

HB

416

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 416(), Draft Version "F"

1 Page 2, lines 8 - 16:

2 Delete all material and insert:

3 "(b) By December 31, 1998, the commission shall adopt regulations ensuring
4 universal service and providing for appropriate access charges and any other
5 regulations necessary to allow for and promote local exchange competition through
6 the entry of competing local exchange carriers in the service areas of local exchange
7 carriers that served 1,500 or more access lines on January 1, 1998, by

8 (1) construction of networks and interconnection with incumbent local
9 exchange carrier;

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

12 (3) resale of retail service of incumbent local exchange carriers
13 purchased at wholesale rates;"

14 Page 2, following line 26:

15 Insert a new subsection to read:

16 "(d) The commission shall exempt an incumbent local exchange carrier from
17 a duty set out in 47 U.S.C. 251(b) or (c) if but only if the incumbent local exchange
18 carrier demonstrates that complying with the duty is not technically feasible or would
19 cause an undue economic burden to the incumbent. In determining whether
20 complying with a duty would cause an undue economic burden, the commission may
21 only consider the cost of fulfilling the duty. In particular, the commission may not
22 consider the effect on the incumbent that would result from entry of an efficient
23 competitor into the market served by the incumbent."

1 Reletter the following subsection accordingly.

2 Page 2, following line 30:

3 Insert a new subsection to read:

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

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: February 16, 1998

FURTHER REFERRALS:

Judiciary
Finance

Date of Committee Action: 3/26/98

The STATE AFFAIRS Committee considered:

HB 416

HOUSE BILL NO. 416

LOCAL EXCHANGE TELEPHONE SERVICE

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

recommends it be replaced with the following committee substitute C5(HB 416)STA the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) Commerce

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Jeanette James</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>		<input checked="" type="checkbox"/>		
<i>Joe Ryan</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>			<input checked="" type="checkbox"/>	

CHAIR'S SIGNATURE Jeanette James

Alaska State Legislature

REPRESENTATIVE

PETER KELLY

Mailing Address:

119 N. Cushman, Suite 203

Fairbanks, Alaska 99701

(907) 456-8161



House Of Representatives

While in Juneau

State Capitol

Juneau, Alaska

99801-1182

(907) 465-2327

House District 31

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.

Alaska State Legislature

CHAIR:
REPRESENTATIVE
JEANNETTE JAMES

State Capitol
Room 102
Juneau, Alaska
99801-1192
(907) 465-3743
FAX (907) 465-2381



House of Representatives
HOUSE STATE AFFAIRS

MEMBERS:
REPRESENTATIVES
IVAN IVAN
AL VEZEY
FRED DYSON
MARK HODGINS
KIM ELTON
ETHAN BERKOWITZ

Attached is a transcript of A.P.U.C.'s discussion RE HB 416
on Wednesday, March 25, 1998.

465-2381
attn Barbara

Tape 3

Log 0700

CHAIRMAN COTTEN: Well, I think it's difficult to ignore the potential consequences of changing or losing these support mechanisms and that's a great euphemism for subsidies that I've enjoyed using. And that could mean that rates could be adversely affected. I think that's part of the rationale that went into my thinking as we've reviewed these subjects earlier. And our challenge is to produce regulations and not just produce regulations by the end of the year, but also understand what the rest of the world is doing as far as Universal Service is concerned. We keep hearing about what the FCC's doing as far as Universal Service Funds and the competition for those funds with the schools, libraries, and educational facilities and medical facilities. There's a lot of flux here that deal with the so-called support mechanisms. And I think it -- we can't ignore, again, the potential adverse consequences of losing those funds. So I think that my recommendation to the Legislature would be to wait until next year and see how the Commission does and our -- as we attempt to produce these regulations that will, hopefully, resolve a lot of these questions. But my guess is that just like the last telephone wars that took place in Juneau if we don't or if we stumble or are unable to produce them, perhaps, the Legislature will have a better justification for circumventing this process. Commissioner?

COMMISSIONER COOK: Should we formalize that recommendation, Mr. Chairman, 'cause I agree with what you just said.

COMMISSIONER HANLEY: You just said give us the first shot and if we wait till next year.....

CHAIRMAN COTTEN: Okay. Well, one way to accomplish that would be to maybe get a transcript and try to put something down on paper that could find the support of the majority of this Commission. We all know that we tweak and offered a sense and so forth, so I think we kind of -- we have an idea of the will of the majority here, but as far as formalizing it, maybe I could suggest that we attempt to put something in writing that we could find majority agreement to. Does that sound like a good plan?

COMMISSIONER HANLEY: Yes.

COMMISSIONER POSEY: Support it.

CHAIRMAN COTTEN: All right. So that will be once we get the transcript we can attempt to craft a recommendation.

0825

ALASKA

PUBLIC

UTILITIES

COMMISSION

About the APUC...

Utility rates and services affect every Alaskan. Utility customers deserve reasonable utility rates and reliable service. The Commission works to ensure just and reasonable rates and high quality, reliable service.

Reasonable rates and reliable service can enhance economic development and be determining factors in business decisions to start up operation in, or relocate to, Alaska.

Who is the APUC?

The APUC has five commissioners, each appointed by the Governor and confirmed by the Legislature for a six year term. The current commissioners are:

Sam Cotten, Chairman

Alyce A. Hanley

Dwight D. Ornquist

Tim Cook

James M. Posey

Executive Director, Robert A. Lohr and a staff of 35 are responsible for providing professional staff support for Commission decisions and for carrying out the Commission's policies.

What does the APUC do?

The Alaska Public Utilities Commission (AS 42.05, 42.06, and other statutes) regulates public utilities by certifying qualified providers of public utility and pipeline services; and ensuring that they provide safe and adequate services and facilities at just and reasonable rates, terms, and conditions. This keeps rates as low as possible while allowing the utility to earn a fair return. The commission also determines the eligibility and the per kilowatt-hour support for electric utilities under the Power Cost Equalization program (AS 42.45).

Who is Regulated by the APUC?

Most companies providing telephone, electric, gas, water, sewer, garbage, or steam services to ten or more customers are required to have a certificate to operate. A public utility or pipeline carrier must obtain a

certificate of public convenience and necessity, which describes the authorized service area and scope of operations of the utility. A certificate may be issued only if the commission finds the applicant to be fit, willing, and able to provide the utility service requested.

The rates, services, and practices of many utilities are economically regulated by the Commission. Other utilities are not economically regulated. These include city-owned utilities, very small utilities, cable TV and cellular phone service, and cooperatives whose members have voted to de-regulate.

The Commission also regulates oil pipeline companies that operate within the State.

When do we need the APUC?

In most cases, when utilities request changes in either their rates or types of services they provide, the APUC provides notice to the public and allows thirty days for comments. The Commission then acts to approve or disapprove the utility's proposal.

Public notice appears as an ad in the local newspaper or is posted in the local post office.

Where is the APUC?

The APUC is located at 1016 West Sixth Avenue, Suites 300 and 400, Anchorage, Alaska. (907) 276-6222, (907) 276-0160 Fax, (907) 276-4533 TTY

The APUC holds most public meetings in Anchorage, although the Commission may hold hearings in affected communities throughout the state.

[!\[\]\(ac13c516668a3b529e385da83084b241_img.jpg\) Back to APUC's Home Page](#)

[!\[\]\(5a09a9dfd2f1e923eccb8c24714edf51_img.jpg\) State of Alaska Home Page](#)

[E-Mail to the APUC
Webmaster](#)

Last Update: October 21, 1997

LEGISLATIVE INFORMATION OFFICE
119 N. CUSHMAN, SUITE 101
FAIRBANKS, AK 99701
452-4448

DATE: 3-12-98

Please accept the enclosed original(s) of written
testimony for the

HSTA teleconference scheduled on

3-12-98. A copy of this testimony was
transmitted to your committee via fax.

Thank you,

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

Dish Alaska
Fairbanks, AK 99709
(907)479-3150

February 18, 1998

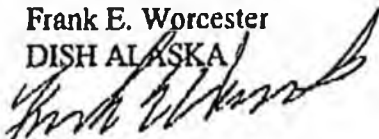
State Affairs Committee
State of Alaska
House of Representatives
State Capitol Building
Juneau, AK 99801

To Whom it may concern:

As a 39 year resident of Alaska with 9 years in Fairbanks, I am writing in support of House Bill 416 sponsored by Representative Pete Kelly. We are all familiar with the years long battle to introduce competition to the long distance market in Alaska. The opposing sides for years threw resources that could be much better utilized to improve services and lower costs to consumers into a confrontation that did nothing but leave a bad impression of all parties involved in the minds of the public. There is no evidence that I am aware of that would indicate a monopoly in local services is in the best interests of the public. Monopoly simply encourages waste, higher rates and indifference to the best interests of the consumer.

Therefor I urge you to vote in favor of HR416 .

Thank you,
Frank E. Worcester
DISH ALASKA





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

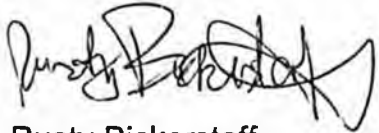
TO: House State Affairs Committee
Alaska State Legislature
State Capital (MS 3100)
Juneau, AK 99801-1132

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", written in a cursive style.

Rusty Bickerstaff

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

**Kevin Churches
P.O. Box 72117
Fairbanks, AK 99707
(907) 459-3783**

Wednesday, March 11, 1998

The Honorable Jeannette James
House State Affairs Committee
Alaska State Legislature
PO Box V
Juneau, AK 99801

Dear Representative James:

I am writing on behalf of competition for local telephone service. I understand why that industry has been a monopoly all these years, however, times have changed thanks to great strides in the telecommunications industry. No longer is it necessary to support one company's monopoly to protect the population's requirements for reliable and cost effective service in the telephone industry.

I support competition and all the benefits which are associated with it. I ask that your committee seriously consider providing the residents of this state with viable alternatives for local telephone service.

I appreciate all your efforts and thank you for your consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kevin Churches".

Kevin Churches

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

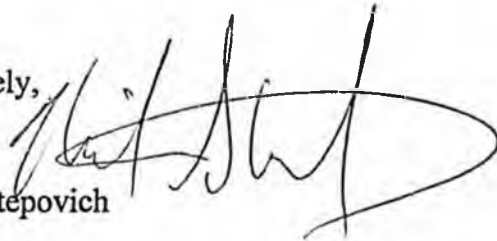
Dear Committee Members:

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 10, 1998

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

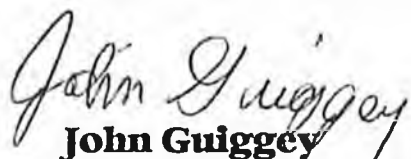
To Whom it May Concern:

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

Dr. David B. Hoffman
P.O. Box 83 161, 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 Therrialt, 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.

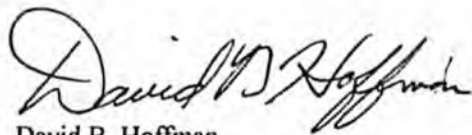
Protecting PTI's monopoly will slow the innovations that are already available elsewhere. Fairbanks is home of the University of Alaska Fairbanks, Arctic Region Supercomputing Center, the new International Arctic Research Center, several new satellite remote sensing earth stations, Alyeska Pipeline Service 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



RIVER'S EDGE

Resort Cottages

Located at:
4200 Boat Street, Fairbanks, Alaska
Mail:
3165 Riverview, Fairbanks, AK 99709

email: landersn@polarnet.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

~~Other~~

2-19-98 Chugiak - Eagle River Alaska Star

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)

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 Alaska.

"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

Feb 19 '98 10:51 P.01



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 DeBarr 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. To do 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.

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 12, 1998

Len F. Post III
President and CEO
Century Telephone
P.O. Box 4065
Monroe, Louisiana 71211-4065
318-388-9991

Dear President Post,

I have attached a copy of the legislation I am filing that encourages local competition in the phone market. Please have your staff review this bill and offer comments and suggestions.

Thank you for the efforts to help make this into legislation that will benefit all Alaskans.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Peter Kelly".

Representative Pete Kelly

Cc: Mr. Jim Collard, District Manager, PTI, Juneau
Mr. Gary Perleberg, District Vice President, Fairbanks

Fairbanks Legislative Information Office



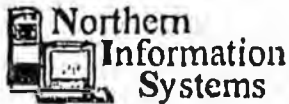
To: Rep James / Ch HSTA / Patrick ^{ATTN} Fax: 465 2381 Phone: _____

Notes: Mr. Roger Evans written comments per HB 416
HSTA rc 3/26/98

Number of pages: _____ (including cover sheet)

Sent by: Christi

119 N. Cushman Street - Suite 101
Fairbanks, Alaska 99701
(907) 452-4448 - Phone
(907) 456-3346 - Fax



505 Old Steese Hwy. Suite 112 Fairbanks AK 99701 Phone (907) 457-2665 Fax (907) 457-4803

My Name is Roger Evans and I represent Computer Cache and Northern Information Systems Inc. ^{IN FAIRBANKS} A local Computer retail and Computer and network services Corporation. My support for HB416 started 4 years ago when the only local exchange carrier in town explained why my second business phone line would cost \$29.00 a month, when my first phone line cost \$25.00 a month. They said that if you needed 2 phone lines that you must really be using the first one a lot, so the second should cost more. Well in the real world that reason will loose customers. The original scope of a local exchange carrier is much different then the needs of todays "phone" systems. Then phones mente voice, multiple line voice, PBX consoles and phone switches, a fairly simple technology that was changing, but not at break neck speeds or with so many new technologies that one company could not keep up with all of them. Today whole businesses depend on voice and data infrastructures for many or all of their business functions, and ^{YOU} ~~to~~ have only one choice to get your business going or to keep it going, ^{YOU CAN ONLY HAVE} ~~hoping~~ that the one company has the technology and price and level of service that you need ^{THIS IS TOO} ~~is too~~ big of a risk, because if that one company is not right for you then you have to be right for them. You have to pay for them to retro fit a technology that they offer to fit your needs and you have to pay whatever they charge. Today most companies and whole industries place large portions of their infrastructure on their voice and data systems. These systems are constantly changing and expanding, and like all expenses costs must be controlled. Many new and some old technologies have not been brought to Fairbanks ISDN, Fractional T-1 and OC3 to name a few are technologies used in Anchorage and in most areas of commerce throughout the US. With competition in price and product these services would have been available here giving Fairbanks Businesses the infrastructure that they need to compete. Health care Finance and Retail are just a few of the Industries that depend on Voice and data infrastructures to provide acceptable levels of service today and tomorrow. We need competition in our local phone services not just for a choice in like services, but for a choice in technologies, to have the option to choose a technology that one company decided not to offer , or to choose a

*
different company for a different level of service and customer support. / Please help Fairbanks industries compete in the 22nd century. Please Support HB 416.

HAVING ONE COMPANY THAT DATA SERVICES MUST BE CHANNELED THROUGH IS AN UNFAIR ADVANTAGE IN A VERY COMPETITIVE FIELD CABLEING, HIGH SPEED DATA CONFIGURATION, NETWORK CONFIGURATIONS ARE ALL PERIPHERAL SERVICES THAT CAN BE UNFAIRLY WON BY THE LOCAL EXCHANGE CARRIER THROUGH DELAYS IN HOOKING UP SERVICES FOR COMPETING COMPANIES AND WINNING THESE PERIPHERAL SERVICES BY SUPPLYING A MORE FAVORABLE TIME LINE FOR IMPLEMENTING THE WHOLE DATA SYSTEM.

* FAIRBANKS HAS A LOT OF INFORMATION TECHNOLOGY ADVANCEMENT AND GROWTH AT THIS TIME THE LONGER WE WAIT THE



Fairbanks Industrial Development Corporation

March 25, 1998

VIA Facsimile

Interior Delegation
Alaska State Legislature
Juneau, Alaska 99801

Re: HB416 – competition for local telephone service

Dear Legislators:

This is to advise you that I support the above-referenced bill and respectfully request that you do the same.

While there are some instances in which a monopoly makes sense, the case for local telephone service is not one of them. All one need do is look at the results of competition for long distance telephone service – lower rates, more efficient service and a wider variety of services. I believe that the same benefits will derive from competition in the market for local telephone service.

Please help move this needed legislation through to become law.

Respectfully,


Ronald L. Ricketts
Executive Director

GCI Bill

Author: fnm*b@aurora.alaska.edu (BILLINGS MARIA T) at CC2MHS1
Date: 2/20/98 2:38 PM
Priority: Normal
TO: Representative Jeannette James at LAA_TRANS
Subject: HB 416

Dear Ms James,

I have heard that this Local Telephone Choice bill is in your committee. Please try to pass it out of committee as soon as possible so that we can have a choice in our local telephone company just like the folks in Anchorage.

GCI is a home-grown company and deserves to be allowed to compete.. PTI is setting us back to the days when we received two telephone bills, one for local and one for long distance. That's what made me so angry that I am writing to all our representatives from the Interior to do something about this dictatorial behavior. (I had not written a letter to any legislators since the early 70s)

Please see what you can do about this to pass the bill out of committee and help it pass. Thank you.

Sincerely yours,

Maria Billings
4018 Teal Ave.
FBKS AK 99709 '

Author: DSjoblom@gci.com (Dan Sjoblom) at CC2MHS1
Date: 2/19/98 4:11 PM
Priority: Normal
CC: Representative Pete Kelly at LAA_TRANS
TO: Representative Jeannette James at LAA_TRANS
Subject: HB 416

Rep. Jeannette James-

I am employed as a technician in the GCI long distance toll center in Fairbanks. This note contains some information that you may already be aware of in regards to HB 416 sponsored by Pete Kelly.

As you perhaps know, the APUC has voted to exclude Fairbanks and Juneau from local telephone service competition as outlined by the FCC in the Telecommunications Act of 1996. This APUC vote was in response to a request by PTI who operates a government protected monopoly in local telephone service. The same arguments were used to block GCI's entrance into long distance competition in the mid 80's. Since long distance competition has been allowed, the residents of Alaska have seen a continual deployment of new

technologies and services and at the same time a reduction in telephony costs of well over 50%. (Remember the \$.45/minute calls when long distance service was a monopoly)? Rep. Pete Kelly has introduced HB 416 to require the commission to provide for local service competition where

there are more than 1500 access lines. This bill has been referred to the House State Affairs Committee and the House Finance Committee. It is

important that these committees expedite the consideration these bills. We at GCI believe that residents of Juneau and Fairbanks will benefit from new technologies and lower costs as a result of a competitive environment. We also believe that a large majority of our friends and neighbors feel the same and we will encourage them to let you know how they feel on this issue also. Plans for installing new facility equipment are already dependent to some extent on the construction season and now are also impacted by this APUC decision.

I will also send you a trade magazine article via the LIO pointing out the nationwide trend of state commissions restricting technology by dragging their feet in implementing the 1996 telecommunications act.

Thank you,

Dan Sjoblom
1239 Lakloey Drive
North pole, Alaska 99705

Attachments: 3 related press releases

Attachment 1 -

February 17, 1998

FOR IMMEDIATE RELEASE

GCI COMPLETES CONSTRUCTION OF LOCAL TELEPHONE FACILITIES IN ANCHORAGE
Digital Switches Will Provide Competitive Services

ANCHORAGE -- GCI announced today it installed digital switches in seven wire centers serving the Anchorage local telephone market. The final wire center was completed last week and began processing GCI local telephone customers. These centers provide GCI with direct access to 95 percent of the local telephone lines in Anchorage, which represents approximately one-half of the state's total access lines.

"This is a big event for Anchorage as well as the company," said Gene Strid, GCI vice-president of local services. "By building our own facilities, GCI is now able to deliver on the promises of the 1996 Telecommunication Act. Not only will we offer one stop shopping, but we'll be able to do this while introducing new products and services and lowering prices."

GCI began providing competitive local telephone service on its own facilities last summer. Since then, GCI has been installing switches in wire centers located throughout the city. The seven "remote" switches are connected to a main switch called a 5ESS. This state-of-the-art digital switch is capable of handling local, long-distance, wireless, centrex and operator services.

All switches are linked by a series of fiber optic rings being constructed throughout the Anchorage bowl. A total of 200 miles of fiber optic cable is expected to be in place between Knik and Girdwood by the end of the year. By the end of 1998, GCI will have invested \$30 million in competitive local telephone services in the Anchorage market.

Competition in the local telephone market results from passage of the 1996 Telecommunication Act. In March 1996, GCI announced its intention to compete in the Anchorage telephone market. After the company signed an interconnection agreement with the Anchorage Telephone Utility in January 1997, it began constructing facilities. The first business customer was connected on June 20, 1997, followed by the first residential customer on October 8, 1997.

GCI (GNCMA) is an Alaska-based and operated company that provides local and long-distance telephone, cable television and data communication services to more than 100,000 customers throughout the state.

Attachment 2 -

February 13, 1998

Press Release

From: Representative Pete Kelly

Re: Local phone competition across Alaska, telecommunications legislation

Representative Pete Kelly introduced a bill requiring the Alaska Public Utilities Commission (APUC) to adopt regulations allowing full telephone competition by December 31, 1998.

"History has proven competition gives consumers lower costs, increased technology and more choices," said Kelly. "I can't see anything wrong with those outcomes."

Kelly's legislation requires APUC to quickly adopt regulations

permitting local phone competition and will allow new entrants to serve customers across Alaska.

"This will bring benefits to both rural and urban users," Kelly continued. "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."

Background:

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.

Attachment 3-

February 17, 1998

Contact: David Morris, 265-5396; dmorris@gci.com
Bonnie Bernholz, 561-4488;

FOR IMMEDIATE RELEASE

GCI RESPONDS TO REPRESENTATIVE KELLY'S
PRO-COMPETITIVE LEGISLATION BILL

ANCHORAGE -- Fairbanks Representative Pete Kelly filed legislation today which would open the Alaska local telephone market to competition.

GCI President Ron Duncan responded with the following statement:

"GCI is pleased to see the State Legislature acknowledge the importance of competition in the local telephone market."

"The proposed legislation recognizes that competitively provided services will benefit consumers in terms of lower prices and more advanced services; it will also benefit the overall market by enhancing the state's economic development. The legislation also sets out a specific timeline for the Alaska Public Utility Commission to adopt key regulations permitting local telephone competition."

"Without competition, residential and business users will be relegated to a bike trail on the information super highway. Technological advances

are occurring every day in this industry and without competition there is no incentive to reduce prices and introduce advanced telecommunication services. Competition means the consumer will have a choice for the first time. Without it, consumers will have to accept whatever the monopoly telephone provider decides to offer."

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Author: DSjoblom@gci.com (Dan Sjoblom) at CC2MHS1
Date: 2/19/98 4:11 PM
Priority: Normal
CC: Representative Pete Kelly at LAA_TRANS
TO: Representative Jeannette James at LAA_TRANS
Subject: HB 416
Rep. Jeannette James-

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Thank you,

Dan Sjoblom
1239 Lakloey Drive
North pole, Alaska 99705

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Attachment 1 -

February 17, 1998

FOR IMMEDIATE RELEASE

GCI COMPLETES CONSTRUCTION OF LOCAL TELEPHONE FACILITIES IN ANCHORAGE
Digital Switches Will Provide Competitive Services

Author: dhoffman@alaska.net (David B. Hoffman) at CC2MHS1
Date: 2/19/98 10:00 AM
Priority: Normal
TO: Representative Jeannette James at LAA_TRANS
Subject: Local Phone Service Competition
TO: Representative Jeannette James

FOM: David B Hoffman

The APUC's recent decision to classify Fairbanks as a rural community and therefore excluded from local phone service competition was a disappointment. Representative Kelly's recent announcement of proposed legislation to override APUC's decision is refreshing news.

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. Why should Fairbanks 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 demo from Powersim. 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, the new International Arctic Research Center, several new satellite remote sensing earth stations, Alyeska Pipeline Service Co, and many other organizations. These organizations attract many talented people and I am afraid that the lack of incentives for communications innovations here will hurt the communities ability to attract and retain people who want these services for themselves and their families.

As I read about high speed communications developments, like Internet II - the next generation of Internet, I realize that, if Fairbanks is not able to offer the current innovation, future advancements will be very slow in coming. And expensive. The APUC ruling says to me: "If you want modern, competitive communications options in Alaska, move to Anchorage".

PTI and it's new parent company Century are mature well developed, financially sound corporations that can handle competition. Deregulation as brought innovative communications to millions. It hurts the people of here to be excluded.

BTW, A nice summary of some of what is possible, see February 16 issue of Business Week, which contains several small articles on:
"Warp Speed Ahead - Soon, a superfast Web., But first, a way over technology" Page 80 (2 pages)
"Video Phones - They're Fun, but Still Fuzzy", page 120E4 (honest) (1 page)
"The Web - Cable modems Really Rock", Page 120E6 (1 page)
"Strike Up the Broadband - The FCC is auctioning of the 'Louisiana Territory'". (page 42, 1 column)
(This refers to the 1,300 MHz wireless band.)

Thanks,

Dr. David B. Hoffman
PO Box 83161
Fairbanks, AK 99708


907-474-2141
dhoffman@alaska.net



Matanuska Telephone Association Corporate Planning

Date: February 5, 1998

Memo To: Greg Berberich

From: Richard Kenshalo 

Re: Jim Rowe Memorandum, Dated December 18, 1998
(Attached)

On January 28, 1998, I spoke with Jim Rowe about the attached memorandum concerning unserved (or inadequately served) constituents as expressed by Rep. Jeannette James.

As a result of Jim's letter, I contacted Wasilla Customer Service (Deb Giacomelli) about rural radio demand in the Anderson area. We were able to determine that we presently have few customers on rural radio in this area, and there are currently no Held Service Orders for Healy rural radio. We do have some coverage problems in the area as you might expect in a large geographic area like this. I believe we have only four customers on rural radio service in the Healy area.

As far as faxing or data capabilities are concerned, achievable data rates will be very slow, on the order of 2400 baud or less. Additionally, since this is a push-to-talk system, keeping a single transmitter keyed up for long periods of data transmission, such as Internet access, would be annoying to other users attempting to use the system. In short, the system is not designed, or intended, to be used for long-hold-time applications, such as Internet access. It was primarily designed for emergency communications service, for rural residents.

Economically, it would be very expensive to upgrade these facilities to a wireline solution, due to the sparse demographics and geographic terrain. I don't believe MTA has any plans to upgrade service to this area. If available, I would suggest that existing Cellular service might be an attractive alternative, especially if attractive pricing plans could be negotiated.

If you have any questions, please let me know.

June 25, 1997

Mary Ellen Monroe
PO Box 3192
Anderson, AK 99744

RE: RURAL RADIO SERVICE

Dear Ms. Monroe:

Thank you for your interest in our Rural Radio system. After the completion of a path study our Engineering department has determined that our current rural radio facilities in the Healy area will not provide adequate coverage for your specific location.

At this time there are no plans to expand our system so as to provide service to your area.

If you have any further questions please contact me at 376-3211 or 1-800-478-3211.

Sincerely,

Nancy Favors
Customer Service Supervisor
Wasilla Office

*We released this customer so PTI could serve.
Use of technology used.*

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

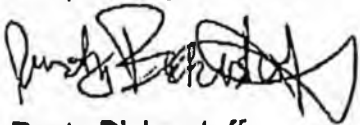
TO: House State Affairs Committee
Alaska State Legislature
State Capital (MS 3100)
Juneau, AK 99801-1132

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,



Rusty Bickerstaff

*all Rec.
after 3/12/98
Meeting.
Gave copies
to Jeanette*

**Dish Alaska
Fairbanks, AK 99709
(907)479-3150**

February 18, 1998

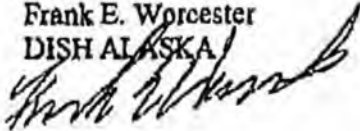
State Affairs Committee
State of Alaska
House of Representatives
State Capitol Building
Juneau, AK 99801

To Whom it may concern:

As a 39 year resident of Alaska with 9 years in Fairbanks, I am writing in support of House Bill 416 sponsored by Representative Pete Kelly. We are all familiar with the years long battle to introduce competition to the long distance market in Alaska. The opposing sides for years threw resources that could be much better utilized to improve services and lower costs to consumers into a confrontation that did nothing but leave a bad impression of all parties involved in the minds of the public. There is no evidence that I am aware of that would indicate a monopoly in local services is in the best interests of the public. Monopoly simply encourages waste, higher rates and indifference to the best interests of the consumer.

Therefor I urge you to vote in favor of HR416 .

Thank you,
Frank E. Worcester
DISH ALASKA



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,



Robin L. Dodson

March 10, 1998

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

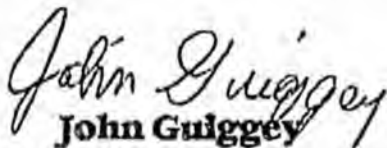
To Whom it May Concern:

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

Kevin Churches
P.O. Box 72117
Fairbanks, AK 99707
(907) 459-3783

Wednesday, March 11, 1998

The Honorable Jeannette James
House State Affairs Committee
Alaska State Legislature
PO Box V
Juneau, AK 99801

Dear Representative James:

I am writing on behalf of competition for local telephone service. I understand why that industry has been a monopoly all these years, however, times have changed thanks to great strides in the telecommunications industry. No longer is it necessary to support one company's monopoly to protect the population's requirements for reliable and cost effective service in the telephone industry.

I support competition and all the benefits which are associated with it. I ask that your committee seriously consider providing the residents of this state with viable alternatives for local telephone service.

I appreciate all your efforts and thank you for your consideration.

Sincerely,



Kevin Churches

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.



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

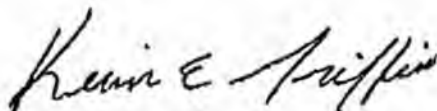
Dear Members of the House State Affairs Committee,

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

Post-It™ brand fax transmittal memo 7671		# of pages > 8	
To	HSTA	From	Fbx LIO
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Fax #		Fax #	

March 11, 1998

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

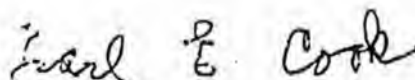
TO: House State Affairs Committee Members
RE: House Bill 416

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

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 Therriault, 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.

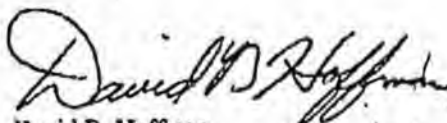
Protecting PTI's monopoly will slow the innovations that are already available elsewhere. Fairbanks is home of the University of Alaska Fairbanks, Arctic Region Supercomputing Center, the new International Arctic Research Center, several new satellite remote sensing earth stations, Alyeska Pipeline Service 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

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To: Bob Evans Rep. James

Company: _____

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From: Jack B. Rhyner Bob Evans

Date: 2/26/98 Time: 12:45pm
12:48

Subject: Bullet points for Representative James

If you do not receive all pages, please contact Diana Shaloske at (907) 349-2400.

Special Instructions: _____

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

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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.

Public Utilities Commission

- Congress, in the Telecommunications Act of 1996, charged the State Public Utilities Commissions with the legal obligation of determining, for rural areas, on a case by case basis, when and under what circumstances the public interest would be served by the termination, suspension or modification of the exemption from some methods of competition provided in the Act. Succinctly, prior to permitting competition, the Public Utilities Commission can determine if the public is likely to benefit or be harmed.
- HB 416 mandates that the Public Utilities Commission conclude a final resolution for universal service and access charge reform by the end of 1998. There is no final resolution on universal service funding from the FCC. The fourth order on reconsideration was just issued by the FCC; petitions for reconsideration to the FCC and motions in the appeals court were filed immediately. The FCC has yet to issue the first order on access charge reform which would effect LECs in Alaska. There being no resolution at the Federal level on these two subjects, it is simply impossible for the APUC to resolve the issues before they even know what they are.
- Lifting of the rural exemption would enable competitive local exchange companies (CLECs) to apply to the APUC to become eligible to receive universal service funding (USF). It is not known at this time if a CLEC will receive USF in addition to what the incumbent LEC is receiving or a portion of what the incumbent LEC is receiving. If it is the latter, reduced USF to the incumbent LEC will result in the need to increase local service rates for its remaining customers. Universal service funding was conceived to allow rural customer to

Problems with HB 416

have affordable local rates. The loss of any portion of that funding can only result in increased rates for local service. For example Fairbanks receives \$1.3 million per year in USF. That works out to \$3.21 per month per line. Again, the State Commission is awaiting a final policy decision from the FCC.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

March 6, 1998

The Honorable Pete Kelly
House of Representatives
State Capitol Rm 411
Juneau, Alaska 99801-1182

Re: HB 416

Dear Representative Kelly:

I received a message from Bruce Campbell of your office concerning a mark-up of HB 416 just scheduled for March 12. Unfortunately, I will not be able to attend because I will be in New Mexico attending some long scheduled training on implementation of the 1996 Telecommunications Act.

I have reviewed the bill and have one major comment at this time on the proposed section AS 42.05.870(b) in Section 1. This comment has not been reviewed by anyone else at the Department of Law nor have I had time to consult with the APUC. I submit it to you for any assistance it may give your committee.

The language of AS 42.05.870(b) should be redrafted to clarify what appears to be the intent of the sponsors. If the sponsors wish to not only set a deadline for regulations but require that substantively the regulation must allow "full" competitive entry, the language should be redrafted to more clearly express the methods of competitive entry required.

The incorporation by reference of the Telecommunications Act of 1996 may not be recommended because the Act is notorious for containing ambiguities and contradictions. The "full competition" and "all methods allowed" language is not clear. The Telecommunications Act provides for a "pro-competitive" policy but also provides protection from implementing some forms of competition in the form of a rural exemption (47 USC § 251(f)(1)) from the compulsory arbitration provisions of 47 USC § 252. The provision should state in a positive way the methods of competition the legislature wants to have implemented if that is its intent.

Attached you find a redraft of the section based on a statement describing the methods of competition allowed by the Telecommunications Act in a recent important decision

TONY KNOWLES, GOVERNOR

PLEASE REPLY TO:

1031 WEST 4TH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 269-5100
FAX: (907) 276-3697

KEY BANK BUILDING
100 CUSHMAN ST., SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 451-2811
FAX: (907) 451-2846

P.O. BOX 110300-DIMOND COURT HOUSE
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 465-6735

The Honorable Pete Kelly
House of Representatives

March 6, 1998
Page 2

involving Texas. **In re The Public Utility Commission of Texas**, CCBPol 96-13, Memorandum Opinion and Order, FCC 97-251 (rel: October 1, 1997)(Paragraph 2). You will find the reference attached also. This language clearly states the regulations must allow and promote those methods of competitive entry as a matter of state law.

There is a broader question that needs further examination. What is the relationship between this local competition provision and the mandated rural exemption provisions under federal law? Are the sponsors intending to mandate competition in a rural telephone service area where the federal statute provides for findings on economic burden, technical feasibility and universal service before a rural incumbent telephone company can be ordered into compulsory arbitration? Section 261 of the Telecommunications Act provides that

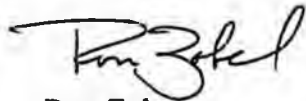
Nothing in this part precludes a State from imposing requirements on a telecommunications carrier for intrastate services that are necessary to further competition in the provision of telephone exchange service or exchange access, as long as the State's requirements **are not inconsistent with this part or the Commission's regulations to implement this part.**

47 USC § 261(c). The legislature should be able to provide more competition than the federal law mandates but it is not clear at this time if this should be done by providing separate state authority for compulsory arbitration, or by some other method, so as to avoid any preemption by the Telecommunications Act. This requires more research.

I hope this will assist the Committee in its deliberations.

Very truly yours,

BRUCE M. BOTELHO
ATTORNEY GENERAL

By: 
Ron Zobel
Assistant Attorney General

RZ/mgh

cc: Sam Cotten, Chairman APUC
Debra Behr, Assistant Attorney General
Bob Lohr, Executive Director

DRAFT Substitute language for proposed AS 42.05.870(b) in Section one of H.B. 416.

(b) By December 31, 1998, the commission shall adopt regulations on universal service and access charges, and any further regulations necessary to allow and promote local exchange competition through the entry of competing local exchange carriers by

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

(2) use of unbundled network elements provided by incumbent local exchange carriers; or

(3) resale of incumbent local exchange carriers' retail service purchased at wholesale rates; or

(4) any combination of the entry methods provided in (1), (2) and (3);

in the service areas of all local exchange carriers that served 1,500 or more access lines on January 1, 1998.

competition."³ Congress thus rejected the historic paradigm of telecommunications services provided by government-sanctioned monopolies in favor of a new paradigm that encourages the entry of efficient competing service providers into all telecommunications markets. Congress envisioned the emergence of robust competition among multiple service providers in all industry segments, with marketplace forces supplanting regulation as markets become fully competitive.⁴ The ultimate goal of the 1996 Act is the deregulation of these markets that historically have been regulated, in large part by state commissions, when justified by the presence of competition.

2. The 1996 Act arms new entrants into previously closed telecommunications markets as well as this Commission and state regulators with powerful tools to dismantle the legal, operational and economic barriers that frustrated competitive entry in the past. Sections 251 and 252, for example, secure to new competitors the right to enter local telecommunications markets through different avenues: (1) construction of their own networks and interconnection with incumbent local exchange carriers (incumbent LECs)⁵; (2) use of unbundled network elements provided by incumbent LECs; (3) resale of incumbent LEC retail services purchased at wholesale rates; or (4) any combination of these three entry methods. These provisions also obligate incumbent LECs to provide interconnection and unbundled network elements at cost-based rates and on terms that are just, reasonable and non-discriminatory.⁶ Services for resale must be provided by incumbent LECs at wholesale rates and on terms that are reasonable and non-discriminatory.⁷ Moreover, Congress established in section 252 a specific plan, including deadlines, under which new entrants are ensured the ability to enter into negotiated and, if necessary, arbitrated agreements with incumbent LECs in order to obtain the facilities and services that new entrants need to compete effectively with such LECs. Section 254 of the Act directs the Commission, working in concert with state commissions, to restructure the historic system for advancing universal telephone service so that it is compatible with the new national pro-competitive, deregulatory policy framework. Last November, the Federal-State Universal Service Joint Board issued its recommendations for implementing section 254 and, in May of this year, the Commission largely ratified those

³ S. Conf. Rep. No. 104-230, 104th Cong., 2d Sess. 1 (1996) (Conference Report) (emphasis added).

⁴ See, e.g., S. Rep. No. 23, 104th Cong., 1st Sess. at 67 (1995) (Senate Report) (additional views of Senator Hollings) ("[t]he basic thrust of the bill is clear: competition is the best regulator of the marketplace, but until that competition exists, monopoly providers of services must not be able to exploit their monopoly power . . . Competitors are ready and willing to enter new markets, as soon as they are opened").

⁵ Section 3(26) of the Act defines the term "local exchange carrier" to include "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" 47 U.S.C. § 153(26).

⁶ See 47 U.S.C. §§ 251(c)(2)-(3) and 252(d).

⁷ See 47 U.S.C. § 251(c)(4).

Alaska State Legislature

REPRESENTATIVE
PETER KELLY

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



House Of Representatives

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

House District 31

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.

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

Sectional

HB 416\F

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 ensuring universal service and providing for access charges compatible with 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. The commission may require the applicant to offer service throughout the area of the local exchange.

(d) A municipality may not regulate a utility competing in a local telephone exchange, unless the utility is municipally owned.

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

March 9, 1998

To: Representative Jeannette James, Chair
House State Affairs Committee

From: Representative Pete Kelly

Re: Changes incorporated into the proposed CS for HB 416.

In response to some of the organizations that were initially concerned with HB 416, I have incorporated the following changes. In addition to the CS I also am working on an amendment to address the excellent comments from the APUC's attorney, Ron Zobel.

1) Concerns have been raised by the Ketchikan municipal Utility that HB 416 would have the effect of placing the water, sewer, and electric portions of their municipal utility under the auspices of the APOC. It is not our intent to do so.

Page 2, lines 27-28. Language adjusted as follows:

(d) A local exchange telephone company, other than a municipally-owned local exchange telephone company, that is exempted in whole or in part

2) Several utilities expressed concern that the bill did not protect the concept of "universal service." To eliminate this concern I strengthened the language on universal service:

Page 2, line 9, following "regulations", I deleted "on" and inserted "ensuring".

Page 2, line 9, following "service and", I inserted "providing for".

3) To clarify that it is not the intent of HB 416 to permit "cherry picking" of select portions of a community's service area I added language from the federal Telecommunications act as follows:

Page 2, line 22 to 24, A new sentence:

"In accordance with 47 USC Sec. 257(f), the commission may require the applicant to offer service throughout the study area of the existing local exchange telephone utility."

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 16, 1998

Memorandum

To: Representative Jeannette James, Chair
House State Affairs Committee

From: Representative Pete Kelly

*Amel
for P.K.*

Re: Hearing Request for HB 416, Telecommunications competition.

Please schedule a hearing for HB 416 at you earliest convenience.

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.

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.

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

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

BE IT ENACTED BY THE STATE OF ALASKA:

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

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

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

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

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

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

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

(6) the commission should provide for competition in a timely manner and should adopt regulations that eliminate impediments to entry for local exchange carriers fit, willing, and able to provide service. (b) By December 31, 1998, the commission shall adopt

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

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

(c) The commission shall approve or deny applications to provide competitive local exchange telephone service within 90 days after the filing of a complete application and

shall consider competitive local exchange telephone service to be a service required for the convenience and necessity of the public under AS 42.05.241. The commission shall approve an application on a finding that the applicant is fit, willing, and able to provide the service. 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.

(d) A 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.

* **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.

(l) 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

Alaska State Legislature

REPRESENTATIVE
PETER KELLY

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



House Representatives

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

House District 31

Phone Companies # of lines

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 Reimer, 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	825	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
Naukatu	629	67
Skagway	983	868
Tellin	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. (continued) 27 Employees

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
Walnwright	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, 333,337,338,341,342,343, 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
 RO. 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.**

RO. 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
 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
Igluglg	533	30
King Salmon, Naknek and South Naknek	246	1,241
Kollganek	596	72
Levelock	287	52
New Stuyahok	693	118
		Total 1,556

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

\$2,500,000 Inv. 13 Employees

President Harry F. Colliver, 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
Kalskog	471	110
Red Devil	447	21
Shageluk	473	38
Steelmute	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
Tadituk	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 Access Lines
Cordova	424	1,754

**FAIRBANKS MUNICIPAL 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 Blondi
Plant Services Manager Chris Hamsley
Network Services Manager Larry Hamsley
Revenue & Separations Manager Richard Welmer

Exchange	Prefix	Subscriber Access Lines
Globe	451,452,455,456,457, 458,459,474,479	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 Mgt.-Tariff & Access Costs Dean Randall

Exchange	Prefix	Subscriber Access Lines
Barrow	852	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 Setje

Exchange	Prefix	Subscriber Access Lines
Ketchikan	225,228,247	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
Big 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 Shimanek
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 907/442-3114
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
Kiana	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 Storo

Exchange	Prefix	Subscriber Access Lines
Clary 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
Iliamna	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
Ellm	890	82
Golovin	779	65
Koyuk	963	102

(continued)

TELALASKA, INC. (continued)

L. Diomedes Isle	686	43
St. Michael	923	73
Shaktoolik	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
Elson 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
3310 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
Akhlok	836	38
Akutan	698	101
Alakaket	968	55
Angoon	788	229
Auka	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. Grealy	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	705	367
Kaltag	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 Alsworth	781	76
Port Graham	284	80
Port Heiden	837	87
Port Protection	489	40
St. George	859	142
St. Paul	546	404
Seldovia	234	320
Siika/Mt. Edgecumbe	747,966	5,372
Soldotna	260,262	8,905
Tenakee Springs	736	94
Thome 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/Togiak
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
Atmautluak	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
Kasigluk	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
Livengood	295	15
Manley Hot Springs	672	65
Marshall	679	77
Mekoryuk	827	84
Minto	798	54
Mountain Village	591	191
Napaklak	589	73
Napaskiak/Oscarville	737	83
Newtok	237	54
Nightmute	647	47
Nikolai	293	28
Nunapituk	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
Tuntutullak	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 St.
 Wasilla 99687*

\$1,962,000 Inv.

7 Employees

President J. Clifton Eller

Exchange	Prefix	Subscriber Access Lines
Ruby	468	78
Tanana	366	128
Whittier	472	185
		Total 391

OP-ED ARTICLE
Representative Ivan M. Ivan
March 6, 1998

RECENTLY, GCI, INC. PETITIONED THE ALASKA PUBLIC UTILITIES COMMISSION TO REMOVE PACIFIC TELECOMMUNICATIONS, INC.'S (PTI) RURAL EXEMPTION AND REQUIRE PTI TO PROVIDE ENHANCED INTERCONNECTION SERVICES TO GCI. THIS PETITION REQUEST WAS REJECTED. GCI WAS SEEKING TO ENHANCE INTERCONNECTION SERVICES TO FURTHER ITS ABILITY TO COMPETE WITH PTI FOR LOCAL EXCHANGE CUSTOMERS. AT THIS TIME, GCI IS ENTITLED TO CONSTRUCT ITS OWN LOCAL EXCHANGE FACILITIES BUT THEY ARE NOT ENTITLED TO RECEIVE FROM RURAL TELEPHONE COMPANIES, AS IT IS ENTITLED TO RECEIVE FROM A LARGE URBAN COMPANY SUCH AS ATU, ENHANCED INTERCONNECTION IN RURAL AREAS. THIS ENHANCED INTERCONNECTION SERVICE WOULD HAVE REQUIRED PTI TO OFFER GCI THE USE OF INDIVIDUAL CUSTOMER LINES AT RATES THAT WOULD HAVE FORCED PTI TO INCREASE THE RATES THAT PTI OFFERS ITS OTHER CUSTOMERS. THE APUC CONSIDERED GCI'S REQUEST AND DECIDED IT WAS NOT IN THE PUBLIC INTEREST TO GRANT THEIR REQUEST.

GCI, UNHAPPY WITH APUC'S DECISION, ASKED THE LEGISLATURE TO INTERVENE ON ITS BEHALF, THUS HOUSE BILL 416 WAS INTRODUCED. I OPPOSE THIS LEGISLATION AND SUPPORT APUC'S DECISION. RURAL TELEPHONE CONSUMERS NOW BENEFIT IN EXCESS OF \$50 MILLION ANNUALLY FROM THE FEDERAL GOVERNMENT FOR LOCAL TELEPHONE SERVICE. THE FCC IS PLANNING ON REDUCING THIS SUPPORT TO

RURAL ALASKA BY AS MUCH AS \$35 MILLION. THE FCC IS NOW RECONSIDERING THIS DECISION AT THE REQUEST OF THE STATE, APUC AND PRIVATE COMPANIES WHO HAVE ALL PETITIONED THE FCC.

ALSO, RURAL TELEPHONE COMPANIES ARE NOW REQUIRED TO SUPPORT RESIDENTIAL SERVICE VIA HIGHER RATES TO BUSINESS CUSTOMERS. NOW THAT COMPETITION IS ALLOWED IN RURAL AREAS, EXISTING COMPANIES ARE FACED WITH HAVING TO REBALANCE RATES. APPROVING GCI'S REQUEST WOULD HAVE UNDERMINED THE MECHANISMS THAT ARE NOW IN PLACE TO SUPPORT LOCAL RATES IN RURAL AREAS BEFORE THE FCC AND APUC CAN ADOPT NEW REGULATORY STRUCTURES THAT WOULD PROTECT AND FURTHER THE SERVICES RURAL CONSUMERS NOW RECEIVE.

CONGRESS HAS DELEGATED TO THE FCC AND APUC, SPECIFIC DUTIES TO PROVIDE FOR COMPETITION AND TO ADVANCE UNIVERSALLY AFFORDABLE SERVICE THROUGHOUT THE COUNTRY INCLUDING RURAL RESIDENTIAL SERVICE. THESE COMPLEX GOALS SHOULD BE ALLOWED TO BE PURSUED BY THE FCC AND APUC. THE STATE LEGISLATURE SHOULD NOT INSERT ITSELF INTO THIS REGULATORY PROCESS UNLESS THERE IS A COMPELLING REASON TO DO SO. AT THIS TIME, I DO NOT SEE A COMPELLING REASON FOR THE LEGISLATURE TO INTERVENE IN THE PROCESS BEING UNDERTAKEN BY APUC TO PROVIDE FOR COMPETITION AND TO ADVANCE UNIVERSAL SERVICE. THAT IS THE BASIS FOR MY OPPOSITION TO HB 416.

I AM CONCERNED THAT RURAL CONSUMERS CONTINUE TO BE ABLE TO RECEIVE BASIC SERVICES AT AFFORDABLE RATES. THE SUPPORT MECHANISMS THAT ARE NOW BEING CHANGED WILL NEED TO BE SUFFICIENT, WELL THOUGHT OUT AND USED EFFICIENTLY WITHOUT IMPOSING UNNECESSARY COSTS ON CONSUMERS FOR DUPLICATIVE FACILITIES AND SERVICES. THE LEGISLATURE IS CLEARLY NOT THE BEST FORUM TO TACKLE THESE ISSUES, ESPECIALLY WITH THE FCC AND APUC BEING DELEGATED TO MAKE DECISIONS ON ISSUES SUCH AS THE ONE REQUESTED BY GCI.

I AM ALSO CONCERNED THAT THE SMALLER RURAL COMPANIES ARE NOT COMPETITIVELY DISADVANTAGED BY THE TIMING AND THE SUBSTANCE OF FUTURE REGULATORY DECISIONS. SMALL RURAL COMPANIES NOW FACE BARRIERS TO ENTERING THE LONG DISTANCE MARKET. THESE COMPANIES DO NOT HAVE ACCESS TO THE SAME DISPUTE RESOLUTION AS DO LARGER COMPANIES. SMALL RURAL COMPANIES CANNOT MARKET LONG DISTANCE SERVICES WITHOUT STRUCTURAL SEPARATION, THEY CANNOT BUNDLE LONG DISTANCE AND LOCAL SERVICE, AND THEY CANNOT REDUCE RATES WITHOUT BEING SUBJECTED TO DRAWN OUT REGULATORY PROCEEDINGS. AND OUR SMALL RURAL COMPANIES DO NOT HAVE THE SAME ABILITY THAT LARGER PLAYERS HAVE TO RESELL SERVICES AND OBTAIN ACCESS TO UNBUNDLED ELEMENTS. IT IS MY UNDERSTANDING THAT APUC WILL BE RECONSIDERING ITS RULES THAT NOW FAVOR LARGER COMPANIES.

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
99801-182
(907) 465-2327

House District 31

House Of Representatives

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.

NO
(2/25/98)
Yes
3/4/98

HB 416

Kelly's "Phone
bill" —

Dear Let Don't
rush to move —

(per bail 2/17/98)

Not yet
per Jeannette
2/18

From
Reed Strop

2/19/98

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



Daily News - Miner

"Independent in All Things . . . Neutral In None"

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CHARLES L. ORAY
Publisher Emeritus

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Publisher

KELLY BOSTMAN
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.

*From
Road*



February 17, 1998

Contact: David Morris, (907) 265-5396
Bonnie Bernholz, (907) 561-4488

FOR IMMEDIATE RELEASE

**GCI RESPONDS TO REPRESENTATIVE KELLY'S
PRO-COMPETITIVE LEGISLATION BILL**

ANCHORAGE -- Fairbanks Representative Pele Kelly filed legislation today which would open the Alaska local telephone market to competition. GCI President Ron Duncan responded with the following statement:

"GCI is pleased to see the State Legislature acknowledge the importance of competition in the local telephone market."

"The proposed legislation recognizes that competitively provided services will benefit consumers in terms of lower prices and more advanced services; it will also benefit the overall market by enhancing the state's economic development. The legislation also sets out a specific timeline for the Alaska Public Utility Commission to adopt key regulations permitting local telephone competition."

"Without competition, residential and business users will be relegated to a bike trail on the information super highway. Technological advances are occurring every day in this industry and without competition there is no incentive to reduce prices and introduce advanced telecommunication services. Competition means the consumer will have a choice for the first time. Without it, consumers will have to accept whatever the monopoly telephone provider decides to offer."

GCI (NASDAQ: GNCMA) is an Alaska-based and operated company which provides local and long-distance telephone, cable television and data communication services to more than 125,000 customers throughout the state.

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OVER →

HB 416 MOVES

IF MOVED, DEED WILL NOT
HASSLE ON FORT KNOX HB 68

HELLENTHAL & ASSOCIATES, INC.



HB 416

METHODOLOGY AND SUMMARY

This report presents an analysis of a survey of MatSu Borough area adult residents. The survey measured properties of MatSu Borough residents' demographics, behaviors and attitudes concerning competition in the local telephone market. Research typically involves estimating the characteristics of a designated population. Because of the costs of conducting a census of all items in a population, and the adequacy of sample results, sample statistics were used to make statistical inferences concerning population parameters.

Two hundred and seventy (270) MatSu Borough area adults were interviewed between February 21st and 26th, 1998. Interviewing was conducted by telephone on a random digit basis. All MatSu Borough households that are accessible by telephone had an equal chance of being interviewed.

At a 95% confidence level, the empirical proportions reported in this survey can be projected, within plus or minus 5.96%, to the entire MatSu Borough adult population, aged 18 and over. This means one can be 95% sure that the frequencies reported in this survey are within 5.96% of the true MatSu Borough area adult population proportions.

MatSu Borough area adults clearly

- o want competition in the local telephone market (66.9%)
- o see lower prices as the most important benefit (68.4%)
- o see higher prices as the biggest disadvantage (37.6%)
- o believe MTA is doing a somewhat or very good job (93.2%)
- o think competition will result in new technology (70.3%)
- o think competition will result in lower prices (79.3%)
- o believe repackaging MTA's service will not result in the full benefits of competition (69.5%)
- o would somewhat or very much worsen their impression of MTA, if they thought MTA was responsible for preventing competition for local telephone service (47.8%)
- o believe MatSu Borough is not too rural for competition (83.1%)
- o think MatSu Borough will not receive all of the advantages occurring in the telecommunication industry, if MTA maintains its monopoly (41.0%)
- o believe competition in the long distance market has been good (88.3%)
- o think competition in the local telephone market would be good (82.7%)

MATSU BOROUGH RESIDENTIAL PUBLIC OPINION RESEARCH SURVEY

February 21 to 26, 1998

Sample size = 270
Margin of error ± 5.96%

HELLENTHAL & ASSOCIATES
2200 Vanderbilt Circle
Anchorage, Alaska 99508
(907) 276-1001 or
277-2315 (fax)

Hello, my name is _____ and I am calling for Hellenenthal & Associates. We are conducting a MatSu Borough area public opinion research survey. Your telephone number was randomly selected. The questions I need to ask will take five to seven minutes. All of your responses will be completely confidential. (PAUSE AND PROCEED)

- S1. Is this telephone number _____? (IF NO, TERMINATE WITH, "I'm sorry, I dialed the wrong number")
S2. Is this a residence? (IF NO, TERMINATE INTERVIEW WITH, "I'm sorry, I need to talk to someone at a residential telephone")
S3. I would like to speak to one of the adults in your home who makes or helps make decisions about your telephone service. Who would that be?

(Ascertain the name of the person and if possible a more direct number. record on answer sheet. If they can talk straight away, proceed. If they cannot, ask appropriate questions and terminate...)

1. Do you want competition in the local telephone market?

LOCAL COMPETITION	FREQUENCY	PERCENT
YES.....	181.....	66.9%
NO.....	54.....	19.9%
DON'T KNOW.....	36.....	13.2%

2A. What is the most important benefit you see if there is competition in the local telephone market?

BENEFITS	FREQUENCY	PERCENT
Don't see any benefits.....	19.....	7.1%
Lower prices.....	185.....	68.4%
Fair Market.....	2.....	0.8%
Choose quality of service.....	29.....	10.9%
More internet service.....	2.....	0.8%
More choice/no monopoly.....	9.....	3.4%
Better products/newer technology.....	1.....	0.4%
Lower internet.....	1.....	0.4%
Quarterly dividends.....	1.....	0.4%
Don't know.....	20.....	7.5%

2B. What is the biggest disadvantage to consumers you see if there is no competition in the local telephone market?

DISADVANTAGES	FREQUENCY	PERCENT
Don't see any disadvantages.....	24	9.0%
Higher prices.....	102	37.6%
Misleading ads.....	1	0.4%
Inadequate service.....	15	5.6%
No new technology.....	1	0.4%
Monopoly/can do anything they want.....	63	23.3%
No growth/Expansion.....	1	0.4%
Lack of choice.....	17	6.4%
Consumers have too many choices.....	1	0.4%
No consolidation.....	1	0.4%
Higher advertizing.....	1	0.4%
Mediocrity.....	1	0.4%
No incentives.....	1	0.4%
Don't know.....	39	14.3%

3. What type of job do you think MTA is doing in providing you with local telephone service? Do you think MTA is doing a very good, somewhat good, somewhat poor, or very poor job in providing you with local telephone service?

MTA'S JOB RATING	FREQUENCY	PERCENT
VERY GOOD.....	150	55.6%
SOMEWHAT GOOD.....	102	37.6%
NEUTRAL (DO NOT READ).....	6	2.3%
SOMEWHAT POOR.....	9	3.4%
VERY POOR.....	3	1.1%

4. Do you think competition in the local telephone market will result in new technology?

NEW TECHNOLOGY	FREQUENCY	PERCENT
YES.....	190	70.3%
NO.....	58	21.4%
DON'T KNOW.....	22	8.3%

5. Do you think competition in the local telephone market will result lower prices for telephone service?

LOWER PRICES	FREQUENCY	PERCENT
YES.....	214	79.3%
NO.....	44	16.2%
DON'T KNOW.....	12	4.5%

6. There are two types of competition: one way is to resell MTA's service where a competitor is only allowed to repackage that service; another way is for a competitor to build its own network and facilities. If a competitor for local telephone service is only allowed to repackage MTA's service, do you think that will result in the full benefits of competition?

REPACKAGING FULL BENEFITS	FREQUENCY	PERCENT
YES.....	35.....	12.8%
NO.....	188.....	69.5%
DON'T KNOW.....	48.....	17.7%

7. If MTA was responsible for preventing competition for local telephone service, would your impression of MTA very much worsen, somewhat worsen, or would it not make a difference to you?

MTA'S IMAGE IF PREVENTS COMPETITION	FREQUENCY	PERCENT
VERY MUCH WORSEN.....	31.....	11.7%
SOMEWHAT WORSEN.....	97.....	36.1%
NO DIFFERENCE.....	133.....	49.2%
DON'T KNOW.....	8.....	3.0%

8. The Alaska Public Utility Commission (APUC) considers MatSu Borough to be a rural community. Do you think MatSu Borough is too rural for competition?

MATSU TOO RURAL FOR COMP	FREQUENCY	PERCENT
YES.....	37.....	13.5%
NO.....	224.....	83.1%
DON'T KNOW.....	9.....	3.4%

9. If MTA maintains its monopoly and there is no competition, will MatSu Borough receive all of the advantages occurring in the telecommunication industry?

IF MONOPOLY ADVANTAGES	FREQUENCY	PERCENT
YES.....	116.....	42.9%
NO.....	111.....	41.0%
DON'T KNOW.....	44.....	16.2%

10. Do you think competition in the long distance market has been good for consumers?

LONG DISTANCE COMPETITION	FREQUENCY	PERCENT
YES.....	239.....	88.3%
NO.....	14.....	5.3%
DON'T KNOW.....	17.....	6.4%

11. Would competition in the local telephone market be good for consumers?

LOCAL COMPETITION GOOD	FREQUENCY	PERCENT
YES.....	223.....	82.7%
NO.....	27.....	10.2%
DON'T KNOW.....	19.....	7.1%

12. Are you registered to vote in the State of Alaska?

REGISTERED TO VOTE?	FREQUENCY	PERCENT
YES.....	241.....	89.1%
NO.....	29.....	10.9%

13. How many total years of education have you completed? (FORMAL ATTENDANCE IN SCHOOL) (EIGHTH GRADE = 8; HIGH SCHOOL = 12; TRADE SCHOOL = 13; COLLEGE GRADUATE - BA or BS = 16; MASTERS DEGREE = 18; LAWYER, DOCTOR, Ph.D = 19)

EDUCATION OF RESPONDENT	FREQUENCY	PERCENT
High school or less.....	86.....	32.0%
1 to 2 Years college.....	82.....	30.5%
3 to 4 Years college.....	70.....	25.9%
Post college.....	31.....	11.7%
(Mean = 14.251 years)		
(Median = 13.186 years)		

14. Of the people presently living in your household how many are children or adolescents aged 18 or under?

CHILDREN	FREQUENCY	PERCENT
None.....	143.....	53.0%
One.....	32.....	12.0%
Two.....	56.....	20.7%
Three or more.....	39.....	14.3%
(Mean = 1.019)		
(Households with Children Mean = 2.110)		

15. In what year were you born? (COMPUTED TO AGE BY SUBTRACTING FROM 98)

AGE OF RESPONDENT	FREQUENCY	PERCENT
18 to 29.....	18.....	6.8%
30 to 34.....	24.....	9.0%
35 to 39.....	51.....	18.8%
40 to 49.....	83.....	30.8%
50 year old or older.....	93.....	34.6%
(Mean = 46.350 years)		
(Median = 44.590 years)		

16. Are you married or single?

MARITAL STATUS	FREQUENCY	PERCENT
Married.....	198.....	73.3%
Single.....	72.....	26.7%

17. SEX (USUALLY DO NOT NEED TO ASK).....

GENDER	FREQUENCY	PERCENT
Male.....	128.....	47.4%
Female.....	142.....	52.6%

THE FOLLOWING VARIABLES ARE CALCULATED USING THE CHILDREN, YEAR BORN, MARITAL AND GENDER VARIABLES

MARITAL BY GENDER	FREQUENCY	PERCENT
Married Males.....	95.....	35.3%
Married Females.....	103.....	38.0%
Single Males.....	32.....	12.0%
Single Females.....	40.....	14.7%

FAMILY STATUS	FREQUENCY	PERCENT
Young Single (18-37).....	9.....	3.4%
Adult Single (37+).....	35.....	12.8%
Single Parent.....	28.....	10.5%
Young Couple (18-37).....	13.....	4.9%
Mature Couple (37+).....	86.....	32.0%
Young Family (18-37).....	41.....	15.0%
Mature Family (37+).....	58.....	21.4%

THE FOLLOWING VARIABLE IS CALCULATED USING THE TELEPHONE PREFIX.

AREAS OF MATSU BOROUGH	FREQUENCY	PERCENT
Wasilla 373.....	55.....	20.3%
Wasilla 376.....	71.....	26.3%
Willow 495.....	9.....	3.4%
Talkeetna 733.....	9.....	3.4%
Palmer 745.....	56.....	20.7%
Palmer 746.....	41.....	15.0%
Big Lake 892.....	29.....	10.9%

THIS COMPLETES THE SURVEY, THANK YOU VERY MUCH FOR HELPING US -- GOODBYE.

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 alter two free calls	\$0.50	\$0.75

<u>Non-recurring charges</u>		
Service Order Charge Bus	\$0.00	\$25.50
Service Order Charge Res	\$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

Custom Calling Features Package

3 choices	\$7.85	none
2 choices	\$5.60	none

Advance Telecom Services:**ISDN**

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

Digital Subscriber Service

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

Direct Inward Dialing

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

Promotional Offering

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

Don Fopel - AG 269-5100

* Call Sam Cotton - 263-2112

HB 416 - Dwight Orndquist - FOR
Kaula, Cotton, Posey, Cook
Want chance to do
it by year end -

~~XXXX~~

Pat -
907-694-3010
his take on
HB 416
left message.

APUC -
HB 416 -
Sam Cotton
Chairman
APUC -

* Tasking at 8:00

(Has Meeting at 9:00.)

03/26/98
08:17:52

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
PARTICIPANT LIST (TESTIFIERS ONLY)
TCN:80559 SCHEDULED FOR:03/26/98 08:00 TO 10:00
PUBLIC HEARING HOUSE STATE AFFAIRS

LTN1150
BY:JNU
FOR:ALL

LOCATION:ANCHORAGE

HB 416	TOM	MEADE	TELALASKA, INC	TESTIFY
HB 416	JIM	ROWE	ALASKA TEL, ASSC	TESTIFY
HB 416	SAM	COTTON	APUC	TESTIFY

LOCATION:CORDOVA

LOCATION:FAIRBANKS

HB 416	MR. ROGER	EVANS	COMPUTER CACHE	TESTIFY
HB 416	MR. RICK	SOLIE		TESTIFY

LOCATION:MATSU

Mayor Joe Hayes →

03/26/98
08:15:05

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
PARTICIPANT LIST (ALL PARTICIPANTS)
TCN:80559 SCHEDULED FOR:03/26/98 08:00 TO 10:00
PUBLIC HEARING HOUSE STATE AFFAIRS

LTN1150
BY:MAT
FOR:MAT

LOCATION:MATSU

HE 416	MR	GREG	BERBERICH	MTA	OBSERVE
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03/12/98
08:05:16

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
PARTICIPANT LIST (TESTIFIERS ONLY)
TCN:80430 SCHEDULED FOR:03/12/98 08:00 TO 10:00
PUBLIC HEARING HOUSE STATE AFFAIRS

LTN1150
BY:JNU
FOR:ALL

LOCATION: ANCHORAGE

HB 416	STEVE	HAMLEN ✓	UNITED UTILITIES	TESTIFY
HB 416	TOM	MEADE ✓	TEL ALASKA	TESTIFY
HB 416	DAVID	FAUSKE ✓		TESTIFY
HB 416	BOB	LOHR ✓	APUC	TESTIFY
HB 416	MARK	VISCOMI ✓	ANS ✓ A44T ALASKA	TESTIFY

LOCATION: FAIRBANKS

HB 416	MR. DAVID	HOFFMAN ✓		TESTIFY
--------	-----------	-----------	--	---------

LOCATION: MATSU

HB 416	MR. GREG	BERBERICH ✓	MTA	TESTIFY
--------	----------	-------------	-----	---------

*A44T
Not
appeared*

*"has no
position on
this bill."*



1740 S. Chugach St., Palmer, Alaska 99645

GREG BERBERICH

Vice President - Corporate Services

(907) 761-2466

(907) 761-2676 FAX

ANCHORAGE TRIBES OF TLINGIT &
HAIDA INDIANS OF ALASKA

RESOLUTION NO. 98-07

TITLE: Opposition to House Bill 406

WHEREAS, the subsistence lifestyle and culture is extremely vital to our tribal members,

WHEREAS, the Alaska State House Finance Committee has been hearing testimony on House Bill 406 which does not comply with Alaska Native National Interest Lands Conservation Act (ANILCA),

WHEREAS, the Anchorage tribes is in favor of an Alaska constitutional amendment to comply with ANILCA,

NOW, THEREFORE, BE IT RESOLVED that the Anchorage Tribes of Tlingit & Haida strongly oppose House Bill 406 and copies of this resolution be sent to the State House members as soon as possible.

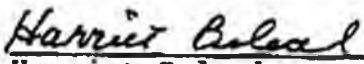
ADOPTED this 11th day of April, 1998.

CERTIFY:



Lynette M. Hinz
President

ATTEST:



Harriet Beleal
Secretary

LYNETTE HINZ
6407 E. 31st Street
Anchorage AK 99508
(907)338-6688

Mrs. Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, Alaska 99801

Re: House Bill 406

Dear Speaker Phillips:

Enclosed is our Resolution 98-07 which opposes House
Bill 406 as a follow-up to a public opinion message
sent to the House Finance Committee on April 13, 1998.

Very truly yours,

ANCHORAGE TRIBES OF TLINGIT
AND HAIDA INDIANS OF ALASKA

By: *Lynette M. Hinz*
Lynette M. Hinz
President

Encl.

cc: All Legislators

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 416 | _____

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
 Division APUC
 Approved by Commissioner [Signature]
 Agency _____

Phone 276-6222
 Date 3/11/98
 Date 3/11/98

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Received

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.

Brian:

Please add this
to the state
Affairs file.



DATE: 6/18/98

TELECOPY MESSAGE

TO: Marty Whitney / Barbara Cotting

FROM: Rick Hitz

If you have any problems receiving, please call: (907) 265-5602
Fax: (907) 265-5676

Number of Pages: _____ (Including Cover Page)

Operator: _____

COMMENT: Marty
This fax includes information
provided by Dana Tindall on 3/12/98 when
testifying on H.B. 416 before the House Committee.
I have copied Ms. Barbara Cotting
per your request.

(hook)
Rick

Thanks -

Barbara

POSITION STATEMENT

GCI supports legislation introduced by Rep. Pete Kelly, H.B. 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 the 1991 legislation, this 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, under the present schedule 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 defines all local phone companies outside Anchorage as rural.

The APUC Ruling

The reasons that the 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 percent, 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 a full range of telecommunications services.

With the passage of H.B. 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 serve 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 percent 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 percent 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 H.B. 416 will be in accordance with the will of the people and it will benefit all Alaskans and the State's economy.

**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 a rural local phone company's service 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 that fear. But long distance competition actually benefited all consumers, high volume and low volume alike.

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 the existing network, which was built under the "public utility" concept and largely paid for by ratepayers.

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 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 has benefited all users. The claims that competition will harm universal service are no more true today than they were in 1973.

	<u>Anc</u>	<u>Fbx</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 Bus	\$0.00	\$25.50
Service Order Charge Res	\$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

Custom Calling Features Package

3 choices	\$7.85	none
2 choices	\$5.60	none

Advance Telecom Services:

ISDN

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
PRI NRC	\$800.00	N/A

Digital Subscriber Service

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

Direct Inward Dialing

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

Promotional Offering

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	<u>\$25.10</u>	<u>\$25.00</u>

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

ANCHORAGE/FAIRBANKS LOCAL SERVICE COMPARISON

The attached spread sheet details the availability and prices for some services in Anchorage and Fairbanks. Source is public tariffs.

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.

Digital Subscriber Service is a PBX trunk line which connects a business to a telephone company's switch. The service offers the efficiencies of digital -- better quality, lower price, less consumptive of power and space. Over the last decade, it had become increasingly popular throughout the lower 48.

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.
