was between 126 and 145  
4 percent higher than in Alaska -- in Anchorage, while the  
5 cost of certain essentials like fuel were 476 percent  
6 higher than in Anchorage.

7 The annual cash incomes of Alaska natives  
8 are substantially below those of non natives due to lack  
9 of adequate wage employment. This contrast appears not  
10 only between villages and cities but within most  
11 communities as well. Native people hold significant  
12 lower percentages of the available jobs in any given  
13 community than the percentage that they represent of the  
14 total work force.

15 The higher the cost of living and the less  
16 cash income available to rural families means that less  
17 income is available to obtain services such as telephone  
18 services.

19 According to the 1990 U.S. census  
20 nationally, almost five million of the country's 92  
21 million housing units lacked basic telephone service.  
22 The ethnic breakdown of households which lack basic  
23 telephone service include 5 percent of the white  
24 households, 15 percent of the black and hispanic  
25 households, and 20 percent of the Native American



1 households.

2 In addition, the 1990 census indicates  
3 two-thirds of the families below the poverty level do not  
4 have a home phone and the most significant cause of phone  
5 gaps in rural America is poverty. I have a color coded  
6 map which was printed in the Atlantic Monthly in the June  
7 of 1993 Edition, which graphically illustrates the  
8 percentage of occupied housing units across the country  
9 with no telephone and the needs of rural Alaska are  
10 clearly illustrated in this map, and I would suggest the  
11 most significant cause of phone gaps in rural Alaska is  
12 also poverty and our small populations.

13 At this time I'd like to commend the  
14 governor and his representatives for continuing to  
15 strongly support and advocate for affordability and  
16 universal access and for demanding that rural needs are  
17 fully addressed in formal documents which have  
18 accountability. I believe the governor and I share this  
19 common ground and urge this legislative committee to  
20 support State efforts to press for rural needs to be  
21 fully included in any expansion of services, new  
22 technology and investments.

23 For the record, I have a copy of that map  
24 which I think indicates graphically why rural needs have  
25 to be at the forefront of any of these discussions and



1       why the State of Alaska has to take that on as a top  
2       priority and not leave it just to the marketplace and  
3       competition.

4                       And then finally, I'd like to suggest in the  
5       different discussion about satellite and who would be the  
6       carrier of last resort in the rural areas, I want to  
7       suggest that maybe the State ought to revisit their  
8       investment policies and continue to make that a priority  
9       for State investment in keeping the State of Alaska and  
10      the entire state on the leading edge, as far as  
11      telecommunications. I think that that is something very  
12      important and you look at anything from distance  
13      delivery, as we look at down turns in state revenues,  
14      more that we can make distance education a reality and an  
15      effective teaching tool, I think that we'll see cost  
16      savings and I think that the State has a very important  
17      role to play in that.

18                      So that would conclude my comments.

19                      CHAIRMAN HUDSON: Thank you, Julie. We  
20      would like to have a copy of your comments if you have an  
21      extra copy, along with the map. I am glad that you're  
22      following and that you're supporting, you know, some of  
23      the uses of telecommunications, video telecommunications  
24      and distance education and health and rural Alaska and we  
25      have talked various times with the court system, public

1 safety, but any number of governmental agencies that at  
2 the present time have to fly by bush pilot throughout the  
3 State of Alaska and it's a very good reason why I think  
4 we have to guarantee affordable and universal access as  
5 you've suggested, and I agree with you and I am convinced  
6 that this committee will adopt that position as well.  
7 Thank you.

8 MS. KITKA: Thank you.

9 CHAIRMAN HUDSON: Next I'd like to call John  
10 Shively. Good afternoon, John. Good to see you again.

11 MR. SHIVELY: Mr. Chairman, good to see you  
12 again and I appreciate the opportunity, I don't want to  
13 take a lot of your time because I know you're running a  
14 little late and you have other things to do, but I do, my  
15 name is John Shively. I represent NANA, one of the  
16 regional corporations, formerly the Alaska Native Claims  
17 Settlement Act and we have taken a stand several times  
18 and many times in the past on this issue. It is  
19 obviously very important to our constituents and as can  
20 be evidenced by the statement made by Senator Al Adams  
21 our senator, and we certainly like to associate ourselves  
22 with those remarks and those of Ms. Kitka.

23 I do remember the days when there weren't  
24 phones out there when I first came to the State and how  
25 difficult it was for people and it's not -- I mean most

1 people in this country take the phone as sort of just  
2 something that's there and it's always there. And it has  
3 not always been there in rural Alaska and we think that  
4 there is some threat that it may not always be there in  
5 the future, at least not in a way that's usable for the  
6 bulk of our constituents, and maybe not even for the  
7 government agencies and the businesses that work out  
8 there, and that's why we're concerned that whatever major  
9 changes take place in the competitive arena up there take  
10 into account the problems in rural Alaska.

11 If you look around rural Alaska, there are  
12 apartment buildings in New York City that have more  
13 people than in many of our villages. I would suspect  
14 that we make more long distance phone calls out of our  
15 three story building here in Anchorage than many villages  
16 make.

17 When you talk about competition, you talk  
18 about people going to where the money is. The money is  
19 not going to be in small communities with low populations  
20 and low income. The system, as other people have pointed  
21 out today, is only there because a number of people made  
22 a commitment to go where the competitive business arena  
23 would not have taken them, not without cooperation from  
24 the State and other people. And we certainly don't want  
25 to set up a situation in the future where we basically

1 encourage people to buy outstanding services in those  
2 places where large populations and leave people in small  
3 populations without service or with a service that is so  
4 expensive as to be virtually unavailable.

5 I appreciate the opportunity to testify and  
6 I wish you luck in your work.

7 CHAIRMAN HUDSON: Thank you very much, John.  
8 Appreciate that, and next call I believe it's Pat Abney.  
9 It's a little bit off line here. Good afternoon, Pat,  
10 welcome to the committee.

11 MS. ABNEY: Representative Hudson and Task  
12 Force Members.

13 CHAIRMAN HUDSON: Make sure your switch is  
14 on, please. Forward, is it forward?

15 MS. ABNEY: Now it is, okay. This has been  
16 going on for almost 10 years and we've had 18 months of  
17 testimony and all of the industries and public have had  
18 an opportunity to testify and I think it's time to  
19 resolve this issue and move ahead. There is a risk in  
20 not moving ahead. Private industry is holding in a  
21 holding pattern. It's inhibiting investments,  
22 technology, and competition.

23 I encourage you to make a decision. I know  
24 what it is to sit and listen to long testimony in  
25 hearings, and delaying in making a decision does not

1 serve the people well. Thank you.

2 CHAIRMAN HUDSON: Thank you, Pat. Next Dick  
3 Traini.

4 MR. TRAINI: Thank you, Chairman Hudson.  
5 Pat and I were laughing about the Parking Authority. As  
6 long as these hearings have been we probably now can buy  
7 the Parking Authority, as much money as we owe them.  
8 Appreciate your time in letting us come here and discuss  
9 a few ideas with you.

10 Move apart from the printed text, and just  
11 tell you some concerns that I've got. I know this  
12 hearing's been going on for a long time. I'm sure you  
13 now know more about the telecommunications industry than  
14 you ever wanted to know. If this is like most hearings  
15 that we have, you've probably got at least three or four  
16 file cabinets full of information and this is a  
17 complicated decision that you have to make, but I'd like  
18 you to go forward with competition because I think it's  
19 important to our constituents, yours and mine, that the  
20 prices for this essential service be reduced as far as  
21 possible at the same time you need to take into account  
22 the needs of rural Alaska. That's a real concern,  
23 because as the one lady from AFN said, it's a real  
24 problem out there in the bush. It is their lifeline, and  
25 I think you can accomplish both I think by going forward



1 with the right recommendation. You can have competition,  
2 at the same time keep this lifeline to the bush open.

3 CHAIRMAN HUDSON: Representative Boucher.

4 MR. BOUCHER: You think the interest of  
5 government are best served by having government in the  
6 telephone industry like we do in the city?

7 MR. TRAINI: No. That's the reason we  
8 created the Authority, Red.

9 MR. BOUCHER: You would like to see ATU  
10 sold, then?

11 MR. TRAINI: No. That's the reason we  
12 created the Authority. We fought that telephone war  
13 once.

14 MR. BOUCHER: You just created another  
15 committee, a buffer.

16 MR. TRAINI: No. Actually, I think we found  
17 that ATU's Board of Directors are quite independent and I  
18 think they do an excellent job, Red.

19 MR. BOUCHER: That's true competition, when  
20 government gets out of the communication business.

21 CHAIRMAN HUDSON: That's Red's third three  
22 minutes.

23 MR. TRAINI: That's all right, sir. Red and  
24 I have been around this course once or twice.

25 CHAIRMAN HUDSON: Thank you very much. I

1 have no one else on my list that has signed up to testify  
2 here today. I'll make the offer, if anyone there in the  
3 audience did not sign and would like to testify, I'd be  
4 happy to take your testimony now. Going once -- all  
5 right. Please, Representative Mulder.

6 REPRESENTATIVE MULDER: Thank you, Chairman.

7 CHAIRMAN HUDSON: I almost forgot who you  
8 were.

9 REPRESENTATIVE MULDER: It's been too long  
10 since session. I just have a short memo I'd like read  
11 into the minutes. Just out of interest sake, I asked Pam  
12 Stupes (phonetic), our Administrative Director, to do a  
13 brief search to establish what the benefits of  
14 competition have brought to the legislature in terms of  
15 lower telephone rates. As you know, with competition,  
16 their varying different plans they offer, different  
17 services, different opportunities in the course of the  
18 last three years, our telephone costs have been cut in  
19 half. So competition does work. It does work for the  
20 benefit of all Alaskans. Thank you.

21 CHAIRMAN HUDSON: Thank you Elden. At this  
22 time, we're rapidly moving now towards an opportunity to  
23 get out in the fresh air, but I'm going to ask John if I  
24 could get the principal representatives from each of the  
25 industries, maybe just one time to come up together, if

1       you can find four seats there and --

2                   MR. AYERS: As opposed to united?

3                   CHAIRMAN HUDSON: You could try one seat,  
4       but I don't know. And Doug Wilcox, pull this chair  
5       around. That's fine.

6                   Well, thank you all for coming before us  
7       today and being very forthright and, I think, prepared.  
8       What I would like to do is to sort of wind this thing  
9       down for today and kind of have an opportunity for  
10      members of our committee and the legislators and others  
11      who are assembled here an opportunity to clear up any --  
12      any -- ask you my questions concerning your testimony  
13      that you've already given and perhaps even where there's  
14      a difference of opinion to try to ascertain just how that  
15      difference exists and you know, if it's real or if it's  
16      just a perception, and also, one of the things that I  
17      wanted to do before I completed here is that we've got  
18      several proposals. We've got the AT&T proposal, we've  
19      got the Joint Board's tentative recommendations, and I  
20      like to think, because I work very closely with the  
21      administrative side of government we've got the  
22      governor's recommendations that tries to find some middle  
23      ground into the whole thing, and I'd like to speak just  
24      for a minute in behalf of the administration, not that  
25      he's given me any authority to do it but I'll take it

1        anyway and find out just how each of you feel about the  
2        recommendation from John Katz as it relates to the last  
3        draft. I'm sure you're all aware of it now, and I'd like  
4        to know whether or not you support it or if you believe  
5        that it needs additional work or if you just need to  
6        consider it more, but I'd like to find out exactly where  
7        you are on that, and I'll start with you if I might,  
8        Doug.

9                    MR. WILCOX: Yeah, we --

10                   CHAIRMAN HUDSON: Everybody give me your  
11        name, too, for the record just so we have it.

12                   MR. WILCOX: Doug Wilcox, AT&T. AT&T is  
13        prepared to go forward and to support the recommended  
14        changes or modifications of the consumer benefit plan  
15        that the State has recommended. I think the changes that  
16        they have recommended under those -- under that -- under  
17        those modifications, excuse me, AT&T would still be  
18        prepared to go forward, enter the market, build the  
19        cable, lower prices and do all the things that the  
20        consumer benefit plan entails.

21                   There are a couple of modifications to the  
22        plan that are sort of not applicable anymore. I mean,  
23        they said we should file with the Alaska Public Utilities  
24        Commission. Since it became known that the Joint Board  
25        felt they would have an order in October, Mr. Katz has

1       said that that doesn't make any sense anymore. Obviously  
2       you'll file that -- you, AT&T, would file at the APUC  
3       whenever it was appropriate, given whatever the order  
4       that came out of the Joint Board or the FCC was.

5               The second piece, or the second modification  
6       they suggested was that we completely -- or file a  
7       complete, fully documented Section 214 application at the  
8       FCC, and again, since the content of that application  
9       will depend upon the final order from the FCC after  
10      receiving the Joint Board's recommendation, they waive  
11      that modification, as well.

12             What we have promised to do is to document  
13      in the 214 process all the work that we have completed at  
14      this point, which is virtually everything for the  
15      backbone network except the environmental studies which  
16      are going to take a few more months to complete.

17             CHAIRMAN HUDSON: Thank you very much. And  
18      also John, if you would probably respond to the same  
19      question, if you can.

20             MR. AYERS: Well, first of all I do not  
21      claim to be as conversant in that particular document as  
22      the rest of the folks. I think there's one element in it  
23      we are particularly interested in and that is the element  
24      of the average access so that we aren't picked apart with  
25      lower cost, but average cost access is provided for. So



1       that would be the only thing I would say on that at the  
2       moment.

3               CHAIRMAN HUDSON:  So generally, as you know  
4       it at any rate, you see that it's doable perhaps.

5               MR. AYERS:  Again, I don't know enough  
6       about -- really, I'm not well enough conversed in that to  
7       do that, but I'd be pleased to have a look and give you  
8       some written response.

9               CHAIRMAN HUDSON:  If you could do that, I'd  
10      appreciate that.  And you, sir?

11              MR. RHYNER:  I guess I'm conversant with --

12              CHAIRMAN HUDSON:  And for the record,  
13      please?

14              MR. RHYNER:  Yeah, this is Jack Rhyner for  
15      the Alaska Telephone Association, and I guess I'm not  
16      prepared to comment on Mr. Katz's proposal either.

17              CHAIRMAN HUDSON:  All right, thank you.  
18      Next?

19              MS. TINDALL:  Hi, I'm Dana Tindall with GCI.  
20      As I understand the State proposal, it's got a number of  
21      elements in it.  One would -- they've made kind of two  
22      proposals, so I'm not sure if I'm confusing the two or  
23      mingling them.  One of their proposals was that the  
24      tentative recommendation transition period be shortened  
25      and that the frozen allocator be maintained, and that the

1 carrier access rates be average. We would, assuming the  
2 Joint Board could adopt it on the time schedule they're  
3 currently on, we would support shortening the transition  
4 period and we would support maintenance of the frozen  
5 allocator. We would like to see carrier access rates  
6 statewide geographically averaged, as long as any single  
7 carrier has a -- a monopoly anywhere in the state that is  
8 required by regulation which allows it. Once that  
9 monopoly's lifted whether or not there's carriers in that  
10 market, we think that then statewide access rates or  
11 carriers' carriers' rates could then be safely  
12 de-averaged because the threat of competition is often  
13 more powerful than competition in keeping rates down, but  
14 until that time when GCI, AT&T, MCI or any other carriers  
15 are held hostage by Alascom's monopoly position and their  
16 monopoly rates and that's true on the intrastate side  
17 today.

18 As far as the other elements of the State's  
19 proposal which is to -- for AT&T to write down some  
20 portion of Alascom's rate base and then go ahead and file  
21 their consumer benefit plan with the APUC and 214 with  
22 the FCC, we have no quarrel with AT&T paying for some  
23 portion of Alascom's interstate rate base facilities. We  
24 are substantially nervous at the notion that this would  
25 still be left up in the air by Alascom filing a 214 at

1       some further time period and intrastate application at  
2       some further time period. That doesn't sound like a  
3       certainty to us. It sounds like more delay, but if  
4       certainty could be provided that this would indeed  
5       resolve the Alaska Joint Board on the time schedule  
6       provided by Commissioner Knowles, then we would be happy  
7       to take another look at it.

8                   CHAIRMAN HUDSON: Thank you. John?

9                   MR. AYERS: Excuse me, Dana, you said  
10       Alascom file a 214. Did you mean AT&T?

11                  MS. TINDALL: I meant AT&T.

12                  CHAIRMAN HUDSON: All right, thank you. And  
13       Gail?

14                  MS. GAREY: Gail Garey with MCI. Just a  
15       couple of quick comments. One, in terms of if I think  
16       MCI could certainly also support some sort of shortening  
17       of the transition period. I think we also would share  
18       GCI's concerns about the ability to allow for some sort  
19       of de-averaging of the access costs and until you have a  
20       full competitive market for reasons that you can do the  
21       shifting of the cost from those, the cost of the access  
22       in those areas where there is competition to the area  
23       where that service might not be subject to competition.  
24       So in effect, the area that isn't subject to competition,  
25       as long as you have averaged rates, will benefit from the

1 competition in the other areas.

2 CHAIRMAN HUDSON: Thank you very much. Next  
3 I'd like to try to at least put to some ease our rural  
4 representatives, Senator Adams and others, who have  
5 expressed some deep concern and still have some concern  
6 apparently from the testimony we just received from Ms.  
7 Kitka and John Shively and others, and I'd like for the  
8 record to just make certain that -- that regardless of  
9 who ends up ultimately being responsible for the  
10 operations of the rural networks or all of that  
11 nonprofitable but highly essential network out there,  
12 that we will have not just -- you know, not just public  
13 relations assurances, but for the record, an ironclad  
14 assurance that you understand that responsibility and  
15 would stand up to that regulatory requirement, and I'll  
16 again start with you, sir.

17 MR. WILCOX: I think that -- I think -- Doug  
18 Wilcox, AT&T. Sorry. I think the protection for rural  
19 Alaskans is two-fold. First of all, there is a  
20 designated dominant carrier responsible for running the  
21 monopoly earth station satellite system. That happens to  
22 be Alascom presently. I can't imagine them abrogating  
23 that responsibility in any way.

24 Secondly, rural Alaskans are going to  
25 benefit from price competition more immediately and more



1 vividly than will people in Anchorage, Fairbanks and  
2 Juneau, simply because most of the price reductions that  
3 we've proposed, at least, focus more heavily on the  
4 longer mileage calls. That's where more of the margin  
5 is. So that's where we propose to reduce prices. So for  
6 example, people in the bush are probably going to see a  
7 seven percent reduction in their intrastate bills,  
8 whereas people in Anchorage might see a four -- roughly a  
9 four percent reduction because of the different nature of  
10 their calling patterns.

11 Now, I say that with full knowledge that we  
12 can't serve people in many of the villages where there  
13 can only be one earth station. That would be provided by  
14 Alascom, but I know from being in their position before,  
15 facing new market entrants with lower prices that you  
16 can't maintain a large price differential and keep  
17 customers. You have to be price competitive and I assume  
18 Alascom will be price competitive. So as long as they're  
19 going to compete with us and GCI and MCI for customers in  
20 Anchorage and Juneau and Fairbanks and wherever else we  
21 can get equal access and serve, a call from Anchorage to  
22 Juneau is over 455 miles. That's the last mileage band  
23 in the intrastate schedule, and all carriers in Alaska  
24 are required to have the same mileage bands. That's your  
25 rules. So if Alascom is competitive with us, for calls



1 over 455 miles because they want to keep customers in  
2 Anchorage and Juneau, then guess what happens to the  
3 rates that people in Barrow pay or Kaktovik pay or Eek  
4 pay. They're lower, because you can't charge more for  
5 calls that originate one place than you can for calls  
6 that originate somewhere else. So the bush is going to  
7 make out here. Rural Alaskans are going to benefit more  
8 from the price reductions we've proposed than will people  
9 in the urban areas.

10 So I think there's a two-fold assurance  
11 here. One is that, yes, you do have a regulatory regime  
12 in place that has one carrier, in this case Alascom, to  
13 assure that service is of high quality and available.  
14 And secondly, you have competition pushing prices  
15 down. I think there's two safety nets for rural Alaskans  
16 at work here.

17 CHAIRMAN HUDSON: And third if you should  
18 end up in their shoes, I presume at any rate that we  
19 would find not only the commitment to maintain and to  
20 continue to provide the reduced services, but to continue  
21 with the state of the art, replace the satellite when  
22 it's necessary, things of this nature?

23 MR. WILCOX: That's correct.

24 CHAIRMAN HUDSON: Thank you. John?

25 MR. AYERS: John Ayers, Alascom. We're

1       there. We actually like being in service to rural Alaska  
2       and the rest of the state. We have no reason to believe  
3       that we won't be doing that on an ongoing basis. We  
4       expect there to be a rational outcome of this process  
5       that let's us continue to do so, and we will.

6               CHAIRMAN HUDSON: Thank you very much.

7       Jack?

8               MR. RHYNER: Yeah, the local exchange  
9       companies I don't believe ever thought that suddenly one  
10      day the switch would just be turned off and the bush of  
11      Alaska wouldn't have communications anymore, although I  
12      can say that we were relieved to hear Mr. Wilcox testify  
13      to the fact that AT&T was willing to take over those  
14      facilities if for whatever reason Alascom withdrew.

15              Our major concern is in the -- especially in  
16      the rural communities, the cost of making the toll call,  
17      because those people don't have local telephone service  
18      so that they can call each other across the street. In  
19      many cases they'd rather communicate with CBs. They have  
20      their telephones so they can make intrastate toll calls.  
21      That's how they get the food and emergency services and  
22      get the state police and stuff. So I tend to agree with  
23      what Mr. Wilcox has said. If they're allowed to enter  
24      the market and their prices are substantially lower than  
25      the other carriers that are operating in the same market

1 will have to do market pricing and stay with them and  
2 that'll be good for all the consumers.

3 CHAIRMAN HUDSON: Thank you very much.  
4 Dana? We mustn't assume that AT&T's going to end up out  
5 there or anybody else. You certainly have indicated that  
6 you're willing to step up to the mat, as well.

7 MS. TINDALL: Yes. If Alascom wants to  
8 abandon its rural service at facilities and obligations,  
9 GCI will certainly step up to the mat and we will provide  
10 those services under either monopoly or competitive  
11 conditions, but we do believe even if we were the one  
12 providing those -- the service out there, that the rural  
13 areas of Alaska should be competitive. We have no plans  
14 to try to take over the rural areas of Alaska and close  
15 the door to competition because we firmly believe that  
16 competition is the key to expand services to everywhere  
17 in the state, and particularly in the rural areas, and it  
18 is the key to -- it is the basis for future economic  
19 development.

20 You referenced both Ms. Kitka's testimony  
21 and Mr. Shively's testimony. I think we can all agree  
22 with Ms. Kitka's testimony that universal service is a  
23 concern, that affordable rates are a concern, that toll  
24 services in the rural areas of Alaska are extremely  
25 important, and I think that you could have any number of

1       hearings and that wouldn't change. There is no one here  
2       that disagrees with that, and I think competition is not  
3       opposed to any of those ideas. I think competition  
4       facilitates universal service, brings down lower rates  
5       and it brings in better technology, and if you trace the  
6       history of Alaska services, you'll find that to be true  
7       on both an intrastate and an interstate basis.

8               Mr. Shively's testimony, I -- I hate to say  
9       I agree with. I don't think you ought to adopt -- I'm  
10      sure this isn't what he meant, but I don't think you  
11      ought to adopt any structure whereby there would just be  
12      competition in the urban areas and not the rural areas  
13      but I think the underlying premise of Mr. Shively's  
14      testimony that I disagree with is that competitors want  
15      to serve the rural areas. The notion that the  
16      competition simply wants to come in and serve the urban  
17      areas of this state and leave the bush areas high and dry  
18      is -- is not a valid notion, and it hasn't been valid for  
19      at least five years, maybe ten years. As a matter of  
20      fact, in -- and there's also been the notion in this  
21      state, I think, that calling between Anchorage, Fairbanks  
22      and Juneau subsidizes the rural areas of the state in the  
23      intrastate toll market.

24             In 1986, there was one of the many hearings  
25      on intrastate telecommunications when we were still



1       trying to get authority to provide intrastate  
2       telecommunications and Alascom put forth a very  
3       interesting statistics and what they said is that  
4       triangle calling between Anchorage, Fairbanks and Juneau  
5       throws off some 11 million dollars in excess profits that  
6       is then available to subsidize other areas of the state.  
7       This is just -- just calling on the routes between  
8       Anchorage, Fairbanks and Juneau. However, 7 million  
9       dollars of that went to the areas, the communities around  
10      Anchorage and leaving only 3 million dollars for the rest  
11      of the state and that would include short haul calling  
12      around Fairbanks and Juneau, as well.

13                   That's because there is only one rate  
14      structure in the State of Alaska. As somebody else  
15      pointed out, there are not -- you can't look into  
16      Alascom's tariff and see, okay, if I live in the bush, I  
17      pay one set of rates and if I live in Anchorage, I pay  
18      another set of rates. That's not the way it is. There  
19      is only one set of rates and those rates are broken down  
20      by mileage band. So if you live 0 to 25 miles away and  
21      you call, you pay a certain amount, and what was  
22      happening and this may have been corrected since then,  
23      but what was happening at that time was that the short  
24      haul calling areas, the 0 to 25 miles, the 0 to 50 miles  
25      were priced far below costs, whereas the long haul



1 calling areas were picking up the costs and because there  
2 were so many people calling between Anchorage, Eagle  
3 River, and the Matanuska Valley as opposed to the rural  
4 areas of the state, Anchorage, Fairbanks and Juneau never  
5 subsidized the rural areas of the State. The rural areas  
6 of the state, for the most part, were carrying their own  
7 weight.

8 So again, the reason I get into this is  
9 because I think a lot of us hold old notions about how  
10 telecommunications services are provided that are no  
11 longer true.

12 The State of Alaska as a whole can be served  
13 profitably. There are certainly some areas that are not  
14 profitable, but the state as a whole can be served  
15 profitably and competitors want to serve the entire state  
16 of Alaska as a whole profitably on a facilities basis.  
17 Thanks.

18 CHAIRMAN HUDSON: Gail?

19 MS. GAREY: Mr. Chairman, my name is Gail  
20 Garey for MCI. MCI does support the preservation and the  
21 goals of universal service and I want to emphasize, too,  
22 that I don't necessarily believe that universal service  
23 and competition are mutually exclusive. I do believe  
24 that rural Alaska will indeed benefit from competition  
25 and has to some extent already just in terms of looking

1 at the market and how it's changed and how telecommuni-  
2 cations has changed over the last couple of years in  
3 terms of an increase in technology and the fact that  
4 serving the rural areas is less expensive now than it has  
5 been, and we just like to also point out that if there is  
6 indeed demand and there are demand for services that I  
7 think you'll indeed find a lot of competitors out there  
8 more than willing to provide the type of services and  
9 facilities that would be necessary to meet that demand.

10 CHAIRMAN HUDSON: And you don't see a  
11 situation where there would be so much competition, so  
12 many people vying for it that whichever one held the  
13 responsibility for maintaining the infrastructure would  
14 not be cost effective, would not be able to stay in  
15 business? Isn't there a point of no return to where -- I  
16 guess I'm posing this to all of you. I mean, I can see  
17 where everybody has an opportunity to get in there and  
18 the whole idea is to try to offer services cheaper than  
19 everybody else in order to gain customers, but somebody  
20 has to maintain responsibility for that satellite, those  
21 earth stations and all that thing, and we've heard in the  
22 testimony that a lot of this cost effectiveness is going  
23 to come about by new technology, by perhaps, you know,  
24 replaceable modules and things of this nature there. And  
25 we've heard that some of the profit, in order to make it

1 profitable for everybody, is going to come from greater  
2 usage, people are going to use it a great deal more and  
3 subsequently that's going to generate some cash into the  
4 system and help underwrite it. And I guess the part  
5 that's -- that I just wanted to be sure was that whoever  
6 gets -- who is there who's holding the bag, you know, has  
7 a responsibility for the infrastructure that everybody  
8 else is going to use to make the profit on, gives the  
9 State of Alaska the guarantee that they'll be there and  
10 that they'll underwrite that and they will be subject to  
11 the APUC and I presume to the FCC regulations.

12 MS. GAREY: Mr. Chairman, Gail Garey with  
13 MCI. I think there will be some business decisions that  
14 will be made by all the various carriers in terms of  
15 whether or not you see all of the carriers put at some  
16 point whenever it were to be possible facilities in the  
17 area, but anyone who's going to be using those  
18 facilities, no matter who owns those facilities, will be  
19 paying for their use on that, too. I mean, in the sense  
20 of maybe you'll have a resale opportunity or similar to  
21 in some of the other markets outside of Alaska, MCI  
22 certainly doesn't have wires into every one of the  
23 households, but we pay access charges or we pay for our  
24 use of that network. So while maybe that end carrier may  
25 be losing market share, they're not losing revenues

1 because it's a movement of the traffic. We're paying for  
2 that access.

3 CHAIRMAN HUDSON: Okay, whoever is  
4 maintaining their share, okay. Are there questions  
5 from -- yes. Yes, please, John.

6 MR. AYERS: John Ayers, Alascóm. One thing  
7 I'd like to say is that you -- I haven't ever said we're  
8 going to abandon anything. I like the way everybody  
9 decides we're going to abandon something and I guess part  
10 offends me and the rest of the part is this is a rational  
11 process and as long as a rational decision is reached  
12 there's no reason to discontinue service to rural Alaska.  
13 I think we continue to say that, but I don't want anybody  
14 to think we're running around saying the sky is falling  
15 and we're abandoning Alaska or rural Alaska. It's not  
16 happening.

17 CHAIRMAN HUDSON: I don't know -- I hope I  
18 didn't give that impression. I expect you to be there,  
19 but I what I'm trying to do is in the event through all  
20 these different arrangements or anybody who had these  
21 responsibilities, not now but even in the future, that  
22 you know, we would have them there to protect the rate  
23 payers and that's all I'm interested in.

24 MR. AYERS: No, sir. I was responding to my  
25 noble competitors who like to use the word abandon



1 regularly.

2 CHAIRMAN HUDSON: Okay. Representative  
3 Brown.

4 REPRESENTATIVE BROWN: Thank you, Mr.  
5 Chairman. I'm interested in your views of the State of  
6 Alaska as a market participant in the sense that it has  
7 been historically in carrying its own voice traffic, its  
8 video or I guess we're buying service from you to carry  
9 our own video, they're considering setting up a data  
10 network. To what extent does the traffic or the actions  
11 of the State as a market participant there influence the  
12 competitiveness, the issues we've been discussing today?  
13 How important is that in this mix of having a workable  
14 balanced system and ideally, what role would you like to  
15 see the State of Alaska play?

16 MR. AYERS: I'll start. Everybody loves  
17 that question. John Ayers. I think our concern as an  
18 industry, and I'll speak assuming that I can on that, is  
19 that the State of Alaska has built its own networks and  
20 bypassed us and therefore not contributed to the cost  
21 recovery in the overall system, whether it be with GCI or  
22 Alascom, or primarily, it's a way of the local exchange  
23 carriers which drives our costs up and certainly the more  
24 you buy services from the carriers and the local exchange  
25 carriers, the better off we all are.



1 MS. TINDALL: GCI's position, and this is  
2 Dana Tindall for GCI, is that the State of Alaska has to  
3 act like any large business entity. You guys have cost  
4 concerns, you have telecommunications concerns. If the  
5 public switch network or the industry cannot provide you  
6 with a network or with facilities that meet your needs at  
7 affordable rates, or less costly rates than you doing it  
8 on your own, you should go ahead and do it on your own.  
9 And if -- however, I don't think the State should simply  
10 blindly pursue a course to do it on its own. I think it  
11 should, it should carefully get costs and find out what's  
12 out there, because there is the caution that once the  
13 State takes -- takes the full job of running its own  
14 network, you start to run into the same incentive  
15 problems that any monopoly has and you may not be able to  
16 keep your network upgraded. I understand there's a  
17 proposal to put video conferencing and data services and  
18 other services over RATNET right now, and I think that  
19 that is probably partly a result of the status of the  
20 telecommunications systems in the rural areas, from what  
21 I've heard from the user groups.

22 I think that the State's role here is a very  
23 valuable one because you're going to act as a competitive  
24 spur to the industry to get its act together to provide  
25 the technology at a cheaper rate than the State could do

1       it on its own. Our position is if we can provide it  
2       cheaper for you, let us. If we can't, it's our loss.

3                   CHAIRMAN HUDSON: Go ahead, Red.

4                   MR. BOUCHER: Mr. Chairman, I'd like to go  
5       on record as saying having studied the state building its  
6       network, in fact that was the major reason the House  
7       Special Committee on Telecommunications was formed. It's  
8       absolutely ludicrous, I mean, you get -- one of the  
9       problems right now is this current administration is  
10      reinventing the wheel. It has little or no institutional  
11      memory. I mean, the computers that were used before, a  
12      new governor comes on board and they crash this stuff. I  
13      mean government is ill-suited to deal with changing  
14      technology, and I for one have said it before, there are  
15      areas that we can fill in, Kay and I agree on the types  
16      of services and what have you, but I just don't think  
17      that we are suited and especially in a period of  
18      declining revenue, the current study out -- and I think  
19      most people that are knowledgeable in this particular  
20      area would tend -- tend to agree with us. I don't see  
21      how government competing with you or you or you is going  
22      to help reduce and benefit the costs to the State. In  
23      fact, it might go in the opposite direction. For what my  
24      thoughts are worth.

25                   CHAIRMAN HUDSON: Did you wish to respond

1           here?

2                       MS. TINDALL: Yeah, Mr. Rhyner's going to  
3           take a totally different position than what I'm going to  
4           take, so let me respond briefly because I can hear him  
5           breathing over there. As I understand the genesis of the  
6           State network was that it was not able to keep the  
7           service in some instances for the industry when it asked  
8           for it, and that's now it began and you're right, there  
9           was a lot of special -- special hearings on this and the  
10          hearings that I attended dealt with the State of Alaska  
11          in many cases leasing space on the industry existing  
12          facilities, which is a different situation from building  
13          its own network.

14                      But again, the State's -- there's nothing  
15          wrong with giving the industry a little kick and the  
16          issues that you raised are issues that need to be taken  
17          into account for the State doing its own system. Can  
18          they keep up with technology, can they continue to keep  
19          their costs down, can they -- are they providing the best  
20          service for the constituents they're trying to serve and  
21          all that needs to be factored into such a decision.  
22          Okay, Jack, go for it.

23                      CHAIRMAN HUDSON: Go ahead, Jack. Get it  
24          before Red.

25                      MR. RHYNER: Jack Rhyner for ATA. Once

1 again, GCI has wrongly assumed what the latest position  
2 is. As a matter of fact I was going to agree with what  
3 Dana said in that if the State would come to the local --  
4 to the industry and I'm speaking for the local exchange  
5 companies, if you have a requirement for something and we  
6 can't provide it, then feel free to build it yourself.  
7 Our problem historically since the State network has been  
8 growing is the fact that you've never done -- the State  
9 has never done apples to apples comparison with  
10 facilities and the services that we can provide and have  
11 just gone ahead and built their own facilities without  
12 doing the proper comparison.

13 So if you will, give us that shot. If we  
14 cannot do it for you, then I, you know, I would echo what  
15 GCI has said and that go ahead and build it yourself, but  
16 I think if you gave us the opportunity to do it, we can  
17 show you that we can provide all of those same services  
18 and facilities and more than likely cheaper and the added  
19 benefit of that is that it increases the revenue in those  
20 local companies and help hold rates down for everyone in  
21 the State.

22 CHAIRMAN HUDSON: John?

23 MR. AYERS: John Ayers, Alascom. It's clear  
24 I was presumptuous, but I have a hard time believing that  
25 industry can't build better delivery, better product,



1 better price than what government can do itself.

2 MR. WILCOX: Mr. Chairman.

3 CHAIRMAN HUDSON: If it's germane to this,  
4 go ahead.

5 MS. GAREY: Gail Garey with MCI. Again, in  
6 response to your question I think the State has a huge  
7 role and can play a very significant role in terms of  
8 providing demand for services and in doing that, will  
9 encourage the development of a good infrastructure and  
10 all I would say is that one of encouraging and letting  
11 again the competitive processes work by putting it all  
12 out for competitive bid and telling us what the problem  
13 is and seeing who can come up with the best solution at  
14 the best cost.

15 CHAIRMAN HUDSON: Thank you. Representative  
16 Porter.

17 REPRESENTATIVE PORTER: Since Red got his  
18 fifth three minutes, I thought I'd take my first and  
19 thank Kay for asking the question that was one I was  
20 going to ask. I thank all of you for restraint that you  
21 are showing in your answers and for what it's worth, I  
22 think that the time has come that the State needs to back  
23 off of its position of providing. We can't afford it  
24 anymore. If anybody could have afforded it, it would  
25 have been done previously. We've made a awful lot of



1 expenditures in retrospect perhaps --

2 CHAIRMAN HUDSON: Speak a little louder,  
3 Brian. I hear somebody in the back --

4 REPRESENTATIVE PORTER: Gets into an area  
5 that now I think the private sector can do it and this  
6 was what I alluded to. In fact, the State is costing the  
7 citizens money by the kinds of systems it's participated  
8 in because everything else -- (inaudible).

9 CHAIRMAN HUDSON: Representative Brown.

10 REPRESENTATIVE BROWN: Just to continue that  
11 conversation are you referring to the video network or  
12 the data and voice network when you say the State should  
13 back off and get out of it.

14 REPRESENTATIVE PORTER: In a simple answer  
15 the State should accede everything it's doing and to put  
16 out a request for proposal and see if it can be done  
17 better by the private sector.

18 CHAIRMAN HUDSON: Kay.

19 REPRESENTATIVE BROWN: I'd be interested in  
20 knowing if any of the competitors up here have any  
21 interest in getting into video transmittal business in  
22 Alaska and how do you view the RATNET and public  
23 broadcasting for that matter. Does that have a role to  
24 play here in the voice network, integration of those  
25 services?

1                   MR. WILCOX: Well, As a practical matter, we  
2           do provide services of that type and I lack the factual  
3           background that people who have been in business here  
4           have. So our philosophy is much the same as has been  
5           described by all three of the other carriers,  
6           interexchange carriers and from the local exchange  
7           carriers. If we can't provide it for you at a cost  
8           that's competitive with what you can do it yourself, like  
9           any other large user, you ought to just go ahead and do  
10          it. I mean, the State of Alaska isn't the only large  
11          user of telecommunications that has bypassed the industry  
12          in Alaska, so that's, you know, that's the normal way to  
13          do business. I just did want to take the opportunity to,  
14          which may be a very unique and one time deal that I  
15          wanted to say I agreed with the comments of John Ayers  
16          and Dana Tindall and Gail Garey and Jack Rhyner.

17                   CHAIRMAN HUDSON: I think we're making  
18          progress here. John?

19                   MR. AYERS: John Ayers. Representative  
20          Brown, you asked about video transmission. We do that  
21          now. We would continue to do it. I think your question  
22          probably is related to compressed -- (inaudible) --  
23          video, which is technology that's starting to become  
24          available, some say. And at some time in the not too  
25          distant future and it clearly is the way the RATNET has

1 to go because RATNET currently is subsidized by the  
2 carrier. You're not paying the full price for that  
3 service today.

4 CHAIRMAN HUDSON: Red?

5 MR. BOUCHER: There is a place in Juneau and  
6 has existed there for years which someone of the  
7 companies put into place that you could transmit video  
8 signals any place you want. In fact, I held a hearing of  
9 the House Special Committee on Telecommunications in that  
10 particular building and nobody has used that. Granted it  
11 was a bit slow scan, or what have you. Does that  
12 facility not still exist in Juneau? And how often do you  
13 have requests for the use of it or is the building burned  
14 down?

15 MR. AYERS: I assume you're referring to us,  
16 Alascom?

17 MR. BOUCHER: Yes.

18 MR. AYERS: We do not have a public room.  
19 We do not choose to have a public room. They don't pay.  
20 We would prefer to sell the commitment. If you would  
21 like to build a public room, that's something we think  
22 would be just dandy, but historically, they haven't paid  
23 their way. The investment's been too high for the return  
24 that you can get out of it, so no, there's no public room  
25 available. We have demonstrated equipment we use for

1       ourselves for the -- for anyone who wants to look at it  
2       and use it. We've demonstrated conferences with it, but  
3       we're also not the only provider of that kind of  
4       equipment. Local exchange companies provide similar or  
5       the same equipment and I don't -- I think that the  
6       competitor, GCI, also does and I know that AT&T does. So  
7       you have a wider spectrum of opportunity and I don't know  
8       the public room venue was something that was long lived  
9       although Sprint in a meeting still is in place.

10               MR. BOUCHER: My point, Mr. Chairman, was  
11       the technology has been in place for some time and nobody  
12       used it.

13               CHAIRMAN HUDSON: I think that's true and  
14       part of it as Kay and I are finding is that we have to  
15       get out there and try to develop, particularly a large  
16       user like states government needs to get out there and  
17       figure out where the cost savings to the general delivery  
18       of services are through using this technology and then to  
19       match the technology with the use, but a lot of it is  
20       changing the way government does business and it has to  
21       be led for the most part on the part of the executives.  
22       However, we can try to lead it that way, but we've got to  
23       have a governor and governor side that sees that you can  
24       reduce public safety costs and education costs and health  
25       and social service costs and university has to show or be

1       assured that they can -- they can cut their budget and  
2       still deliver their service and provide the services  
3       they're there for. And I think that argument is taking  
4       place.

5               The technology which I have sat in on, John,  
6       with some of the portable equipment that you've shown and  
7       observed is extremely good. So I know the technology's  
8       there. Whether or not the price is right and whether or  
9       not we can get the users to use it, I think that's where  
10      we're going to go on from here.

11             MR. AYERS: There is -- John Ayers from  
12      Alascom. There is a difference between the video  
13      conference technology and the broadcast type video that  
14      Representative Brown was talking about so we need to try,  
15      when you're looking at that, to keep them somewhat  
16      separate although they do have similar attributes.

17             CHAIRMAN HUDSON: We're looking at both of  
18      them, as a matter of fact at the same time. All right.  
19      Any questions? Mike, any? Anyone else at the table  
20      here? All right. Susan, do you have any questions,  
21      we've got them all here?

22             COMMISSIONER KNOWLES: I don't think so. I  
23      have more than you have time for in a sense, but --

24             CHAIRMAN HUDSON: All right, then, I guess  
25      we've reached the point to where we've exhausted



1       everybody. I want to thank everybody at the table here.  
2       I want to thank every one of you for coming here and  
3       showing us. I want to thank my staff. I think Royce and  
4       Debbie have done a sterling job in setting this up. They  
5       did it all from our office and I think it came off very  
6       well. And I think we've amassed a very good record. I  
7       think we've cleared up some ambiguity and at least now we  
8       better understand where everybody's coming from and that  
9       was the purpose of this whole thing, was to try to shed  
10      some light on what everybody's proposal is and try to get  
11      some understanding among yourselves as to how different  
12      things are going to -- are being proposed at any rate.

13               I don't have any further plans to have  
14      another hearing, myself. Although I'll discuss that with  
15      my subcommittee and we may, you know, we've heard  
16      requests that we take it to the bush or something of this  
17      nature there and try to get the people who are actually  
18      interested in the whole thing. At this moment, I don't  
19      have any plans for that, but we will try to compile what  
20      we've heard here and where we have questions, we'll -- we  
21      won't hesitate for a minute but to write you a letter say  
22      can you clear this up, there's two different inputs along  
23      those lines, and then finally we'll make available  
24      everything we've heard or as we think we've heard it at  
25      any rate to your group, Susan, as well as the FCC, and

1       anybody else that's interested, including all of my  
2       colleagues in both House and Senate.

3               So with that, I want to thank you all for  
4       being here today and we will conclude this hearing.

5               (At about 5:20 p.m. - proceedings concluded)

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

## REPORTER'S CERTIFICATE

I, Joy S. Brauer, RPR-CP, hereby certify:

That I am a Registered Professional Reporter for Midnight Sun Court Reporters and Notary Public for the State of Alaska; that the foregoing proceedings were written by me in computerized machine shorthand and thereafter transcribed under my direction; that the transcript constitutes a full, true and correct unofficial record of said proceedings taken on the date and time indicated therein;

Further, that I am a disinterested person to said action.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed my official seal this 25<sup>th</sup> day of August, 1993.

  
Joy S. Brauer, RPR-CP  
Registered Professional  
Reporter

My Commission Expires: May 10, 1997



TAPE LOGS

\* COURT REPORTERS  
Joy Brewer  
258-7100

8/27/93 TELE. TASK FORCE SUBCOMMITTEE HEARING

Members Present: Chairman Hudson, Navarre  
Porter, Brown, [former Rep. Red Boudet]  
Finkelstein, Mulder @ 3:30

[staff for: Hanley, Adams, MacLean,  
Toohey, Donley, Barnes, Rineell,  
Bunde & Jim Nordlund stopped by.]

000 BEGAN: 9:12 a.m.

Chairman Hudson introduced issue of  
restructuring tele. in AK. Gave overview of  
mtg. agenda.

044 Susan Knowles - Comm. APUC - a member of  
AK JT Board - w/ staff member Lori Kenyon.  
referenced conceptual costs & rates.



# 285

Feb 92 - Alasca & ATT - inter-state & intrastate structure. Master agreement had been appended to Jan 15, 1993.

1912/93 <sup>enormous amount of</sup> filings the commission has received.  
re: conference calls & mtgs to get to here today.

360 turned over to:  
re: what proposals - Lori Kenyon - Staff - APUC  
& for Susan Knowles - brief overview.  
of packet - rough <sup>tentative</sup> ideas of mechanisms.

Bill - explain & expand on rates - re: Alasca's are not the same as ATT

Lori  
Bill

412 Lori

418 Susan Knowles - reaffirm ATT had the obligation to have rates to AKS - same as nationwide.

50 (?)  
45 Minutes  
429

Lori - Alaskan customers would not be stranded -

# 286

(Ben (?) Barnes - came & looked at counter leg. & aides.)  
cont (9:50) left

516 Porter - ques - lost on allocation - give a basis

520 Lori - re: same equip to use intra & later.  
different governings for each part of equip. & calls - for rates.  
Diff. factors for diff equipment charges.

Tape 1  
5/22/66  
9:50

- Porter asks a ques.)
- 000 Lori Keyson - intra - inter state rates
- 005 Porter - ques.
- 006 Lori - in inter / intra - miles address into interstate pr
- 011 Porter - ques.
- 014 Lori - 75% fixed rate
- 017 Boucher -
- 022 Bill -
- 029 Lori - ATT doesn't serve interstate -
- 040 Bill - deviation from the norm.
- 042 Lori -
- 049 Navarre - ques. interstate
- 050 Lori -
- 053 Navarre -
- Lori -
- 059 Mike -
- 064 Lori -
- 071 Lori - 11% recovery
- 078 Mike - how did the base the assumptions.
- Lori -
- 092 Brown - JT Bonds become - what deficit's re: cost & revenues - any hard data.
- 100 Lori - re: Alaska comm proposal
- 109 Brown - re: chgs in computer indust? - rates be lower?
- 116 Lori - currently watching
- 124 Brown - univ. service - high demands for
- 130 Susan Knowles - her quest. is being debated
- 147 Brown - assumptions made
- 149 Lori -
- 150 Brown -
- 155 Susan - re: tentative recommendation
- 165 Bill - concern of little hearing / communications in AK - what are the long term needs for Alaska.

interactive video-conferencing. Do you have studies you have analyzed the long term needs — Do your studies gives you what will be needed 10-15 yrs.

194 Susan - yes - but we're obtaining more info. all the time have all the accumulative works - since 1986.

219 Bill - concern - representation by for the people of AK. "input from Alaskans" what assumptions we have - proposals - based on a national judgement - like for rural Alaskans

253 Susan K. - report - yes - will become public in due course. (Overlunds Consultants)

259 Boucher - "do course?" people don't know what is available.

274 Susan K. -

285 Navarre - Overlunds - studies - ATT & Alascom - re: new studies - not public yet.

294 Susan - yes - right.

301 Navarre -

302 Susan - re evaluating your <sup>independent thinking for the</sup> own process of record.

334 Navarre - critique of the JT Board

344 Susan -

357 Mike -

374 Susan

Mike - re: 11% cost of allocations - increase in the usage. re: 8-11% historical increase in usage? Any reduction in future?

386 Lori -

395 Susan - Alascom has tremendous decreases in the post. Market structure - intra state decreases.

407 Bill - will there be a hearing in AK.

417 Susan K. - no hearing is contemplated. - such a hearing is usually unprecedented.

125 Bill - state submitted 2 filings - re: Guadalupe - re: Katz letter - what has been considered.

130 Susan - all recommendations & positions are being considered.

143 Bill - issue for the people of Alaska - what assurances we are given they're guessing right. any iron clad provisions to protect the rural - unique area/geography in AK. Pls Take into consideration what the state asks, needs & requires.

177 Bill - (real access to Juneau -

Bill - teleconference

Barrow? - one person

GTE -

Katz & Sue - listen

FAI - observers

John Katz)

212 - Brown - 220 - Susan - 240 Bill - line live - when will you know?

10:58 - Break - 5 mins. -

257 - <sup>Sunny</sup> - Bono-decision by Jan of '94 - '94 fully concluded business by Nov. 1.

11:07 280 - Bill

281 John Katz - Gov. office - D.C. - briefing on states filing - Dir. of State Federal Regulations.

Boss Halpern

John gave brief comments - From the beginning - 9 yrs now. overview of his written statement

5:50



Tape 2  
Side B  
000

Formal  
legislative  
tall - blonde  
beard - blonde  
one is  
for 10/15/81

Katz - continuing overview.

073 Bill - thanks John - felt his concerns are good. - re.  
guest -

094 John  
Bill

110 John  
Porter - short version of his concerns why his proposals -

115 John Katz

135- Boncher - congrats. has on his thoroughness. 2) what tech. doesn't  
AK have? any drop  
date?

154 Katz - probably Doo1 -

185 Finkelstein - re: federal proceedings - participation the same  
over the year

198 Katz -

246 Bill - asked for any analysis he may get - pertinent to the  
formation of Theodorin. proposals.

268 Katz - yes - they'd be glad to generate any analysis.

283 Bob - (in D.C.) re: fund

310 Bill - we don't have info - only reference.

317 RED - doesn't see our fed. delegation - any  
input?

325 Bill - yes - we should be receiving some.

336 Katz - he will do that.

344 Bill - teleconf. attendees?

351 Brown - asked John K.

355 Katz -

366 Bill

370 Mark Dennen - re: Susan Knowles - her high regard for  
her work.

58 Break



Began

1:18

389: Bill -

411 - GCI - Dana Tindell - U.P. - overview  
updates fact - <sup>serve</sup> intra & extra. 93%  
she agrees w/ Susan Knowles  
have no problem w/ rate  
re: proposals to Vto of Board

574

TAPE 3  
SIDE A

(what she thought ATYT wants & Alascon wants.)  
[lost about 5 minutes of Dancus]

Dana - continues . . .

034 <sup>repe</sup> Began again.

1:30 Navane arrived

1:37 Finkelstein arrived

071 Dana still - legislative history of participation.

117 Bill - assurance - how do we get the guarantee -  
we get so much story, etc. - media blitz. -  
someone to be certain to do what they want  
now - later - my study or analysis.

142 Dana - yes - the laws of this state will  
measure to regulate.

GCI has filed w/ APUC & FCC - a plan to serve all  
of AK.

★ ★ ★ ★ She will provide paper work - saying  
they could provide to state all Alascon can  
at or below the current rates.

201 Bill - re: Gov. office 2 filings

203 DNA - re: states proposals

219 Navane - Earth station provide the ability to  
do the video teacher <sup>conferencing</sup> for the teachers  
in the villages

228 Dave "Yes"

229 Porter

232 Dave

243 Boucher - ~~why~~ only 93%

250 Dave - why they aren't doing 100% - (a few small communities)

263 Boucher - too costly to serve all the communities.

265 Dave -

274 Boucher - QQ

282 Dave - digital single hop

Q 88 Bill

300- AT & T -

305 Doug Wilcox - G. Manager - AT & T -

what happens to subsidy if AT & T comes in. Rural AK working about another subsidy.

464 Boucher - what services aren't provided now that AT & T would provide.

476 - Doug Wilcox - re: different services AT & T could provide.

538 Boucher - what will come to AK - jobs, etc. or just a satellite.

↓

Tape 3  
SIDE B

Doug Wilcox - Alaskans - talking to Alaskans.

010 Boucher - any opportunities re: overseas locations.

012 Doug.

016 Boucher -

018 Navarre - Subsidy - how much - ?

020 Doug - the last year

037 Navarre - agreement of AT & T & Alaskans' costs / payment

040 Doug - <sup>they do a</sup> cost study -

- 2:20 Kay Brown came in.  
 000 Doug Wilcox — interstate  
 064 Navarre - where / what ever is the subsidy - can they do it cheaper. —  
 069 Doug yes  
 Navarre rates - will be lower for inter & intra ?  
 086 Doug yes.  
 110 Navarre  
 120 Doug  
 136 Bill - his problem w/ understanding the long term effects on proposals he has read.

[2:30 Finkelstein left. 2:32 Finkelstein returned.]

- 154 Doug - growth & demand  
 156 Bill - total revenues?  
 158 Doug: \$300 million.  
 Bill -  
 Doug - \$30 million -  
 180 Bill  
 185 Doug - rates  
 257 Bill - Book rates  
 Doug  
 272 Porten - ability to change - what & how.  
 275 D -  
 320 Baucher - satellite serves rural AK.  
 327 Doug yes a few spots.  
 353 Baucher - what is AT&T's long term phone re: satellite service.

364 Boucher

Navarre - Value -

379 Doug less than \$50 million

Funkelstein Dept)

385

~~378~~

Navarre - \$300 million, \$700 million amounts.

Doug

Navarre

425

Doug

459

Bell - subsidy

484

Doug

511

John Ayers - Alascom - Exec. U. Pres. - Exec. Director  
overview - doesn't like the delay.

tape 4

side A

↓  
John Ayers - continued

↓

033

RED - how can you get together rather than  
butting heads.

040

John Ayers - 221 million - on their file to FCC

055

Bell - competition?

074

John Ayers

100

Bell - cables

101

John Ayers

113

Ray Brown

John

Ray

129

John



152 Brian Porten - Q&A

160 John Myers - Acceleration cost of recovery.

162 Bill -

168 MCI - Gail Garry - MCI - wants the task  
force to back the J+ Boards effort of  
ending the joint.  
any further delay will harm consumers.

249 Bracken - what an MCI (technology) bring into the  
state.

260 Gail - Digital service

Bracken

270 Brown - faster transmission speeds.

302 Bill - interested in rural ak - particularly -

329 Porten - enhance one feature.

334 Gail - a closer look @ Alacom's cost.

347 Jack Reiser - Pres. of Tel Alaska - Interior  
Tel. & Nukluk Telephone  
Pres. - AK Tele. Assoc.

gave his concerns.

386 Brown

390 Reiser

401 Finkelstein

423 Reiser

438 Finkelstein

440 Brown

Redner



03:46

465

Public Testimony

Bell

Public Testimony

499

Steve Conn - Exec. Dir. AK. Public  
(AKPIRG) Consumer Issues for 20 yrs.



560  
SIDE 4  
SIDE B

000 Steve Conn -

012 Martha Stewart - Sen. Adams - is concerned w/ the  
procedures of this issue - impact on the  
rural areas.

002 Dr. Larry Pearson - UAA - Prof. - (was  
consultant for telecommunications)  
will give comment.

146 Mike <sup>Mc</sup>Carl - Advertising Agency -  
ideas to get to the rural areas -  
have more mtgs.

Boucher -

190 Barbara Huff - Trans <sup>959</sup> - Bus. Rep. -  
rep - 500 Alascom employees - are trans

055 Finkelstein -

267 Francis Taylor - Community Access Television

336 Julie Kitka - AK Fed. of Natives - joined to  
represent 85,000 AK Natives.

428 Bill

436 John Schidley - NANA

485 PAT (?) lady wired with hair up -  
w. with who?

①

509 Dick Traubey - concerns - wants to go forward  
with competition. It is a real  
problem out in the bush - keep the  
life line open.

Tape 5  
Side A

020

Mulder - Competition - does work!  
see index by Panel

All MCI, GCI, AT&T, Alascom, Maklak guy

how does each feel of recommendation of  
John Katz - support, work work, etc.

5

034

Doug Wilcox (AT&T) - prepared to support the  
recommended changes.

054

John Ayers - Alascom - not much

062

Jack Drygman - no comment

deB

Dana - GCI -

097

Gail Garry - MCI -

107 Bill - for the record - regardless who is responsible  
for the rural networks -  
- would like an iron clad assurance. -

121 Doug - AT&T - feels a 2 fold assurance.

159 John Ayers - Alascom - we will continue to do as  
we are now.

164 Jack -

185 Dmca - GCI

244 Gail Garry - MCI

256 Bill

Gail Garry - MCI

292 John Ayers - we have not said we are going to  
abandon anything.

304 Brown - views of state as a participant &  
carry its own video.

316 Ayers -

324 DAVA -

351 Boucher

370 Dana -

388 - Jack Ryper - KTA

410 John Ayers - Alascon -

415 Gail - MCI

423 Porter

440 Brown - video or data network.

453 Doug Wilcox - ATT do it now

471 John Ayers - video transmission do it now

490 Boucher

498 Ayers

525 Bell

532 Ayers  
Bill

550 <sup>Let's</sup> WRAP UP - it's the end!

END 5:18 P.M.





# LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET

B1  
30640

PLEASE PRINT

SPONSOR: \_\_\_\_\_

SUBJECT: Telecommunications Task Force

START/END TIME: 9:00- DATE: 8/27/93

|     | Name/Representing                                 | Address                                  | Zip   | Phone No.    | Testify | Observe | Bill No. |
|-----|---------------------------------------------------|------------------------------------------|-------|--------------|---------|---------|----------|
| 1.  | H A 'RED' Boucher                                 | 6926 FAIRWEATHER DR                      | 99512 | 349-2192     | X       | X       |          |
| 2.  | JOY FRANK                                         | 2550 Denali #1505                        | 99503 | 2587100      |         | X       |          |
| 3.  | Linda Johnson                                     | 509 W 3rd Ave                            | 99501 | 263-8359     |         | X       |          |
| 4.  | Dr. FW Pearce                                     | Dept. of Tourism / UAA                   | 99503 | 786-4739     |         |         |          |
| 5.  | Donn J. Wonne) PTI                                | 805 Broadway Vancouver WA                | 98668 | 206-697322   |         | X       |          |
| 6.  | John Myers                                        | 210 E Bluff Rd.                          | 99701 | 264-7766     | +       |         |          |
| 7.  | Jon Butylko media access group / video production | 1043 H St Anch AK                        | 99501 | 277-4861     |         | X       |          |
| 8.  | Susan Knowles / (AK JT BOARD - Comm. APAC)        | 1016 11th Ave Anchorage 99501            | →     | 279-6336     | ✓       |         |          |
| 9.  | Leanne Kenyon (APAC/ AK JT BOARD)                 | "                                        | "     | 276-6222     | ✓       |         |          |
| 10. | Dr. Lynn Pearson                                  | Dept. of Journalism & Public Comm. / UAA | 99503 | 256-1037     | X       |         |          |
| 11. | Dona Tindall                                      | 2550 Denali Suite 1000 99503             |       | 265-5611     | X       |         |          |
| 12. | GAIL GARY                                         | 707 17th St #4200 Anchorage AK 99502     |       | 263-9166     | X       |         |          |
| 13. | Mike Porcari                                      | 433 W 9th Avenue                         | 99501 | 276-4262     | X       |         |          |
| 14. | Mark Dinneen                                      | 444 N Capitol St Washington DC           | 20001 | 202-624-5858 |         | X       |          |
| 15. |                                                   |                                          |       |              |         |         |          |





# LEGISLATIVE TELECONFERENCE NETWORK

## SIGN-IN SHEET

SPONSOR: \_\_\_\_\_

SUBJECT: Telecommunications TASK FORCESTART/END TIME: 9:00 . DATE: 8/27/93

PLEASE PRINT

| Name/Representing                | Address                     | Zip   | Phone No. | Testify | Observe | Bill No. |
|----------------------------------|-----------------------------|-------|-----------|---------|---------|----------|
| DAVID HARDING / REP. MAX KAN     | #6 20                       |       |           |         |         |          |
| BARBARA HUFF / Bishop Tanagers   | PO BOX 10292 Anch           | 99501 | 269-426   | ✓       |         |          |
| Lisa Scaglietti - Daily News     |                             |       |           |         |         |          |
| Francine / Rep. Community Access | 3740 W. Winterset Dr. Anch. | 99508 | 562-3198  | ✓       |         |          |
| Erin Munday / Rep. Bunch         |                             |       |           |         |         |          |
| Julie Kitha                      | AFN 15711 C St 5100         |       |           | ✓       |         |          |
| John Shively / NANA              | 1001 Benson St, Anchorage   | 99508 | 265-4100  | ✓       |         |          |
| Pat Abney                        |                             |       |           |         |         |          |
| <del>Dick Traini</del>           | 5800 E. 142nd Anchorage     | 99516 | 345-1335  | ✓       |         |          |
| Dick Traini                      | 2020 Diamond Dr Anchorage   | 99507 | 563-7996  | ✓       |         |          |
| HP Gazaway                       | 1521 W 14 Ave Anch          | 99501 | 277-2073  |         | ✓       |          |
|                                  |                             |       |           |         |         |          |
|                                  |                             |       |           |         |         |          |
|                                  |                             |       |           |         |         |          |
|                                  |                             |       |           |         |         |          |



# LEGISLATIVE TELECONFERENCE NETWORK

## SIGN-IN SHEET

193

PLEASE PRINT

SPONSOR: \_\_\_\_\_

SUBJECT: Telecommunications TASK FORCE

START/END TIME: 9:00- DATE: 8/27/93

|     | Name/Representing             | Address                      | Zip   | Phone No. | Testify | Observe | Bill No. |
|-----|-------------------------------|------------------------------|-------|-----------|---------|---------|----------|
| 1.  | Steve Hamlen United Utilities | 57410 A Street               | 99518 | 561 1674  |         | ✓       |          |
| 2.  | Don Roy AK TEL ASSN.          | 4341 B # 304                 | 99503 | 563-4000  |         | ✓       |          |
| 3.  | Justin Jackson                | 15301 E More Rd Anchorage AK | 99516 | 345 1242  |         | ✓       |          |
| 4.  | Ron Gillis                    | 9475 Riverbend Dr            | 99501 | 463-3371  |         | ✓       |          |
| 5.  | Doug W. Cooper                | 2627 C St AK                 | 99503 | 265 2218  | ✓       |         |          |
| 6.  | STEVE CONN                    | AK PIPE PO BOX 101093 ANCH   | 99510 | 278 3661  | ✓       | ✓       |          |
| 7.  | Mark Higgins                  | 3707 Woodland Dr Anch -      | 99517 | 243-7908  |         | ✓       |          |
| 8.  | Francis Taylor                | 3740 Winterset St            | 99509 | 572-3184  |         | ✓       |          |
| 9.  | Ted Morinski / Alascom        | 210 E. 1st St                | 99501 | 264-7000  |         | ✓       |          |
| 10. | David Harding                 | Rep MacLean's ofc            |       |           |         | ✓       |          |
| 11. | Rena Bukowich                 | Rep MacLean's ofc            |       |           |         | ✓       |          |
| 12. | Rich Vitale                   | Rep Parnell's ofc            |       |           |         | ✓       |          |
| 13. | Dan Gaddler                   | Rep Toolin's ofc             |       |           |         | ✓       |          |
| 14. | John Vezina                   | Sen Donley's ofc             |       |           |         | ✓       |          |
| 15. |                               |                              |       |           |         |         |          |



# LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET

Pg 2

30640

PLEASE PRINT

SPONSOR: \_\_\_\_\_

SUBJECT: Telecommunications TASK FORCE

START/END TIME: 9:00 - DATE: 8/27/93

|     | Name/Representing                        | Address                    | Zip   | Phone No. | Testify | Observe | Bill No. |
|-----|------------------------------------------|----------------------------|-------|-----------|---------|---------|----------|
| 1.  | Reed Storgas                             | Box 1211 Turnan, AK        |       | 465 3223  |         | ✓       |          |
| 2.  | Neil, Slatnick / State Department of Law | P.O. Box 10100, Turnan, AK | 99801 | 465-3600  |         |         |          |
| 3.  | Kim Hutchison                            | Turnan                     |       |           |         |         |          |
| 4.  | Jack & Lynne                             | 221 Abbott Rd Anch         | 99507 | 349-2400  |         |         |          |
| 5.  | Emil Hobbs                               | P.O. Box 3587 Anch 99510   | 99510 | 272-4147  |         | ✓       |          |
| 6.  | Virginia Ruesch, AAG                     | 1031 W 4th Anch            | 99505 | 269-5171  |         | ✓       |          |
| 7.  | Joe McCullen                             | 4154 Carmelt DR            | 99508 | 276-1878  |         | ✓       |          |
| 8.  | Kip Anderson                             | OFF. of REP HANLEY         |       |           |         | ✓       |          |
| 9.  | Harry Sever / Jacko                      | OFF. ANCH                  | 99501 | 258-8187  |         | ✓       |          |
| 10. | KAREN BRAND / Rep. MOSES                 | 716 W 4th Suite 630        | 99501 | 258-8167  |         | ✓       |          |
| 11. | Mark A. Brown / SEN ADAM                 | Box 333 KOTZ               | 99752 | 442-3245  | ✓       |         |          |
| 12. | Anne Rickett / Turnan Times              | Box 9224A, Anch, AK 99509  |       | 274-2512  |         | ✓       |          |
| 13. | James E. White, APHC                     |                            | 99501 | 276-1227  |         | ✓       |          |
| 14. | Bessie Murray                            | 3946 Astor Blvd 99503      |       | 564-3011  |         | ✓       |          |
| 15. | Gordon Jackson                           | 600 Telegraph Ave 99503    |       | 564-1214  |         | ✓       |          |

Kim Hutchison

## JNU INFO

09/01/93 10:15 4652884

## PARTICIPANTS IN: BARROW

1 ALBERT MCCAMAS  
BOX 553

BAR

GTE AK  
BARROWOBSV. HOUSE TELECOM  
AK 09723 (907)852-6211

## PARTICIPANTS IN: FAIRBANKS

FBX

1 MS. WILDA WHITAKER

119 N. CUSHMAN

REP. THERRIault OBSV. HOUSE TELECOM

FAIRBANKS

AK 99701 (907)488-0862

2 MS. MARILYN WILSON

119 N. CUSHMAN

SEN. SHARP

OBSV. HOUSE TELECOM

FAIRBANKS

AK 99701 (907)452-7885

3 MR. JOSEPH EASAW, JR.

119 N. CUSHMAN

REP. VEZEY

OBSV. HOUSE TELECOM

FAIRBANKS

AK 99701 (907)456-5081

## PARTICIPANTS IN: HOMER LTC

HOM

1 MRS. LINDA GJOSUND

126 W. PIONEER AVE., #3 HOMER

REP. G. PHILLIPS OBSV. HOUSE TELECOM

AK 99603 (907)235-2921

2 REP. GAIL PHILLIPS

126 W. PIONEER AVE., #3 HOMER

OBSV. HOUSE TELECOM

AK 99603 (907)235-2921

## PARTICIPANTS IN: KOTZEBUE

KOT

1 MR. WAYNE JONES

BOX 256

SELF

OBSV. ALL ITEMS

KOTZEBUE

AK 99752 (907)442-3311

2 MR. LEE MCCLAIN

BOX 823

SELF

OBSV. ALL ITEMS

KOTZEBUE

AK 99752 (907)442-3434

## PARTICIPANTS IN: OFFNET 1

ZZZ OF1

1 JOHN KATZ

D.C.

TSFY. HOUSE TELECOM

AK

(907)235-2921



JNU INFO

Teleconf. Site

Kotzebue

Barrow

FAI

Soldotna

Homer

Juneau

John KATZ (D.C.)

~~Red Boucher (CA)~~Red Boucher - video taped  
court reporter; midnight sun.Joy S. Brauer RPR  
258-7100GTE AK  
BARROWOBSV. HOUSE TELECOM  
AK 09723 (907)852-6211

|                 |                        |
|-----------------|------------------------|
| REP. THERRIault | OBSV. HOUSE TELECOM    |
| AIRBANKS        | AK 99701 (907)488-0862 |
| SEN. SHARP      | OBSV. HOUSE TELECOM    |
| AIRBANKS        | AK 99701 (907)452-7885 |
| REP. VEZEY      | OBSV. HOUSE TELECOM    |
| AIRBANKS        | AK 99701 (907)456-5081 |

|                  |                        |
|------------------|------------------------|
| REP. G. PHILLIPS | OBSV. HOUSE TELECOM    |
| OMER             | AK 99603 (907)235-2921 |
| OMER             | OBSV. HOUSE TELECOM    |
|                  | AK 99603 (907)235-2921 |

|         |                        |
|---------|------------------------|
| SELF    | OBSV. ALL ITEMS        |
| OTZEBUE | AK 99752 (907)442-3311 |
| SELF    | OBSV. ALL ITEMS        |
| OTZEBUE | AK 99752 (907)442-3434 |

JF1

C.

|                     |
|---------------------|
| TSFY. HOUSE TELECOM |
| AK (907)852-6211    |