

HB

416

FISCAL NOTE

B. version: CSHB 416 (STA)

(H) Publish Date: 3/26/98

STATE OF ALASKA 1998 LEGISLATIVE SESSION

Revision Date (Note if correction) _____ Dept. Affected Commerce
 Title Competition in local exchange telephone service BRU
 Component AK Public Utilities Commission
 Sponsor Rep. Kelly
 Requester House State Affairs Component Serial No. 364

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	109.6	109.6	54.8	0.0	0.0	0.0
Travel	1.4	1.4	0.7	0.0	0.0	0.0
Contractual	59.6	59.6	29.8	0.0	0.0	0.0
Supplies	2.4	2.4	1.2	0.0	0.0	0.0
Equipment	0.5	0.5	0.3	0.0	0.0	0.0
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	173.5	173.5	86.8	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	173.5	173.5	86.8	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1110 APUC Receipts	173.5	173.5	86.8			
TOTAL	173.5	173.5	86.8	0.0	0.0	0.0

Estimate of any current year (FY98) cost: _____

POSITIONS

Full-time	2	2	0	0	0	0
Part-time	0	0	2	0	0	0
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Please see attached narrative.

Prepared by Robert A. Lohr Phone 276-6222
 Division APUC Date 3/11/98
 Approved by Commissioner [Signature] Date 3/11/98
 Agency _____

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HB 416 -Narrative for Fiscal Analysis

HB 416 directs the commission to "provide for competition in local exchange telephone service in a timely manner" and to "adopt regulations that eliminate impediments to entry for local exchange carriers fit, willing and able to provide service."

HB 416 directs the commission to adopt by December 31, 1998, regulations on universal service and access charges that are compatible with full competition. Rulemaking proceedings are currently underway in Dockets R-97-5 and R-97-6 to examine universal service and access charge issues. Issues include carrier of last resort to ensure the continued availability of services to all customers and an explicit definition of what constitutes universal service, which services or customers will need support, what mechanism will be used to support universal service, and how to fund it.

The Bill also directs the commission to adopt by December 31, 1998, any further regulations necessary to allow and promote local exchange competition in the service areas of all local exchange that served 1,500 or more access lines on January 1, 1998. All but four of Alaska's twenty-two incumbent local exchange telephone companies would be subject to this provision. All of Alaska's twenty-two incumbent local exchange telephone companies except Anchorage Telephone Utility are considered rural and exempt from interconnection requirements of the Telecommunications Act of 1996.

To the extent that HB 416 means that rural incumbent local exchange telephone companies are not exempt from interconnection requirements the commission expects an increase in requests for arbitration of interconnection agreements. With rural competition the commission would also expect an increase in the number of tariff filings as competitors and incumbents propose new services and rates. If Section b(2) eliminates the need for added hearings dealing with the removal of the rural exemption, the Commission may realize some savings. We are not able to determine if that is the case, and if it is, the amount of savings that would occur.

HB 416 requires that the commission approve or deny applications to provide competitive local exchange telephone service within 90 days after the filing of a complete applications. If the Commission fails to approve or deny an application within 90 days after the Commission has received a complete application, the application is considered approved.

Personnel Costs

a) Review of Applications: Assuming an average of one new application for each local exchange telephone company, the engineering section could easily double the number of telephone applications it receives in the first year following implementation of local telephone competition. A full-time Utility Engineering Analyst III will be required to analyze the filings for the first two years. Thereafter, the analyst position will be required half time to process the applications of local exchange telephone providers entering and leaving the market.

b) Review of Tariffs: The commission expects that competition would stimulate the introduction of new services and modification of existing rates, the Commission will see a significant increase in the number of tariff filings. Even if the Commission allows rate changes to go into effect automatically as is the case with long distance telephone company tariffs (after 30 days notice to the Commission), a basic review of filings is required to ensure that rates are just and reasonable and that the filings are neither discriminatory nor anti-competitive. Estimate of additional staff required: one full-time Utility Tariff Analyst II.

c) Arbitrator: Arbitration of interconnection agreements (under provisions of the Telecommunications Act of 1996) between incumbent and competitive local exchange telephone companies will increase as new entrants attempt to enter previously closed monopoly markets. Estimate of additional resources: arbitrator hired on an as needed basis at an estimated rate of \$150 per hour. This amount could be fully recoverable through cost allocation to the parties.

**Terry Dunlap
P.O. Box 32357
Juneau, AK 99801**

April 13, 1998

Representative Bill Hudson
State House of Representatives
Capitol Building, Suite 108
Juneau, AK 99801

Dear Rep. Hudson;

The American economy is based on competition. In a few cases, monopolies were allowed to fulfill needs of communities in areas where competition was not reasonable for the better good of those communities due to the lack of technical feasibility to allow competing businesses to offer service. Regulatory bodies were established to monitor monopolies on behalf of the public.

Many years have passed since monopolies were allowed in specific industries. During these years, the progress of technical achievements has eliminated the need for monopolies in most industries. Unfortunately, regulatory agencies tend to be slow in implementing changes. It's human nature; it's easier to say "no" and stay within one's comfort zone than to be progressive and look for ways to improve the way business is conducted.

House Bill 416 and Senate Bill 346 are the impetus which may be required to move the APUC into the new era of telecommunications as described in the Federal Telecommunications Act of 1996. At the very least, these bills force the APUC out of its lethargy and require they fulfill their obligations of writing the rules and regulations for local competition which will protect communities and at the same time allow those communities more opportunities.

Thank you, in advance, for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Terry Dunlap". The signature is written in a cursive style with a large, sweeping initial "T".

Terry Dunlap

LEZLIE RAWL

424 Ketchikan Avenue

Fairbanks, Alaska 99701

(907) 457-1062

April 13, 1998

Representative Pete Kelly
Alaska State House of Representatives
Alaska State Capitol, Suite 426
Juneau, AK 99801

Dear Representative Kelly;

Fairbanks is the second largest city in the state. It is difficult for me to believe that we are considered too small to have more than one company available to us for telephone service.

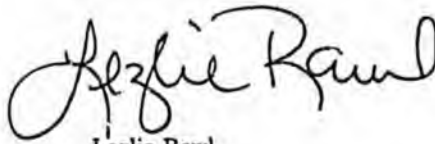
As you are aware, FMUS was recently sold and PTI purchased the telephone portion of the company. Shortly thereafter, PTI was sold to Century - a very large company. I have heard some sentiments that it isn't fair to have other companies compete with PTI since they just purchased the telephone system. But that subject was mentioned numerous times as part of the sale so it should come as no surprise. Besides, Century is certainly a large enough company to not be threatened by other companies.

House Bill 416 and Senate Bill 346 don't commit the Alaska Public Utilities Commission to allow competition anywhere. These pieces of legislation only do two things: 1) send a message that the legislature generally thinks competition is good, and 2) gives the commission deadlines to set rules and regulations to allow or deny bids for competition.

Since the Alaska Public Utilities Commission took so long to approve the sale of FMUS, thereby costing the City of Fairbanks over one million dollars, it is apparent that they work best with deadlines and wait until the last minute to accomplish their responsibilities.

I hope you will support House Bill 416 and/or Senate Bill 346.

Sincerely,

A handwritten signature in cursive script that reads "Lezlie Rawl". The signature is written in dark ink and is positioned above the printed name.

Lezlie Rawl

Alaska State Legislature

REPRESENTATIVE
PETER KELLY

Mailing Address:
119 N. Cushman, Suite 203
Fairbanks, Alaska 99701
(907) 456-8161



While in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-2327

House District 31

House Of Representatives

<u>Phone Companies</u>	<u># of lines</u>
Alaska Power & Telephone Company, Port Townsend, Washington	3,343
Arctic Slope Telephone Assn. Cooperative, Anchorage, Alaska	1,935
ATU Telecommunications, Anchorage, Alaska	145,425
Bettles Telephone Company, Port Townsend, Washington	68
Bristol Bay Telephone, King Salmon, Alaska	1,556
Bush-Tell, Inc., Aniak, Alaska	679
Copper Valley Telephone Cooperative, Valdez, Alaska	4,872
Cordova Valley Telephone Cooperative, Valdez, Alaska	1,754
GTE Alaska, Inc., Arlington Washington	18,460
Ketchikan Public Utilities, Ketchikan, Alaska	9,613
Matanuska Telephone Association, Palmer, Alaska	39,192
Alaska Power & Telephone Company, Port Townsend, Washington	161
Nushagak Telephone Cooperative, Dillingham, Alaska	1,915
OTZ Telephone Cooperative, Inc., Kotzebue, Alaska	2,664
Summit Telephone Company, Fairbanks, Alaska	109
Interior Telephone Company, Inc., Anchorage, Alaska	3,882
Mukluk Telephone Company, Anchorage, Alaska	933
PTI, (Century Telephone, Monroe, Louisiana	111,620
United Utilities, Anchorage, Alaska	4,600
Yukon Telephone Company, Inc., Wasilla, Alaska	391

ATA PRESIDENTS

1994- Duane C. Durand, BBTC
 1993- 1994 Thomas R. Minnich, MTA
 1991-1993 Jack H Rhyner, TelAlaska
 1989-1991 Claude Zike, ASTAC
 1987-1989 W.D. Pyron, GTE
 1985-1987 Bernadette Murray, TU
 1983-1985 J. Clifton Eller, Yukon
 1981-1983 A.C. Pistorius, ATU
 1979-1981 John Friberg, CVTC
 1977-1979 Earl Land, FMUS
 1975-1977 Bert J. O'Neil, GTE
 1973-1975 Frank Tillotson, Ketchikan
 1971-1973 E. Kenneth Larsen, Contel
 1969-1971 Richard Cushing, Sitka
 1967-1969 Jack Harris, Jr., ATU
 1965-1967 Martha Cushing, Sitka
 1963-1965 Harry Relmer, FMUS
 1961-1963 Martha Cushing, Sitka
 1959-1961 R.M. Clements, MTA
 1957-1959 Jay Houghtaling, ATU
 1955-1957 Henry M. Zinns, ATU
 1953-1955 Owen Meals, Valdez
 1951-1953 Frank Mapleton, FMUS
 1950-1951 Martha Cushing, Sitka (Interim)
 1949-1950 David Finn, ATU

ALASKA OPERATING TELEPHONE COMPANIES

ALASKA TELEPHONE COMPANY
 dba/ALASKA POWER & TELEPHONE COMPANY
 P.O. Box 222
 Port Townsend, Washington 98368
 Telephone 360/385-1733
 FAX 360/385-5177

\$7,384,197 Inv. 27 Employees
 President Michael Garrett
 Exec. Vice President,
 Finance & Administration Howard Garner
 Vice President, Operations & Construction Tom Ervin
 Director of Systems William Doonan
 Vice President, Customer Services Marlou Sullivan

Exchange	Prefix	Subscriber Access Lines
Craig	826	1,029
Dot Lake	882	40
Dry Creek	323	18
Edna Bay	594	24
Healy Lake	876	16
Hollis	530	52
Hydaburg	285	206
Myers Chuck	946	18
Naukatl	629	67
Skagway	983	868
Tetlin	324	29
Tok	883	938
Whale Pass	846	38
		Total 3,343

**ARCTIC SLOPE TELEPHONE
 ASSOCIATION COOPERATIVE**
 4300 B Street, Suite 501
 Anchorage, Alaska 99503
 Telephone 907/563-3989
 FAX 907/563-1932

\$10,698,435 Inv. 27 Employees

(continued)

ARCTIC SLOPE TELEPHONE (continued)

President Fenton Rexford
 General Manager David Fauske

Exchange	Prefix	Subscriber Access Lines
Anaktuvuk Pass	661	132
Atkasuk	633	115
Deadhorse/ Prudhoe Bay	659	850
Kaktovik	640	154
Nulqsut	480	146
Pt. Hope	368	227
Pt. Lay	833	96
Wainwright	763	215
		Total 1,935

ATU TELECOMMUNICATIONS

600 Telephone Avenue
 Anchorage, Alaska 99503
 Telephone 907/564-1380
 FAX 907/563-2688

\$289,902,942 Total Assets 716 Employees

General Manager /CEO Tom Edrington
 Carrier Relations Gordon Parker
 Chief Financial Officer Melphine Reynolds

Exchange	Prefix	Subscriber Access Lines
Anchorage	243,245,248,249,257,258, 261,263,264,265,266,267, 269,271,272,273,274,275, 276,277,278,279,297,331, 333,337,330,341,342,343, 344,345,346,348,349,428, 522,561,562,565,563,564, 566,753,754,762,777,786, 844,936	
		(continued)

ATU TELECOMMUNICATIONS (continued)

Bird/Indian 653
 Girdwood 783
 Hope 782
 Total 145,426

BETTLES TELEPHONE COMPANY
 dba/ALASKA POWER & TELEPHONE COMPANY
 P.O. Box 222
 Port Townsend, Washington 98368
 Telephone 360/385-1733
 FAX 360/385-5177

\$331,400 Inv. 2 Employees

President Neil Morris

Exchange	Prefix	Subscriber Access Lines
Bettles	692	65
Jim River Camp	541	3
		Total 68

**BRISTOL BAY TELEPHONE
 COOPERATIVE, INC.**

P.O. Box 259
 King Salmon, Alaska 99613
 Telephone 907/246-3403
 FAX 907/246-1115

\$5,488,545 Inv. 18 Employees

President Pete Hill
 Vice President Tim Murphy Andrew
 Secretary/Treasurer George Wilson
 Board Member Marlene Swain
 Board Member Rachelle Gasca
 Board Member Clara Washington
 Board Member Dennis Niedermeyer
 General Manager Duane C. Durand

(continued)

BRISTOL BAY TELEPHONE COOPERATIVE, INC
(continued)

Exchange	Prefix	Subscriber Access Lines
Ekwok	464	43
Iglugig	533	30
King Salmon, Naknek and South Naknek	246	1,241
Kolliganek	596	72
Levelock	287	52
New Stuyahok	693	118
		Total 1,556

BUSH-TELL, INC.
RO. Box 109
Aniak, Alaska 99557
Telephone 907/675-4311
FAX 907/675-4575

\$2,500,000 Inv. 13 Employees

President Harry F. Collver, Jr.
Vice President Dolores L. Donnelly
Secretary/Treasurer John Friberg

Exchange	Prefix	Subscriber Access Lines
Aniak	675	272
Anvik	663	40
Crooked Creek	432	36
Grayling	453	53
Holy Cross	476	71
Kalskag	471	110
Red Devil	447	21
Shageluk	473	38
Sleetmute	449	19
Stony River	537	19
		Total 679

**COPPER VALLEY TELEPHONE
COOPERATIVE, INC.**

RO. Box 337
Valdez, Alaska 99686
Telephone 907/835-2231
FAX 907/835-7899

\$21,292,632 Inv. 34 Employees

President Gerald Commander
General Manager Tim Rennie
Finance/Data Processing Manager Pamela Murphy
Operations Manager Jim Gifford
System Engineer (Vacant)
Executive Administrative Assistant Jolene Morgan
Commercial Manager Stephen Merriam

Exchange	Prefix	Subscriber Access Lines
Chitina	823	44
Glennallen	822	1,620
McCarthy	554	22
Mentasta	291	38
Tatulek	325	49
Valdez	835	3,099
		Total 4,872

CORDOVA TELEPHONE COOPERATIVE
RO. Box 459

Cordova, Alaska 99574
Telephone 907/424-2345
FAX 907/424-2344

\$7,232,965 Inv. 11 Employees

General Manager Ruth Steele
President Paul Kelly
Vice President David Allison
Secretary R.R. Borer
Treasurer Frank Wideman
Director Bill Howard
Director Richard Plucker

(continued)

CORDOVA TELEPHONE COOPERATIVE (continued)

Director Andre Armantrout

Exchange	Prefix	Subscriber
Cordova	424	Access Lines 1,754

**FAIRBANKS MUNIC-PAL UTILITIES
SYSTEM**

645 Fifth Avenue
P.O. Box 72215
Fairbanks, Alaska 99707-2215
Telephone 907/459-6221
FAX 907/456-3920

\$104,201,790 Inv. 161 Employees

General Manager Frank Biondi
Plant Services Manager Chris Hamsley
Network Services Manager Larry Hamsley
Revenue & Separations Manager Richard Welmer

Exchange	Prefix	Subscriber
Globe	451,452,455,456,457, 458,459,474,479	Access Lines 32,351

GTE ALASKA INCORPORATED

4300 B Street, Suite 303
Anchorage, Alaska 99503
Telephone 907/563-2199
FAX 907/563-4693
16404 Smokey Point Blvd., Suite 201
Arlington, Washington 98223-8405
Telephone 360/658-0129
FAX 360/658-0165

\$26,465,000 Inv. 69 Employees

General Manager Alan C. Eaker

(continued)

GTE ALASKA INCORPORATED (continued)

Mgr.-Customer Operations/Network E & C Greg Goff
Sr. Administrator-Tariffs/Marketing Joe Greenwell
Accounting Manager Steven R. Kroegel
Staff Mgr.-Tariff & Access Costs Dean Randall

Exchange	Prefix	Subscriber
Barrow	852	Access Lines 2,509
Bethel	543	3,348
Haines	766	1,268
Hyder	636	76
Klukwan	767	170
McGrath	524	390
Metlakatla	886	866
Moose Pass	288	258
Nome	443	2,552
Petersburg	772	2,287
Seward	224	2,839
Unalakleet	624	362
Wrangell	874	1,535
		Total 18,460

**KETCHIKAN PUBLIC UTILITIES
TELEPHONE DIVISION**
2930 Tongass Ave.
Ketchikan, Alaska 99901
Telephone 907/225-1000
FAX 907/225-1888

\$30,746,839 Inv. 36 Employees

KPU General Manager (Acting) John A. Magyar
Telephone Manager Ed Carter
Administration Manager Ron Settle

Exchange	Prefix	Subscriber
Ketchikan	225,228,247	Access Lines 9,613

MATANUSKA TELEPHONE ASSOCIATION
 1740 S. Chugach Way
 Palmer, Alaska 99645
 Telephone 907/745-3211
 FAX 907/746-9677

\$177,000,000 Inv. 246 Employees

President & Chairman of the Board Earl Lackey
 Vice President Eric Johnson
 Secretary/Treasurer Katie Hurley
 CEO Scott Smith

Exchange	Prefix	Subscriber Access Lines
Blg Lake	892	2,073
Cantwell	768	151
Chuglak	688	3,118
Clear/Anderson	582	390
Eagle River	694,696	9,253
Healy	683	909
Palmer	745,746	8,659
Talkeetna	733	967
Tyonek	583	120
Wasilla	373,376	12,763
Willow	495	789
		Total 39,192

**NORTH COUNTRY TELEPHONE COMPANY
 dba/ALASKA POWER & TELEPHONE COMPANY**
 P.O. Box 222
 Port Townsend, Washington 98368
 Telephone 907/547-2200
 FAX 907-547-2206

\$280,240 Inv. 2 Employees

President/Manager Ralph Helmer

(continued)

NORTH COUNTRY TELEPHONE COMPANY (continued)

Exchange	Prefix	Subscriber Access Lines
Eagle/Village	547	161

NUSHAGAK TELEPHONE COOPERATIVE, INC.
 P.O. Box 350
 Dillingham, Alaska 99576
 Telephone 907/842-5295
 FAX 907/842-2799

\$5,343,702 Inv. 6 Employees Telephone, Specifically
 8 Employees Shared with Nushagak Electric

President Norman J. Heyano
 Vice President Anna May Sorensen
 Secretary M. Teresa Nelson
 Treasurer Rae Belle S. Whitcomb
 Director Rob Carpenter
 Director Grant Shlmanek
 Director James Timmerman
 Manager Steve Bushong
 Operations Manager Victor Willis
 Manager, Administrative Services Janice Shilanski

Exchange	Prefix	Subscriber Access Lines
Dillingham	842	1,761
Ekuk/Clarks	236	68
Manokotak	289	86
		Total 1,915

OTZ TELEPHONE COOPERATIVE, INC.
 P.O. Box 324
 Kotzebue, Alaska 99752
 Telephone 907/412-3114
 FAX 907/442-2123
 (continued)

OTZ TELEPHONE COOPERATIVE, INC. (continued)

\$9,010,369 Inv. 16 Employees

President Marie Greene
 Manager Doug Neal
 Office Manager Lucy S. Conwell
 Plant Manager Ben M. Phillips

Exchange	Prefix	Subscriber Access Lines
Ambler	445	93
Buckland	494	97
Deering	363	55
Klana	475	119
Kivalina	645	107
Kobuk	948	35
Kotzebue	442	1,591
Noatak	485	96
Noorvik	636	140
Red Dog	426	131
Selawik	484	132
Shungak	437	68
		Total 2,664

SUMMIT TELEPHONE COMPANY, INC.

2014 Eagan Avenue
 Fairbanks, Alaska 99701
 Telephone 907/452-1012
 Manual FAX 907/452-1012

\$984,151 Inv. 5 Employees

President Judith A. Stoop
 Vice President Roger Shoffstal
 Secretary Perry Stoop

Exchange	Prefix	Subscriber Access Lines
Cleary Summit/		
Chatanika	389	87
Chena Hot Springs	369	22
		Total 109

**TELALASKA, INC.
 dba/INTERIOR TELEPHONE COMPANY, INC.**

2121 Abbott Road
 Anchorage, Alaska 99507
 Telephone 907/349-2400
 FAX 907/349-1858

\$20,705,713 Inv. 9 Employees

President & General Manager Jack H Rhyner

Exchange	Prefix	Subscriber Access Lines
Cold Bay	532	141
Cooper Landing	595	201
Fort Yukon	662	281
Galena	656	267
Illamna	571	142
King Cove	497	302
Port Lions	454	111
Sand Point	383	407
Unalaska	581	2,030
		Total 3,882

**TELALASKA, INC.
 dba/MUKLUK TELEPHONE COMPANY, INC.**

2121 Abbott Road
 Anchorage, Alaska 99507
 Telephone 907/349-2400
 FAX 907/349-1858

\$4,025,516 Inv. 2 Employees

President & General Manager Jack H Rhyner

Exchange	Prefix	Subscriber Access Lines
Council	665	1
Elim	890	82
Golovin	779	65
Koyuk	963	102

(continued)

TELALASKA, INC. (continued)

L. Diomedes Isle	686	43
St. Michael	923	73
Shaktolik	955	72
Shishmaref	649	156
Stebbins	934	78
Teller	642	143
Wales	664	60
White Mountain	638	58
		Total 933

**TELEPHONE UTILITIES
OF ALASKA, INC.
dba/ PTI COMMUNICATIONS
3940 Arctic Boulevard
Anchorage, Alaska 99503
Telephone 907/562-1231
FAX 907/561-1325**

\$52,189,996 Inv. 39 Employees

Chairman, President & CEO C.E. (Chuck) Robinson
Senior Vice President Diana Snowden
Vice President Jon C. Erickson

Exchange	Prefix	Subscriber Access Lines
Douglas	364	1,298
Eielson A.F.B.	372	2,139
Ft. Wainwright	356	3,029
Juneau	463,465,586,780	10,872
Sterling	789,790	9,380
		Total 26,718

**TELEPHONE UTILITIES
OF THE NORTHLAND, INC.
dba/ PTI COMMUNICATIONS
3940 Arctic Boulevard
Anchorage, Alaska 99503
Telephone 907/562-1231
FAX 907/561-1325**

\$195,148,531 Inv. 218 Employees
Chairman, President & CEO C.E. (Chuck) Robinson
Senior Vice President Diana Snowden
Vice President Jon C. Erickson

Exchange	Prefix	Subscriber Access Lines
Akhiok	836	38
Akutan	698	101
Allakaket	968	55
Angoon	788	229
Atka	839	65
Border City	774	38
Chignik	749	122
Chignik Lagoon	840	69
Chignik Lake	845	59
Coffman Cove	329	110
Cube Cove	799	47
Delta Junction/Ft. Greely	869,895	1,675
Egegik	233	110
Elfin Cove	239	47
English Bay	281	47
False Pass	548	65
Gustavus	697	336
Halibut Cove	296	70
Hobart Bay	673	65
Homer	235	5,787
Hoonah	945	482
Hughes	889	34
Huslia	829	79
Ivanoff Bay	669	21
Kake	785	367
Katag	534	85
Karluk	241	26

(continued)

TELEPHONE UTILITIES (continued)

Kasaan	542	25
Kazakoff Bay	381	36
Kenai	283	5,837
Klawock	755	488
Kodiak/Kodiak C.G.	486,487	6,942
Kokhanok	282	44
Koyukuk	927	45
Larsen Bay	847	86
Nelson Lagoon	989	59
Nenana	832	371
Nikolski	576	21
Ninilchik	567	606
Nondalton	294	89
North Kenai	776	2,055
North Pole	488,490	8,484
Northway	778	133
Nulato	898	116
Old Harbor	286	98
Ouzinkie	680	102
Pedro Bay	850	40
Pelican	735	145
Perryville	853	50
Pilot Point	797	68
Point Baker	559	20
Port Alexander	568	55
Port Allsworth	781	76
Port Graham	284	80
Port Helden	837	87
Port Protection	489	40
St. George	859	142
St. Paul	546	404
Seldovia	234	320
Sitka/Mt. Edgecumbe	747,966	5,372
Soldotna	260,262	8,905
Tenakee Springs	736	94
Thorne Bay	828	324
Yakutat	784	463
		Total 52,551

UNITED UTILITIES, INC.
 5450 A Street
 Anchorage, Alaska 99518
 Telephone 907/561-1674
 FAX 907/563-3185

\$34,951,280 Inv. 135 Employees
 Chairman of the Board James Joseph
 President/CEO Steve Hamlen
 Executive Vice President Chuck Russell
 Controller Marianne Turner

SERVICE AREA
 Calista Region/Saint Lawrence Island/Togalak
 Doyon Region/Evans Island
CONTROLLING INTEREST
 United Companies, Inc.

Exchange	Prefix	Subscriber Access Lines
Aklachak	825	109
Aklak	765	71
Alakanuk	238	122
Arctic Village	587	26
Atnautluak	553	61
Beaver	628	33
Birch Creek	221	13
Central	520	78
Chalkyitsik	848	26
Chefornak	867	70
Chenega Bay	858	43
Chevak	858	150
Chuathbaluk	467	33
Eek	538	90
Emmonak	949	196
Gambell	985	143
Goodnews Bay	967	65
Hooper Bay	758	169
Kasgluk	477	118
Kipnuk	896	146
Kongiganak	557	73
Kotlik	899	107

(continued)

UNITED UTILITIES, INC. (continued)

Kwethluk	757	123
Kwigillingok	588	94
Lake Minchumina	674	22
Lime Village	526	14
Lvengood	295	15
Manley Hot Springs	672	65
Marshall	679	77
Mekoryuk	827	84
Minto	798	54
Mountain Village	591	191
Napaklak	589	73
Napasklak/Oscarville	737	83
Newtok	237	54
Nightmute	647	47
Nikolai	293	28
Nunapitluk	527	97
Pilot Station	549	98
Platinum	979	25
Quinhagak	556	135
Rampart	358	25
Russian Mission	584	70
Saint Mary's	438	245
Savoonga	984	133
Scammon Bay	558	82
Sheldon Point	498	38
Stevens Village	478	24
Takotna	298	27
Telida	843	6
Togalak	493	206
Toksook Bay	427	123
Tuluksak	695	67
Tuntutuliak	256	77
Tununak	652	90
Twin Hills	525	22
Venetie	849	44
		Total 4,600

YUKON TELEPHONE COMPANY, INC.
 P.O. Box 873809
 Wasilla, Alaska 99687
 Telephone 907/373-6007
 FAX 907/373-5599

*1290 Peck
 W/11/95:17*

\$1,962,000 Inv.

7 Employees

President J. Clifton Eller

Exchange	Prefix	Subscriber Access Lines
Ruby	468	78
Tanana	365	128
Whittier	472	185
		Total 391

0-LS1568VK
Cramer
4/29/98

CS FOR HOUSE BILL NO. 416()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES KELLY, Therriault, Mulder

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to competition in the provision of telecommunications services;
2 and providing for an effective date."

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

4 * Section 1. AS 42.05 is amended by adding a new section to read:

5 Sec. 42.05.870. Competition in telecommunications services. (a) The
6 legislature finds that

7 (1) modern, affordable, efficient, and universally available local and
8 long distance telephone service is essential to the people of the state;

9 (2) all telecommunications services, including long distance and local
10 exchange telephone service, should be provided competitively wherever possible;

11 (3) technological advances, reduced costs, and increased consumer
12 choices for all telecommunications services, including long distance and local exchange
13 telephone service, resulting from the adoption of an appropriate competitive market
14 structure, will enhance the state's economic development;

1 (4) the benefits of competition in all telecommunications services,
2 including long distance and local exchange telephone service, should be available to
3 consumers throughout the state;

4 (5) the commission should oversee competition in all
5 telecommunications services, including long distance and in local exchange telephone
6 service, to ensure that the competition is fair to consumers and competitors;

7 (6) the commission should provide for competition in a timely manner
8 and should adopt regulations that eliminate impediments to entry for all
9 telecommunications providers fit, willing, and able to provide service, including long
10 distance and local exchange carriers.

11 (b) By December 31, 1998, the commission shall adopt regulations ensuring
12 universal service and providing for appropriate access charges and any other
13 regulations necessary to allow for and promote local exchange competition through the
14 entry of competing local exchange carriers in the service areas of local exchange
15 carriers that served 6,000 or more access lines on January 1, 1998, by

16 (1) construction of networks and interconnection with incumbent local
17 exchange carriers;

18 (2) use of unbundled network elements provided by incumbent local
19 exchange carriers; and

20 (3) resale of retail service of incumbent local exchange carriers
21 purchased at wholesale rates.

22 (c) The commission shall approve or deny applications to provide competitive
23 local exchange telephone service within 90 days after the filing of a complete
24 application and shall consider competitive local exchange telephone service to be a
25 service required for the convenience and necessity of the public under AS 42.05.241.
26 The commission shall approve an application on a finding that the applicant is fit,
27 willing, and able to provide the service. In accordance with 47 U.S.C. 253(f), the
28 commission may require the applicant to offer service throughout the study area of the
29 existing local exchange telephone utility. If the commission fails to approve or deny
30 an application within 90 days after the commission has received a complete
31 application, the application is considered approved.

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(d) A local exchange telephone company, other than a municipally-owned local exchange telephone company, that is exempted in whole or in part from complying with all or a portion of this chapter may not be regulated by a municipality under AS 29.35.060 or 29.35.070.

(e) In this section, "incumbent local exchange carrier" or "incumbent" has the meaning given to "incumbent local exchange carrier" in 47 U.S.C. 251(h).

* **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).



Part II - Development of Competitive Markets

Historical Note

Sections 251-261 added by P.L. ___ - ___, approved _____, 1996, ___ Stat ___, §101

Interconnection

Section 251 [47 USC Section 251]. - (a) General Duty of Telecommunications Carriers.--Each telecommunications carrier has the duty--

(1) to interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers; and

(2) not to install network features, functions, or capabilities that do not comply with the guidelines and standards established pursuant to Section 255 or 256.

(b) Obligations of All Local Exchange Carriers.--Each local exchange carrier has the following duties:

(1) Resale.--The duty not to prohibit, and not to impose unreasonable or discriminatory conditions or limitations on, the resale of its telecommunications services.

(2) Number portability.--The duty to provide, to the extent technically feasible, number portability in accordance with requirements prescribed by the Commission.

(3) Dialing parity.--The duty to provide dialing parity to competing providers of telephone exchange service and telephone toll service, and the duty to permit all such providers to have nondiscriminatory access to telephone numbers, operator services, directory assistance, and directory listing, with no unreasonable dialing delays.

(4) Access to rights-of-way.--The duty to afford access to the poles, ducts, conduits, and rights-of-way of such carrier to competing providers of telecommunications services on rates, terms, and conditions that are consistent with Section 224.

(5) Reciprocal compensation.--The duty to establish reciprocal compensation arrangements for the transport and termination of telecommunications.

(c) Additional Obligations of Incumbent Local Exchange Carriers.--In addition to the duties contained in subsection (b), each incumbent local exchange carrier has the following duties:

(1) Duty to negotiate.--The duty to negotiate in good faith in accordance with Section 252 the particular terms and conditions of agreements to fulfill the duties described in paragraphs (1) through (5) of subsection (b) and this subsection. The requesting telecommunications carrier also has the duty to negotiate in good faith the terms and conditions of such agreements.

(2) Interconnection.--The duty to provide, for the facilities and equipment of any requesting telecommunications carrier, interconnection with the local exchange carrier's network--

(A) for the transmission and routing of telephone exchange service and exchange access;

(B) at any technically feasible point within the carrier's network;



(C) that is at least equal in quality to that provided by the local exchange carrier to itself or to any subsidiary, affiliate, or any other party to which the carrier provides interconnection; and

(D) on rates, terms, and conditions that are just, reasonable, and nondiscriminatory, in accordance with the terms and conditions of the agreement and the requirements of this section and Section 252.

(3) Unbundled access.—The duty to provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point on rates, terms, and conditions that are just, reasonable, and nondiscriminatory in accordance with the terms and conditions of the agreement and the requirements of this section and Section 252. An incumbent local exchange carrier shall provide such unbundled network elements in a manner that allows requesting carriers to combine such elements in order to provide such telecommunications service.

(4) Resale.—The duty--

(A) to offer for resale at wholesale rates any telecommunications service that the carrier provides at retail to subscribers who are not telecommunications carriers; and

(B) not to prohibit, and not to impose unreasonable or discriminatory conditions or limitations on, the resale of such telecommunications service, except that a State commission may, consistent with regulations prescribed by the Commission under this section, prohibit a reseller that obtains at wholesale rates a telecommunications service that is available at retail only to a category of subscribers from offering such service to a different category of subscribers.

(5) Notice of changes.—The duty to provide reasonable public notice of changes in the information necessary for the transmission and routing of services using that local exchange carrier's facilities or networks, as well as of any other changes that would affect the interoperability of those facilities and networks.

(6) Collocation.—The duty to provide, on rates, terms, and conditions that are just, reasonable, and nondiscriminatory, for physical collocation of equipment necessary for interconnection or access to unbundled network elements at the premises of the local exchange carrier, except that the carrier may provide for virtual collocation if the local exchange carrier demonstrates to the State commission that physical collocation is not practical for technical reasons or because of space limitations.

(d) Implementation.—

(1) In general.—Within 6 months after the date of enactment of the Telecommunications Act of 1996, the Commission shall complete all actions necessary to establish regulations to implement the requirements of this section.

(2) Access standards.—In determining what network elements should be made available for purposes of subsection (c)(3), the Commission shall consider, at a minimum, whether—

(A) access to such network elements as are proprietary in nature is necessary; and

(B) the failure to provide access to such network elements would impair the ability of the telecommunications carrier seeking access to provide the services that it seeks to offer.

(3) Preservation of state access regulations.—In prescribing and enforcing regulations to implement the requirements of this section, the Commission shall not preclude the enforcement of any regulation, order, or policy of a State commission that—

(A) establishes access and interconnection obligations of local exchange carriers;

(B) is consistent with the requirements of this section; and

(C) does not substantially prevent implementation of the requirements of this section and the purposes of this part.

(e) Numbering Administration.—

(1) Commission authority and jurisdiction.—The Commission shall create or designate one or more impartial entities to administer telecommunications numbering and to make such numbers available on an equitable basis. The Commission shall have exclusive jurisdiction over those portions of the North American Numbering Plan that pertain to the United States. Nothing in this paragraph shall preclude the Commission from delegating to State commissions or other entities all or any portion of such jurisdiction.

(2) Costs.—The cost of establishing telecommunications numbering administration arrangements and number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission.

(f) Exemptions, Suspensions, and Modifications.—

(1) Exemption for certain rural telephone companies.—

(A) Exemption.—Subsection (c) of this section shall not apply to a rural telephone company until

(i) such company has received a bona fide request for interconnection, services, or network elements, and

(ii) the State commission determines (under subparagraph (B)) that such request is not unduly economically burdensome, is technically feasible, and is consistent with Section 254 (other than subsections (b)(7) and (c)(1)(D) thereof).

(B) State termination of exemption and implementation schedule.—The party making a bona fide request of a rural telephone company for interconnection, services, or network elements shall submit a notice of its request to the State commission. The State commission shall conduct an inquiry for the purpose of determining whether to terminate the exemption under subparagraph (A). Within 120 days after the State commission receives notice of the request, the State commission shall terminate the exemption if the request is not unduly economically burdensome, is technically feasible, and is consistent with Section 254 (other than subsections (b)(7) and (c)(1)(D) thereof). Upon termination of the exemption, a State commission shall establish an implementation schedule for compliance with the request that is consistent in time and manner with Commission regulations.

(C) Limitation on exemption.—The exemption provided by this paragraph shall not apply with respect to a request under subsection (c) from a cable operator providing video programming, and seeking to provide any telecommunications service, in the area in which the rural telephone company provides video programming. The limitation contained in this subparagraph shall not apply to a rural telephone company that is providing video programming on the date of enactment of the Telecommunications Act of 1996.

(2) **Suspensions and modifications for rural carriers.**—A local exchange carrier with fewer than 2 percent of the Nation's subscriber lines installed in the aggregate nationwide may petition a State commission for a suspension or modification of the application of a requirement or requirements of subsection (b) or (c) to telephone exchange service facilities specified in such petition. The State commission shall grant such petition to the extent that, and for such duration as, the State commission determines that such suspension or modification—

(A) Is necessary—

(i) to avoid a significant adverse economic impact on users of telecommunications services generally;

(ii) to avoid imposing a requirement that is unduly economically burdensome; or

(iii) to avoid imposing a requirement that is technically infeasible; and

(B) Is consistent with the public interest, convenience, and necessity.

The State commission shall act upon any petition filed under this paragraph within 180 days after receiving such petition. Pending such action, the State commission may suspend enforcement of the requirement or requirements to which the petition applies with respect to the petitioning carrier or carriers.

(g) **Continued Enforcement of Exchange Access and Interconnection Requirements.**—On and after the date of enactment of the Telecommunications Act of 1996, each local exchange carrier, to the extent that it provides wireline services, shall provide exchange access, information access, and exchange services for such access to interexchange carriers and information service providers in accordance with the same equal access and nondiscriminatory interconnection restrictions and obligations (including receipt of compensation) that apply to such carrier on the date immediately preceding the date of enactment of the Telecommunications Act of 1996 under any court order, consent decree, or regulation, order, or policy of the Commission, until such restrictions and obligations are explicitly superseded by regulations prescribed by the Commission after such date of enactment. During the period beginning on such date of enactment and until such restrictions and obligations are so superseded, such restrictions and obligations shall be enforceable in the same manner as regulations of the Commission.

(h) **Definition of Incumbent Local Exchange Carrier.**—

(1) **Definition.**—For purposes of this section, the term "incumbent local exchange carrier" means, with respect to an area, the local exchange carrier that—

(A) on the date of enactment of the Telecommunications Act of 1996, provided telephone exchange service in such area; and

(B)(i) on such date of enactment, was deemed to be a member of the exchange carrier association pursuant to Section 69.601(b) of the Commission's regulations (47 CFR §69.601(b)); or

(ii) is a person or entity that, on or after such date of enactment, became a successor or assign of a member described in clause (i).

(2) Treatment of comparable carriers as Incumbents.—The Commission may, by rule, provide for the treatment of a local exchange carrier (or class or category thereof) as an Incumbent local exchange carrier for purposes of this section if—

(A) such carrier occupies a position in the market for telephone exchange service within an area that is comparable to the position occupied by a carrier described in paragraph (1);

(B) such carrier has substantially replaced an Incumbent local exchange carrier described in paragraph (1); and

(C) such treatment is consistent with the public interest, convenience, and necessity and the purposes of this section.

(i) Savings Provision.—Nothing in this section shall be construed to limit or otherwise affect the Commission's authority under Section 201.

Procedures For Negotiation, Arbitration, and Approval of Agreements

Section 252 [47 USC Section 252]. - (a) Agreements Arrived at Through Negotiation.—

(1) Voluntary negotiations.—Upon receiving a request for interconnection, services, or network elements pursuant to Section 251, an Incumbent local exchange carrier may negotiate and enter into a binding agreement with the requesting telecommunications carrier or carriers without regard to the standards set forth in subsections (b) and (c) of Section 251. The agreement shall include a detailed schedule of itemized charges for interconnection and each service or network element included in the agreement. The agreement, including any interconnection agreement negotiated before the date of enactment of the Telecommunications Act of 1996, shall be submitted to the State commission under subsection (e) of this section.

(2) Mediation.—Any party negotiating an agreement under this section may, at any point in the negotiation, ask a State commission to participate in the negotiation and to mediate any differences arising in the course of the negotiation.

(b) Agreements Arrived at Through Compulsory Arbitration.—

(1) arbitration.—During the period from the 135th to the 160th day (inclusive) after the date on which an Incumbent local exchange carrier receives a request for negotiation under this section, the carrier or any other party to the negotiation may petition a State commission to arbitrate any open issues.

(2) Duty of petitioner.--

(A) A party that petitions a State commission under paragraph (1) shall, at the same time as it submits the petition, provide the State commission all relevant documentation concerning--

- (i) the unresolved issues;
- (ii) the position of each of the parties with respect to those issues; and
- (iii) any other issue discussed and resolved by the parties.

(B) A party petitioning a State commission under paragraph (1) shall provide a copy of the petition and any documentation to the other party or parties not later than the day on which the State commission receives the petition.

(3) Opportunity to respond.--A non-petitioning party to a negotiation under this section may respond to the other party's petition and provide such additional information as it wishes within 25 days after the State commission receives the petition.

(4) Action by state commission.--

(A) The State commission shall limit its consideration of any petition under paragraph (1) (and any response thereto) to the issues set forth in the petition and in the response, if any, filed under paragraph (3).

(B) The State commission may require the petitioning party and the responding party to provide such information as may be necessary for the State commission to reach a decision on the unresolved issues. If any party refuses or fails unreasonably to respond on a timely basis to any reasonable request from the State commission, then the State commission may proceed on the basis of the best information available to it from whatever source derived.

(C) The State commission shall resolve each issue set forth in the petition and the response, if any, by imposing appropriate conditions as required to implement subsection (c) upon the parties to the agreement, and shall conclude the resolution of any unresolved issues not later than 9 months after the date on which the local exchange carrier received the request under this section.

(5) Refusal to negotiate.--The refusal of any other party to the negotiation to participate further in the negotiations, to cooperate with the State commission in carrying out its function as an arbitrator, or to continue to negotiate in good faith in the presence, or with the assistance, of the State commission shall be considered a failure to negotiate in good faith.

(c) Standards for Arbitration.--In resolving by arbitration under subsection (b) any open issues and imposing conditions upon the parties to the agreement, a State commission shall--

- (1) ensure that such resolution and conditions meet the requirements of Section 251, including the regulations prescribed by the Commission pursuant to Section 251;
- (2) establish any rates for interconnection, services, or network elements according to subsection (d); and
- (3) provide a schedule for implementation of the terms and conditions by the parties to the agreement.

(d) Pricing Standards.—

(1) Interconnection and network element charges.—Determinations by a State commission of the just and reasonable rate for the interconnection of facilities and equipment for purposes of subsection (c)(2) of Section 251, and the just and reasonable rate for network elements for purposes of subsection (c)(3) of such section—

(A) shall be—

(i) based on the cost (determined without reference to a rate-of-return or other rate-based proceeding) of providing the interconnection or network element (whichever is applicable), and

(ii) nondiscriminatory, and

(B) may include a reasonable profit.

(2) Charges for transport and termination of traffic.—

(A) In general.—For the purposes of compliance by an incumbent local exchange carrier with Section 251(b)(5), a State commission shall not consider the terms and conditions for reciprocal compensation to be just and reasonable unless—

(i) such terms and conditions provide for the mutual and reciprocal recovery by each carrier of costs associated with the transport and termination on each carrier's network facilities of calls that originate on the network facilities of the other carrier; and

(ii) such terms and conditions determine such costs on the basis of a reasonable approximation of the additional costs of terminating such calls.

(B) Rules of construction.—This paragraph shall not be construed—

(i) to preclude arrangements that afford the mutual recovery of costs through the offsetting of reciprocal obligations, including arrangements that waive mutual recovery (such as bill-and-keep arrangements); or

(ii) to authorize the Commission or any State commission to engage in any rate regulation proceeding to establish with particularity the additional costs of transporting or terminating calls, or to require carriers to maintain records with respect to the additional costs of such calls.

(3) Wholesale prices for telecommunications services.—For the purposes of Section 251(c)(4), a State commission shall determine wholesale rates on the basis of retail rates charged to subscribers for the telecommunications service requested, excluding the portion thereof attributable to any marketing, billing, collection, and other costs that will be avoided by the local exchange carrier.

(e) Approval by State Commission.—

(1) Approval required.—Any interconnection agreement adopted by negotiation or arbitration shall be submitted for approval to the State commission. A State commission to which an agreement is submitted shall approve or reject the agreement, with written findings as to any deficiencies.



(2) Grounds for rejection.--The State commission may only reject--

(A) an agreement (or any portion thereof) adopted by negotiation under subsection (a) if it finds that--

(i) the agreement (or portion thereof) discriminates against a telecommunications carrier not a party to the agreement; or

(ii) the implementation of such agreement or portion is not consistent with the public interest, convenience, and necessity; or

(B) an agreement (or any portion thereof) adopted by arbitration under subsection (b) if it finds that the agreement does not meet the requirements of Section 251, including the regulations prescribed by the Commission pursuant to Section 251, or the standards set forth in subsection (d) of this section.

(3) Preservation of authority.--Notwithstanding paragraph (2), but subject to Section 253, nothing in this section shall prohibit a State commission from establishing or enforcing other requirements of State law in its review of an agreement, including requiring compliance with intrastate telecommunications service quality standards or requirements.

(4) Schedule for decision.--If the State commission does not act to approve or reject the agreement within 90 days after submission by the parties of an agreement adopted by negotiation under subsection (a), or within 30 days after submission by the parties of an agreement adopted by arbitration under subsection (b), the agreement shall be deemed approved. No State court shall have jurisdiction to review the action of a State commission in approving or rejecting an agreement under this section.

(5) Commission to act if state will not act.--If a State commission fails to act to carry out its responsibility under this section in any proceeding or other matter under this section, then the Commission shall issue an order preempting the State commission's jurisdiction of that proceeding or matter within 90 days after being notified (or taking notice) of such failure, and shall assume the responsibility of the State commission under this section with respect to the proceeding or matter and act for the State commission.

(6) Review of state commission actions.--In a case in which a State fails to act as described in paragraph (5), the proceeding by the Commission under such paragraph and any judicial review of the Commission's actions shall be the exclusive remedies for a State commission's failure to act. In any case in which a State commission makes a determination under this section, any party aggrieved by such determination may bring an action in an appropriate Federal district court to determine whether the agreement or statement meets the requirements of Section 251 and this section.

(f) Statements of Generally Available Terms.--

(1) In general.--A Bell operating company may prepare and file with a State commission a statement of the terms and conditions that such company generally offers within that State to comply with the requirements of Section 251 and the regulations thereunder and the standards applicable under this section.

(2) State commission review.--A State commission may not approve such statement unless such statement complies with subsection (d) of this section and Section 251 and the regulations thereunder. Except as provided in Section 253, nothing in this section shall prohibit a State commission from establishing or enforcing other requirements of State law in its review of such statement, including requiring compliance with intrastate telecommunications service quality standards or requirements.

(3) Schedule for review.--The State commission to which a statement is submitted shall, not later than 60 days after the date of such submission--

(A) complete the review of such statement under paragraph (2) (including any reconsideration thereof), unless the submitting carrier agrees to an extension of the period for such review; or

(B) permit such statement to take effect.

(4) Authority to continue review.--Paragraph (3) shall not preclude the State commission from continuing to review a statement that has been permitted to take effect under subparagraph (B) of such paragraph or from approving or disapproving such statement under paragraph (2).

(5) Duty to negotiate not affected.--The submission or approval of a statement under this subsection shall not relieve a Bell operating company of its duty to negotiate the terms and conditions of an agreement under Section 251.

(g) Consolidation of State Proceedings.--Where not inconsistent with the requirements of this Act, a State commission may, to the extent practical, consolidate proceedings under Sections 214(e), 251(f), 253, and this section in order to reduce administrative burdens on telecommunications carriers, other parties to the proceedings, and the State commission in carrying out its responsibilities under this Act.

(h) Filing Required.--A State commission shall make a copy of each agreement approved under subsection (e) and each statement approved under subsection (f) available for public inspection and copying within 10 days after the agreement or statement is approved. The State commission may charge a reasonable and nondiscriminatory fee to the parties to the agreement or to the party filing the statement to cover the costs of approving and filing such agreement or statement.

(i) Availability to Other Telecommunications Carriers.--A local exchange carrier shall make available any interconnection, service, or network element provided under an agreement approved under this section to which it is a party to any other requesting telecommunications carrier upon the same terms and conditions as those provided in the agreement.

(j) Definition of Incumbent Local Exchange Carrier.--For purposes of this section, the term "incumbent local exchange carrier" has the meaning provided in Section 251(h).

**Removal of Barriers to Entry.**

Section 253 [47 USC Section 253]. - (a) In General.—No State or local statute or regulation, or other State or local legal requirement, may prohibit or have the effect of prohibiting the ability of any entity to provide any interstate or intrastate telecommunications service.

(b) **State Regulatory Authority.**—Nothing in this section shall affect the ability of a State to impose, on a competitively neutral basis and consistent with Section 254, requirements necessary to preserve and advance universal service, protect the public safety and welfare, ensure the continued quality of telecommunications services, and safeguard the rights of consumers.

(c) **State and Local Government Authority.**—Nothing in this section affects the authority of a State or local government to manage the public rights-of way or to require fair and reasonable compensation from telecommunications providers, on a competitively neutral and nondiscriminatory basis, for use of public rights-of-way on a nondiscriminatory basis, if the compensation required is publicly disclosed by such government.

(d) **Preemption.**—If, after notice and an opportunity for public comment, the Commission determines that a State or local government has permitted or imposed any statute, regulation, or legal requirement that violates subsection (a) or (b), the Commission shall preempt the enforcement of such statute, regulation, or legal requirement to the extent necessary to correct such violation or inconsistency.

(e) **Commercial mobile service providers.**—Nothing in this section shall affect the application of Section 332(c)(3) to commercial mobile service providers.

(f) **Rural Markets.**—It shall not be a violation of this section for a State to require a telecommunications carrier that seeks to provide telephone exchange service or exchange access in a service area served by a rural telephone company to meet the requirements in Section 214(e)(1) for designation as an eligible telecommunications carrier for that area before being permitted to provide such service. This subsection shall not apply—

(1) to a service area served by a rural telephone company that has obtained an exemption, suspension, or modification of Section 251(c)(4) that effectively prevents a competitor from meeting the requirements of Section 214(e)(1); and

(2) to a provider of commercial mobile services.

Universal Service.

Section 254 [47 USC Section 254].

(a) Procedures to Review Universal Service Requirements.--

(1) Federal-state joint board on universal service.--Within one month after the date of enactment of the Telecommunications Act of 1996, the Commission shall institute and refer to a Federal-State Joint Board under Section 410(c) a proceeding to recommend changes to any of its regulations in order to implement Section 214(e) and this section, including the definition of the services that are supported by Federal universal service support mechanisms and a specific timetable for completion of such recommendations. In addition to the members of the Joint Board required under Section 410(c), one member of such Joint Board shall be a State-appointed utility consumer advocate nominated by a national organization of State utility consumer advocates. The Joint Board shall, after notice and opportunity for public comment, make its recommendations to the Commission 9 months after the date of enactment of the Telecommunications Act of 1996.

(2) Commission action.--The Commission shall initiate a single proceeding to implement the recommendations from the Joint Board required by paragraph (1) and shall complete such proceeding within 15 months after the date of enactment of the Telecommunications Act of 1996. The rules established by such proceeding shall include a definition of the services that are supported by Federal universal service support mechanisms and a specific timetable for implementation. Thereafter, the Commission shall complete any proceeding to implement subsequent recommendations from any Joint Board on universal service within one year after receiving such recommendations.

(b) Universal Service Principles.--The Joint Board and the Commission shall base policies for the preservation and advancement of universal service on the following principles:

(1) Quality and rates.--Quality services should be available at just, reasonable, and affordable rates.

(2) Access to advanced services.--Access to advanced telecommunications and information services should be provided in all regions of the Nation.

(3) Access in rural and high cost areas.--Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.

(4) Equitable and nondiscriminatory contributions.--All providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service.

(5) Specific and predictable support mechanisms.--There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.

(6) Access to advanced telecommunications services for schools, health care, and libraries.--Elementary and secondary schools and classrooms, health care providers, and libraries should have access to advanced telecommunications services as described in subsection (h).



(7) Additional principles.--Such other principles as the Joint Board and the Commission determine are necessary and appropriate for the protection of the public interest, convenience, and necessity and are consistent with this Act.

(c) Definition.--(1) In general.--Universal service is an evolving level of telecommunications services that the Commission shall establish periodically under this section, taking into account advances in telecommunications and information technologies and services. The Joint Board in recommending, and the Commission in establishing, the definition of the services that are supported by Federal universal service support mechanisms shall consider the extent to which such telecommunications services--

(A) are essential to education, public health, or public safety;

(B) have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers;

(C) are being deployed in public telecommunications networks by telecommunications carriers; and

(D) are consistent with the public interest, convenience, and necessity.

(2) Alterations and modifications.--The Joint Board may, from time to time, recommend to the Commission modifications in the definition of the services that are supported by Federal universal service support mechanisms.

(3) Special services.--In addition to the services included in the definition of universal service under paragraph (1), the Commission may designate additional services for such support mechanisms for schools, libraries, and health care providers for the purposes of subsection (h).

(d) Telecommunications Carrier Contribution.--Every telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the Commission to preserve and advance universal service. The Commission may exempt a carrier or class of carriers from this requirement if the carrier's telecommunications activities are limited to such an extent that the level of such carrier's contribution to the preservation and advancement of universal service would be de minimis. Any other provider of interstate telecommunications may be required to contribute to the preservation and advancement of universal service if the public interest so requires.

(e) Universal Service Support.--After the date on which Commission regulations implementing this section take effect, only an eligible telecommunications carrier designated under Section 214(e) shall be eligible to receive specific Federal universal service support. A carrier that receives such support shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Any such support should be explicit and sufficient to achieve the purposes of this section.

(f) State Authority.--A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State. A State may adopt regulations to provide for additional definitions and standards to preserve and advance universal service within that State only to the extent that such regulations adopt additional specific, predictable, and sufficient mechanisms to support such definitions or standards that do not rely on or burden Federal universal service support mechanisms.



(g) **Interexchange and Interstate Services.**--Within 6 months after the date of enactment of the Telecommunications Act of 1996, the Commission shall adopt rules to require that the rates charged by providers of interexchange telecommunications services to subscribers in rural and high cost areas shall be no higher than the rates charged by each such provider to its subscribers in urban areas. Such rules shall also require that a provider of interstate interexchange telecommunications services shall provide such services to its subscribers in each State at rates no higher than the rates charged to its subscribers in any other State.

(h) **Telecommunications Services for Certain Providers.**--

(1) **In general.**--(A) **Health care providers for rural areas.**--A telecommunications carrier shall, upon receiving a bona fide request, provide telecommunications services which are necessary for the provision of health care services in a State, including instruction relating to such services, to any public or nonprofit health care provider that serves persons who reside in rural areas in that State at rates that are reasonably comparable to rates charged for similar services in urban areas in that State. A telecommunications carrier providing service under this paragraph shall be entitled to have an amount equal to the difference, if any, between the rates for services provided to health care providers for rural areas in a State and the rates for similar services provided to other customers in comparable rural areas in that State treated as a service obligation as a part of its obligation to participate in the mechanisms to preserve and advance universal service.

(B) **Educational providers and libraries.**--All telecommunications carriers serving a geographic area shall, upon a bona fide request for any of its services that are within the definition of universal service under subsection (c)(3), provide such services to elementary schools, secondary schools, and libraries for educational purposes at rates less than the amounts charged for similar services to other parties. The discount shall be an amount that the Commission, with respect to interstate services, and the States, with respect to intrastate services, determine is appropriate and necessary to ensure affordable access to and use of such services by such entities. A telecommunications carrier providing service under this paragraph shall--

(i) have an amount equal to the amount of the discount treated as an offset to its obligation to contribute to the mechanisms to preserve and advance universal service, or

(ii) notwithstanding the provisions of subsection (e) of this section, receive reimbursement utilizing the support mechanisms to preserve and advance universal service.

(2) **Advanced services.**--The Commission shall establish competitively neutral rules--

(A) to enhance, to the extent technically feasible and economically reasonable, access to advanced telecommunications and information services for all public and nonprofit elementary and secondary school classrooms, health care providers, and libraries; and

(B) to define the circumstances under which a telecommunications carrier may be required to connect its network to such public institutional telecommunications users.

(3) **Terms and conditions.**--Telecommunications services and network capacity provided to a public institutional telecommunications user under this subsection may not be sold, resold, or otherwise transferred by such user in consideration for money or any other thing of value.

(4) **Eligibility of users.**--No entity listed in this subsection shall be entitled to preferential rates or treatment as required by this subsection, if such entity operates as a for-profit business, is a school described in paragraph (5)(A) with an endowment of more than \$50,000,000, or is a library or library consortium not eligible for assistance from a State library administrative agency under the Library Services and Technology Act.



(5) Definitions.—For purposes of this subsection:

(A) Elementary and secondary schools.—The term "elementary and secondary schools" means elementary schools and secondary schools, as defined in paragraphs (14) and (25), respectively, of Section 14101 of the Elementary and Secondary Education Act of 1965 (20 USC 8801).

(B) Health care provider.—The term "health care provider" means—

(i) post-secondary educational institutions offering health care instruction, teaching hospitals, and medical schools;

(ii) community health centers or health centers providing health care to migrants;

(iii) local health departments or agencies;

(iv) community mental health centers;

(v) not-for-profit hospitals;

(vi) rural health clinics; and

(vii) consortia of health care providers consisting of one or more entities described in clauses (i) through (vi).

(C) Public institutional telecommunications user.—The term "public institutional telecommunications user" means an elementary or secondary school, a library, or a health care provider as those terms are defined in this paragraph.

(l) Consumer Protection.—The Commission and the States should ensure that universal service is available at rates that are just, reasonable, and affordable.

(j) Lifeline Assistance.—Nothing in this section shall affect the collection, distribution, or administration of the Lifeline Assistance Program provided for by the Commission under regulations set forth in Section 69.117 of title 47, Code of Federal Regulations, and other related sections of such title.

(k) Subsidy of Competitive Services Prohibited.—A telecommunications carrier may not use services that are not competitive to subsidize services that are subject to competition. The Commission, with respect to interstate services, and the States, with respect to intrastate services, shall establish any necessary cost allocation rules, accounting safeguards, and guidelines to ensure that services included in the definition of universal service bear no more than a reasonable share of the joint and common costs of facilities used to provide those services.

Historical Note

Subparagraph (h)(4) amended by P.L. 104-208, approved September 28, 1996, ___ Stat ___, §709(a)(8).

THE NEXT PAGE IS ACT-625

electronic publishing, but does not include any use of any such capability for the management, control, or operation of a telecommunications system or the management of a telecommunications service.

"(42) **INTERLATA SERVICE.**—The term 'interLATA service' means telecommunications between a point located in a local access and transport area and a point located outside such area.

"(43) **LOCAL ACCESS AND TRANSPORT AREA.**—The term 'local access and transport area' or 'LATA' means a contiguous geographic area—

"(A) established before the date of enactment of the Telecommunications Act of 1996 by a Bell operating company such that no exchange area includes points within more than 1 metropolitan statistical area, consolidated metropolitan statistical area, or State, except as expressly permitted under the AT&T Consent Decree; or

"(B) established or modified by a Bell operating company after such date of enactment and approved by the Commission.

"(44) **LOCAL EXCHANGE CARRIER.**—The term 'local exchange carrier' means any person that is engaged in the provision of telephone exchange service or exchange access. Such term does not include a person insofar as such person is engaged in the provision of a commercial mobile service under section 332(c), except to the extent that the Commission finds that such service should be included in the definition of such term.

"(45) **NETWORK ELEMENT.**—The term 'network element' means a facility or equipment used in the provision of a telecommunications service. Such term also includes features, functions, and capabilities that are provided by means of such facility or equipment, including subscriber numbers, databases, signaling systems, and information sufficient for billing and collection or used in the transmission, routing, or other provision of a telecommunications service.

"(46) **NUMBER PORTABILITY.**—The term 'number portability' means the ability of users of telecommunications services to retain, at the same location, existing telecommunications numbers without impairment of quality, reliability, or convenience when switching from one telecommunications carrier to another.

"(47) **RURAL TELEPHONE COMPANY.**—The term 'rural telephone company' means a local exchange carrier operating entity to the extent that such entity—

"(A) provides common carrier service to any local exchange carrier study area that does not include either—

"(i) any incorporated place of 10,000 inhabitants or more, or any part thereof, based on the most recently available population statistics of the Bureau of the Census; or

"(ii) any territory, incorporated or unincorporated, included in an urbanized area, as defined by the Bureau of the Census as of August 10, 1993;

"(B) provides telephone exchange service, including exchange access, to fewer than 50,000 access lines;

"(C) provides telephone exchange service to any local exchange carrier study area with fewer than 100,000 access lines; or

"(D) has less than 15 percent of its access lines in communities of more than 50,000 on the date of enactment of the Telecommunications Act of 1996.

"(48) **TELECOMMUNICATIONS.**—The term 'telecommunications' means the transmission, between or among points specified by the user, of information of the user's choosing, without change in the form or content of the information as sent and received.

"(49) **TELECOMMUNICATIONS CARRIER.**—The term 'telecommunications carrier' means any provider of telecommunications services, except that such term does not include aggregators of telecommunications services (as defined in section 226). A telecommunications carrier shall be treated as a common carrier under this Act only to the extent that it is engaged in providing telecommunications services, except that the Commission shall determine whether the provision of fixed and mobile satellite service shall be treated as common carriage.

"(50) **TELECOMMUNICATIONS EQUIPMENT.**—The term 'telecommunications equipment' means equipment, other than customer premises equipment, used by a carrier to provide telecommunications services, and includes software integral to such equipment (including upgrades).

"(51) **TELECOMMUNICATIONS SERVICE.**—The term 'telecommunications service' means the offering of telecommunications for a fee directly to the public, or to such classes of users as to be effectively available directly to the public, regardless of the facilities used."

(b) **COMMON TERMINOLOGY.**—Except as otherwise provided in this Act, the terms used in this Act have the meanings provided in section 3 of the Communications Act of 1934 (47 U.S.C. 153), as amended by this section.

(c) **STYLISTIC CONSISTENCY.**—Section 3 (47 U.S.C. 153) is amended—

(1) in subsections (e) and (n), by redesignating clauses (1), (2) and (3), as clauses (A), (B), and (C), respectively;

(2) in subsection (w), by redesignating paragraphs (1) through (5) as subparagraphs (A) through (E), respectively;

(3) in subsections (y) and (z), by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(4) by redesignating subsections (a) through (ff) as paragraphs (1) through (32);

(5) by indenting such paragraphs 2 em spaces;

(6) by inserting after the designation of each such paragraph—

(A) a heading, in a form consistent with the form of the heading of this subsection, consisting of the term defined by such paragraph, or the first term so defined if such paragraph defines more than one term; and

(B) the words "The term";

(7) by changing the first letter of each defined term in such paragraphs from a capital to a lower case letter (except for

**Remarks by William Kennard Chairman
Federal Communications Commission to USTA's Inside
Washington Telcom (April 27, 1998)**

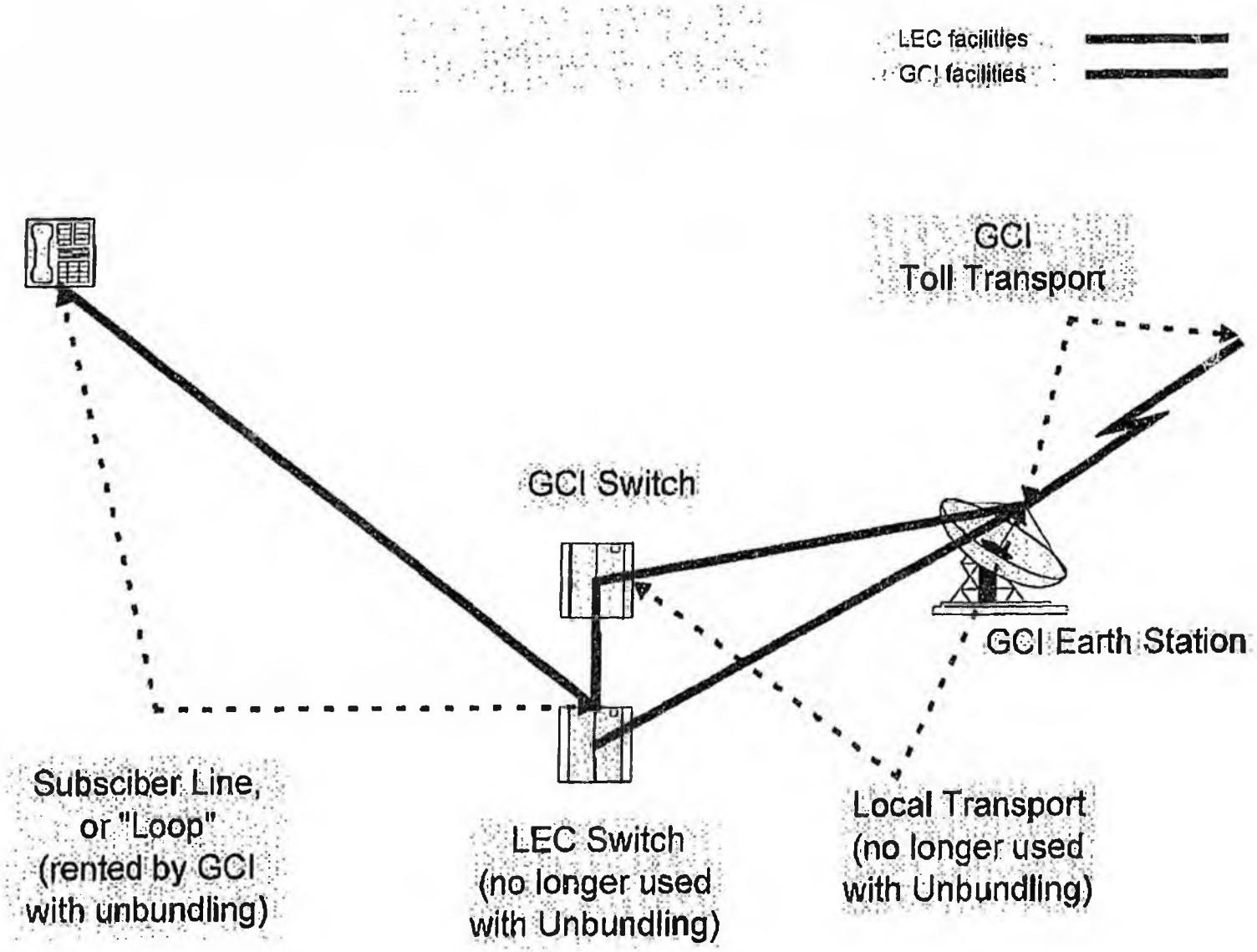
- ▶ "When it comes to our country's smaller, rural telephone companies -- companies that serve one-third the nation's geography but only about 5% of the population -- if it ain't broke, don't fix it.
- ▶ That may not be the way common carrier lawyers are supposed to talk, but that's really the way I feel."

Monthly Cost and Cost Recovery Alaskan Local Exchange Carriers

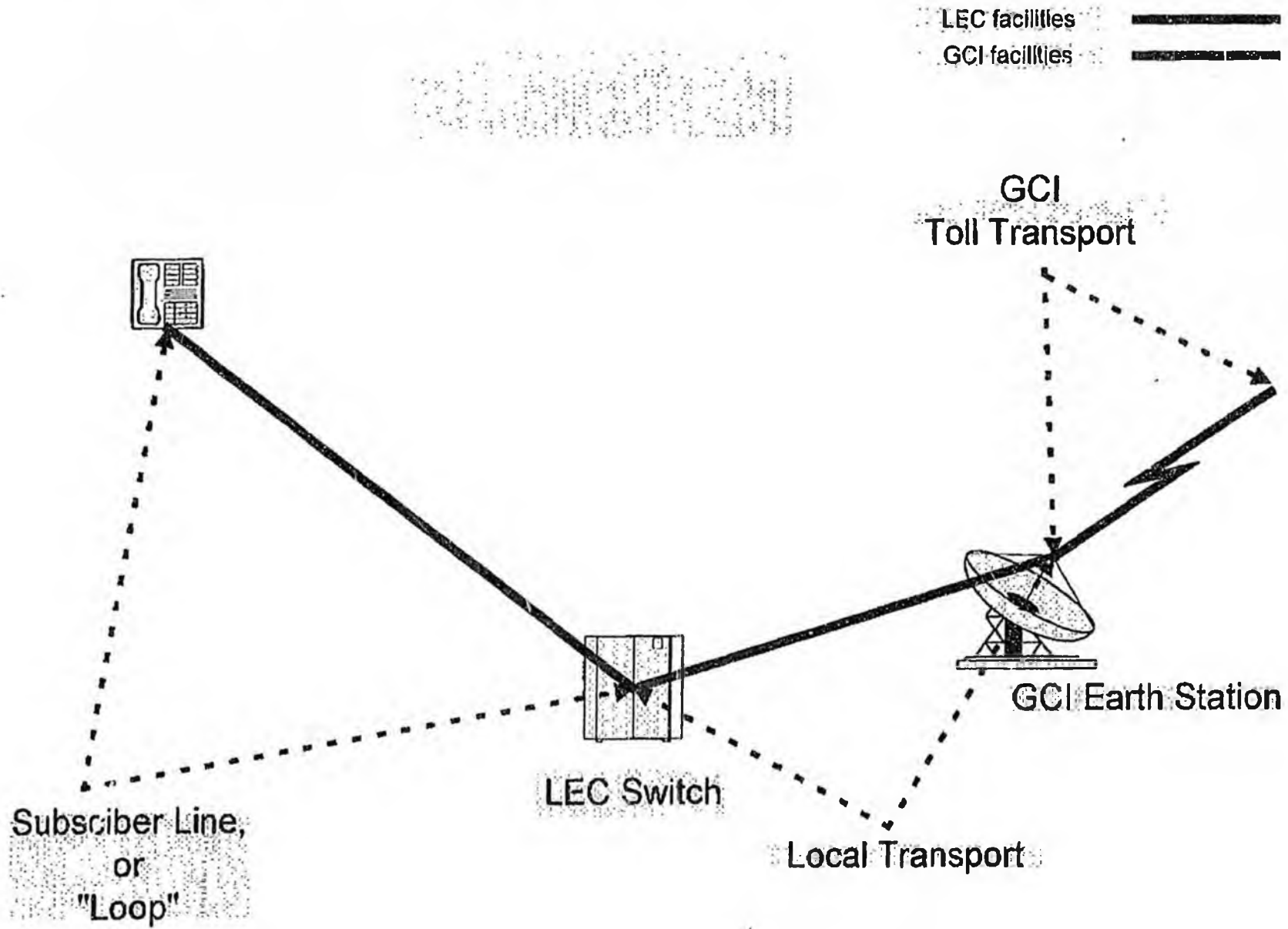
	Arctic Slope	Bush Tel	OTZ	Yukon	Bristol Bay	Interior	Mukluk
Recovery							
Subscriber Line Charges	5	4	4	4	5	4	4
Local Rates	25	27	18	33	24	33	18
Intrastate Access Charges	18	80	17	23	13	21	39
Interstate Access Charges	74	90	39	76	40	68	51
Interstate Universal Service Fund	33	28	5	19	19	28	43
Total Cost Recovery per Access Line	155	229	83	155	101	154	155
% of Cost Recovered by Local Rates	16%	12%	22%	21%	24%	21%	12%

A significant portion of the three shaded lines will be
LOST to the LEC's if they are required to unbundle their networks.

Unbundled Elements



Network Elements



ILEC Cost Structure - AFTER Competition

Even assuming 100% variable costs

	# of Lines	Cost /Line	Total Cost
A	10	9	90
B	8	20	160
C	2	100	200
Total	20	22.5	450

This is what is called a "Death Spiral"

ILEC Cost Structure BEFORE Competition

ILEC Cost Structure -
Before Competition

	# of Lines	Cost /Line	Total Cost
A	20	9	180
B	8	20	160
C	2	100	200
Total	30	18	540

(ILEC is forced to subsidize the CLEC,
\$2/line in Zone B; \$82/line in Zone C)

CLEC Cost Structure
Build + Resale

	# of Lines	Cost /Line	Total Cost
A	10	9	90
B	4	18	72
C	1	18	18
Total	15	12	180

Build @ \$9 Cost

Rent from ILEC @ \$18

Rent from ILEC @\$18

Alaska State Legislature

REPRESENTATIVE
PETER KELLY

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House District 31

House Of Representatives

March 26, 1998

Memorandum

To: Representative Joe Green, Chair
House Judiciary Committee



From: Representative Pete Kelly

Please schedule House Bill 416 for a hearing at your earliest convenience.

House Bill 416 provides the Alaska Public Utilities Commission with a policy statement supporting competition in local phone service.

This bill is controversial, in that local phone companies now operating under the monopoly argue against competition, seeking to preserve the existing price and subsidy structure. Competition, however, is now required in the United States, following passage of the Telecommunications Act in 1996.

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House District 31

House Of Representatives

Sponsor Statement

HB 416

Telecommunications Competition

House Bill 416 requires the Alaska Public Utilities Commission (APUC) to adopt regulations permitting local telephone competition by December 31, 1998. History has proven competition gives consumers lower costs, increased technology and more choices.

In 1996, Congress passed the Telecommunications Act allowing and promoting local telephone competition nationwide. The APUC recently exempted the local phone company in Fairbanks and Juneau from full local competition because of fears that competition might harm the existing phone company (PTI). PTI was purchased last year by Century Telephone, which has its headquarters in Louisiana. The purchase of PTI made Century the 10th largest phone company in the United States.

The bill will bring benefits to both rural and urban users of the public airways. The fears that promoted the APUC to delay full competition in Fairbanks and Juneau are the same fears that caused the APUC to delay long distance competition in Alaska for many years. As we have all seen, those fears were unfounded and long distance competition produced better quality, new services and lower prices for consumers throughout the state.

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House District 31

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Sectional

HB 416

An Act providing for competition in local telephone service.

Section 1. (a) Finds competition in local exchange telephone service to be of benefit to consumers throughout the state.

(b) Requires the commission to adopt regulations to enable local competition.

(c) The Legislature provides the commission (APUC) with the finding that an applicant for local exchange competition is convenient and necessary for the public. The commission has 90 days to determine if the applicant is fit, willing and able to provide the service.

(d) A municipality may not regulate a utility competing in a local telephone exchange under this law.

an exclusive, or monopoly, grant to furnish electrical energy within the corporate limits of a city. *Chugach Elec. Ass'n v. City of Anchorage*, 426 P.2d 1001 (Alaska 1967).

A public utility's certificate did not grant to it the exclusive right to furnish electrical energy within the corporate limits of a city. *Homer Elec. Ass'n v. City of Kenai*, 423 P.2d 285 (Alaska 1967).

Municipality may compete with certificated utility. — The delineation of a service area contained in a certificate of public convenience and necessity does not provide the basis for precluding a municipality from competing, within its own corporate limits, with a certificated utility. *Chugach Elec. Ass'n v. City of Anchorage*, 426 P.2d 1001 (Alaska 1967).

The legislature did not intend, by virtue of its passage of the 1963 amendments to this chapter, that a certificate of public convenience and necessity was to be a monopoly grant in relation to competition from a municipally owned and operated utility. *Homer Elec. Ass'n v. City of Kenai*, 423 P.2d 285 (Alaska 1967).

The Public Service Commissioner's issuance, to a public utility, of a certificate of public convenience and necessity providing for a service area which encompassed within its territory a city did not preclude such city from furnishing electrical energy within its own city limits, in competition with such public utility's electrical distribution system. *Homer Elec. Ass'n v. City of Kenai*, 423 P.2d 285 (Alaska 1967).

Legislative intent. — In enacting subsection (b) of this section the legislature indicated its intention that any right afforded certificated utilities under former AS 42.05.196 was not saved. *Alaska Pub. Utils. Comm'n v. Chugach Elec. Ass'n*, 580 P.2d 687 (Alaska 1978), overruled on other grounds, *City & Borough of Juneau v. Thibodeau*, 595 P.2d 626 (Alaska 1979).

Sec. 42.05.230. [Repealed, § 5 ch 113 SLA 1970.]

Sec. 42.05.231. Application. Application for a certificate shall be in writing and shall be in the form and contain the information required by the commission by regulation. (§ 6 ch 113 SLA 1970)

Sec. 42.05.240. [Repealed, § 5 ch 113 SLA 1970.]

Sec. 42.05.241. Conditions of issuance. A certificate may not be issued unless the commission finds that the applicant is fit, willing and able to provide the utility services applied for and that the services are required for the convenience and necessity of the public. The commission may issue a certificate granting an application in whole or in part and attach to the grant of it the terms and conditions it considers necessary to protect and promote the public interest including the condition that the applicant may or shall serve an area or provide a necessary service not contemplated by the applicant. The commission may, for good cause, deny an application with or without prejudice. (§ 6 ch 113 SLA 1970)

NOTES TO DECISIONS

Services of particular applicant. — Under AS 42.05.221, a showing of public convenience and necessity is required and is limited specifically to "services;" thus, the Alaska Public Utilities Commission (APUC) only needs to make a determination whether there is a substantial need for a service. Similarly, the require-

ment of AS 42.05.271, which provides for the modification, suspension or revocation of certificates for several listed reasons, including the requirements of public convenience and necessity. *Alaska Pub. Utils. Comm'n v. Chugach Elec. Ass'n*, 580 P.2d 687 (Alaska 1978), overruled on other grounds, *City & Borough of Juneau v. Thibodeau*, 595 P.2d 626 (Alaska 1979).

Subsection (d) of this section relates to questions of duplication of electrical services or facilities and the interpretation of a utility's certificate of public convenience and necessity. *Greater Anchorage Area Borough v. City of Anchorage*, 504 P.2d 1027 (Alaska 1972), overruled on other grounds, *City & Borough of Juneau v. Thibodeau*, 595 P.2d 626 (Alaska 1979).

Operation of garbage disposal sites does not constitute a utility service; it is only the passing over of control of solid waste to the disposal site operator which is regulated as a utility function. *McClellan v. Kenai Peninsula Borough*, 565 P.2d 175 (Alaska 1977).

Dumpsters are not equivalent of final landfill sites. — Interpretation that dumpsters serving as intermediate dump sites qualify as the functional equivalent of final landfill sites is not reasonable in that it would allow the Borough to place dumpsters in such a pervasive fashion as to completely vitiate the requirement of former AS 29.48.033(b) and former subsection (f) of this section that certificate holders be compensated for their interests. *McClellan v. Kenai Peninsula Borough*, 565 P.2d 175 (Alaska 1977).

Quoted in *Homer Elec. Ass'n v. City of Kenai*, 816 P.2d 182 (Alaska 1991).

Cited in *Drake v. Fairbanks N. Star Borough*, 715 P.2d 1167 (Alaska 1986).

ment of AS 42.05.241 that APUC find the applicant to be "fit, willing and able to provide the utility services applied for" only requires the commission to focus on the applicant. Neither inquiry requires an exploration into the costs associated with environmental externalities or public subsidies not paid for by consumers as

ANCHORAGE/FAIRBANKS LOCAL SERVICE COMPARISON*

The attached spread sheet details the availability and prices for some local services in Anchorage and Fairbanks.

Basic Dial-Tone:

This section includes basic dial-tone rates for residential and business users.

Non-recurring charges:

One-time charges for adding services or ordering service calls. The non-recurring charges in Anchorage were dropped with the advent of competition. Expectations are that competition may further drive down prices for basic services in Anchorage.

Custom Calling Feature Package:

Custom calling feature packages are bundled services priced at a discount for choosing two or more services. Services are for either residential or business users. Both areas offer promotional packages of bundled service, which in the case of Anchorage residential users, includes a free caller I.D. box.

Advanced Telecommunications Services:

ISDN is Integrated Services Digital Network. It is a popular method of providing greater bandwidth over the traditional copper wires which access residential and business users. ISDN is capable of carrying simultaneous voice and video/data. It is often used with telecommuting applications.

BRI is basic rate interface and is the product most residential users choose. It carries up to 128 Kbps.

PRI is primary rate interface and is often used by businesses. It carries up to 1.54 megabits per second.

Direct Inward Dialing is a common business feature which allows an outside caller to call an internal extension number without having to pass through an operator or attendant.

	<u>Anc</u>	<u>Ebx</u>
<u>Dial Tone Charges</u>		
Residential	\$9.40	\$12.50
Single-line Business	\$24.45	\$25.50
Multi-line business	\$31.00	\$29.50
DA after two free calls	\$0.50	\$0.75

<u>Non-recurring charges</u>		
Service Order Charge Res	\$0.00	\$25.50
Service Order Charge Bus	\$0.00	\$20.00
Prem visit - two cable pair	\$35.00	\$30.00
Prem visit - each add'l cable pair	\$0.00	\$15.00
Line Connection Charge	\$0.00	\$22.20

<u>Custom Calling Features Package</u>		
3 choices	\$7.85	none
2 choices	\$5.60	none

Advance Telecom Services:

<u>ISDN</u>		
Basic Rate Interface Res	\$3.55	N/A
BRI per minute charge Res	\$0.01	N/A
Basic Rate Interface Bus	\$4.95	N/A
BRI per minute charge Bus	\$0.01	N/A
Primary Rate Interface recurring	\$780.00	N/A
PRI volume discount	\$456.00	N/A
PRINRC	\$800.00	N/A

<u>Digital Subscriber Service</u>		
DSS 1-6 trunks per trunk	\$33.25	N/A
DSS NRC per trunk	\$31.40	N/A
DSS Service Order Charge	\$500.00	N/A
BDSS per month	\$516.00	N/A
BDSS NRC	\$800.00	N/A

<u>Direct Inward Dialing</u>		
Direct Inward Dialing	\$50.00	\$65.00
NRC for DID	\$0.00	\$26.00
DID Exchange Trunk each trunk	\$31.00	\$50.75
Installation per line	\$0.00	\$48.00
DID Two-way exchange trunk	\$31.00	\$65.00
NRC for above	\$0.00	\$48.00

<u>Promotional Offering</u>		
R1	\$9.40	\$12.50
Call Waiting/Cancel Call Waiting	\$3.50	\$3.00
Caller ID	\$6.75	\$6.00
Caller ID on Call Waiting	\$1.95	N/A
Subscriber Line Charge	\$3.50	\$3.50
Total of individual prices	\$25.10	\$25.00

Promotional Price	\$19.95	\$25.00
Caller ID Box value \$100	\$0.00	\$100.00

NETWORK UNBUNDLING

The Federal "Telecommunications Act of 1996" requires local exchange carriers to allow competitors to use "unbundled" portions of their network to provide local service.¹ For example, local exchange carriers are required to "unbundle" the local loop (wire) to customers and make the loop available to another carrier to provide service. The Federal law does not have similar requirement for long distance carriers.

"Unbundling" of local exchange carriers is necessary because local exchange carriers have monopoly control over "bottleneck" facilities. This means that, without unbundling, the only telecommunications link to end users is through the facilities of the local exchange carrier. Absent the regulatory requirement, local exchange carriers have absolutely no incentive to allow competitors to use their network.

A similar situation does not exist in the long distance market. There are already multiple facilities-based carriers in the long distance market, and each carrier offers a long distance link. There are not "bottleneck" facilities. Competitors without facilities have a choice of obtaining the facilities from multiple facilities based carriers. GCI has an entire department devoted to serving other carriers, providing them a competitive choice to AT&T Alascom.

The only locations where a competitive choice does not exist is in the rural locations where GCI is prevented by regulation from constructing long distance facilities. Every LEC in those locations has supported the restriction and should not now complain that the restriction limits their own competitive choices.

Furthermore, GCI and Alascom both each offer services to other carriers based on wholesale rates, approved by the Commission, that break out service by segments. GCI is very willing to, and does, provide unbundled services such as operator services to other carriers upon request.

¹ "Rural" carriers are exempt from this requirement until they receive a specific request for "unbundling" and the APUC makes specific determinations

HB 416 WILL NOT PROMOTE
"CREAM SKIMMING" OR "CHERRY PICKING"

One of the arguments presented against telephone competition and against HB 416 is that new competitors will "cream skim" or "cherry pick" the market, serving only the profitable and high volume customers and leaving the unprofitable, low volume customers to the existing carrier. This argument is but one of the many "bogeymen" that telephone monopolists have used for many years to prevent competition. In fact, the APUC retains full power to prevent cream skimming and, historically, cream skimming has not been a problem

The federal Telecommunications Act specifically states that the APUC can require a new competitor to offer service throughout an rural local phone company's area. Thus, as a condition of offering any local service, the APUC has full power to require a new competitor to offer service to all customers in the area, not just the most profitable, high volume customers.

HB 416 does not in any way affect the APUC's right to require a competitor to serve all customers in the area.

In any event, history has demonstrated that the fear of cream skimming is only a bogeyman. In Anchorage, the APUC did not have the authority described above, because Anchorage is not "rural". Legally, GCI could have served the high volume customers only. In fact, GCI constructed facilities to serve all of Anchorage. GCI interconnected at every ATU wire center, in the business areas of downtown and midtown and in the residential areas like Rabbit Creek.

The exact same fear of cream skimming was raised regarding long distance competition, and long distance competition was delayed for years because of the But long distance competition actually benefited all consumers, high volume and low volume alike.

HB 416 WILL PROMOTE UNIVERSAL SERVICE

One of the arguments presented against HB 416 and local competition is that competition will somehow harm universal service. Universal service is the concept that phone service should be available to all citizens at reasonable costs.

In fact, HB 416 will promote universal service in several ways. First, the legislation requires the APUC to complete the regulatory proceedings that are necessary for the introduction of full competition. One of the pending APUC proceedings that needs to be completed, R-97-6, specifically concerns the adoption of rules to promote and protect universal service. Thus, HB 416 actually requires the APUC to complete, by year end, a proceeding to protect universal service.

The APUC is given the power to protect universal service by both Federal and State law. Nothing in HB 416 affects that power.

Furthermore, competition will itself promote universal service. Competition brings higher quality service at lower rates. Every consumer in Anchorage today has a choice of more services, at lower rates, than were available only six months ago. Competition will accomplish the same thing across the entire state--promoting universal service.

The claims that competition will harm universal service have been around for decades. In 1973, 25 years ago, the Chairman of AT&T opposed competition against MCI with the following statements: "We believe that the public interest, construed as we must construe it as the widest availability of high quality communications at the lowest over-all cost to all its users, cannot help but be impaired by the duplication of facilities from the further encroachment of competition in an industry where compatibility of components and precise coordination of process are crucial.... Where will the burden [of competition] fall? Again, it will fall on the average customer in the form of higher exchange rates, higher long distance rates."

We all know that long distance competition in telecommunications actually benefited all users. The claims that competition will harm universal service are no more true today than they were in 1973.

**IMPLEMENTING THE TELECOMMUNICATIONS ACT OF 1996:
GCI'S RESPONSE TO
ALASKA TELEPHONE ASSOCIATION CONTENTIONS**

1. The Telecommunications Act of 1996 focuses on local exchange competition and universal service. It concerns long distance competition only peripherally, because the long distance market has been open to competition for many years. The responsibilities of the APUC under the Act also focus on local exchange competition, not long distance competition. All of the responsibilities listed by ATA concern local exchange competition, and only one (barriers to entry) concerns long distance competition.

2. Pending decision to need to be coordinated with FCC decisions. However, that does not mean that the APUC can, or should, wait for the FCC to make all its decisions before the APUC makes decisions.

At any time, the APUC must make its decisions based on the existing state of the law, including FCC decisions. At the same time, the APUC must remain ready, willing, and able to act promptly in response to new FCC decisions and policies. In almost all cases, the FCC gives advance warning of new directions, it sets an effective date for decisions months after the decision is made, and in many instances it established a phase-in period. The APUC has ample time to act on new FCC decisions after they are made.

The alternative approach -- waiting until the FCC makes all its decisions before the APUC makes any decisions -- is based on the fundamentally false premise that the FCC will make a group of decisions and then "the world will stand still" so the APUC can make its decisions. In fact, the FCC decisions are in a constant state of change and that will remain the case so long as the telecommunications marketplace is evolving -- a very long time. The proposal to "wait until the FCC is finished" is a recipe for permanent inaction.

3. The APUC does have those proceedings underway. Unfortunately, the APUC's progress on those proceedings has been very slow. HB 416 directs the Commission to complete those proceedings, and any other proceedings necessary for competition, by January 31, 1998. Existing regulations do not discriminate in favor of GCI or AT&T Alascom.

4. HB 416 is not special interest legislation for GCI. It is legislation that will benefit the entire Alaskan public by promoting high quality telecommunications services at low rates. The legislation addresses a basic policy issue, which is whether or not the APUC will allow local competition outside of Anchorage. It is comparable to the policy level legislation 8 years ago on long distance competition, which has produced enormous benefits. While GCI would support deadlines for other proceedings before the Commission, those proceedings involve implementation matters and not basic policy decision comparable to HB 416.



MCI Telecommunications
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March 12, 1998

The Honorable Jeannette James
Chair, House State Affairs Committee
State Capitol
Juneau, AK 99801

Dear Chairwoman James:

I am writing to express MCI's support for House Bill 416 introduced by Representative Pete Kelly which will allow competition in all local phone markets in Alaska.

Without the passage of House Bill 416, consumers outside of Anchorage will be denied the benefits of competition. In those areas where competition in the local market has begun to take hold, consumers not only have a choice of who provides their phone service but they have also seen a reduction in prices. Competition has also spurred the introduction of new services.

One only has to look at the long distance market to imagine the benefits competition can bring to local phone service. The cost of an interstate long distance call has decreased over 70 percent, hundreds of new products and services have been introduced, over 400 companies offer long distance service, the quality of service has improved dramatically and no incumbent monopoly provider has gone out of business.

Despite claims to the contrary during the break up of Ma Bell, AT&T continues to post record earnings. In 1984, AT&T had over 90 percent of the market with revenues of around \$36 billion. Today, while AT&T's market share has declined to just over 50 percent, revenues have grown to about \$51 billion.

Similar claims of despair are being made by today's monopoly providers. They are simply scare tactics meant to protect the monopoly's profits at the expense of Alaska consumers. Once competition begins to flourish the market will expand as more and more people take advantage of new choices, higher quality service and lower prices.

It is time for all consumers no matter where they live to realize the benefits of the pro-competitive policy established when Congress passed the Telecommunications Act of 1996.

Thank you for your consideration of MCI's views on HB 416. If you have any questions, please do not hesitate to contact me at 888-475-7218 Ext 5 (toll free).

Sincerely,


Gail Garey

G.C.I.

POSITION STATEMENT

GCI supports legislation introduced by Rep. Pete Kelly, HB 416, to allow full competition for local phone service in Alaska. The bill is very similar to legislation that was passed in 1991 to allow long distance telephone competition in Alaska. Just like that 1991 legislation, the bill is needed to break the regulatory logjam at the Alaska Public Utilities Commission so that Alaskans can receive better local phone service at lower prices.

The legislation simply establishes a policy in favor of local phone competition and it gives the APUC a deadline to implement whatever regulations it deems necessary for competition to proceed. Passage of the legislation will benefit all Alaskans.

This legislation is necessary because the APUC recently determined that full competition cannot be allowed in Fairbanks and Juneau until after it completes various other proceedings to ensure that competition does not harm "universal service." Unfortunately, based on progress to date, the APUC will not complete those other proceedings for at least several years.

Background

The U.S. Congress passed the Telecommunications Act of 1996 over two years ago, and that Act established a pro-competitive national policy for all telecommunications services. The APUC has known for over two years that local competition was coming, yet it has failed to complete the regulatory reforms it says are necessary for competition to proceed. Now the APUC's own delay in implementing the reforms is given as the APUC's reason for delaying competition even in cities such as Fairbanks and Juneau.

Full local competition under the Telecommunications Act allows new entrants to serve customers in three ways: through complete resale of the incumbent carrier, entirely through the competitor's own facilities, or through a combination of the competitor's facilities and "unbundled elements" obtained from the incumbent. Full local competition is also dependent on other regulatory requirements, such as "number portability" so that customers can change carriers without giving up their phone number.

Full competition has already begun in Anchorage, where both GCI and AT&T Alascom have entered the market. Every business and residential customer in Anchorage now has a choice between local phone companies. Prices have already come down, and new services have been introduced. Competition in Anchorage is already bringing the same benefits to Anchorage that long distance competition brought to Alaska.

GCI is prepared to provide local service in other communities across Alaska, beginning with Fairbanks and Juneau. However, the APUC has denied GCI the ability to provide full competition outside of Anchorage, based on a provision of federal law that defined all local phone companies outside Anchorage as rural.

The APUC Ruling

The reasons that APUC gave for denying GCI's request to bring full local competition to Fairbanks and Juneau are remarkably similar to the reasons that the APUC delayed long distance competition for 8 years. The APUC stated that competition could not begin without assurances that "universal service" would be protected.

The current APUC did not say "no" to competition forever. Instead, it said that various reforms needed to be implemented to protect universal service before competition could proceed, and it would reconsider full competition after those reforms are implemented. Again, this action was virtually identical to the APUC's actions while it was considering long distance competition: The APUC never said competition was prohibited, it just said further action and consideration was necessary, but the APUC never completed those other actions until the Legislature established a deadline.

Benefits of Competition

Today, the fears of the APUC regarding long distance competition seem almost silly. None of the fears came true. Long distance competition has benefited all Alaskans and it has harmed none. Prices for long distance service have been reduced by more than 25%, and the quality of service has improved. Many locations that previously had double hop analogue service that would barely support FAXes now have digital, single hop service.

But history is now repeating itself in the local market, and the APUC is again delaying competition because of the same fears. It is again time for the Legislature to break the APUC logjam that is delaying competition, just as the Legislature broke the logjam in 1991.

The importance of telecommunications to Alaskans -- and the benefits that come with full competition for telecommunications services -- cannot be overstated. The amazing growth and technological advances in the telecommunications industry have been fueled by competition, while at the same time prices have fallen. Competitive forces will bring the same benefits to local phone service. In Anchorage, competitors have invested millions of dollars in new switching and fiber optic equipment, making new services available to consumers. New, high speed "broadband" services are available over competitive systems designed to bring consumers in full range of telecommunications services.

With the passage of HB 416, these benefits will be available to citizens in other locations across Alaska. The APUC can prevent "cream skimming" and ensure widespread benefits from competition by requiring any new competitor to service the entire area served by an existing company. As high quality services are extended to new locations, the entire State economy will benefit from the upgraded telecommunications infrastructure.

Without the Legislature's involvement, a world of technological "haves" and "have nots" will be created in Alaska. The "haves" will be living in Anchorage, with high quality broadband access, while the "have nots" will reside in the remainder of the State.

The citizens of Alaska already know that benefits will flow from local service competition. In a poll conducted on behalf of GCI, over 75% of the citizens of Fairbanks and Juneau said they want competition in the local telephone market. By similar percentages, the citizens said competition would bring lower prices and new technology. And over 80% of the citizens said their community was not too rural for local phone competition.

History has proven, over and over, that competition in telecommunications benefits consumers. The citizens already know that. Enacting HB 416 will be in accordance with the will of the people and it will benefit all Alaskans and the State's economy.

America's Missing Infrastructure:

The third shoe drops

All eyes are on the states.

IT'S BEEN 14 YEARS since the first shoe dropped—the 1984 Divestiture ruling that precipitated the separation of local and long distance services, breaking up the Bell monopoly. The second shoe dropped when the Telecommunications Act of 1996 transformed the local monopoly into an open, competitive arena. Now, a third shoe has dropped—in the unlikely state of South Dakota.

In this second of a four-part series of articles, we describe the role for industry leaders and government entities to thrive in the post-Act information marketplace. Part I appeared in our Jan. 1 issue.



The Telecom Act promised exciting, new, advanced communications services offered affordably to all U.S. consumers. But the Act has fallen short of its goal. Two years since the passing of this historic legislation, we ask:

- Where are the exciting advanced data, video and multimedia networks to meet current and future needs at home, at business, in schools and in hospitals?
- Was the law all that was needed to achieve meaningful change?
- What new communications capabilities do home and small-business users have that they did not have 15 years ago?
- Where are the revenues from the billions of dollars poured into research and development (R&D) each year, and where are the advanced products and services resulting from those investments?
- Why are the goals of the Act still not achieved?

DIVERGENCE

The industry faces alternative pathways:

- Grow the marketplace pie by deploying a new, advanced telecom infrastructure to support public data, video and multimedia networking at higher and higher speeds; or
- Seek a larger share of the existing pie, which consists of plain old telephone service (POTS) and special services for limited markets.

The industry's traditional choice—to preserve the past and gain a larger slice—will leave data, multimedia and video users' needs unmet and market opportunities unfulfilled. No amount of time can make this path meet the goals of the Act.

It has become clear that the main beneficiaries of the Act are the industry's attorneys. Incumbent local exchange carriers (ILECs) have implemented a two-part response to the Act, which ostensibly entails "foot dragging"

on implementing the Act's provisions and pursuing mergers and acquisitions. Using a series of protracted legal actions to delay and/or avoid opening up their networks to competition at affordable prices, ILECs apparently want to outlast the politicians and competitive LECs (CLECs).

ILECs have launched a flurry of mergers and acquisitions, valued at more than \$88 billion, within their traditional arenas (Bell Atlantic/Nynex: \$23 billion; SBC/Pacific Telesis, \$16.7 billion; etc.) and outside their traditional sectors (US West/Time Warner and US West/Continental Cable at about \$20 billion together). These mergers, which typically result in large debt and loss of talent and resources, push the industry further from deploying the needed advanced infrastructure which would enable ILECs to take advantage of the explosive growth in the fully switched, fully available, public data,

video and multimedia network services markets.

UNTAPPED OPPORTUNITY

The Telecom Act, coupled with dramatic technological advances over the last 20 years, have created an exciting arena with new rules, new players and untapped market opportunities. The existing network has been opened for resale. Advanced digital and optical technology renders bandwidth a commodity, and creates a world in which features and services are paramount. Although danger lurks for the ill-informed as charlatans tout impossible claims about their product or technology's capabilities, there are vast opportunities for savvy players.

For years, the traditional telecom sector has failed to meet market needs for services that are affordable, switched, feature-rich, and support public data, video and multimedia networking. With a long history as regulated monopolies with a limited vision and strategy for anything other than telephony services, they have demonstrated since divestiture that they are uninterested in the challenges and opportunities ahead. They have resisted the deployment of advanced technologies which could have affordably delivered fully switched, advanced services at the increasing bandwidth rates required by users.

The ILECs have chosen instead to protect the imbedded POTS network and artificially high pricing schemes. They maintain a premium pricing mechanism for bandwidth, roughly based on the number of voice calls a given circuit can carry rather than the actual cost of providing the service and the inherent value of the applications it supports. This policy ignores the ability of technology to deliver virtually infinite amounts of bandwidth at prices comparable to POTS.

However, ILECs' days are numbered. Competitive market forces eventually will establish bandwidth as a commodity as they recognize that new features and services will deliver differentiating value and high-margin returns. This is a great opportunity for facilities-based CLECs.

To compete successfully, companies must provide differentiation based on service offerings, not simply price.

KEY TO SUCCESS

The three keys to success in the post-Act arena are *infrastructure, infrastructure, infrastructure*. A fully switched network infrastructure must be deployed to meet narrowband, wideband and broadband networking needs.

To compete successfully, companies must provide differentiation based on service offerings, not simply price. As the power of technology is applied to slash the price of bandwidth, reseller margins will be placed under intense pressure. In the long run, the facilities-based competitor that can control its own destiny has the advantage; it can use digital and optical technology to offer advanced network features and services at dramatically lower prices.

Without this new infrastructure, ILECs and resellers will be forced to carve up the existing telephony market pie, providing limited advances over the current voice infrastructure and forcing smaller and smaller margins as more players enter the field.

Telecom brownouts already are occurring throughout the United States as users, lacking a viable data networking alternative, use and abuse the voice network with everything from credit-card verifications (short holding times) to Web browsing activities (long holding times). The voice network was not designed to handle data traffic—it is the wrong tool for the job.

There is no need to burden the traditional voice network's higher layers with data and video traffic that can cause extensive blocking, overloading and backhauling. A new network infrastructure with a new class of switches provides an attractive alternative path for all carriers. Customer information can be transported to numerous competitive, alternative networks and new service providers (as the Act envisioned), and the traditional voice network can be protected from abuse and eventual destruction.

A NEW ROLE FOR LEADERS

The competitive environment and market needs for advanced services combine to establish new roles and opportunities for those willing to step up. New industry leaders must break out of the "connect and collect" mentality to build an advanced infrastructure that meets present and future needs. Those who cling to past monopolistic tenants of providing limited offerings and few features at high prices will be left in the dust.

New leaders will leverage the many advanced digital and optical technologies (now dormant on the shelves of the world's great supplier R&D labs) and will enjoy the resulting large slices of a new, richer, information market pie.

A NEW ROLE FOR STATES

For state governments, the Act has created a role with new responsibilities. Given the complexity and capital-intensive nature of deploying a new infrastructure, strategic leadership is essential to establish the correct direction. Without cohesive leadership, a patchwork of incompatible, dissimilar network solutions with limited, selective areas of coverage will result—and it will prove far more complex than making a call across the 30-odd incompatible voice telephone company networks that served New York City at the beginning of the 20th century.

Proper incentives and protection must be provided to ensure that the playing field is free from unfair competition when deploying these new networks; however, an open and competitive environment must be maintained, as mandated by the Telecom Act.

There is no longer a regulated "keeper of the network" who manages the integrity and direction of the infrastructure and looks out for the consumers by ensuring that regions do not enter into the information age with information haves and have-nots. States must step up and fulfill this role. While state public utility commissions (PUCs) have historically provided regulatory guidance, they have not set comprehensive strategic policy.

(Indeed, these PUCs will be quite busy for the foreseeable future as they carry out issues related to the Telecom Act, such as arbitrating disputes and establishing wholesale pricing schemes for resellers, etc.)

THE THIRD SHOE HAS DROPPED

South Dakota knows well the hardship that a lack of public infrastructure can bring. It is among the few states without a major east-west or north-south railroad. Many of its small towns dried up when the interstate highway system bypassed them, and the state lost much of its commercial air service with the deregulation of the airline industry. As the information age progresses, South Dakotans must have an advanced communications infrastructure to compete and thrive in the new millennium—or the state will “dry up” as a whole.

History was made last year when South Dakota's governor and state legislature overwhelmingly voted into law a new telecommunications policy to ensure that all state residents enjoy the benefits of a well-defined, advanced telecom infrastructure.

The law (see box below) establishes direction and leadership. It focuses on the considerable resources that industry players spend each year on a common infrastructure solution. It provides specific direction and goals for the state by defining three new networks required to meet South Dakota's current and future communications needs:

- A narrowband network, which leverages existing copper voice telephone lines to achieve a 10-fold increase in capacity over the digital switched network, delivering up to 144 kbps capacity;
- A wideband (transitional) network, which stretches the copper lines to their limit and launches use of some fiber optic lines, and will range in capacity from 144 kbps to 45 Mbps, yielding a 1,000- to 3,000-fold increase in capacity; and
- A broadband network, delivering switched fiber optic networking to the desktop at speeds ranging from 150 Mbps to 622 Mbps to 4.8 Gbps to into the Terabit range, establishing a 100,000- to several million-fold increase in capacity over today's networks.

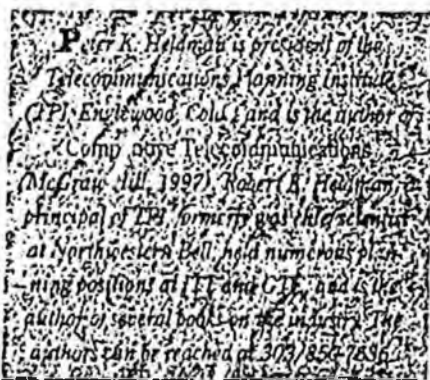
The law details technologies, standards, capabilities and minimum user interface requirements for the networks. Existing plant is to be leveraged and new plant established to form an open infrastructure, as envisioned by the Telecom Act. The new networks should implement phased-in deployment, which allows a cadre of new, non-

traditional facilities based service providers to join in. The law further directs the South Dakota PUC and other branches of state government to promote and establish these networks in all actions, decisions and policies.

Seeking a standardized network solution that meets user needs for security, survivability, addressability, robustness and affordability, the law defines the exact infrastructure. The stakes are great; indeed, this state cannot afford to pursue a limited or wrong solution.

The eyes of the nation will be on South Dakota and other states to see whether service providers are serious about providing a new infrastructure for data, video and multimedia services—or whether they will abandon America's future market opportunities. Who will manage, direct and incent the deployment of the new advanced infrastructure? It's up to the states and industry to provide the answer.

The genie cannot be put back into the bottle. ILEC efforts to foot-drag the inevitable inroads of competition will fail in the end. A better course of action is to acknowledge the untapped market opportunities for advanced networking services. Shareholders and consumers are better served as service providers use their resources constructively to compete in the market, rather than in the court room. South Dakota's leadership has embraced this new environment, and can be a model for other states, as well as ILECs, CLECs, equipment suppliers and end users, to follow.



SOUTH DAKOTA'S TELECOMMUNICATIONS POLICY ACT

“This infrastructure will establish any-to-any voice, data, video conferencing, graphics, image and multimedia communications.”

“These three networks will fully support the following capabilities requirements: ubiquitous, feature-rich, standard, secure, private, survivable, robust, addressable, switched, symmetric, affordable and available.”

“Communications services will be reasonably and affordably priced to promote the growth and usage of each of these three new networks, leveraging the power of technology to provide ever increasing bandwidths at ever diminishing cost of facilities.”

“Classes of service will be created for network services in order to establish a new service-based and value-based pricing model.”

“The new narrowband, wideband and broadband communications networks will be established in a manner ensuring that all the citizens of South Dakota realize the advantages of the forthcoming information age, including economic development, educational opportunities, a heightened level of medical care, and better, more efficient service from all levels of government.”

—South Dakota Statute Chapter 42-31

2/19/98

Sam Bishop, Opinion Page Editor; 459-7574; e-mail: letters@newsminer.cc

FAIRBANKS

Daily News - Miner*"Independent in All Things... Neutral in None"*

Established in 1903

CHARLES L. GRAY

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*Publisher*KELLY BOSTIAN
*Managing Editor*SAM BISHOP
*Editorial Page Editor***Phone repairs**

The Alaska Public Utilities Commission last month snipped the wires carrying competition to local phone service in Fairbanks, but Rep. Pete Kelly is playing repairman.

Kelly, R-Fairbanks, has introduced legislation that would require the APUC to approve local service applications from companies that show they are "fit, willing and able" to provide the service. The bill could help speed the arrival of more choices and even better prices in Fairbanks. It's worthy of support.

On Jan. 8, the APUC rejected an application from GCI to provide local phone service in Fairbanks. GCI wanted the commission to reject an exemption in recent federal law that protects PTI's local monopoly. Congress deregulated much of local phone service in 1996 but allowed the states to decide whether to allow local service competition in their communities with 50,000 or fewer lines. APUC members decided against competition for both Fairbanks and Juneau.

The commissioners may eventually allow competition anyway, but this bill should speed up the process and set some parameters for such decisions.

The legislation doesn't completely gut the regulatory process. It retains and acknowledges the commission's responsibility to determine whether a company is able to provide local phone service. However, if the company is able, the commission would have to approve the application within 90 days.

Currently, the commission has another step in its process. It must determine whether competition for local phone service is required for the "convenience and necessity" of the public. Kelly's bill makes the blanket determination that, yes, competition is a necessity.

As a result, decisions about where to seek local phone service more often would be made not by the government but by the individuals paying for that service. That's where the decision belongs.



Bill to hasten phone competition

By LEE JORDAN
Alaska Star Editor

A measure designed to hasten competition for local telephone service in areas other than Anchorage was introduced Tuesday by Rep. Pete Kelly of Fairbanks. It was prompted by a Jan. 8 decision of the Alaska Public Utilities Commission (APUC) to delay opening Fairbanks and Juneau to the type of battles being waged for customers in Anchorage.

"History has proven competition gives consumers lower costs, increased technology and more choices. I can't see anything wrong with those outcomes," Kelly said in announcing the filing of House Bill 416.

That bothers Greg Berberich, vice president of corporate services for Matanuska Telephone Association (MTA).

"Congress specified that they set aside rural companies to be regulated by state commissions," he said. "The Legislature is trying to circumvent the system."

Supporters of the bill said the regulators have not given enough thought to the savings for consumers.

"The APUC decision makes no mention of the benefits to customers from competition. Instead, they concentrated on possible harm to utilities," said GCI spokesman David Morris.

(See PHONES, Page 3)

2-19-98 Chugiak - Eagle River Alaska Star

PHONE:

(Continued from page 1)

GCI, which is engaged in an all-out effort to snag customers from the city-owned Anchorage Telephone Utility (ATU), had petitioned for the right to offer local telephone service in Juneau. It was that petition that resulted in the Jan. 8 decision.

"Customers all agree they want competition," Morris said, referring to surveys conducted by his company. "They see what happened on the long distance side. When competition began, a number of hidden charges suddenly went away."

Anchorage is the only part of Alaska where competition is allowed in the local telephone service arena. Because of that, ATU is under attack by both GCI and AT&T Atlascom.

"It's premature for our state legislature to get involved, given all the intricacies at the APUC and Federal Communications Commission levels," Berberich said.

Despite GCI's assertions that customers will benefit, Berberich said "some may and some may not. We're seeing around the country that competition is not necessarily lowering costs but is creating a class of haves and have-nots."

The MTA executive acknowledged that "competition drives price to cost." Rural utilities, however, "are very high cost companies."

"Congress wanted the state commissions to look at individual situations to make sure there would be enough support to keep affordable service" throughout a utility's service area "after the cherry-picking is over." That term refers to signing up blocks of easy-to-serve customers, leaving the more expensive ones to the established company.

Without the playing field being leveled by the state regulatory commission, "competition is a risk," Berberich said.

Telephone service "has been a monopoly for the past 45 years," the MTA official said. "It's not going to change overnight."

Front page story

LEE B. JORDAN
Editor and Publisher

12-11-97

"Some values are ... like sugar on the doughnut, legitimate, desirable, but insufficient, apart from the doughnut itself. We need substance as well as frosting." —Ralph Tyler Flewelling

Telephone disparity questioned

People who live or work in Chugiak - Eagle River have been paying one of Alaska's highest rates for telephone service. Fellow member-owners of Matanuska Telephone Association (MTA) pay \$60 per year less. That disparity has been going on for nearly 20 years. The Palmer-based utility considers the 55 percent higher charge to still be justified by 1978 reasoning. That is surprising.

Even with competition looming, no one at the telephone utility has taken a look at leveling the playing field in the area closest to their competitors — an area that represents 31 percent of MTA's total access lines. That's not only surprising but disturbing.

THE RATE DIFFERENTIAL was implemented after MTA and the Anchorage Telephone Utility (ATU) worked out an agreement whereby calls could be made toll-free between Chugiak - Eagle River numbers and those in Anchorage and on the military bases. Such calls until then had been long-distance calls, costing 30 cents or more, plus tax, in 1970s dollars.

To make the service possible, microwave transmitters were set up at Eagle River and atop ATU's East Wire Center on DelBarr Road. As the Chugiak - Eagle River population grew, more microwave facilities were added and more recently, a fiber-optic cable was extended along Glenn Highway.

Chugiak - Eagle River Chamber of Commerce, then the only organized voice for the community of 8,500 people, joined individual residents in asking for the toll-free service. Told it would be necessary to pay more on their monthly bill to offset the added expense — and also MTA's loss of income from a share of the long distance calls — the telephone users agreed to pay more.

BUT THAT WAS almost 20 years ago. Twenty years before that, the area's handful of houses was connected by Army surplus field telephones hooked to wire strung through the woods.

Today, Chugiak - Eagle River has a population of more than 30,000 with nearly 14,000 active telephone lines. Telephone wars have burst out all over the place, with three companies — including MTA — competing for customers in the Anchorage market. Utilities are offering 10-cents-a-minute rates for calls across the globe. Cellular phones, while presently more costly, offer the convenience of being in contact anytime, virtually anywhere.

Technology has changed considerably during that time. Those microwave units 20 years ago were advanced equipment at the time. Today, the cable alongside Glenn Highway can carry thousands of conversations at a tiny fraction of the old costs.

MTA TELLS US that cost is not a factor in the rate differential assessed in Chugiak - Eagle River. It's based instead on what MTA thought it would be worth to local residents to eliminate the long distance tolls. If we wanted toll-free calls that much, they'd be happy to oblige. MTA convinced the Alaska Public Utilities Commission that the rationale was sound.

Local customers who are discovering that the disparity has continued so long without review may well be justified in asking for an accounting from the utility they own.

They should also ask why nothing has been done to prepare for competition that they know is only two years down the road. That time frame is significant because MTA claims that it takes two years to get a change in the rate structure. GCI asserts, on the other hand, that ATU customers saw immediate savings as soon as GCI announced it was entering the game.

THE TELECOMMUNICATION INDUSTRY is changing faster than most people can comprehend. MTA itself has jumped into the deep end of the pool with its own ventures into the competitive field. Let's wish the best for our cooperative. At the same time, let's make sure that all the members are being treated fairly. Sixty dollars a year to call Anchorage over an in-place line is pretty expensive — especially when you consider that one can have a nice chat with Aunt Susie in Great Neck, N.Y. for less than a buck.

'Free' MTA service costs \$5

By LEE JORDAN
Alaska Star Editor

Chugiak - Eagle River residents pay \$5 more per month for residential telephone service than do their friends with a cabin near Talkeetna. But it costs them nothing to make a call to Anchorage, something that comes extra for the remote-area person.

Sen. Rick Halford of Chugiak has asked his staff to review the disparity in rates of Matanuska Telephone Association (MTA), hoping to learn if the difference in the 19-year-old rate structure is fair to the co-op's members in the southern part of the district.

As of Oct. 31, MTA served 44,891 access lines. Of those, 13,849 are in Chugiak - Eagle River.

Basic residential service in Chugiak - Eagle River is \$13.90 per month as compared to \$8.96 in Talkeetna, Clear, Healy, Palmer and other localities within the vast MTA service area. A proportionally higher surcharge is also applied to business telephone service.

According to figures compiled by Halford legis-

lative aide Bill Stoltze, only Elim's Mukluk Telephone system charges more than MTA's Chugiak - Eagle River rate - 40 cents more. Anchorage Telephone Utility (ATU) customers in Anchorage pay \$9.77 per month. Under the two-way agreement, they can call Chugiak - Eagle River numbers toll-free.

"We were both a little surprised at the rate difference," Stoltze said. "We knew we were paying more than other parts of MTA and we knew we were paying more than Anchorage residents."

They weren't aware the difference came to \$60 a year.

Why is the rate so much higher for one portion of the service area?

"Extended area service," said Don Reed, manager of regulatory affairs for MTA.

In 1978, Chugiak - Eagle River residents said they wanted to be able to call Anchorage and the military bases without having to go through long

(See RATES, Page 2)

RATES:

(Continued from Page 1)

distance operators.

The rate for that service was determined by setting a value on the average customer's local area long distance calls, a charge at that time of about 30 cents per call.

"It was an evaluation — market value — and is not based on costs," Reed said. Customers were willing to pay the higher amount and the Alaska Public Utilities Commission (APUC) accepted it.

Customers still seem willing to pay more based on the long-standing formula, Reed said. There has been no request for a review of the rate structure and the utility has no plans to file for a revision — a process that MTA Vice President Faye Palin said would take two years.

The spectre of competition is a concern to the utility, Palin and Reed both said. It has not, however, spurred them to look at lowering rates.

Competition in the telephone industry has mushroomed following passage of the Telecommunications Act of 1996. Congress actually encouraged competition for local service, said David Morriss of GCI.

ATU and AT&T spokespersons both told The Star they have no plans to attempt to serve Chugiak - Eagle River.

GCI, on the other hand, has already announced

that it plans to begin local telephone service in Chugiak - Eagle River within two years.

Customers of ATU "saw a lot of hidden charges disappear just as soon as GCI announced we were going into local service," Morriss said. Referring to what he said were charges "just for the privilege of using ATU," he said, "they don't see those kind of 'gotchas' now."

"Cutting rates in an effort to slow competition may not be a good idea," said Steve Ex, the only Chugiak - Eagle River resident on the five-member MTA board. That could hurt the cooperative, Ex said.

"We're having to borrow money to keep up with building more infrastructure because of the fast growth within our service area," said the director.

Rates for local service make up only about 17 percent of MTA's income, Ex said. The remaining 83 percent comes from a federal program to subsidize rural telephone service and from MTA's share of long distance charges. The utility's many subsidiaries do not contribute significantly to MTA's income, he said.

All of Alaska except for ATU's Anchorage area is classified as rural under the 1996 act. It is that designation that provides the federal subsidies that supplement MTA's telephone service rates. An APUC ruling that would remove the "rural" designation for Juneau is being watched closely by utility players.



RIVER'S
EDGE
Resort Cottages

Located at:
4200 Boar Street, Fairbanks, Alaska
Mail:
3165 Riverview, Fairbanks, AK 99709
email: lsandersn@polamer.com
(907) 474-0286, fax: (907) 479-9113

March 11, 1998

The Honorable Jeannette James, Chair
House State Affairs Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99801

Dear Representative James,

Thank you for the opportunity to add my support to HB 416 " An Act relating to competition in the provision of local exchange telephone service. I support this bill because of my fundamental belief that competition in the marketplace is in the consumer's best interest. Modern technology is making competition in telecommunications economically sound public policy, and it should be reflected in our regulatory policy.

It has been my observation that regulatory agencies are inherently cautious and conservative with regard to major policy changes. For that reason I do believe that it is appropriate for the legislature to establish general policy in statute as outlined in HB 416.

Sincerely,

Steve Frank

March 10, 1998

**Alaska State Legislature
House State Affairs Committee
Alaska State Capital Building
Juneau, AK 99801-1132**

To Whom It May Concern:

I can choose the stores where I shop, I can choose what kind of car I drive, I can choose my airline, I can choose what entertainment I want, basically I can choose most everything in my life. A few years ago there were things I couldn't choose because it wasn't technically feasible, but as we have advanced technologically, many of those areas have opened up so that competition is possible.

One of those areas now should be my local phone service. There is no reason I can see that Anchorage should be the only area in Alaska where companies can compete for customers. It's through this healthy competition that businesses start improving their services and becoming better and more efficient because that's how they vie for customers. Obviously, the customers are better off because the service is better and the costs are reduced.

In short, I want to see competition in local phone service.

Thank you for your consideration,

John Guiggey

**John Guiggey
405 Slater Street, Apt. 5
Fairbanks, AK 99701**

Robin L. Dodson
1267 Skyline Drive
Fairbanks, AK 99712

March 11, 1998

State Affairs Committee
Alaska State Legislature
State Capital (MS-3100)
Juneau, AK 99801-1132

Dear State Affairs Committee Members:

As a citizen of the second largest community in Alaska, I encourage you to support competition for local telephone service. Fairbanks cannot remain non-competitive while Anchorage and other communities in the United States realize new services and technology. The only way we will have the new technology required is by allowing competing companies the opportunity to serve this area.

I spend many hours doing research on the internet. Many hours have been wasted, while I wait for screens to appear on my monitor. I have the highest speed modem which can be supported by the lines coming into my home. I can purchase faster modems, however, it would not result in any improvement. I know that if competition is allowed, more options will be available at more affordable rates than currently exist.

Please vote in favor of House Bill 416.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robin L. Dodson", with a long horizontal flourish extending to the right.

Robin L. Dodson

Dr. David B. Hoffman
P.O. Box 83161, Fairbanks, AK 99708-3161
907-474-2141 - dhoffman@alaska.net

DATE March 12, 1998

TO Representative Jeannette James, Chair
State of Alaska
House State Affairs Committee

CC Representatives: Pete Kelly, John Davies, Tom Brice, Gene Theriault, Al Vezey
Senators Bert Sharp, Mike Miller, Gary Wilken

RE: HB 416 - Local Phone Service Competition

The recent APUC decision to classify Fairbanks as a rural community and therefore exclude it from local phone service competition was a disappointment. Representative Kelly's recent proposed legislation HB 416, to override APUC's decision is refreshing news. I sincerely hope that the State Affairs Committee will support this initiative.

The changes in communications technology available to the public will change more over the next five years than it has changed over the past 50 years. Fairbanks should not be left out?

I use Internet connectivity every day as a consultant and frequently find that, despite the fastest modem available, I am still denied numerous files, upgrades, software and animation that are available to most others in the U.S. For example, I recently tried to download a simulation language from Powersim Inc. Because of the size of the files, I ended up calling the company and asking them to mail the nine disks and the manual.


Protecting PTI's monopoly will slow the innovations that are already available elsewhere. Fairbanks is home of the University of Alaska Fairbanks, Arctic Region Supercomputing Center, the new International Arctic Research Center, several new satellite remote sensing earth stations, Alyeska Pipeline Service Co. headquarters, and many other organizations. These organizations attract many talented people and I am concerned that the lack of incentives for communications innovations here will hurt the community's ability to attract and retain people who are accustomed to these services for themselves and their families.

As I read about high-speed communications developments, like Internet, ISDN, and cable modems, I realize that, if Fairbanks is not able to offer the current innovation, future advancements will be very slow in coming. And if they come in a monopoly environment, they will be far more expensive. The APUC ruling says to me, "If you want modern, competitive communications options in Alaska, move to Anchorage".

PTI and its new parent company, Century, are mature well-developed, financially sound corporations that can handle competition. Deregulation has brought innovative communications to millions. Decisions that restrict competition here in Alaska exclude students, the business community and the general public from both the economic and technological benefits.

Thank you.

Sincerely,



David B. Hoffman



Sebastian Hair and Nail Design

Kevin E. Griffin, Salon Owner

*505 Old Steese Hwy., Suite 121 * Fairbanks, Alaska 99701 * (907) 451-6657*

March 9, 1998

State of Alaska
House of Representatives
State Affairs Committee
Juneau, AK 99801

Dear Members of the House State Affairs Committee,

As a small business owner I am constantly striving to reduce my overhead. The telephone is the way most of my clients set appointments. It is a necessary tool like the other equipment in my salon. The difference is that I can arrange for different suppliers for my other equipment and services. I can't for my phone service.

I am an ardent supporter of competition. I compete in my profession and it's not always easy, but I am continually trying new ways to improve what I do and how I treat my clients. I also recognize that I benefit by working with suppliers and other businesses who have to compete for my business.

The purpose of my letter to you is that I would like to see competition wherever it is possible. I would like to see competition for my phone service.

Sincerely,

Kevin E. Griffin

Rusty Bickerstaff · P. O. Box 55862, North Pole, AK 99705-5862

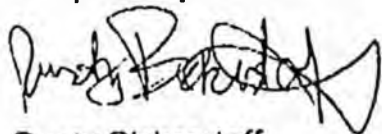
TO: House State Affairs Committee
Alaska State Legislature
State Capital (MS 3100)
Juneau, AK 99801-1132

RE: HB 416

Prices continue to drop for my long distance telephone service, but I haven't noticed any reductions in my local service - in fact, quite the contrary. There is no doubt in my mind that if PTI had to compete for my business, suddenly, there would be some reductions available to me! Quite frankly, that makes me more than a little frustrated.

You have the opportunity to correct this situation. I respectfully request that you keep the customers in mind when you look at HB 416.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Rusty Bickerstaff", with a stylized flourish at the end.

Rusty Bickerstaff

Nick Stepovich
543 Second Avenue
Fairbanks, AK 99701

March 6, 1998

House State Affairs Committee
Alaska State Legislature
State Capital (MS 3100)
Juneau, AK 99801-1132


Dear Committee Members:

As a lifelong member of the Fairbanks community, I am frustrated that I cannot choose the company with which I do business for my local telephone service. Monopolies were common in days past. There is no reason, these days, that local telephone service cannot be opened up to other businesses who are able and interested in serving the Fairbanks area.

I support HB 416, introduced by Pete Kelly.

Sincerely,

Nick Stepovich

A handwritten signature in black ink, appearing to read "Nick Stepovich", written over the printed name.

March 11, 1998

Alaska State Legislature
House State Affairs Committee
State Capital Building
Juneau, AK 99801

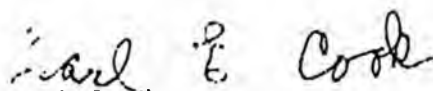
TO: House State Affairs Committee Members
RE: House Bill 416

Fairbanks has been my home for over sixty years. During those years, many changes have transformed our community from a somewhat remote town to a city with amenities one would find most everywhere - the result of free enterprise.

Through the years, monopolies have been allowed in some industries due to barriers too substantial to allow for reasonable and reliable service to the population being served. As new technology is developed, those barriers are being eliminated. Today, there are far fewer monopolies than existed just a short 15 years ago.

Local telephone companies, historically monopolies, are seeing competition now in Anchorage and the other 49 states. There does not appear to be any reason for areas outside Anchorage to be excluded from the benefits of competition in this industry. The decision to only allow competition in Anchorage appears to be arbitrary.

Sincerely,


Earl E. Cook
238 Well Street
Fairbanks, Alaska 99701
453-3637

Alaska Telephone Association

201 E. 56th, Suite 114
Anchorage, AK 99518
(907) 563-4000
FAX (907) 562-3776

David Fauske
President

James Rowe
Executive Director

Legislative Briefing - February 1998

▶ **HB 416 - An Act relating to competition in the provision of local exchange telephone service**

With the 1996 Telecommunications Act, Congress mandated competition as a national policy. The Act also mandated the preservation and advancement of Universal Service at affordable rates. Congress recognized the problems associated with competition in rural areas and specifically placed upon each state public utilities commission the responsibility for determining when the delivery of telecommunications services in a competitive environment would be in the public interest. HB 416 would circumvent the intent of Congress and eliminate any public interest determination.

Since the Act was passed, the FCC has been very busy promulgating regulations; many of which have been challenged and overturned in court. These rulemakings involving access charges, universal service and separations reform are very complex, will have significant impact on Alaskans and must be carefully deliberated. Some of the determinations that will come from the state need prior resolution at the federal level. In other cases the APUC seeks more data upon which to make informed decisions. HB 416 interferes with the commission process necessary to maintain universal service and affordable rates in Alaska.

▶ **Sufficient funding for the APUC**

The Telecommunications Act of 1996 has significantly increased the workload of the commission. We support funding levels sufficient to serve the public needs.

▶ **Passage of locate standards legislation this session**

The state has long needed standards for locating and identifying underground utilities. A bill soon to be introduced in the Senate Labor and Commerce Committee will address those standards.

Post-it* Fax Note	7671	Date	# of pages	2
To	PAULLA	From	Jim	
Co./Dept.		Co.		
Phone #		Phone #		
Fax #		Fax #		

0-LS1568B

HOUSE BILL NO. 416

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE KELLY

Introduced: 2/16/98
 Referred: State Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to competition in the provision of local exchange telephone
 2 service; and providing for an effective date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * Section 1. AS 42.05 is amended by adding a new section to read:

5 **Sec. 42.05.870. Competition in local exchange service.** (a) The legislature
 6 finds that

7 (1) modern, affordable, efficient, and universally available local and
 8 long distance telephone service is essential to the people of the state;

9 (2) local exchange telephone service should be provided competitively
 10 wherever possible;

11 (3) technological advances, reduced costs, and increased consumer
 12 choices for local exchange telephone service, resulting from the adoption of an
 13 appropriate competitive market structure, will enhance the state's economic
 14 development;

HB0416a

-1-

HB 416

New Text Underlined (DELETED TEXT BRACKETED)

1 (4) the benefits of competition in local exchange telephone service
2 should be available to consumers throughout the state;

3 (5) the commission should oversee competition in local exchange
4 telephone service to ensure that the competition is fair to consumers and competitors;

5 (6) the commission should provide for competition in a timely manner
6 and should adopt regulations that eliminate impediments to entry for local exchange
7 carriers fit, willing, and able to provide service.

8 (b) By December 31, 1998, the commission shall adopt

9 (1) regulations on universal service and access charges that are
10 compatible with full competition in the provision of local exchange telephone service
11 using all methods allowed by 47 U.S.C. 251 - 276 (Telecommunications Act of 1996);
12 and

13 (2) any further regulations necessary to allow and promote local
14 exchange competition, using all methods allowed by 47 U.S.C. 251 - 276
15 (Telecommunications Act of 1996), in the service areas of all local exchange carriers
16 that served 1,500 or more access lines on January 1, 1998.

17 (c) The commission shall approve or deny applications to provide competitive
18 local exchange telephone service within 90 days after the filing of a complete
19 application and shall consider competitive local exchange telephone service to be a
20 service required for the convenience and necessity of the public under AS 42.05.241.
21 The commission shall approve an application on a finding that the applicant is fit,
22 willing, and able to provide the service. If the commission fails to approve or deny
23 an application within 90 days after the commission has received a complete
24 application, the application is considered approved.

25 (d) A local exchange telephone company that is exempted in whole or in part
26 from complying with all or a portion of this chapter may not be regulated by a
27 municipality under AS 29.35.060 or 29.35.070.

28 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

Alaska State Legislature

REPRESENTATIVE
PETER KELLY

Mailing Address:
119 N. Cushman, Suite 203
Fairbanks, Alaska 99701
(907) 456-8161



While in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-2327

House District 31

House Of Representatives

February 25, 1998

Memorandum

To: Representative Pete Kelly
Joe Ambrose, Office of Senator Robin Taylor

From: Bruce Campbell

Re: Discussion points from John Magyar, Tom Friesen, Ketchikan Utilities

Ketchikan sees HB 416 as being targeted directly at the disassembly of the Ketchikan phone utility.

Page 2, lines 25 to 27, subpart (d) prohibits municipal regulation "in whole or in part". Ketchikan has a municipal utility that includes phone, electricity, water, & sewer. Their attorney interprets this language to mean that if the phone portion of the utility system is no longer regulated by the municipality, then the remaining portions of the utility will no longer be regulated by the municipality, and therefore they will be regulated by the APUC. They fear that regulation by the APUC will be far more expensive than regulation by the municipality.

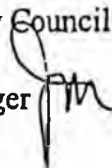
A more general concern is that HB 416 overrides the federal competition act by making a blanket finding that competition is in the public interest and overriding the rural exemption. Cherry-picking, residential v. commercial rate inequities, and other issues may not be well settled by this bill.

The most general concern is the speed with which the Legislature may move, leaving the possibility of unintended consequences for service providers and rate payers.

KETCHIKAN PUBLIC UTILITIES

Memorandum

To: The Honorable Bob Weinstein & City Council

From: John A. Magyar, KPU General Manager 

Date: February 24, 1998

Subject: House Bill H416 - Local Telephone Competition

The attached bill has been introduced by Representative Pete Kelly. It appears to be a follow-up to GCI's attempt to accomplish the elimination of the rural exemption legislatively having failed to do so before the APUC.

The rural exemption, which was established in the federal legislation and FCC regulation and which applies to Ketchikan, provides some protection to small local carriers while permitting some local competition. Under current regulation, a competitive carrier can build infrastructure and compete with the incumbent carrier without restriction. A competitive carrier also can buy tariffed service from the incumbent carrier at wholesale rates by classification (residential, business, trunk) and resell those services to local users.

One intent of this bill, among others which also disregard the protection and processes in the federal legislation, is not to provide for such competition but to require the incumbent carrier to sell portions of existing service (outside wiring, switching, transport to long distance carriers) at an APUC determined discounted rate for the portion of our service taken and allow the competitor to resell the portions of service to any classification. Ketchikan has had a tradition of subsidizing residential service through higher business rates as has been the practice throughout the U.S. Under this bill, the elements of our network would be priced at one rate with no consideration given to the class of service. A competitive carrier could buy a portion of our network and resell it to business with no subsidy for residential service. It wouldn't take long before every business in town would buy its local service from the new competitor while KPU's residential rates would have to climb immediately to offset this loss of revenue.

Additionally, this legislation would have the effect of eliminating municipal rate regulation—KPU telephone rate regulation would pass from City Council to the APUC. KPU and Ketchikan appear to be singled out in this portion of the legislation. While we may be the only municipally owned telco left that is not under APUC local regulation, there are cooperatively owned telcos also under self-regulation who would not be affected by this bill.

We joined with a rural coalition in fighting this before the APUC and are continuing our effort on the legislative front.

JAM:ml

Attachment

H:\USER\NANCY\WINWORD\TEMPLATE\DATA\007-Q5MM.DOC



Yukon Telephone Company, Inc.

P.O. BOX 873809

WASILLA, ALASKA 99687

TELEPHONE 907-373-8007

March 10, 1998

Bruce Campbell
Alaska State Legislature
State Capitol (MS 3100)
Capitol Room 411
Juneau, AK 99801-1182

Dear Mr. Campbell:

Thank you for meeting with us in Juneau. Time is a very valuable commodity and I appreciate the time you took to listen to our concerns. Yukon Telephone Co. Inc. (YTC) and Tanana Power Co. Inc. (TPC) have been in business for over thirty years providing infrastructure in rural Alaska. Once again here is a short recap of our concerns.

HB 416, at this particular time, is harmful to the telecommunication industry. This bill opens up local telephone competition in many places in Alaska without considering the public interest. The 1996 Telecommunications Act passed by Congress gave the authority to the state Public Utility Commission to implement local competition if it was in the public interest. The Alaska Public Utilities Commission has already made the decision whether competition is in the public interest in Juneau, Fairbanks, and Ketchikan. This bill is simply an attempt to override the APUC decision. What is best for all the residents of Alaska should be the guide when making decisions concerning competition. Competition is simply a tool, not an end in itself. HB 416 should not be passed as it tries to bypass the consideration of what is in the public interest.

The APUC needs sufficient funding in order to regulate properly and do it's job. YTC and TPC support a properly funded APUC.

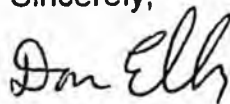
SB 330, the cable locate bill out of the Senate, sets down rules protecting utilities and contractors when excavating near underground utilities. This bill is long overdue and deserves support.

Though there is no legislation regarding Power Cost Equalization (PCE), this issue is of utmost importance. Affordable electricity for rural Alaska is the key for development. PCE is an integral part in keeping electricity affordable in rural Alaska. However, there are some positive changes which need to be done to improve the program: 1) Changing the method of PCE compensation from a cost base to an efficiency base,

2) Making all PCE participants accountable to the State of Alaska, 3) Tie all state funding of rural electrical projects together with the idea of driving down the cost of electricity, 4) Set up a stable mechanism for PCE funding, and 5) Take steps to lower the artificially high cost of fuel in rural Alaska.

Thank you for your time and consideration. Please feel free to contact me if you would like additional information.

Sincerely,



Don Eller

Bruce

Thank you for listening to us. I realize that Representative Kelly would like to see local competition in Fairbanks. HB 416 removes the public interest consideration from deciding whether competition should be allowed in many communities. This is the troublesome part of this bill. I am not against competition, let's see how it works out in Anchorage the biggest market in Alaska before experimenting with other more sensitive Alaskan markets. Thanks for your consideration.

FAX

May 7, 1998

Subject: Deregulating Local Phone Lines
House Bill # 416

To: Judiciary Committee, Alaska House of Representatives

From: Dayne Clark, CPA, Financial Utility Analyst

I have worked with both regulated and non-regulated utility activities and applications to deregulate markets. While generally speaking competition may decrease rates and increase services, it does not always do so. Beneficial deregulation depends on the industry, the type of service and location. While long-distance service benefited from deregulation, local phone service in rural Alaska may not benefit. This needs to be carefully evaluated before deregulating. The Alaska Public Utilities Commission is not opposed to deregulation. They just want to make sure that it is feasible by watching what happens to deregulation in Anchorage.

Long-distance phone service benefited from deregulation.

Long-distance phone service is like flying a jet between Anchorage and Seattle,
The following is a very simple illustration of what happened in long-distance service.

You fly a plane to Seattle every day and it is 50% full, so you sell 20% of the seats to a wholesaler who sells the seats and now your plane is 70% full. In this case you increase the number of people serviced at minimum additional expense. The additional passengers occupied the used seats. (This is not the case with local phone service.)

Local phone service in rural Alaska MAY NOT benefit from deregulation.

Local phone service is like flying a single passenger plane.

Deregulation allows the competition to use your plane to fly the person and they only have to pay you a percentage of the market rate, say 70%, and you supply the pilot, fuel and do the maintenance. (No economies of scale here.)

or

Local phone service is like operating a large manufacturing plant.

Deregulating allows someone else to come in and use the equipment in your plant to sell services. But only one of you can use the equipment to service a customer. How many businesses do you know that could operate efficiently by allowing the competition to use their equipment and facilities to service their existing customers? (Extremely difficult to do business and provide equitable deregulation.)

We need to carefully evaluate before we deregulated local phone service in rural Alaska or we could slow down the installation of newer technology that would greatly benefit rural Alaska. What business is going to invest in new equipment if the competition can use it?

From: Dayne Clark, CPA, Financial Utility Analyst

**Free Market Analysis
of
Long-distance and Local phone service.**

Long-distance Phone Rates, Deregulation and Economic analysis.

A simple Free Market System analysis helps us to understand why the advances in technology and deregulation benefited long-distance phone service and lower rates. The three key elements that enable deregulation

The demand for long distance service is ELASTIC. This means that as the price decreases a consumer will buy more of the good or service. You can purchase long-distance service in small units, 1 minute, and you can easily purchase it when you need it.

Business use of long-distance phones increases as rates decrease. - Many businesses use the phone to solicit sales from customers. If phone rates decrease, then you can afford to call more potential customers until marginal revenues equal marginal costs, or the total cost of making the next sale equals the potential revenue.

Technological advances increased the capacity and reduced costs per minute. The technological advances allowed the company with the long-distance equipment to service more customers and at the same time reduce the cost to service on a per minute basis.

Local Phone Service, Deregulation and Economic Analysis

A Free Market System Analysis shows that deregulation of Local Phone service is subject to the same key elements as long-distance service, demand, consumption and technology. Because local phone service is different from long-distance the results are different.

The demand for local phone service is INELASTIC. This means that as prices decrease, consumers do not buy more. You purchase local phone service in large units of time, a month, and you can not easily purchase additional units as you need them like you can long-distance service. Not too many people are going to run out and purchase an additional phone line because rates are decreased through competition. Thus, the customers are spread over two or more businesses and you lose the economies of scale that benefit rural phone service.

Technological advances in local phone service are not the same. While technology has increased our ability to transmit more data over local lines, we need fiber optic cable installed in the rural areas to really increase the ability to transmit data and increase services. **The technology to provide services over cable is still very limited and not readily available.** Thus, we need to make sure that deregulation will enhance services, not just allow someone else to make money off of another company's local telephone lines.

HB 416

April 5, 1998

HOUSE STANDING JUDICIARY COMMITTEE

Representative Joe Green, Chair

Alaska State Legislature

State Capitol (MS 3100)

Room #118

Juneau, Alaska 99801-1182

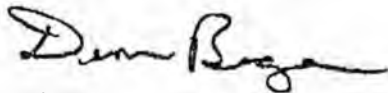
Dear Representative Green:

As a resident of the Valley for 17 years and a member/owner of MTA, I am writing you to express my concern over HB416. Prior to living in the Valley, I lived in the Glennallen area for over eight years and was a member/owner of CVTA. I am well aware of the fact that my local service has been kept low and affordable because of subsidies and the "watch dog" efforts of the APUC.

Don't get me wrong. I am in favor of competition. But who will GCI and other carriers be responsible to if they are allowed to enter our area? With MTA I am able to vote and elect the Board of Directors. Where do the Board of Directors for GCI work and live? Not in the Valley that's for sure! Perhaps we need to slow down and study the effects before allowing competition in the Valley. I watched as competition came to the Valley in the form of Carr's grocery store. We no longer have Koslowsky's and the small meat markets. Carr's did not bring prices down but they did succeed in running the small guys out. I don't want to see this happen to MTA. They're the ones bringing low costs (to the customers) to the Valley as well as Healy.

Please slow down a little before passing HB416. We don't need this "Bill" at this time. Only GCI will benefit not the member/owners of MTA. I care about the Valley. It's where I live and work. I don't want to see MTA forced into selling GCI local service at "wholesale" rates and GCI in turn reselling those services to the Valley. MTA and it's member/owners brought low cost phone service to the Valley; don't allow MTA to be forced out in the name of "competition". Don't allow GCI to take unfair advantage of hastily enacted rules; that would only help GCI's profits not the people of the Valley.

Sincerely,



Dennis Begen
HC04 9363
Palmer, AK 99645

THIS IS A PHOTO COPY OF ONE OF A LARGE BUNDLE OF THESE CARDS THAT ARE AVAILABLE IN THE ORIGINAL FILE.

Dear Chairman Green:

I urge you to stop passage of HB 416. If the bill passes it will mean that my local residential telephone rates will more than double. This will cause a severe hardship to myself and all rural residents.

Competition in rural areas simply means that our phone rates will move closer to the actual high costs of providing service to our community. We will have to pay much more for the same service. Please don't allow this to happen.

Emil Gundersen

Name

Joie Gundersen

Marina M Gundersen

Address

Emil Gundersen
Box 33
Sand Point AK 99661



THE HONORABLE JOE GREEN
CHAIRMAN HOUSE JUDICIARY COMMITTEE
AK STATE LEGISLATIVE
STATE CAPITAL
120 4TH ST RM 118
JUNEAU AK 99801-1182

