

3RD SPEC.

SESSION

RCA

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Senate Judiciary Committee
Testimony of Wesley E. Carson

Mr. Chairman, members of the Committee, on behalf of Alaska Communications Systems I wish to express my gratitude for the Committee's initiative in holding these hearings – and thank you for the opportunity we have to present today.

My name is Wesley E. Carson. I am a Founder of Alaska Communications Systems and serve as President & Chief Operating Officer. With me are Leonard Steinberg, Vice President & General Counsel, and Ted Moninski, Director of Regulatory Affairs.

We believe the regulatory status quo is unacceptable. Our concerns are centered around four main themes. They relate to:

- ❖ The Public Interest,
- ❖ The Regulatory Process,
- ❖ Telecommunications Law and Policy, and,
- ❖ Financial and Investment Issues.

❖ **The Public Interest:** We believe that in order to protect the long-term interest of the State of Alaska and its citizens, regulatory policy must foster both fair competition and continued investment in telecommunications infrastructure.

- We recognize that the regulatory challenge is daunting and the industry is complex – but that does not excuse the Commission from competently exercising their authority to regulate and de-regulate in a manner that properly serves the long-term public interest.

- ❖ **The Regulatory Process:** The regulatory process must be fair and open, impartial, and render decisions consistent with the law. Ted Moninski will address these issues in some detail.
 - The Commission must be required to hold proper evidentiary and public hearings, establish fair rules and follow them, abide by the law, and be accountable for their decisions.
- ❖ **Telecommunications Law and Policy:** Interconnection agreements and rates are the drivers of local telephone competition in Alaska. If terms and rates are not properly set, there will be long-term consequences that jeopardize the ability of Alaskans to enjoy modern and affordable telecommunications services. Leonard Steinberg will focus his remarks on these matters.
 - A regulatory regime that subsidizes competition and encourages the competitor to “game the system” may result in some short-term price advantages for the consumer – but will effectively destroy any incentive to invest in the network.
 - Competition is good, but the providers of telecom services must operate in an environment where their viability is not in question.
- ❖ **Finance & Investment:** ACS has invested substantial amounts to build and upgrade the network that connects 75% of the State’s population with each other and the rest of the world. These companies have invested to provide state-of-the-art services to Alaskans. In return for this investment ACS must be able to generate adequate financial returns.
 - This ensures that ACS will continue to be a financially sound organization with continued access to capital – so that we may continue our investment in facilities to service Alaskans.
 - While competition has been good for the consumer, the ramifications of the kind of competition current regulatory policies are promoting in Alaska are that ACS will suffer negative long-term financial consequences which will impact our ability to attract investment – and,

as a natural consequence, our ability to invest in the State's telecommunications infrastructure. Frankly, it also affects our ability to attract investment in ACS and, in the end, there is a negative implication for investment in the State of Alaska.

The ACS Family of Companies includes:

- ❖ Long Distance (RCA regulation of intrastate services),
- ❖ Wireless, and
- ❖ Internet, among others.

But the companies on which we would focus the Committee's attention today are ACS' four "Local Exchange Companies" or "LECs" – the local telephone companies that build and maintain the Public Switched Telephone Network that provide dial tone services to 75% of the State's population. These are the ACS companies subject to the most intense regulation by the RCA. Specifically, they are:

- ❖ ACS of Anchorage, Inc. (former ATU)
- ❖ ACS of Fairbanks, Inc. (former FMUS)
- ❖ ACS of Alaska, Inc. (serving Juneau)
- ❖ ACS of the Northland (serving the highest cost and most remote of our service areas).

It is very important to distinguish these ACS local telephone companies from the Regional Bell Operating Companies (or RBOCs) that provide service in every one of the other 49 states. Alaska is the only state that is not served by an RBOC. It has never been served by an RBOC. And ACS is very different from the RBOCs.

The Telecommunications Act of 1996 recognized that the RBOCs were to be treated differently than other companies, in several significant provisions. RBOCs are huge corporations, operating in multiple states, with enormous resources and market power. The United States Telecom Association reports that there are nearly 200 million telephone lines in the country. Verizon owns approximately one-third of them and SBC Communications owns almost another one-third. Together, the RBOCs account for 87 percent of the country's telephone lines.

The Telecom Act specifically imposes certain obligations on the RBOCs, recognizing their size and power. The Telecom Act also specifically provides a mechanism to exclude from certain obligations any company that owns less than 2 percent (that's 2/100ths) of the total lines in the country – recognizing their lack of size and power. All four of the ACS companies taken together represent about 330,000 telephone lines or less than 2/1000ths of the nation's total.

Under the Telecom Act, the so-called "2 percent" companies may petition their state commission to grant an exemption or suspension of duties imposed generally on telephone companies and specifically on the RBOCs. These obligations include interconnecting their network to competitors.

A related example concerns the authority to provide long distance services. The Telecom Act authorized all local telephone companies to offer long distance service within their areas – with the exception of the RBOCs. The RBOCs were specifically prohibited from offering in-region long distance services until they opened their networks to competition and met each point of "The 14-Point Competitive Checklist." The ability to offer long distance services to their customers was the "quid pro quo" for the RBOCs opening their networks.

Another specific distinction drawn between RBOCs and smaller companies is the so-called "rural exemption" that relieves smaller telephone companies ("smaller" by comparison to an RBOC) operating in a high cost area from interconnecting their networks with competitors. Three of the four ACS telephone companies were designated as "rural" under the Telecom Act and exempted. The RCA has terminated that status for all or part of all three of those companies. The Telecom Act's goal is to balance competition with preservation of affordable, universal service. We read the RCA's goal to be forcing "competition at any cost" – to ACS and, ultimately, to the consumer.

Finally, I would note that RBOCs, and major independents as well, operate in multiple states. So if they have a state commission that is issuing adverse rulings, it affects their business in that one state. We operate only in Alaska. This commission can make or break ACS.

Today we will direct many of our comments to ACS of Anchorage, as this is the company that has experienced the greatest economic harm to date from the regulatory policies and directions of the RCA. As we consider the long-term interests of consumers in Alaska, we believe it is very instructive to view Anchorage of the test environment for these regulatory impacts. The economics of serving the higher cost areas – Fairbanks, Juneau and, now, the so-called Glacier State companies that Leonard will speak to – are much more complex and fragile. As these regulatory policies roll out in the higher cost areas, as they are now doing, we believe the results will be even more damaging – both to ACS and to the public interest.

I would offer a brief comment on historical regulatory policy in the United States. The economics of telephone regulation developed in part to support an important social objective that still has a basis in current Congressional policy: that is, that residential consumers should have access to modern, affordable telephone service – no matter where they live. This is still an important public policy, but one that must be reconciled with

modern reality, because in a rational competitive market, price must bear a relationship to cost.

Prior to the enactment of the Telecommunications Act of 1996, this social policy was implemented through a number of mechanisms. The most relevant to our situation are:

- ❖ Averaged retail rates, where low-cost customers pay more than their share to subsidize high-cost customers (“implicit subsidy”)
- ❖ Artificially high *business rates* support artificially low *residential rates* (“implicit subsidy”)
- ❖ *Federal Universal Service Fund* subsidizes construction and maintenance in high cost areas (“explicit subsidy”)
- ❖ Long distance companies pay *access charges* to originate and terminate calls on the local network

These mechanisms worked in the old days by shifting costs to those most able to pay them through these implicit and explicit subsidies. As a result of these mechanisms and the “rate of return” regulation that assured a fair return on investment, local telephone companies were able to build facilities and recover their investment over time. Whether the telephone company was investing in facilities to connect a new building downtown near the central office, where costs are the lowest, or to extend the network at great expense to connect new construction on the hillside on the way up to Flat Top, we built. And we knew that, eventually, there would be a recovery on the investment. Not so in Anchorage today.

You have already heard much about the Telecom Act. It was a bold initiative aimed at changing the paradigm for achieving more efficient and innovative telecommunications, while continuing to ensure access to affordable service. It promoted the development of efficiencies and innovations – but Congress was encouraging achievement of these

objectives through competition and market forces, not by generating more regulation. De-regulation was clearly a desired direction. What we see from the RCA (e.g., ordering a rate case – that has cost ACS almost \$2 million already – in the most competitive market in the United States) is anything but de-regulatory.

With regard to preserving affordable, universal service – particularly in high cost areas – I have mentioned, and Leonard will elaborate on, the rural exemption, which provides that smaller companies (NOT the Regional Bell Operating Companies) serving rural areas are exempted under the Act from some forms of competition. The purpose of the rural exemption is to ensure access to affordable services in high cost areas characterized by more complex, fragile economics *that would be jeopardized in a competitive environment.*

In addition to federal law and regulation, we are also subject to state law and regulation. And I would note that, in spite of the dramatic changes in Federal telecommunications law, there has been no corresponding re-write of our state statutes relating to telecommunications. That begs the question whether the legislature should consider statutory changes in connection with the re-authorization of the RCA. But today we wish to speak about how the RCA is regulating our four telephone companies.

The Alaska Legislature has empowered the Regulatory Commission of Alaska to regulate State's local exchange markets, *but ...* there has to be a recognition of the larger telecommunications market. It would be foolish to think that in regulating this one service segment – local exchange – that regulators can ignore the impact on the market of cable television, Internet and wireless providers. In fact, perhaps more here in Alaska than any other market in the country, the effective bundling of these various services in a creative – and, I might add, cross-subsidizing manner – is a driver of the competitive markets.

This makes for regulatory complexity, but these market realities can't be ignored. It's one thing for a regulator to say, "It's not in my charter to regulate cable television." But it's quite another to suggest the regulators should be blind to the market impact of these non-regulated, but competing, services.

For example, we find it interesting that the RCA recently filed comments with the Federal Communications Commission encouraging continued regulation of broadband services over the telephone network – but have made no effort to regulate cable modems. As of year end, we believe GCI has about 27,000 cable modems in operation to our 7,000 DSL installations. Regulators cannot be blind to market realities because they view their charter as narrow. Regulators need to be able to "connect the dots" when they regulate a local telephone company in a market characterized by blurring of technologies and bundling of services.

Why does ACS suggest the regulatory policies of the RCA are failing the consumer – the public interest – in the long run? Consider this:

- ❖ Our submission in our current rate case suggests that ACS of Anchorage is not earning anything on its investment. (This is now a matter in dispute as a result of a recent RCA order we will discuss in a few moments.) I've been known to say that we admire Anchorage's not-for-profits – we just don't want to be one of them. We estimate that we came up \$18 million short of what the regulators had in the past established as a "reasonable return" in Anchorage. Yet, because we are the carrier of last resort – meaning that this Commission requires us to build facilities to serve customers within the service territory – we have to keep investing even without any return. And remember ... this same kind of regulatory impact is just in the early stages in Fairbanks and Juneau, where the economics are more complex.

- ❖ I would note that neither GCI nor ATT Alascom has stepped up to build telephone facilities in places where they can't make a business case. Why should they risk their own capital when they get to make use of our network at less than what it costs us – or them – to build it?
- ❖ The bottom line is that we believe the quid pro quo for the regulation imposed on ACS by the regulators, including this carrier of last resort obligation, is that the RCA makes certain we can earn a reasonable return. That would be fair. We invest, we earn. But the reality is that they can compel us to build and serve – but we do not have a way to assure a return on investment. This is a commission that claimed “sovereign immunity” when we sought to have a matter under the federal Telecom Act reviewed by a federal district court. Where is justice when the Commission refuses to be held accountable for their decisions? Why wouldn't state commissioners want to make absolutely certain that the decisions they were making – that had a direct impact on the public interests of the State – were consistent with the law and furthering the public interest?

And this leads us to Ted Moninski to speak about issues of procedure and process. We believe the regulatory process must be fair and open, impartial, and render decisions consistent with the law. Ted is uniquely qualified to address these issues, having had responsibility during his career for regulatory affairs at ACS, ATU, and also Alascom. He was executive director of the Alaska Public Utilities Commission from 1986-1991 and served as previously as deputy director from 1981-1986. With the Committee's permission, I'll turn the time over to Ted.

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Leonard Steinberg will now address our concerns relative to telecommunications law and policy issues. Leonard has served as our General Counsel since January, 2001. He has extensive experience in private regulatory and administrative law practice representing

telecommunications and energy industry clients – and brings a very broad perspective through his education. He holds a Juris Doctor from the University of California's Hastings School of Law, a Master of Public Administration from Harvard, and a Master of Business Administration from University of California, Berkeley. Leonard.

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All of this comes down to the financial impact on ACS and the long-term implications for Alaskan consumers. ACS and its predecessors have invested substantial funds to build and upgrade the network that connects 75% of the State's population with each other and the rest of the world. We believe the quid pro quo for making these investments in a regulated environment is the opportunity to earn a reasonable return on the investment. We must be able to generate adequate financial returns if we are to continue to construct and maintain – and operate – the modern telecommunications facilities that keep Alaskans connected.

I can assure you that the capital markets are scrutinizing the impact of this Commission's regulatory decisions on the Alaskan markets. We must have access to capital from those markets to continue to invest in the business. It is a reasonable thing for shareholders and creditors to expect compensation for the opportunity cost of investing their funds.

Looking again at ACS of Anchorage, we have seen a steady decline in revenues from 1999 to 2001 that is directly proportional to the increase in UNE loops. Over that same period, we have gotten more efficient each year. Our cash expenses per line have decreased. That is one of the benefits of competition. It makes you become more efficient.

In fact, it is worth noting that ACS is a more efficient operation than many of our peer group companies. For 2001, annual cash expense per telephone line for ACS of

Anchorage was \$242. The comparative spending per line for Alltel was \$276; CenturyTel was at \$402 and the TDS expense was \$435.

We have continued to invest in the network. We have made these investments in the belief – the hope – that this regulatory commission would, through our current rate case and the Anchorage UNE proceeding, permit us to earn a reasonable return on that investment. Thus far, we have certainly been disappointed.

Our latest disappointment is the RCA's order issued this month establishing depreciation rates for the ACS telephone companies. Depreciation rates are significant drivers of both retail and interconnection rates set by the RCA. The RCA has just lowered these for each of the four ACS local telephone companies.

For example, the current depreciation rate for ACS of Anchorage is 7.80 percent. Because technology is evolving more rapidly today, particularly in a competitive market such as Anchorage, we requested a new composite rate of 9.30 percent and offered supporting expert testimony. The U.S. Supreme Court, in its decision last month in the Verizon Communications case, recognized that depreciation rates may need to be increased in a competitive market. Endorsing language in the Federal Communications Commission's "First Report and Order" regarding how to treat depreciation rates for purposes of interconnection in a competitive market, the Supreme Court stated:

“The order thus treated then-current capital costs and rates of depreciation as mere starting points, to be adjusted upward if the incumbents demonstrate the need.”

GCI, who intervened in our rate case, argued that the rate should be adjusted downward – significantly – to 4.49 percent. They made this recommendation despite the fact that public documents indicate their own composite depreciation rate is well in excess of the ACS rate.

Interestingly enough, it was GCI, our primary competitor, arguing against our depreciation rate – not the Public Advocacy Staff. Staff relied entirely on GCI to formulate a position. We found it disturbing that we were required to disclose detailed information about our network and costs to our competitor to help support their argument to ultimately lower the rates they pay to lease our network.

So what did the RCA order? They reduced our rate from 7.80 percent to 4.78 percent – remarkably close to the GCI recommendation of 4.49 percent. Incidentally, we calculate the average depreciation rate of the other telephone companies in the state to be 6.33 percent and none of them face competition. In fact, we cannot find any telephone company in the country with a lower depreciation – with the exception of ACS of Fairbanks. We will be submitting additional written testimony to the Judiciary Committee on this matter.

We must ask the question: How do we reconcile the regulatory burdens, including this carrier of last resort obligation, with a regulatory regime that does not permit us to earn a reasonable return on our investment?

We believe regulators must be concerned – and act in a manner that demonstrates that concern – about how continued investment in the network will be assured in the long run. How do we generate the capital to build the network and pay the expense of operating it? And if we cannot generate sufficient funding to build and operate the State's network, how do we assure the future of telecommunications in Alaska, the state more dependent upon modern telecommunications than any other state in the Union?

Our story is only one piece of a much broader regulatory concern in the State. But our questions are significant to the future of Alaska. We commend this Judiciary Committee, because we believe through these hearings, you are seeking answers to such questions.

We do have recommendations to this Committee:

1. Establish an oversight committee to monitor the RCA to assure that regulatory policy is aligned with long-term public interest, that processes are completed in a timely fashion, that due process is afforded, that substantive law is being applied appropriately, and that there is, in fact, an incentive to invest in Alaska's telecommunications future.
2. Then we would recommend that the information derived from these Judiciary Committee hearings, developed by the oversight committee, and received from the State Telecommunications Study be used to support the next legislature's deliberations on Alaska's future regulatory course and to establish policies to guide the regulators.

Thank you for this opportunity, Mr. Chairman and members of the Committee.

Concerns About Due Process

- RCA's Inappropriate Use of Advisory Staff vs. Public Advocacy Section
- Absence of Codified Ex-Parte Rules and Non-Use of Disclosure Statements
- RCA's Lack of Willingness to Conduct Evidentiary Proceedings
- Apparent Violations of Open Meetings Act Requirements

Concerns About Due Process: Example

- RCA's Inappropriate Use of Advisory Staff vs. Public Advocacy Section
 - Role of Advisory Staff is to support the Commission in analyses of complex issues.
 - Role of Public Advocacy is to advocate the “public interest”
 - This interplay is a key “check and balance” in the decision making process.
 - PAS Created by Statute in 1999
 - 498 Formal Adjudicatory Dockets Opened; 59 (less than 12%) PAS Designated as Party

Concerns About Due Process: Example

- Inability to Test Advisory Staff's Conclusions
- December 18, 2001 Order: RCA states, "ACS is not entitled to cross-examine Staff about the issues."
 - ATA's Critique in Docket R-02-02

"The main problems inherent in the current regulatory scheme are: the Commission, through its various sections, continues to act simultaneously as investigator, inquisitor, prosecutor, and adjudicator in its own dockets;"

Concerns About Due Process: Example



- Absence of Codified Ex-Parte Rules
- Difficulty in Communicating with Commissioners
 - Inconsistent Application of Ex Parte Rules Along with Lack of Evidentiary Proceedings severely limit communication with commissioners
 - Also Severely Limits Commissioners' Opportunity to Probe and Understand Complex Regulatory Issues
 - FCC's Approach to Ex Parte - Establish Rules, Allow Direct Communication with Commissioners, require written disclosures to be filed in the record

Concerns About Due Process: Example



- RCA's Lack of Willingness to Conduct Evidentiary Proceedings
 - New "Hearing" Procedure Established February 11, 2000 re AECA Tariff Filing
 - New Procedure Limits Long-Standing Opportunity to Develop the Record (Discovery, Testimony, Evidentiary Hearing)
 - New Procedure Implemented without Prior Public Notice
 - To Date, 19 ACS Tariff Filings Have been Subjected to New Procedure
 - March 8, 2002, Superior Court of Alaska Orders RCA to Conduct Evidentiary Hearing; Evidentiary Hearing in Early 2003

Concerns About Due Process: Example

- Apparent Violations of Open Meetings Act Requirements
 - Department of Law Advises RCA that items must be deliberated and voted on in a Properly Noticed Public Meeting
 - Examples of Apparent Non-Compliance:
 - Of 14 Filings submitted by the RCA to the FCC, 8 Filings Not Discussed or Voted On in a Public Meeting
 - Contract and Procurement Matters Generally not Discussed at Public Meetings; Chair's Signature Authority Limited to \$5,000 [AS 42.04.050(b)]
 - RCA's Feedback re HB 333 (Re-Authorization); Various "Sunset" Public Statements and Web Site Postings re Re-Authorization.

Law and Policy

I would like to begin by reiterating something Wes said during his opening comments:

- Interconnection agreements and rates are the drivers of local telephone competition in Alaska. If terms and rates are not properly set, there will be long-term consequences that jeopardize the ability of Alaskans to enjoy modern and affordable telecommunications services.

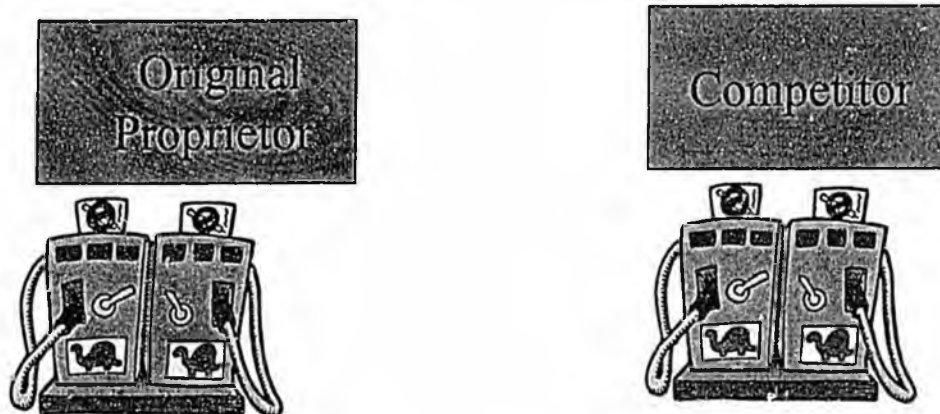
Law and Policy

- My comments will focus on just a few of the legal and policy calls of the RCA that concern us: (1) interconnection agreements; (2) rural exemption; and (3) rate cases. In all cases, the RCA's positions generally reflect an activist commission making policy according to its own vision and implementing it through existing or new utility regulations.

Law and Policy

- Before we jump into our discussion of interconnection agreements and rates, it might be helpful to consider an abstract and admittedly simplified example. Please imagine a gas station. The proprietor has invested in the business by building and maintaining a building, putting in tanks, installing gas pumps, and the like. The gas station owner buys gas from a distributor for \$1.50/gallon and sells it for \$1.65/gallon. Of the .15¢ margin, 10 is required to recover his investment, leaving 5 for profit.

UNE Example



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Market share 40%

Market share 60%

UNE Example

- Now imagine government stepping in and telling the gas station owner that he has to permit a competitor to use one of his sets of pumps, and oh yes, sell him the gasoline for \$1.00/gallon. If the competitor then decides to sell his gas for \$1.50/gallon, it will be .15¢ cheaper than the original proprietor's gas and the competitor will still have a margin of .50¢ a gallon, nearly all of which goes to profit because the competitor has not made substantial investments of his own.
- In the short term, this may look good for consumers – they are paying .15¢/gallon less for their gas. But how long do you think the original proprietor will stay in business? Moreover, how many new gas stations is this proprietor likely to build?

Now let's turn to Interconnection Agreements and Rates in the Telecommunications Arena



- What Are Interconnection Agreements?
 - Permit competitors to lease facilities through a mechanism known as Unbundled Network Elements or UNEs.
 - Establish the UNE rates competitors pay to use ACS facilities and the processes used for the companies to interact with each other.
 - The rates directly account for most of our competitor's cost of goods sold, and therefore indirectly establish the range of possible market prices.

Interconnection Agreements and Rates

- Legal Obligations

- Incumbent carriers in urban areas are obligated to execute these agreements under the Telecommunications Act of 1996.
- Where the carriers are unable to negotiate mutually acceptable terms, state commissions are empowered to establish the rates, terms and conditions of these agreements through “arbitration.”

Interconnection Agreements and Rates

- Turning now to Anchorage
 - The Interconnection Agreement between GCI and ATU, one of the first in the nation, was approved by the APUC in January, 1997 in Order U-96-89(9)
 - In that order, the APUC established a temporary UNE loop rate of \$13.85/mo. This rate was intended to be a short term substitute for, and be replaced by, prices based on a cost study in compliance with federal law. In the Commission's own words, "all prices in the arbitrated interconnection agreement are temporary in nature and will require a full study based upon a cost methodology to be determined by this Commission at a later date."

Interconnection Agreements and Rates

- Anchorage
 - ACS sought, but was unable to obtain, an agreement with GCI for new cost-based rates. ACS then asked the RCA to set new rates in compliance with federal law in January 2000. The RCA granted ACS' request to set new forward looking rates on March 6, 2000, expressly recognizing that the existing rates were both temporary and "not based upon an accepted forward-looking cost methodology."
 - Nevertheless, neither the APUC nor the RCA has ever established a cost-based price in compliance with federal law. Finally, a year and a half after requesting new forward-looking rates, with no resolution in sight, ACS asked for at least a new "temporary" rate.

Interconnection Agreements and Rates

- Anchorage

- The new temporary rate sought by ACS was \$24.00/mo. ACS provided the RCA with cost studies supporting this rate, copies of which I have available for this committee if it desires. The RCA then set a new temporary and refundable rate of \$14.92 despite the absence of any cost studies supporting that number. This is only a small increase over the old temporary rate of \$13.85. Moreover, it is prudent to look closely at where this number came from. Not the ACS cost study. In fact, the rate was not derived from any cost study or any evidence submitted to the Commission. Rather, it came from GCI's lawyer.

- Where are we then?

- Two and a half years after requesting new rates in compliance with federal law, and five and a half years after initiating facilities leases, ACS still has never had an Anchorage UNE rate in compliance with federal law. In fact, ACS has been unable to obtain even a schedule for resolving this matter.

Why Does This Matter?

- The RCA claims it does not make law, but rather implements the law. In this case, we haven't even seen much implementation.
- It introduces uncertainty to our business plan. Anchorage UNE rates today are not only temporary, but refundable, How can we plan for the future in this environment?
- To the extent it perpetuates artificially low wholesale prices for facilities, it benefits consumers in the short run, but harms consumers in the long run by discouraging investment.

Interconnection Agreements and Rates

Fairbanks

- Now lets turn to Fairbanks, where we have grave concerns about the UNE rates the RCA promptly set in response to a request by GCI.
- ACS' actual cost for an average loop in Fairbanks is about \$33.50. The RCA, however, set a UNE loop price for Fairbanks of \$19.19 – 57% of ACS' cost.

Interconnection Agreements and Rates

Fairbanks

- This is our version of the gas station example. Or, if you prefer, consider the fact that in biological terms, the relationship between GCI's and ACS' local phone businesses would be described as parasitic. Here is the definition of parasite I found in one biology text book: "Organisms that live in, with or on another organism. The parasite benefits from the association without contributing to the host, usually they cause some harm to the host." Consider also the definition of "parasitism": "A form of symbiosis in which the population of one species benefits at the expense of a population of another species; similar to predation, but differs in that parasites act more slowly than predators, and do not always kill their hosts."

Interconnection Agreements and Rates

Fairbanks

- Is this state-sponsored parasitism good for the people of Alaska? Perhaps it allows for lower prices in the short term, but it begs the question of who will be here to provide service in the long term. GCI's local phone business has not made the kinds of investments needed to maintain and upgrade the facilities needed to provide service and an ACS sufficiently harmed by parasites will be unable to do so.

Interconnection Agreements and Rates

How did this happen?

- The RCA rejected ACS' detailed cost study for Fairbanks, a copy of which is available to this committee if it desires.
- Rather, the RCA relied on an improper economic model
- The RCA ignored ACS' costs and elected to set Fairbanks prices based on Lower 48 costs.

Interconnection Agreements and Rates

- Fairbanks

- The model relied upon by the RCA was the “synthesis Model” used by the FCC to allocate Universal Service Funds – the same model criticized last week by Harold Furchtgott-Roth. As long ago as 1999, the FCC cautioned against using the model for UNE Pricing:

According to the FCC, “[t]he federal cost model was developed for the purpose of determining federal universal service support, and it may not be appropriate to use nationwide values for other purposes, such as determining prices for unbundled network elements.”

Tenth Report and Order, 14 FCC Rcd 20156, ¶32 (1999)

Interconnection Agreements and Rates

The FCC reiterated this position in an order issued just this month.

- “The Commission has cautioned against using the results of the Synthesis Model to set rates... and we emphasize that we are not doing so in this proceeding.”

Cost Review Proceeding for Residential and Single-Line Business Subscriber Line Charge (SLC) Caps, Order, FCC 02-161, para 36 (June 5, 2002)

Interconnection Agreements and Rates

- Fairbanks

- Furthermore, it is worth noting that the Rural Task Force of the Federal-State Joint Board on Universal Service, the same Board co-chaired by Commissioner Nan Thompson, reviewed the reliability of the FCC's Synthesis Model and concluded:

“[T]he costs generated by the Synthesis Model are likely to vary widely from reasonable estimates of forward-looking costs. As a result it is the opinion of Task Force that the current model is not an appropriate tool for determining the forward-looking cost of Rural Carriers.”

Rural Task Force Recommendation to the Federal-State Joint Board on Universal Service, September 22, 2000 at 18.

Interconnection Agreements and Rates

Finally, the U.S. Supreme Court recently rejected a Verizon argument which relied on the Synthesis Model to challenge the FCC's UNE pricing methodology. The Court described Verizon's argument as "spurious," noting that the Synthesis Model's numbers "are clearly wrong."

Verizon v. FCC, May 13, 2002.

Again, the RCA represents it does not make law but rather implements it. In this case, we question that representation. Moreover, we invite the legislature to investigate whether the RCA's activist policies, such as state-sponsored parasitism, reflect the will of the people and this body. If not, we recommend enacting statutes which establish policies such as competition being on a level playing field.

Now I will briefly switch topics and discuss exemption for rural companies under the Act and how that exemption can be terminated

- What is it?
 - Incumbent carriers classified as “rural” by the Telecommunications Act of 1996 are exempt from the obligation to lease their facilities to competitors.
 - State Commissions may terminate a rural exemption, but only, according to the Act, if a state commission finds that it is not unduly economically burdensome, technically feasible, and consistent with universal service.

Rural Exemption Termination

- Why did Congress create the rural exemption?
 - Telecommunications Act of 1996 recognized the fragile economics of most rural telephone companies and the folly of trying to bring market economics to high cost telecommunications services that can not exist without significant subsidies.
 - The rural exemption, then, is not to be terminated lightly, for doing so threatens the essence of universal service – the provisioning of modern telecommunications services to all consumers at affordable rates, a policy which ACS supports.
 - Nevertheless, the RCA terminated the exemption of ACS' three rural telephone companies.

Rural Exemption Termination

- What are our concerns with the RCA's decisions to terminate a rural exemption?
- The RCA has ignored federal judicial decisions placing the burden of proof in rural exemption proceedings on the competitive carrier seeking to terminate the exemption.

Rural Exemption Termination

- The RCA also terminated the exemption for ACS' most rural company, ACS of the Northland, despite GCI's testimony in 1997 and again in 1999 that it was seeking interconnection only in North Pole and not anywhere else in the ACS of the Northland service territory. Given GCI's position, and the absence of a dispute concerning most of the ACS of the Northland territory, we do not believe any specific evidence was introduced of the impacts of competition on the economic burden or universal service in Northland's small communities such as Seldovia, Ninilchik, Delta Junction and Nenana.
- We do not understand how the RCA could make the required statutory findings when there simply was no evidence in the record.

Rural Exemption Termination

- Why should the legislature care? Because all consumers outside of Anchorage have been put at risk of losing the benefits of universal service.
- We invite you to come to your own conclusions about whether the RCA makes law or just implements it.



Finally, I would like to address a few of our concerns regarding the RCA's handling of the ACS rate cases.

- We are concerned about the level of effort and resources that are required – and the time to reach resolutions – for these cases.
- The ACS rate cases are commission-mandated proceedings. As a condition of transferring to ACS in 1999 the certificates of public convenience and necessity that are required to operate local telephone companies, the old APUC required ACS to file rate cases for each of its four Local Exchange Companies on July 1, 2001.
- We now anticipate rates sometime in 2003 based on data from the year 2000.
- This proceeding before the RCA has already cost ACS roughly \$1.8M – and we expect the full proceeding to cost approximately \$3.0M. This does not include the losses and costs associated with operating a business without the proper rates.

Rate Cases

- ACS has produced more than 13,000 documents to date, and provided more than 2,500 responses to more than 850 separate discovery requests – the bulk of which came from our chief competitor, GCI.
- All of this effort is paid for by the consumers – either directly or indirectly.
 - The RCA's costs for these proceedings are collected via the RCC charge on utility bills.
 - The utilities' costs for these proceedings are generally recoverable through rates.

Rate Cases



- Earlier this month, the RCA finally issued a depreciation decision in this proceeding that appears to conflict with the U.S. Supreme Court's decision this May in Verizon v. FCC. The U.S. Supreme Court criticized attempts to minimize depreciation and slow depreciation rates, yet that is precisely what the RCA has ordered. In fact, the depreciation rates established by the RCA for ACS of Anchorage are not only much lower than the rates employed by its competitors, but these rates appear to be significantly lower than any other telephone utility in Alaska. In fact, they appear to be lower than any known depreciation rate for any telephone utility, big or small, anywhere in the country. This is exactly the opposite result from what one would expect in the most competitive marketplace in the nation where there is heightened pressure to modernize equipment or lose customers. In light of this dramatic decision, one has to wonder if this is the RCA's way of "rewarding" ACS for speaking up in these hearings.

Rate Cases

- In any event, one has to ask, What is the relevance of rates set by the government based on 3-year old data in a competitive market place? This question is particularly relevant in competitive markets where retail prices today are driven by artificially low UNE rates?

Moreover, why is ACS still being treated as a regulated monopoly when consumers have a choice of carriers in the areas served by 3 of the 4 ACS local exchange companies?

Before closing, let me note that there are numerous other examples of the RCA's pro-regulatory and activist policies. For example, as Wes previously noted, in comments filed with the FCC, the RCA continues to advocate regulation of broadband services provided by telephone companies while allowing other providers of broadband such as cable companies, to be unregulated. Similarly, in another FCC proceeding, the RCA advocates having a right, on its own, to add to the FCC's list of facilities and services that companies such as ACS are obligated to make available to competitors. And earlier this year, the RCA agreed to new interexchange carrier regulations that significantly increase the regulatory burden on long distance providers.

Law and Policy - Conclusion

All of these issues lead to the question of whether the RCA's policies and procedures reflect the will of the legislature. If not, the legislature should provide the RCA with guidance concerning the state's regulatory policies.

STATEMENT OF RON DUNCAN,
PRESIDENT AND CEO OF GCI



GCI fully supports a four-year extension of the Regulatory Commission of Alaska, the RCA. The RCA is a functioning, professional agency. Two independent auditors, the National Regulatory Research Institute and the Legislative budget auditors both found the RCA to be performing well. Sunsetting the RCA and/or terminating any sitting commissioners will not fix the complaints that have been identified. The identified issues are structural or budgetary, there is a long learning curve for new commissioners, and a new commission would be highly dependent on Staff. In the field of telecommunications, most of the Commission's decisions have been the result of federal law that cannot be changed at the state level. Continuation of the RCA is needed for consumer protection and business stability.

It is not surprising that there is dissatisfaction with the RCA. Complaints about the commission are as inevitable as complaints by teenagers about parents and homework. The RCA arbitrates among the owners and users of various utilities, and its decisions have large financial impacts on corporations and consumers alike. For those involved in the process it often seems to take too long, but the delays are often caused by the parties to the proceeding. Often, the most lengthy cases involve utility against utility, such as the electric utility disputes between Chugach, Matanuska, and Homer electric companies. Discovery and due process is necessarily time-consuming, but also

necessary for fair resolution of issues. Furthermore, in every case there must be winners and losers, and there is a natural tendency of losers to blame the Commission.

This Commission is functioning well. It gets orders out much better than the prior commission. The decisions are well reasoned and based on the facts of record. The decisions have been affirmed on appeal 90% of the time.

This is the most professional regulatory commission the state has had in a decade. The members are professional and well respected. Most of the commissioners came to the job with relevant professional background, and each has learned on the job. Chair Thompson is well regarded among her fellow state commissioners and serves on the Federal State Joint Board that will help determine rules governing universal service. This position is of critical importance to Alaska.

The situation with the RCA is not even remotely comparable to the situation with the APUC when it was eliminated. At that time, the APUC was loudly criticized as completely dysfunctional, and not a single regulated entity rose to defend the APUC. Now, to the contrary, a group of thirteen different practitioners representing diverse interests wrote a joint letter praising the RCA and supporting its continuance. Replacement of the APUC passed the House by a vote of 38-0, while continuation of the RCA passed the House by a vote of 35-1.

Reauthorization of the RCA at this time is consistent with prior legislative practice. Over the last 14 years, the APUC or RCA was routinely extended in the session before the expiration date. The only exception was 1994, when there was no

opposition to extending the agency, but the bill failed to pass because of amendments on telecommunication regulation. The APUC was given a full four-year extension at the beginning of the following session.

What would be the consequences if the RCA is allowed to terminate as provided in the statute? The Commission would go into "wind-down". At the very least, less substantive work will be accomplished because contingency plans would have to be put in place. Staff likely would be lost. And the battle over the RCA would simply be extended to next year, with the real possibility of further stalemate and the final termination of the agency in the last-minute press of legislative business.

Much of the criticism of the RCA stems from federal telecommunications law, and terminating the RCA or changing commissioners cannot change Federal telecommunication law. Federal law requires ACS to interconnect and provide services to facilitate local competition. Competition is the law of the land, and the RCA is simply enforcing the federal mandate. These requirements will be enforced by the FCC and federal courts if the Commission is terminated. Alaska regulators and courts might lose control, but the results would be the same.

The Commission has followed federal law; its decisions interpreting the Telecommunications Act have all been affirmed on appeal. I'd like to briefly address the two specific decisions that have been discussed in these hearings, the burden of proof in the rural exemption hearing and the use of the FCC model for pricing. The Commission did not make the decision to place the burden of proof on ACS—instead,

the Commission was ordered by the Alaska Superior Court to place the burden of proof on ACS. That decision was later affirmed by a different Superior Court Judge who specifically ruled that the decision of the 8th Circuit Court of Appeals was illogical and not binding on Alaska courts. The decision to use the modified FCC model to establish UNE rates was made based on the recommendation of a nationally recognized expert who was the consultant to the Commission; GCI did not request use of the FCC model. Even after the model was selected, ACS had an opportunity to contest all of the inputs (variables)—matters such as depreciation rates, loop lengths, cost of capital—that determine the ultimate price produced by the model. The initial decisions regarding the inputs were made by the Commission's Hearing Officer acting as an arbitrator pursuant to the terms of the Federal Telecommunications Act.

Eliminating existing commissioners will not eliminate procedural delays. For all new commissioners there is a steep learning curve. Getting new commissioners will not result in quicker orders. Instead, things are bound to slow down, and new commissioners will be forced to rely on recommendations of staff rather than their own expertise.

A stable regulatory environment is favored by investors. Last week's testimony on behalf of Enstar was absolutely correct. The uncertainty caused by sunset will be a disincentive to investment and will have a negative impact on all Alaskan utilities who rely even partially on public financing of capital. Speaking for GCI, my investors have expressed similar concerns.

In summary, GCI supports a full, four-year extension of the Commission. The Commission is doing its job and fulfills a vital role for both utilities and consumers.

Dale E. Lehman
7841 Port Orford Drive
Anchorage, AK 99507

June 12, 2002

Senate Judiciary Committee
State Capitol
Juneau, Alaska 99801-1182

RE: Judiciary Committee Review of the Regulatory Commission of Alaska

I am writing this letter as input to your consideration of reauthorization of the Regulatory Commission of Alaska. I am the Director of the MBA Program in Telecommunications Management at Alaska Pacific University. My comments are my own opinions and do not represent those of APU or any other party. I have a Ph.D. in Economics from the University of Rochester and 25 years university teaching experience and research experience in the telecommunications industry. I have written a book (*The Telecommunications Act of 1996: The Costs of Managed Competition* with Dennis Weisman, Kluwer Academic Publishers, 2000) and authored numerous articles on the telecommunications industry. On the basis of my experience, as well as what I have heard during this hearing, I urge you to reauthorize the RCA for 4 years. The market place is my preferred place for competitive battles. The regulatory hearing room would be my second choice. The Legislature (and particularly, the Judiciary Committee's reauthorization hearing) is a distant third. Without the required expertise and due process that occurs in regulated proceedings, the debate of detailed regulatory issues in the Legislature can only result in ill-informed and overly political decisions.

I heard the comments of Dr. Furchtgott-Roth and mostly agree with his assessment of the Telecommunications Act and its implementation. I too have criticized the FCC's implementation of the Act, but I fail to see the relevance to the current review. The failures of the FCC remain regardless of what action the Senate takes about the RCA. If the RCA were singularly responsible for, or a major contributor to, these failures then it might be appropriate to consider not reauthorizing them. However, the FCC has been responsible for most of the poor public policy decisions (such as permitting Eligible Telecommunications Carriers to receive universal service funds based on incumbent carriers' costs when using unbundled network elements (UNEs) – and many other examples). Has the RCA done a particularly poor job of implementing the (in my opinion) poor FCC policies?

I disagree with many of the RCA's decisions. For example, I do not support the use of interim UNE rates for a three year period – but, it should be noted that Illinois has had interim rates for 6 years. Illinois also has a \$2/month rate of leasing unbundled loops from Ameritech in Chicago (compared to the \$14.92/month in Anchorage). Arizona recently changed their *permanent* UNE rates, lowering them by about 50%. Texas set

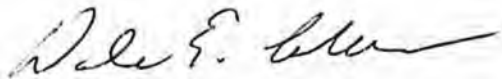
permanent UNE rates (after a contentious drawn out process) only to open a new docket to reexamine them immediately afterwards. There are numerous such examples. The point is not that the RCA has done a good job of making all their decisions – it is that the post-Telecom Act environment is complex, and avenues exist for recourse to poor decisions. ACS has litigated the lifting of the rural exemption in Fairbanks and Juneau. That is the appropriate means to address what they perceive to be a poor (even illegal) decision by the RCA. Perhaps the Judiciary Committee should be asking why the State Supreme Court has not yet ruled on this issue.

If the Senate does not like the job done by particular commissioners (although Mr. Taylor has denied such a personal dissatisfaction in the hearing), there are means to change commissioners. If the State Legislature feels that the Commission's jurisdiction is overly broad (as with the small water system – Crimson View), then they can pass legislation to circumscribe it. If the State Legislature feels that the Commission does not expeditiously process its cases (as with Chugach Electric Association's rate case), then they can pass legislation setting time limits for various regulatory actions. In short, the State Legislature can enact policies it feels are appropriate if it is dissatisfied with RCA actions.

What motivates my position and my comments is the belief that the reauthorization hearings are not the appropriate place to hear these arguments and enact policy. The only effect of allowing the clock to run out on the RCA (or to reauthorize for a short period such as a year) is to shift lobbying and argument from the regulatory hearing room to the legislative hearing room. I think such a shift would be a disservice to Alaska.

The regulatory process is already overly politicized (especially following passage of the 1996 Telecommunications Act). Shifting the debate to the legislative realm will only make it more so. **The Legislature does not have the expertise, interest, or patience** to hear arguments on subjects like rate cases, UNE pricing, ETC designation, etc. Alaskans will be better served to leave this in the hands of the RCA, with the certainty that the responsibility for such decisions resides there. The Legislature should do its job to establish policy that the RCA must enforce. The Legislature also has the responsibility of influencing federal policy if it does not serve Alaska well. The Courts have the responsibility to ensure that RCA decisions are legal. There is nothing to be gained by moving the debate to the legislature and much to be lost – these industries are too important to Alaska to further politicize the policy process.

Sincerely,



Dale E. Lehman

Testimony of A. L. Buki Wright Jr., General Manager, Aurora Energy, L.L.C.
In the matter of the Hearing discussion of RCA Reauthorization
Friday, June 21, 2002

Aurora Energy is a small, local utility in Fairbanks. We are a co-generation plant, providing electric power to GVEA and hot water and steam heat to business, government and residential customers in Fairbanks.

Aurora supports the reauthorization of RCA. We hope that the action - or possibly inaction - of this committee won't allow RCA's authorization to lapse, requiring the agency to "wind down" their activities.

Probably every regulated utility in the Alaska can give you examples of unpleasant dealings with just about any state agency. But, by and large, I'd have to say that I think the RCA has done a good job in their relatively young life of handling issues that our company has been involved in fairly, consistently, and generally within a reasonable amount of time.

Aurora Energy had a matter before the Commission within the last year or two. Although we didn't agree on every issue along the way, I believe we were treated fairly. At this time, Aurora has placed a petition before the Commission that is very important to our future. We are comfortable bringing this matter before this Commission. We are comfortable that we can and will receive a fair hearing, and that our matter will be handled in a timely manner.

That is, unless something isn't allowed to move out of your committee...or at least come up for consideration. If the Committee allows RCA to "sunset", it seems to me that they will have no choice but to begin preparations to shut down. It might be said that this is intended as a "wake-up call" for the RCA, and the year they will have as a "wind down" period should be sufficient for them to deal with the issues being brought up and "clean up their act". Senator Taylor, you and others here are saying there are serious issues that must be addressed. You are suggesting that maybe processes should be rethought, how communication with the Commission is handled should be reviewed, and so forth. I submit to you that it is unreasonable to expect that all those important issues can be addressed in the thorough manner you desire, while at the same time carrying on "normal business", and being responsive to the needs of the Alaskan public and the utilities that serve them - and continue to do so in an independent manner. If the concern is timeliness, focus and decisiveness, throwing a major "distraction" such as this at them ~~and performance of RCA, we urge you not to try to accomplish that by interfering with~~ the timely performance of RCA's current workload. Extend the Commission for at least two years. Allow enough time to address the important issues raised in your hearings and

elsewhere, but do it in a way that allows – and indeed encourages – the timely and thorough performance of the Commission's duties.

Clearly, just by this process, the RCA has been put on notice. All of us, the RCA, utilities, legislators and the people of Alaska, need to get on with it. Aurora Energy respectfully requests that you allow that to happen.



AARP is a consumer organization. Half of our members in Alaska are over age 65, half are under age 65. Most of our members are heads of households. People tell us that they join AARP to receive useful information. They trust us.

As consumers, we trust the oversight authority of the Regulatory Commission of Alaska.

We rely on the RCA just as our members rely on AARP.

We believe the RCA offers our members and all Alaskans the best opportunity to achieve the following basic consumer protections:

The ability to make informed CHOICES about utility services.

The security of SAFE and RELIABLE energy and telecommunications services.

The assurance that sales practices and advertisements are FAIR, so that they do not confuse, mislead or frighten the public.

And, the reassurance that consumers receive ACCURATE INFORMATION, communicated clearly and in plain language so we understand our rights and remedies.

The RCA assures consumers the right to affordable RATES and ACCESS to such basic necessary services as utilities and communications. I emphasize REASONABLE but I also emphasize ACCESS for our rural citizens.

The RCA allows consumers an opportunity to PARTICIPATE in the governmental decision-making process that shapes the marketplace and ensures meaningful consumer INPUT.

When wronged, the RCA offers consumers REDRESS and COMPLAINT RESOLUTION.

We believe the RCA is necessary for our organization and for our members. Without the RCA, we would be deprived of any public oversight of energy and

AARP



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telecommunications services and, when a complaint is warranted, we would not have the RCA available and willing to listen to a consumer's side of an argument.

The RCA protects our rights as consumers. We ask that your Committee recommend the reauthorization of the Regulatory Commission of Alaska. Our AARP families need it. All Alaskans need it.

Thank you.

**TESTIMONY OF MATANUSKA TELEPHONE ASSOCIATION BEFORE THE
SENATE JUDICIARY COMMITTEE REGARDING SUNSET OF THE RCA
6/21/2002**

GOOD AFTERNOON MR CHAIRMAN, SENATORS.

MY NAME IS DON REED. I AM A VICE PRESIDENT WITH MATANUSKA TELEPHONE ASSOCIATION AND AM THE DIRECTOR OF THE COMPANY'S REGULATORY AFFAIRS DEPARTMENT.

AS YOU MAY KNOW, MTA IS THE SECOND LARGEST LOCAL TELEPHONE COMPANY IN ALASKA, NEXT TO ACS. WE PROVIDE OVER 60,000 TELEPHONE LINES TO CUSTOMERS FROM EAGLE RIVER IN THE SOUTH UP PAST HEALY IN THE NORTH AND FROM TYONEK AND SKWENTA IN THE WEST TO MATANUSKA GLACIER VIEW IN THE EAST. OUR SERVICE AREA COVERS MORE THAN 10,000 SQUARE MILES. WE ARE A RURAL TELEPHONE COMPANY AS DEFINED BY THE TELECOM ACT OF 1996. WE ARE ALSO A COOPERATIVE - OWNED BY THE CUSTOMERS WE SERVE.

PREVIOUSLY, YOU'VE HEARD FROM ANOTHER COOPERATIVE UTILITY - NAMELY CHUGACH ELECTRIC ASSOCIATION. ALTHOUGH THEY PROVIDE ELECTRICITY AND WE PROVIDE TELECOMMUNICATIONS SERVICE - WE ARE BOTH REGULATED UTILITIES UNDER THE REGULATORY COMMISSION OF ALASKA. WE ALSO SHARE SOMETHING ELSE IN COMMON. WE HAVE BOTH RECENTLY GONE BEFORE THE RCA IN A COMPLEX RATE CASE.

AS I UNDERSTOOD THE CHUGACH FOLKS, THEY WERE LESS THAN SATISFIED WITH THE TIME FRAMES AND THE PROCESS BY WHICH THEIR CASE HAS BEEN HANDLED BY THE RCA AND BECAUSE OF THIS THEY SUPPORT THE SUNSETTING OF THIS COMMISSION. I HAVE NO PARTICULAR KNOWLEDGE OF CHUGACH'S CASE NOR DO I DOUBT THE VERACITY OF THEIR STATEMENTS.

HOWEVER, MTA WISHES TO REPORT TO THIS COMMITTEE THAT WE ENJOYED A SATISFACTORY ADJUDICATION OF OUR RATE CASE. WE HOPE THIS WILL HELP BALANCE THE RECORD BEFORE YOU AS YOU MAKE THESE IMPORTANT DECISIONS THAT AFFECT OUR INDUSTRY.

NOW, WHEN I REPORT THAT MTA WAS SATISFIED WITH ITS RATE CASE PROCESS, BY NO MEANS AM I TESTIFYING THAT WE GOT ALL WE ASKED FOR OR THAT WE DIDN'T HAVE DISAGREEMENTS WITH THE COMMISSION OVER ISSUES IN THE CASE. BY ITS NATURE THE RATE CASE PROCESS IS A PUBLIC PROCESS WHERE ALL POINTS OF VIEW HAVE THE OPPORTUNITY TO BE HEARD.

AND IN A FAIR PROCESS, ALL OF THOSE POINTS OF VIEW SHOULD BE HEARD. AND WE HAD MAJOR DIFFERENCES OF VIEW, PARTICULARLY FROM THE COMMISSION'S PUBLIC ADVOCACY STAFF. WE ALSO HAD ORDERS FROM THE COMMISSION THAT WE BELIEVED WERE FLAT WRONG.

HOWEVER, WE FOUND THIS COMMISSION, ITS ADVISORY STAFF AND ITS PUBLIC ADVOCACY STAFF CONDUCTED OUR CASE AND ADDRESSED THOSE DIFFERENCES IN A TIMELY AND PROFESSIONAL MANNER. AND EVEN ON THOSE ORDERS THAT WE THOUGHT WERE WRONG, THE COMMISSION ALLOWED US TO BE HEARD.

UPON THE FILING OF A PETITION TO RECONSIDER, THIS COMMISSION IN ALL CASES, TIMELY GRANTED OUR PETITION AND REVIEWED OUR ARGUMENTS. AND, UNDER CURRENT STATE REGULATIONS, IT DOESN'T HAVE TO DO THAT. FURTHERMORE, IN A MAJORITY OF THESE INCIDENTS THEY EVEN REVERSED THEIR ORIGINAL DECISION AFTER THAT REVIEW.

WE BELIEVE THIS IS THE MARK OF A PANEL THAT IS CONCERNED WITH THE FAIRNESS, PROPRIETY, AND TIMELINESS OF ITS DECISIONS AND IS NOT AFRAID TO ADMIT WHEN ITS WRONG. OUR EXPERIENCE WITH THESE PANELISTS SHOW THEM TO BE HONORABLE PERSONS.

MTA DOESN'T ALWAYS AGREE WITH THEIR DECISIONS. BUT WE DO THINK THAT THEY CARE ABOUT ACHIEVING THE RIGHT BALANCE BETWEEN THE COMPETING PARTIES AND INTERESTS IN THE CASES THAT COME BEFORE THEM. MOREOVER, OURS IS A COMPLEX INDUSTRY. THE TIME AND ENERGY IT TAKES TO BRING REGULATORS UP TO SPEED IS ENORMOUS.

WE SAW THAT WITH THIS PANEL WHEN IT COMPLETELY REPLACED THE FORMER APUC JUST THREE YEARS AGO. MTA BELIEVES IT WOULD BE AN UNFORTUNATE WASTE OF TIME AND MONEY TO COMPLETELY REPLACE THE COMMISSION AS WAS DONE IN 1999.

OTHER FOLKS HAVE TESTIFIED TO YOU THAT THE RELATIVE ROLE OF THE COMMISSION'S ADVOCACY AND ADVISORY STAFF SHOULD BE CHANGED. SOME HAVE ADVOCATED THAT SPECIFIC, FINITE TIMELINES AND DISPUTE RESOLUTION PROCEDURES BE INSTITUTED. WE AGREE THAT THESE ARE PROPER THINGS TO BE LOOKED AT.

MTA SUPPORTS A REVIEW AND MODIFICATION OF THE ROLES OF STAFF. WE SUPPORT DEFINITIVE TIMELINES SUCH AS THE ARECA AMENDMENTS THAT WERE DISCUSSED EARLIER. WE ALSO BELIEVE THAT EXPLICIT EX PARTE REGULATIONS SIMILAR TO THOSE THAT GUIDE THE FCC WOULD BE HELPFUL TO BOTH THE COMMISSION AND THE INDUSTRY.

YET, ALTHOUGH WE SUPPORT CHANGES TO SOME OF THE REGULATIONS UNDER WHICH THIS COMMISSION OPERATES, WE BELIEVE THIS COMMISSION IS DOING ITS JOB, AND THAT THE PROCESS IS A FAIR ONE.

THEREFORE WE BELIEVE THIS COMMISSION COINTINUES TO BE NECESSARY TO OUR INDUSTRY AND CANNOT SUPPORT ITS REMOVAL THROUGH SUNSET.

WE HAVE HEARD IT EXPRESSED BY THE COMMITTEE THAT IT IS NOT THE INTENT OF THE LEGISLATURE TO GET RID OF THE AGENCY OR IN FACT TO EVEN REMOVE THE PRESENT COMMISSIONERS. WE ARE ENCOURAGED BY THESE STATEMENTS.

HOWEVER, GIVEN THAT THE LEGISLATURE DOES NOT INTEND TO REMOVE THE AGENCY, WE QUESTION WHY INVOKE THE SUNSET PROVISIONS. WE VIEW SUNSETTING AS A METHOD TO REMOVE AN UNECESSARY GOVERNMENT FUNCTION OR AGENCY, NOT A MEANS TO MODIFY THE REGULATIONS OR RULES UNDER WHICH THAT AGENCY OPERATES.

IT APPEARS TO US THAT, IF IT IS AGREED THAT THE COMMISSION IS NECESSARY, A PREFERRED APPROACH WOULD BE TO RE AUTHORIZE THAT COMMISSION AND ADDRESS SEPARATELY ANY MODIFICATIONS TO THE RULES THAT GOVERN THAT AGENCY. TO DO OTHERWISE SENDS THE WRONG SIGNAL TO CONSUMERS AND TO THE INVESTORS OF REGULATED INDUSTRIES.

CONSUMERS AND INVESTORS WANT STABILITY AND PREDICTABILITY, PARTICULARLY IN THE UTILITY SEGMENT. TO SUNSET THE COMMISSION WHEN IT IS NOT THE INTENT TO GET RID OF THE AGENCY OR ITS COMMISSIONERS INTRODUCES AN UNECESSARY ELEMENT OF RISK AND UNCERTAINTY.

IF MTA COULD VOTE HERE TODAY - WE WOULD FAVOR THE REAUTHORIZATION OF THE COMMISSION. WE LEAVE IT TO THE LEGISLATURE AS TO HOW LONG THAT PERIOD SHOULD BE. WE ALSO COMMIT OUR RESOURCES TO ASSIST IN THE DEVELOPMENT OF TIMELINESS GUIDELINES, STAFF ALLOCATION GUIDELINES, EX PARTE REGULATIONS AND ANY OTHER MODIFICATIONS DEEMED NECESSARY TO THE RULES THAT GOVERN THE AGENCY.

THANK YOU.

UNE PRICING -

TECHNICAL PRICING OF UNES MUST BE WITHIN 10% OF EMBEDDED PRICE UNLESS A CONVINCING EVIDENCE IS PRODUCED TO JUSTIFY A PRICE DIFFERENCE HIGHER OR LOWER THAN 10%.

RATE CASE TIMELINE:

Two Phases: Rev Req . COSS/Complete Rate Design. MTA wanted bifurcated and sequential. Commission granted although wasn't required.

First Phase:

Revenue Requirement Filed 1/14/2000

Noticed to Public and Tariff Review: February 28,2000

Interim Rates AND partial rate re design (usually not done – very beneficial to our customers and to the utility) 3/1/2000.

Procedural Schedule Set (mutually agreed between MTA and PAS) 6/29/2000

Rev Req Hearing 10/2/2000

RR Order 11/29/00

PAS Reconsideration denied 1/8/01. Procedural Schedule for COSS/RD set.

Incremental Interim rates allowed – made NON refundable 1/08/2001

Second Phase:

COSS/Rate Design Study filed 1/15/01.

Hearing on COSS/RD: 5/22/2001

Approval of MTA COSS, Initial Order for Rate Design: 8/21/2001

MTA Reconsideration and Final Rate Design Granted: 10/9/2001

Joe Griffith M Chugach
6/20/02

I want to stress again that we appear before you humble but exasperated. There is a Japanese saying: "The peg that sticks up gets hammered down." We would not be here if we were not desperate to do something to alleviate the pain we (and as a result our members) feel as a result of our regulatory experience. We do not know all the answers but we are here to help by giving you information from our perspective.

Question: *Is it true that most of the delays in cases are the utilities fault because they ask for extensions of time?*

Answer: The answer is generally "no."

- We can speak only to our cases.
- It is true that the participants generally try to offer professional courtesies and so you will find participants not opposing extensions requested but focusing on agreed upon extensions misses the point entirely.
- If the Commission really believes the problem lies in granting agreed upon extensions of time then we've got an even bigger problem than I thought.
- The Commission is in charge of these cases before it. It is the Commission's responsibility to ensure that its adjudications do not go on too long. This is particularly true (and admittedly especially difficult) in a hotly contested case.
- There is no one other than the Commission in a position to make sure the case is properly managed and in tough cases the dockets must be very actively and aggressively managed.
- This is the issue, not requested extensions of time.

The U-96-37 rate proceeding has a lot of good lessons in it.

I won't start back at the beginning but rather at the point that the RCA arrived on the scene.

One of the first things Chugach filed was a request to extend time. But if you look at it what we said was: *'you've ordered us to file a general rate case but we have not finished the expedited reviews of the 96, 97 and 98 test years yet so we cannot file a 1999 test year until we finish the other three years.'* We filed this June 30, 1999 so it was waiting for the new commissioners when they arrived. The Commission said *'O.k., file the 1999 test year by June of 2000.'*

Seven months later (Feb. 8, 2000) we filed a pleading. It was a pleading in more than just the ordinary legal sense. We kind of pleaded with the Commission to just rule on the two remaining issues in the 1996 test year case. We set this out in a very simple, short filing that explained all the different Chugach rate issues that had built up and gave a road map on how to resolve them.

June 26, 2000, in Order No. 4, the Commission rules on the last of the 1996 test year issues. So in our view, we had put the Commission on notice as of their first day on the job that they are pushing a bow wave of 4 test years. **It still took a year to get**

1996 done and it did not require a hearing. To be fair, there were masses of pleadings and two months were used with unopposed time extensions.

It is notable that of the issues raised in that Feb. 2000 road map, only the 1996, 97 and 98 test year rates issues are essentially done. The line loss issue we raised is still an open docket and will get active again soon. The so-called "discrimination issue" which was the allegation that started the 1996 docket in the first place (and on which a whole day of testimony was taken) is still alive and rolled into the current 2000 test year rate case.

The "financial management" issue was the subject of its own docket which the Commission dismissed. But this was done in a way that allowed it to be raised again. So, it was raised a second time in the 98 test year case. And now, a third time it's up in the 2000 test year so that issue is still with us too. It is not that we don't want to explain ourselves, it's just that we would prefer to do it just once.

It is not until **September of 2000** that we get a procedural order for the 1997 test year. The discovery wars begin in earnest.

October 30, 2000 the commission (order No. 29) recognizes that "we must proceed expeditiously. Regrettably, this case is bogged down in a procedural quagmire over discovery disputes that are impeding progress on this case." They appoint a discovery master

Hearing held on 97 test year January 25, 2001. Decision February 26, 2001. In January, Chugach had filed a request to establish discovery guidelines to apply to 1998 test year. The Commission declines and says we should have asked sooner.

May 10, 2001 set for hearing of 1998 test year.

In May, the Commission extends the date to do more discovery on a particular issue. **New date** set for early September 2001 hearing. The hearing was held.

Decision March 15, 2002.

Note: This delay caused problems in trying to get the 2000 test year filed in a timely fashion.

Summary: It is not the extensions of time that are causing the bulk of the delays. Within reason, 6 or 8 weeks of extensions can easily be accommodated. It is the rest of the case that's the problem.

- Uncontrolled discovery
- Slow decisions on motions
- Limited decisions that leave issues to recur later.

Question: *Didn't the Commission set limits on discovery?*

Answer: Not effective ones, no.

What the Commission did was establish a nominal numerical limit on written discovery requests; 30 Requests for Production and 30 Interrogatories. **But** there is a "good cause" exception. If you want to ask more, you can. And, you don't have to show "good cause" for asking more than your limit of 30, you have to show that each additional question is a good one. So, you go to a hearing and you argue over each one that's more than 30. The result is that lots more than the 30 limit.

But remember, each of the three opposing parties can ask 30 of each type. **AND** they get to ask up to the limit (and beyond if they can show "good cause") in **four separate rounds** of discovery!! That's how we get to hundreds of written requests and over 60,000 pages of discovery disclosed – not to mention lots of depositions. There is no way that any of the lawyers or consultants is going to look at anywhere near 60,000 pages of documents. It is out of control.

What I find most disturbing is the Commission's offering of these defenses.

ALASKA STATE LEGISLATURE

BOX 1441

WRANGELL AK 99929



FAX

TO: ATT: ROBIN L TAYLOR FROM: SENATOR ROBIN L. TAYLOR

DATE: 6/20/02

PHONE: PHONE: 907-874-2318

FAX PHONE: 907-269-0229 FAX : 907-874-3470

NUMBER OF PAGES INCLUDING COVER 6

CC:

[REDACTED]

REMARKS:

IMPORTANT

PLEASE DELIVER TO SENATOR

ROBIN L TAYLOR "IMMEDIATELY"

IN HIS MEETING &

THANK YOU RHONDA DAWSON

Mary Hoyt, Secretary to Senator Taylor

Email: Mary_Hoyt@legis.state.ak.us



Homer Electric Association, Inc.

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3977 Lake Street
Homer, Alaska 99603-7680
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FAX (907) 235-3313

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Kenai, Alaska 99611-5280
Phone (907) 283-5831
FAX (907) 283-2394

TELEFAX COVER SHEET

*From the office of the General Manager
Fax (907) 235-3323*

DATE: June 20, 2002

TO: Senator ROBIN Taylor, Chairman, Senate Judiciary Committee 874-3470

Senate Judiciary Committee:

Senator Dave Donley 269-0238
Senator John Cowdery 269-0223
Senator Johnny Ellis 269-0172
Senator Gene Theriault 488-4271

FROM: N. L. Story, General Manager
 Susan Saxton, Executive Assistant

Number of pages (including this page) 5 Hard copy to follow by mail.

We are using a Xerox Pro 745. If you do NOT receive all the pages, please contact the sender at telephone (907) 235-8551 or (907) 235-8167.



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FAX (907) 235-3513

Central Peninsula Service Center
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Kenai, Alaska 99611-5280
Phone (907) 283-5831
FAX (907) 283-7122

June 20, 2002

Senator Robin Taylor
Chairman, Senate Judiciary Committee
PO Box 1441
Wrangell, AK 99929

Re: Regulatory Commission of Alaska - Sunset Review

Dear Senator Taylor:

Homer Electric Association, Inc., is an electric cooperative serving most of the 50,000 residents of the Kenai Peninsula with electric power. Homer Electric has been closely following the sunset review of the Regulatory Commission of Alaska. Issues have arisen related to the review that have the potential to directly affect the cost of power to the customers of Homer Electric.

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Homer Electric has a concern that Chugach's communications with the committee have created an erroneous impression about a current rate case in which Homer Electric is a significant party. It is totally inappropriate to create pressure on a regulatory body to rule in favor of one litigant over another by tactics such as these. Homer Electric vehemently objects to any attempt by Chugach to use the legislative review process to inappropriately influence a regulatory body in a pending adjudicatory matter.

Homer Electric has supported the ARECA position regarding the continuation of the Commission. HEA believes that the legislature should indicate the issues that need to be addressed and then give the commission up to two years to address those issues. The issues are complex. Thus, if the commission is extended in this manner the RCA should be given clear direction as to the issues to be addressed. HEA believes that such a course of action will avoid placing an additional and complex burden on a number of legislative committees who already are immersed in the multitude of other pressing issues confronting the State.

Attached is Homer Electric's response to the issues raised by Chugach. Chugach asserts they are losing money. However, CEA is not losing anything. They are just recovering less than what they asked for. Additionally, Chugach's filing does not include six years worth of data in it. It is true that their filing is influenced by what decisions the RCA has made over the last six years, but it is also influenced by what the APUC decided back in 1986 and 1987. It would be as inaccurate to claim that their filing includes data going back 15 years (to 1986), as it would be to assert that it includes these six years of data. Their filing includes one year of data.

**Homer Electric Association, Inc.
Comments on Chugach Electric's Testimony
June 19, 2002**

Pending before the Commission at this time is a request by Chugach to increase its rates and to significantly alter its rate structure as regards its wholesale customers. One issue of particular interest to Homer Electric has been the testimony of Chugach Electric Association to the committee and the apparent intent of that testimony to influence the rate case pending before the RCA.

Homer Electric has reviewed the prepared testimony of Chugach general manager Joe Griffith and the letter of board president Bruce Davison. Neither witness represents the views of Homer Electric and neither witness is speaking on behalf of the nearly 20,000 members of HEA. Homer Electric was not consulted concerning the testimony, either before or after it was presented. Homer Electric appreciates this opportunity to present a different perspective on some of the issues that we believe were somewhat distorted by the Chugach testimony.

Chugach's main theme was that Chugach is being ill-used by the RCA in a rate proceeding before that quasi-judicial body, and that this body is taking too long to make decisions in its dockets. The three main complaints made by Mr. Griffith are responded to in the paragraphs below in some detail. But first it is important to bring to the judiciary committee's attention a basic distinction between two very different time lines within a docket.

The first time-line involves the proceedings from the time of filing through the hearing process. Please understand that there is typically more than one party to a proceeding involving a request for a rate increase, and in many cases the positions of the parties are diametrically opposed. There is a certain amount of time that is necessary for adverse parties to accumulate the information necessary to understand and verify the data presented by each other. This process can take either more or less time, depending on the degree of cooperation by the utility that is being requested to make the information available. As discussed below, Chugach has been less than cooperative in this matter. It is important that the time for conducting discovery not be truncated. A 'rush to judgment' which sacrifices the ability of the parties to present accurate and sufficient information to the RCA is not in the public interest. It is crucial to the public interest to allow all the parties access to information necessary to validate whether and to what extent the rate increase requested can be supported.

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Homer Electric Association, Inc.
Comments on Chugach's Testimony
June 19, 2002

Page 2

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To whom it may concern,

I am a tax paying Alaskan citizen concerned about the rulings done by our RCA. It seems very apparent their rulings are bias and unfair.

In the light of expert testimony they are ruling in favor of unfair competition.

It is real certain that the RCA is being influenced by bribes and kick backs as well as personal favors. Please investigate the RCA for corruption and bribes.

Richard Burton
P.O. Box 221292
Anchorage Ak, 99522

From: Joseph W. Zimmerman

To: Oversight Board - Regulatory Commission of Alaska

Date: 6-20-02

Subj: Discontinuation of RCA authority

The future of quality phone service for all depends on quality outside plant. Due to the past rulings in GCI favor the RCA has hamstringing ACS and forced a PRIVATE business to provide a livelihood for their competitor. This is wrong.

When ACS goes bankrupt due to subsidization GCI's existence, who will repair the old, rotting, unmaintained copper in our state?

Get a clue on this, investigate the money and the influence!

Sincerely, Joseph W. Zimmerman

To Whom It May Concern,

Please investigate the R.C.A. board. Their record speaks for itself. Almost 90% in favor of G.C.I. in their rulings. The board is tainted, bought & paid for by G.C.I., with either cash or fishing trips or favors. We are only asking for fair rulings.

JARETT DUPREE
18612 South Lowizie loop
EAGLE RIVER AK
99577

6/19/82

Senator Robin Taylor
50 Front Street, Suite 203
Ketchikan, Alaska 99901

Dear Senator Taylor,

Thank you for challenging the
State RCA BOARD. Their recent & past
decisions against Telecommunications &
Power Companies ARE wrong. PLS.
LOOK INTO these POAD rulings. My
job depends on you investigating
this Board. Again thank you for
ALL your time involved.

26 year Resident,
Ramon R. Martin
7150 BEAUMONT Cir.
SAND Lake - Anch 9950.
243-0400 (Home)

5/19/02

Rep. Andrew Halcro
716 W 4th Street
Anch, AK 99501-2133

Pls. Sie investigate the recent a
part decisions of the State RCA
Board. Their decisions against
Local Telecommunications & Tower

companies are wrong. My job
depends on your looking into
these base rulings -

Thank you for your
prompt attention to this
matter. Karen R. Matti
1150 Barrumot Cir
Sand Lake - Anch. 99502

Fax to: Vic Kohring
Fax # 465-3818
Subject R.C.A. (Investigating)

I am sending this letter regarding the R.C.A.

In talking to you in the past and supporting you as a voter in all of your past elections, I am asking you to please sunset the R.C.A. for 1-year so an investigation may be conducted on the fairness of the R.C.A. regarding decisions made on rates between G.C.I. and A.C.S.

Once you look at the R.C.A. I believe you will see that what G.C.I. calls competition is actually subsidized phone rates for G.C.I. putting unfair burden on A.C.S.

P.S. I would also like a response on how you view the R.C.A. sunset year. E-mi Harding 4@mtaonline.net

Ross Harding 373-1384
Ross Harding

Fax to: SCOTT OGAN
Fax # 465-3265
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P.S. I would also like a response on how you view the R.C.A. sunset year. E-mail Harding4@mtaonline.net

Ross Harding 373-1384
Ross Harding

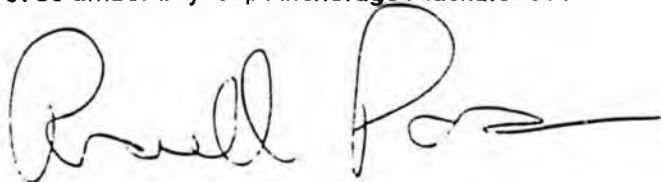
Poor, Randall W. (Randy)

If anyone really cares anymore

I'm am writing this asking for your support in investigating the RCA. I took the time to go to several of there meeting and I see a real problem. They don't seem to even care that they are one sided in front of the public. All we are asking for is for you to look into this board and staff. I believe in competition but what they have done in the last few years is wrong and is so one sided they must be in someone's pocket.

I have been in Alaska since 1956 and I can't believe it takes this long to get someone attention when they have a board that is on the payroll of the tax payers and is running amuck without you doing anything about it.

Randall W Poor
3700 amber bay loop Anchorage Alaska.99515

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

5/19/02

Rep. Rokeberg,
716 W 4th Avenue
Anch - 99501-2133

Pls. Sir investigate the recent ^{4 Part} Decisions
of the State REA BOARD. ^{These}
Decisions Against Local Telecommuni-
cations & Power Companies ARE WRONG.
My job depends on you looking
out ^{these} ~~the~~ BAD rulings.

A Loyal Resident
in South West Anch.

Ramon R. Martin
7150 Beaumont Cir
Sand Lake - Anch. 995
212 (Home)

I would like to see someone take a good hard
look at the RCA and it's practices which always seem
to be one sided decisions which seem to always favor
GCI I think something needs to be done to make
this a fair process.

THANKS FOR YOUR TIME

STEVE HUSTON
5321 Hendrickson Cir
Anch. 99507

I would like to request an investigation
of the R.C.A, I believe there record of decisions
shows a bias toward GCI

DJ Giboney
3002 Eureka ST
Anch. 99503

907-569-6020

TO WHOM IT MAY CONCERN,

I would like to request THAT THE
R. C. A. be investigated FOR imPROPRIETIES
CONCERNING IT'S DECISIONS IN REGARD TO
THE TELEPHONE INDUSTRY.

MICHAEL HARDING
4600 EAST 135TH
ANCHORAGE, AK. 99516

TO whom it may concern, 20 June 02

I AM VERY CONCERNED ABOUT THE
RCA, AND ITS UNFAIR RULINGS.

THIS IS VERY PERSONAL TO ME.
I DEPEND ON THIS FOR MY JOB.

THESE RULINGS ARE ALWAYS FOR GCI
GCI AND ANCHORAGE DAILY NEWS HAS
TAINTED THE WELL.

THE DEREGULATION WE HAVE IN
ALASKA IS NOT THE WAY IT IS IN
THE LOWER 48 & NOT THE WAY IT
IS INTENDED TO BE.

PLEASE SENSETT + INVESTIGATE
THE RCA.

BRYAN NELSON

Bryan W. Nelson

PO BOX 4822

PALMER AK 99697

ALASKA STATE LEGISLATURE

BOX 1441

WRANGELL, AK 99929



FAX

TO: ATT: ROBIN L TAYLOR FROM: SENATOR ROBIN L. TAYLOR

DATE: 6/20/02

PHONE: _____ PHONE: 907-874-2318

FAX PHONE: 907-2109-0229 FAX : 907-874-3470

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CC:



REMARKS:

IMPORTANT

PLEASE DELIVER TO SENATOR

ROBIN L. TAYLOR "IMMEDIATELY"

IN HIS MEETING &

THANK YOU RHONDA DAWSON

Mary Hoyt, Secretary to Senator Taylor

Email: Mary_Hoyt@legis.state.ak.us



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TELEFAX COVER SHEET

*From the office of the General Manager
Fax (907) 235-3323*

DATE: June 20, 2002

TO: SENATOR ROBIN Taylor, Chairman, Senate Judiciary Committee 874-3470

Senate Judiciary Committee:
Senator Dave Donley 269-0238
Senator John Cowdery 269-0223
Senator Johnny Ellis 269-0172
Senator Gene Theriault 488-4271

FROM: N. L. Story, General Manager
 Susan Saxton, Executive Assistant

Number of pages (including this page) 5 Hard copy to follow by mail.

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June 20, 2002

Senator Robin Taylor
Chairman, Senate Judiciary Committee
PO Box 1441
Wrangell, AK 99929

Re: Regulatory Commission of Alaska - Sunset Review

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Page 2

Letter to Senator Robin Taylor
June 20, 2002

Thank you for letting Homer Electric present its views.

Sincerely,

HOMER ELECTRIC ASSOCIATION, INC.


N. L. Story
General Manager

F:\GENERAL\2002\Homer Electric\publicity committee letter\wpd
attachment

cc: Senate Judiciary Committee:
Senator Dave Donley
Senator John Cowdery
Senator Gene Theriault
Senator Johnny Ellis

G. Nanette Thompson, Chair, Regulatory Commission of Alaska

Senator John Torgerson
Senator Jerry Ward
Representative Mike Chenault
Representative Ken Lancaster
Representative Drew Scalzi

Homer Electric Association, Inc.
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June 19, 2002

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P.O. Box 221272
Anchorage Ak. 99522

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To : Oversight Board - Regulatory Commission of Alaska

Date : 6-20-02

Subj : Discontinuation of RCA authority

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JARETT DUPREE
18612 South Lowrie loop
Eagle River AK
99577

6/19/82

Senator Robin Taylor
50 Front Street, Suite 203
Ketchikan, Alaska 99901

Dear Senator Taylor,

Thank you for challenging the
State RCA BOARD. Their recent & past
decisions against Telecommunications &
Power Companies ARE wrong. PLS.
LOOK INTO these POAD rulings. My
job depends on you investigating
this Board. Again thank you for
ALL your time involved.

26 year Resident,
Ramon R. Martin
7150 BEAUMONT Cir.
SAND LAKE - Anch 9950.
243-0400 (Home)

6/19/02

Rep. ANDREW HALCRO
716 W 4th Avenue
ANCH, AK 99501-2133

PLS. Sie investigate the recent &
Past Decisions of the STATE RCA
BOARD. Their Decisions against
Local Telecommunications & Power
Companies ARE WRONG. My Job
Depends on you Looking into
these BAD Ratings -

Thank you for your
Prompt attention to this
matter. Kamon R. Martin
1150 Beaumont Cir
SAND Lake - Anch. 99502

Fax to: Vic Kohring
Fax # 465-3818
Subject R.C.A. (Investigating)

I am sending this letter regarding the R.C.A.

In talking to you in the past and supporting you as a voter in all of your past elections, I am asking you to please sunset the R.C.A. for 1-year so an investigation may be conducted on the fairness of the R.C.A. regarding decisions made on rate's between G.C.I. and A.C.S.

Once you look at the R.C.A. I believe you will see that what G.C.I. calls competition is actually subsidized phone rate's for G.C.I. putting unfair burden on A.C.S.

P.S. I would also like a response on how you view the R.C.A. sunset year. E-mail Harding4@mtaonline.net

Ross Harding 373-1384
Ross Harding

Fax to: SCOTT OGAN
Fax # 465-3265
Subject R.C.A. (Investigating)

I am sending this letter regarding the R.C.A.

In talking to you in the past and supporting you as a voter in all of your past elections, I am asking you to please sunset the R.C.A. for 1-year so an investigation may be conducted on the fairness of the R.C.A. regarding decisions made on rates between G.C.I. and A.C.S.

Once you look at the R.C.A. I believe you will see that what G.C.I. calls competition is actually subsidized phone rates for G.C.I. putting unfair burden on A.C.S.

P.S. I would also like a response on how you view the R.C.A. sunset year. E-mail Harding4@mtaonline.net

Ross Harding 373-1384
Ross Harding

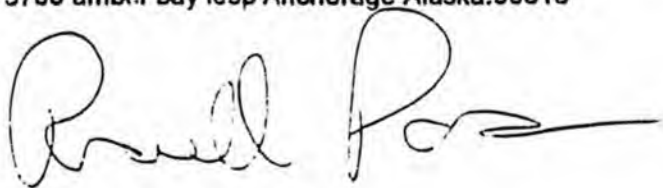
Poor, Randall W. (Randy)

If anyone really cares anymore

I'm am writing this asking for your support in investigating the RCA. I took the time to go to several of there meeting and I see a real problem. They don't seem to even care that they are one sided in front of the public. All we are asking for is for you to look into this board and staff. I believe in competition but what they have done in the last few years is wrong and is so one sided they must be in someone's pocket.

I have been in Alaska since 1956 and I can't believe it takes this long to get someone attention when they have a board that is on the payroll of the tax payers and is running amuck without you doing anything about it.

Randall W Poor
3700 amber bay loop Anchorage Alaska.99515

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

6/19/52

Rep. Rokeberg,
716 W 4th Avenue
Anch - 99501-2133

Pls. Sir investigate the recent ^{& Past} Decisions
of the State RCA BOARD. ^{These}
Decisions Against Local Telecommuni-
cations & Power Companies ARE WRONG.
My job depends on you Looking
into ~~these~~ ^{these} BAD Rulings.

A Loyal Resident
in South West Anch.

Ramon R. Martin
7150 BEAUMONT Cir
Sand Lake - Anch. 995
995-2112 (home)

I would like to see someone take a good hard
look at the RCA and its practices which always seem
to be one sided decisions which seem to always favor
GEI I think something needs to be done to make
this a fair process.

Thanks for your time

STEVE HUSTON
5321 Hendrickson Cir
Anch. 99507

I would like to request an investigation
of the R.C.A, I believe there record of decisions
shows a bias toward GCI

DJ Gibbons
3002 Eureka ST
Anch. 99503

907-569-6020

TO WHOM IT MAY CONCERN,

I would like to request THAT THE
R. C. A. be investigated FOR improprieties
concerning its decisions in REGARD TO
THE Telephone industry.

MICHAEL HARDING
4600 EAST 135TH
ANCHORAGE, AK, 99516

20 June 02.

To whom it may concern,

I am very concerned about the
RCA, and its UNFAIR RULINGS.

This is very personal to me.
I depend on this for my job.

There Rulings are always for GCI
GCI and Anchorage daily News has
Tainted the well.

The De Regulation we have in
ALASKA is NOT the way it is in
THE lower 48 & NOT the way it
is intended to be.

PLEASE SUNSETT + INVESTIGATE
THE RCA.

BRYAN NELSON

Bryan Nelson

PO BOX 4822

PALMER AK 99687



SITE: MAT-LIO

SUBJECT OF MEETING:

COMMITTEE:
Senate Judiciary

UPDATE#:*final*

DATE: *06/20/02*

PLEASE SIGN IN

P R I N T YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

**DO YOU WANT
TO TESTIFY?
Y or N**

P R I N T YOUR NAME	ADDRESS (MAILING & ZIP)	REPRESENTING	DO YOU WANT TO TESTIFY? Y or N
Jim Sykes			Y
Email address:			RCA
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Alaska Communications Systems Reports Strong Third Quarter 2001 Results

Positive Quarterly Cash Flow on Record EBITDA of \$33.3 Million

ANCHORAGE, Alaska, Oct 25, 2001 -- Alaska Communications Systems Group, Inc. ("ACS") (Nasdaq:ALSK) today reported financial results for the third quarter ended September 30, 2001. Revenues for the quarter grew 10.6% to \$82.8 million compared to \$74.9 million in the same period last year. For the third quarter of 2001, EBITDA increased 42.9% to \$33.3 million compared to \$23.3 million for the same period last year.

"We are pleased to report that our overall results continued to improve during the quarter," commented Chuck Robinson, Chairman and CEO of ACS. "We experienced sequential revenue growth in our cellular, directory, Internet and interexchange businesses as we continued to compete well in our marketplaces and win additional customers. EBITDA, which was the highest in the Company's history, showed improvement as we continue to seek efficiencies from our local telephone business. In contrast to the economic downturn the rest of the nation seems to be experiencing, the Alaskan economy remains solid and the prospects for future growth are promising."

"While we are pleased with our progress in many areas," Robinson continued, "we are mindful that on a year-to-date basis total local telephone revenues have decreased over the past year. This is a result of a combination of unfair competitive arbitrage opportunities associated with below cost UNE rates, coupled with decade-old retail rates which do not permit us to earn our regulated revenue requirement. We are currently engaged in several actions before the state regulatory commission that address these issues by increasing retail and interconnection rates and allowing us to compete more effectively in our markets."

ACS experienced its second consecutive free cash flow positive quarter, as cash balances increased \$3.7 million during the quarter. The Company incurred a net loss of \$1.4 million, or \$0.04 per share, for the quarter ended September 30, 2001 -- an improvement of \$1.4 million or \$0.05 per share on a sequential quarter basis. In 2000, ACS reported a third quarter net loss of \$10.9 million, or \$0.33 per share. Income before amortization of goodwill was \$541,000 for the quarter, or \$0.02 per share, compared to a \$9.0 million net loss, or \$0.27 per share in the same period last year.

Kevin P. Hemenway, Senior Vice President and CFO of ACS, stated, "Our EBITDA margin increased to 40.2% from 31.1% last year and 39.2% in the immediately preceding quarter, demonstrating our continued commitment to implementing operating improvements. Going forward we will continue to take the necessary steps to increase our telephone and wireless operating margins while profitably growing our emerging businesses."

Highlights from the Quarter --- Local telephone:

- Access lines for the quarter were 333,166, an increase of 3,111 over the immediately preceding quarter.
- Local network service revenues grew by 6.6% on a sequential quarter basis, reflecting a strong competitive position and improved collection processes.
- Access revenues were flat with the immediately preceding quarter and grew by over \$3.2 million from last year. Third quarter 2000 revenues included a \$3.6 million reserve for an as yet unresolved dispute regarding interstate access revenues.
- Deregulated and other revenues decreased by \$2.1 million from the immediately preceding quarter as customers deferred capital expenditures on large PBX and CPE equipment and a one-time change to the Company's assessment of late fees.
 - Cellular revenues increased to \$11.0 million for the third quarter of 2001 from \$10.9 million in 2000. Cellular subscribers increased 7.6%, or 5,562, to 78,758 from 73,196 in 2000. Penetration improved to 17.0% compared to 15.9% for 2000.
 - Directory revenues grew 20.0% over the corresponding quarter in 2000 to \$8.7 million.
 - Internet revenues grew 38.4% to \$3.6 million from \$2.6 million in 2000, reflecting increases in DSL customers and the acquisition of MosquitoNet in Fairbanks on July 6th, 2001. With the acquisition of MosquitoNet, ACS is the State's largest provider of paid Internet service. The Company had approximately 6,000 DSL subscribers at September 30, 2001.
 - Interexchange revenues increased 81.3% from \$3.0 million in 2000 to \$5.4 million in 2001. During the quarter, the Company succeeded in adding approximately 1,300 additional customers for its Easy Choices program and has grown its long distance subscriber base by approximately 70% over last year.
 - Operating expenses before depreciation and amortization decreased from the same period last year, despite a 10.6% increase in revenues. This quarter's expenses included approximately \$0.7 million related to the early stages of the Company's rollout of its advanced IP network and service center, and \$0.3 million related to MosquitoNet transition services, which are reflected in Internet expense.

ACS' management will host a conference call at 5:00 P.M. Eastern time on Thursday, October 25, 2001 to discuss the third quarter results and the Company's outlook for the remainder of 2001. The Webcast will be available live from the Company's corporate website at www.ACSalaska.com and via replay beginning two hours after the completion of the call. An audio replay of the call will also be available by dialing 320/365-3844 and entering the passcode 605534. The replay will be available until midnight ET on November 1, 2001.

About Alaska Communications Systems, Inc.

ACS is the leading integrated communications provider in Alaska, offering local telephone service, wireless, long distance, data, and Internet services to business and residential customers throughout Alaska. ACS currently serves approximately 333,000 access lines, 79,000 cellular customers, 67,000 long distance customers and 51,000 Internet customers throughout the State. More information can be found on the Company's website at or replay it at a later date by accessing the Company's website at <http://www.ACSalaska.com>.

Statements contained in this press release that are not historical fact are "forward-looking statements" that involve a number of known and unknown risks or uncertainties. Additional factors, which may affect actual results, are contained in the Company's filings with the SEC. Forward-looking statements in this release are made pursuant to the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995.

SCHEDULE 1

ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited, in Thousands, Except per Share Amounts)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2001	2000	2001	2000
Operating revenues:				
Local telephone	\$ 53,860	\$ 50,819	\$ 163,018	\$ 167,966
Cellular	11,041	10,947	30,734	29,657
Directory	8,705	7,255	24,857	21,584
Internet	3,584	2,590	9,898	5,247
Interexchange	5,395	2,976	16,557	8,513
Other	235	279	733	853
	-----	-----	-----	-----
Total operating revenues	82,820	74,866	245,197	233,820
Operating expenses:				
Local telephone	29,259	34,166	88,582	103,288
Cellular	5,951	5,913	17,501	17,684
Directory	3,616	3,404	10,478	10,199
Internet	4,583	3,672	11,592	7,788
Interexchange	6,678	4,187	23,043	12,774
Other	470	342	1,429	1,031
Unusual charges	--	2,083	--	2,083
Depreciation and amortization	20,054	17,773	59,292	52,464
	-----	-----	-----	-----
Total operating expenses	70,611	71,540	211,917	207,311
Operating income	12,209	3,326	33,880	26,509
Other income (expense):				
Interest expense	(14,677)	(16,417)	(45,945)	(48,253)
Interest income and other	1,021	2,195	2,777	5,033
Equity in earnings (loss) of investments	--	--	69	(153)
	-----	-----	-----	-----
Total other expense	(13,656)	(14,222)	(43,099)	(43,373)
Loss before income taxes	(1,447)	(10,896)	(9,219)	(16,864)
Income tax benefit	48	20	147	154
	-----	-----	-----	-----
Net loss	\$ (1,399)	\$ (10,876)	\$ (9,072)	\$ (16,710)
	=====	=====	=====	=====
Net loss per share - basic and diluted	\$ (0.04)	\$ (0.33)	\$ (0.29)	\$ (0.51)
	=====	=====	=====	=====
Weighted average shares outstanding	31,550	32,927	31,427	32,806
	-----	-----	-----	-----
EBITDA	\$ 33,284	\$ 23,294	\$ 96,018	\$ 83,853
	=====	=====	=====	=====

Note: Certain reclassifications have been made to the 2000 data to conform with the current presentation.

SCHEDULE 2

ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEET DATA
(Unaudited, in Thousands)

	September 30, 2001	December 31, 2000
Cash and cash equivalents	\$ 34,731	\$ 61,896
Restricted cash	6,890	--
Property, plant and equipment, net	483,907	460,735
Total assets	903,935	908,285
Long-term debt	611,397	614,004
Stockholders' equity	193,634	215,380

SCHEDULE 3

ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.
SCHEDULE OF LOCAL TELEPHONE REVENUES
(Unaudited, in Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Local telephone revenues:				
Local network service	\$ 24,388	\$ 22,679	\$ 70,530	\$ 70,298
Network access revenue	24,993	21,779	76,258	79,835
Deregulated and other	4,479	6,361	16,230	17,833
	-----	-----	-----	-----
Local telephone revenues	\$ 53,860	\$ 50,819	\$163,018	\$167,966
	=====	=====	=====	=====

SCHEDULE 4

ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.
KEY OPERATING STATISTICS

	As of September 30,	
	2001	2000
Local telephone:		
Retail access lines	266,040	274,458
Wholesale access lines	20,858	18,110
UNE loops	46,268	36,420
	-----	-----
Total access lines	333,166	328,988
Average access lines for the quarter	331,611	329,604
Annual growth rate	1.3%	1.9%
Cellular:		
Covered population	462,057	460,802
Ending subscribers	78,758	73,196
Average subscribers for the quarter	78,666	73,395
Annual growth rate	7.6%	3.3%
Penetration	17.0%	15.9%
Quarterly minutes of use (000's)	45,272	35,614
Quarterly average revenue per Unit	\$ 46.78	\$ 49.72
Long Distance:		
Long distance subscribers	67,211	39,734
Quarterly minutes of use (000's)	49,337	18,772
Internet:		
Internet subscribers	50,500	43,785

Note: Third quarter 2000 access line counts have been reduced by 3,034 from previously reported amounts to reflect corrections in counting of certain service offerings.


ACS

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Alaska Communications Systems Reports Solid Fourth Quarter 2001 Results

Strong Quarterly Cash Flow on Record Revenues of \$85.9 Million

Quarter Highlighted by \$92 Million State of Alaska Award and Improvements in DSL Rollout

ANCHORAGE, Alaska— February 20, 2002--Alaska Communications Systems Group, Inc. ("ACS") (Nasdaq: ALSK) today reported financial results for the fourth quarter and full year ended December 31, 2001. Revenues for the quarter grew 8.5% to \$85.9 million compared to \$79.2 million in the same period last year. For the fourth quarter of 2001, EBITDA increased 17.8% to \$32.6 million compared to \$27.7 million for the same period last year. Revenues for the full year grew 6.0% during 2001 to \$331.7 million compared to \$313.0 million for 2000 and EBITDA increased 15.3% to \$128.7 million for 2001.

"We are pleased to report solid results for the quarter, led by our local telephone and directory businesses," commented Chuck Robinson, Chairman and CEO of ACS. "We came in on target despite normal seasonality and aggressive fourth quarter advertising campaigns launched by our competition in our residential local and long distance markets. Notably, we had improved results in our broadband business, which added about 400 customers per month. The most significant development for us during the quarter was the award of a five year \$92 million contract from the State of Alaska to provide a broad range of telecommunications services," Robinson continued. "The State provides us an anchor tenant for our next generation, IP network and this contract will be the cornerstone of our focused effort to offer advanced services to institutional customers. This award in a highly competitive bid process clearly establishes ACS as the technology leader in Alaska and we are excited about our prospects for winning new customers in this segment of the market."

"On the regulatory front, we implemented 8% and 24% increases to our Anchorage UNE and residential local service rates, respectively," Mr. Robinson continued. "While these increases represented progress in our regulatory strategy, we continue to face a market with unfair competitive arbitrage opportunities associated with below cost UNE rates. For example, our primary competitor in Anchorage did not match our residential rate increase for their CLEC customers, allowing it to capture market share, primarily among lower margin customers."

ACS experienced its third consecutive quarter of free cash flow positive results as cash balances increased \$6.3 million during the quarter to \$47.9 million, including \$6.9 million of restricted cash. For the quarter ended December 31, 2001, the Company incurred a net loss of \$2.2 million, or \$0.07 per share, which compares to a fourth quarter net loss of \$8.5 million, or \$0.26 per share, for the same period last year. For the fourth quarter of 2001, net loss before amortization of goodwill was \$0.2 million, or less than \$0.1 per share, compared

to a net loss of \$6.6 million, or \$0.20 per share, for the same period last year.

For the full year 2001, the Company's net loss was \$11.2 million, or \$0.36 per share compared to \$25.2 million, or \$0.77 per share, for 2000; a \$14.0 million improvement in results. The net loss before amortization of goodwill was \$3.5 million, or \$0.11 per share for the full year 2001.

Kevin P. Hemenway, Senior Vice President and CFO of ACS, stated, "Our EBITDA margin for the fourth quarter improved to 38.0% compared to 35.0% in the same period last year and we had our third consecutive quarter of positive net cash flow. We believe there continues to be room for improvement in operating expense containment and look to improve margins in 2002. In addition, we expect to continue to invest capital in advanced communications services that we believe will result in revenue and EBITDA growth opportunities in the future."

Highlights from the Quarter

- Local telephone was a strong performer during the quarter with all categories of revenue increasing on both a year-over-year and sequential basis.
 - Access lines for the quarter were flat on a sequential quarter basis totaling 332,923.
 - Local network service revenues grew by 5.5% on a sequential quarter basis, reflecting a regulatory rate increase and improved billing and collection processes.
 - Access revenues increased \$1.7 million, or 6.9%, from the third quarter, as a result of true-ups related to year-end access charge cost studies, principally due to a year-end benefit associated with the company maintaining a stronger than anticipated competitive position in Fairbanks and Juneau.
 - Deregulated and other revenues increased by 32.5% or \$1.5 million from the third quarter of 2001, reflecting increases in Customer Premise Equipment (CPE) sales and other miscellaneous revenues.
- Cellular revenues were essentially flat at \$9.7 million in the seasonally soft fourth quarter of 2001 when compared to \$9.8 million in 2000. Average Revenue per Unit (ARPU) for the quarter declined 7.7% year-over-year, consistent with industry trends, but the Company continued to win new cellular subscribers, adding 5.5%, or 4,187, to 80,120 for the year. The company was also able to improve EBITDA margin during the quarter by approximately 200 basis points to 31.2%, compared to 29.2% last year.
- Directory revenues grew 19.0% over the corresponding quarter in 2000 to \$9.0 million primarily as a result of strong demand for advertising in our regional directories.
- Internet revenues grew sequentially to \$3.8 million from \$3.6 million in the third quarter, reflecting the success of the Company's DSL rollout. ACS ended the quarter with over 7,000 DSL subscribers.
- Interexchange revenues increased 45.8% from \$3.3 million in the fourth quarter of 2000 to \$4.8 million in the same quarter in 2001 but were down sequentially from \$5.4 million in the preceding quarter. The sequential decrease was largely due to churn caused by promotional activity from one of the company's LD competitors, as well as lower calling volumes due to seasonality.
- Operating expenses for the quarter before depreciation and amortization increased 1.4% from the same period last year on an 8.5% increase in revenues.

ACS' management will host a conference call at 5:00 P.M. Eastern time on

Wednesday, February 20, 2002 to discuss the fourth quarter results. The Webcast will be available live from the Company's corporate website at www.ACSalaska.com and via replay beginning two hours after the completion of the call. An audio replay of the call will also be available by dialing 800-475-6701 and entering the passcode 624415. The replay will be available until midnight ET on February 27, 2002.

About Alaska Communications Systems, Inc. ACS is the leading integrated communications provider in Alaska, offering local telephone service, wireless, long distance, data, and Internet services to business and residential customers throughout Alaska. ACS currently serves approximately 333,000 access lines, 80,000 cellular customers, 66,000 long distance customers and 46,000 Internet customers throughout the State. More information can be found on the Company's website at <http://www.ACSalaska.com>.

Statements contained in this press release that are not historical fact are "forward-looking statements" that involve a number of known and unknown risks or uncertainties. Additional factors, which may affect actual results, are contained in the Company's filings with the SEC. Forward-looking statements in this release are made pursuant to the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995.

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testimony
Leonard ACS

**Input Pitches for FCC Model
Unit Cost Inputs**

DLC Costs, Fairbanks

	FCC	GCI		ACS	
	Input	Input	Ratio to FCC	Input	Ratio to FCC
2016 Line Fiber, Fixed	\$152,617	\$201,198	1.32	\$315,445	2.07
2016 Line Fiber, Variable	\$74.98	\$80.75	1.08	\$88	1.17
1344 Line Fiber, Fixed	\$107,225	\$146,786	1.37	\$233,778	2.18
1344 Line Fiber, Variable	\$74.98	\$80.75	1.08	\$88	1.17
672 Line Fiber, Fixed	\$97,443	\$130,727	1.34	\$155,390	1.59
672 Line Fiber, Variable	\$74.98	\$80.75	1.08	\$88	1.17
96 Line Fiber, Fixed	\$23,848	\$25,685	1.08	\$30,232	1.27
96 Line Fiber, Variable	\$87.30	\$94.02	1.08	\$88	1.01
24 Line Fiber, Fixed	\$19,881	\$21,412	1.08	\$27,226	1.37
24 Line Fiber, Variable	\$87.30	\$94.02	1.08	\$88	1.01
96 Line Copper, Fixed	\$23,848	\$25,685	1.08	\$31,924	1.34
96 Line Copper, Variable	\$87.30	\$94.02	1.08	\$88	1.01
24 Line Copper, Fixed	\$19,881	\$21,412	1.08	\$28,048	1.41
24 Line Copper, Variable	\$87.30	\$94.02	1.08	\$88	1.01
Site Preparation Cost	\$11,000	\$14,223	1.29	\$13,503	1.23

DLC Costs, Juneau

	FCC	GCI		ACS	
	Input	Input	Ratio to FCC	Input	Ratio to FCC
2016 Line Fiber, Fixed	\$152,617	\$164,674	1.08	\$261,906	1.72
2016 Line Fiber, Variable	\$74.98	\$80.90	1.08	\$88	1.17
1344 Line Fiber, Fixed	\$107,225	\$115,696	1.08	\$180,710	1.69
1344 Line Fiber, Variable	\$74.98	\$80.90	1.08	\$88	1.17
672 Line Fiber, Fixed	\$97,443	\$105,141	1.08	\$98,599	1.01
672 Line Fiber, Variable	\$74.98	\$80.90	1.08	\$88	1.17
96 Line Fiber, Fixed	\$23,848	\$25,732	1.08	\$30,837	1.29
96 Line Fiber, Variable	\$87.30	\$94.20	1.08	\$88	1.01
24 Line Fiber, Fixed	\$19,881	\$21,452	1.08	\$27,692	1.39
24 Line Fiber, Variable	\$87.30	\$94.20	1.08	\$88	1.01
96 Line Copper, Fixed	\$23,848	\$25,732	1.08	\$32,507	1.36
96 Line Copper, Variable	\$87.30	\$94.20	1.08	\$88	1.01
24 Line Copper, Fixed	\$19,881	\$21,452	1.08	\$28,483	1.43
24 Line Copper, Variable	\$87.30	\$94.20	1.08	\$88	1.01
Site Preparation Cost	\$11,000	\$14,421	1.31	\$13,503	1.23

Drop Cost

	FCC	GCI		ACS	
	Input	Input	Ratio to FCC	Input	Ratio to FCC
Drop Cost per Kilofeet	\$560	\$1,080	1.93	\$2,400	4.29

**Input Pitches for FCC Model
Unit Cost Inputs**

Network Interface Device (NID) Cost

	FCC Input	GCI Input	Ratio to FCC	ACS-FBKS Input	Ratio to FCC	ACS-JNO Input	Ratio to FCC
NID Cost	\$39.50	\$46.45	1.18	\$72.65	1.84	\$73.19	1.85

Duct Cost per Kilofeet

	FCC Input	GCI Input	Ratio to FCC	ACS-FBKS Input	Ratio to FCC	ACS-JNO Input	Ratio to FCC
Duct Cost per Kilofeet	\$720	\$990	1.38	\$5,107	7.09	\$5,153	7.16

Switching Costs, Fairbanks

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
Host / Standalone					
Fixed Cost	\$486,700	\$525,636	1.08	\$3,889,852	7.99
Per Line	\$87	\$94	1.08	\$206	2.36
Remote					
Fixed Cost	\$161,800	\$174,744	1.08	\$258,391	1.60
Per Line	\$87	\$94	1.08	\$215	2.47

Switching Costs, Juneau

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
Host / Standalone					
Fixed Cost	\$486,700	\$525,636	1.08	\$3,889,852	7.99
Per Line	\$87	\$94	1.08	\$254	2.92
Remote					
Fixed Cost	\$161,800	\$174,744	1.08	\$292,357	1.81
Per Line	\$87	\$94	1.08	\$228	2.62

**Input Pitches for FCC Model
Unit Cost Inputs**

Manhole Costs, Fairbanks

	FCC	GCI		ACS	
	Input	Input	Ratio to FCC	Input	Ratio to FCC
Normal					
2 Ducts	\$1,437	\$1,738	1.21	\$4,873	3.39
4 Ducts	\$4,472	\$5,412	1.21	\$4,873	1.09
9 Ducts	\$5,176	\$6,263	1.21	\$10,338	2.00
99 Ducts	\$3,070	\$3,715	1.21	\$10,338	3.37
Soft Rock					
2 Ducts	\$1,512	\$1,829	1.21	\$4,873	3.22
4 Ducts	\$4,652	\$5,629	1.21	\$4,873	1.05
9 Ducts	\$5,336	\$6,457	1.21	\$10,338	1.94
99 Ducts	\$3,150	\$3,812	1.21	\$10,338	3.28
Hard Rock					
2 Ducts	\$1,587	\$1,920	1.21	\$4,873	3.07
4 Ducts	\$4,832	\$5,847	1.21	\$4,873	1.01
9 Ducts	\$5,496	\$6,650	1.21	\$10,338	1.88
99 Ducts	\$3,230	\$3,908	1.21	\$10,338	3.20

Manhole Costs, Juneau

	FCC	GCI		ACS	
	Input	Input	Ratio to FCC	Input	Ratio to FCC
Normal					
2 Ducts	\$1,437	\$1,753	1.22	\$6,168	4.29
4 Ducts	\$4,472	\$5,456	1.22	\$6,168	1.38
9 Ducts	\$5,176	\$6,315	1.22	\$11,741	2.27
99 Ducts	\$3,070	\$3,745	1.22	\$11,741	3.82
Soft Rock					
2 Ducts	\$1,512	\$1,844	1.22	\$6,168	4.08
4 Ducts	\$4,652	\$5,676	1.22	\$6,168	1.33
9 Ducts	\$5,336	\$6,510	1.22	\$11,741	2.20
99 Ducts	\$3,150	\$3,843	1.22	\$11,741	3.73
Hard Rock					
2 Ducts	\$1,587	\$1,936	1.22	\$6,168	3.89
4 Ducts	\$4,832	\$5,896	1.22	\$6,168	1.28
9 Ducts	\$5,496	\$6,705	1.22	\$11,741	2.14
99 Ducts	\$3,230	\$3,941	1.22	\$11,741	3.63

**Input Pitches for FCC Model
Unit Cost Inputs**

Drop Terminal, Fairbanks

	FCC	GCI		ACS	
	Input	Input	Ratio to FCC	Input	Ratio to FCC
Buried					
1 pair	\$133	\$164	1.23	\$577	4.32
6	\$157	\$193	1.23	\$577	3.67
12	\$441	\$543	1.23	\$577	1.31
25	\$451	\$555	1.23	\$577	1.28
50	\$220	\$271	1.23	\$220	1.00
100	\$333	\$410	1.23	\$333	1.00
200	\$665	\$819	1.23	\$665	1.00
400	\$1,331	\$1,638	1.23	\$1,331	1.00
600	\$1,996	\$2,457	1.23	\$1,996	1.00
900	\$2,770	\$3,410	1.23	\$2,770	1.00
1200	\$3,993	\$4,915	1.23	\$3,993	1.00
1800	\$5,539	\$6,819	1.23	\$5,539	1.00
2400	\$7,536	\$9,277	1.23	\$7,536	1.00
3600	\$11,079	\$13,638	1.23	\$11,079	1.00
5400	\$16,618	\$20,457	1.23	\$16,618	1.00
7200	\$21,708	\$26,723	1.23	\$21,708	1.00
Aerial					
1 pair	\$70	\$87	1.23	\$458	6.51
6	\$96	\$118	1.23	\$458	4.77
12	\$132	\$162	1.23	\$458	3.48
25	\$216	\$266	1.23	\$458	2.12
50	\$220	\$271	1.23	\$220	1.00
100	\$333	\$410	1.23	\$333	1.00
200	\$665	\$819	1.23	\$665	1.00
400	\$1,331	\$1,638	1.23	\$1,331	1.00
600	\$1,996	\$2,457	1.23	\$1,996	1.00
900	\$2,770	\$3,410	1.23	\$2,770	1.00
1200	\$3,993	\$4,915	1.23	\$3,993	1.00
1800	\$5,539	\$6,819	1.23	\$5,539	1.00
2400	\$7,536	\$9,277	1.23	\$7,536	1.00
3600	\$11,079	\$13,638	1.23	\$11,079	1.00
5400	\$16,618	\$20,457	1.23	\$16,618	1.00
7200	\$21,708	\$26,723	1.23	\$21,708	1.00
Underground					
1 pair	\$133	\$164	1.23	\$577	4.32
6	\$157	\$193	1.23	\$577	3.67
12	\$441	\$543	1.23	\$577	1.31
25	\$451	\$555	1.23	\$577	1.28
50	\$220	\$271	1.23	\$220	1.00
100	\$333	\$410	1.23	\$333	1.00
200	\$665	\$819	1.23	\$665	1.00
400	\$1,331	\$1,638	1.23	\$1,331	1.00
600	\$1,996	\$2,457	1.23	\$1,996	1.00
900	\$2,770	\$3,410	1.23	\$2,770	1.00
1200	\$3,993	\$4,915	1.23	\$3,993	1.00
1800	\$5,539	\$6,819	1.23	\$5,539	1.00
2400	\$7,536	\$9,277	1.23	\$7,536	1.00
3600	\$11,079	\$13,638	1.23	\$11,079	1.00
5400	\$16,618	\$20,457	1.23	\$16,618	1.00
7200	\$21,708	\$26,723	1.23	\$21,708	1.00

**Input Pitches for FCC Model
Unit Cost Inputs**

Drop Terminal, Juneau

	FCC	GCI		ACS	
	Input	Input	Ratio to FCC	Input	Ratio to FCC
Buried					
1 pair	\$133	\$166	1.24	\$573	4.29
6	\$157	\$195	1.24	\$573	3.65
12	\$441	\$548	1.24	\$573	1.30
25	\$451	\$561	1.24	\$573	1.27
50	\$220	\$274	1.24	\$220	1.00
100	\$333	\$414	1.24	\$333	1.00
200	\$665	\$827	1.24	\$665	1.00
400	\$1,331	\$1,556	1.24	\$1,331	1.00
600	\$1,996	\$2,483	1.24	\$1,996	1.00
900	\$2,770	\$3,446	1.24	\$2,770	1.00
1200	\$3,993	\$4,967	1.24	\$3,993	1.00
1800	\$5,539	\$6,891	1.24	\$5,539	1.00
2400	\$7,536	\$9,375	1.24	\$7,536	1.00
3600	\$11,079	\$13,782	1.24	\$11,079	1.00
5400	\$16,618	\$20,673	1.24	\$16,618	1.00
7200	\$21,708	\$27,005	1.24	\$21,708	1.00
Aerial					
1 pair	\$70	\$88	1.24	\$462	6.55
6	\$96	\$119	1.24	\$462	4.81
12	\$132	\$164	1.24	\$462	3.50
25	\$216	\$269	1.24	\$462	2.14
50	\$220	\$274	1.24	\$220	1.00
100	\$333	\$414	1.24	\$333	1.00
200	\$665	\$827	1.24	\$665	1.00
400	\$1,331	\$1,656	1.24	\$1,331	1.00
600	\$1,996	\$2,483	1.24	\$1,996	1.00
900	\$2,770	\$3,446	1.24	\$2,770	1.00
1200	\$3,993	\$4,967	1.24	\$3,993	1.00
1800	\$5,539	\$6,891	1.24	\$5,539	1.00
2400	\$7,536	\$9,375	1.24	\$7,536	1.00
3600	\$11,079	\$13,782	1.24	\$11,079	1.00
5400	\$16,618	\$20,673	1.24	\$16,618	1.00
7200	\$21,708	\$27,005	1.24	\$21,708	1.00
Underground					
1 pair	\$133	\$166	1.24	\$573	4.29
6	\$157	\$195	1.24	\$573	3.65
12	\$441	\$548	1.24	\$573	1.30
25	\$451	\$561	1.24	\$573	1.27
50	\$220	\$274	1.24	\$220	1.00
100	\$333	\$414	1.24	\$333	1.00
200	\$665	\$827	1.24	\$665	1.00
400	\$1,331	\$1,656	1.24	\$1,331	1.00
600	\$1,996	\$2,483	1.24	\$1,996	1.00
900	\$2,770	\$3,446	1.24	\$2,770	1.00
1200	\$3,993	\$4,967	1.24	\$3,993	1.00
1800	\$5,539	\$6,891	1.24	\$5,539	1.00
2400	\$7,536	\$9,375	1.24	\$7,536	1.00
3600	\$11,079	\$13,782	1.24	\$11,079	1.00
5400	\$16,618	\$20,673	1.24	\$16,618	1.00
7200	\$21,708	\$27,005	1.24	\$21,708	1.00

**Input Pitches for FCC Model
Unit Cost Inputs**

SAI, Fairbanks

	FCC	GCI		ACS	
	Input	Input	Ratio to FCC	Input	Ratio to FCC
Outdoor					
1 pair	\$151	\$169	1.12	\$1,475	9.78
50	\$562	\$628	1.12	\$1,699	3.02
100	\$787	\$880	1.12	\$1,932	2.46
200	\$1,349	\$1,508	1.12	\$2,398	1.78
400	\$2,248	\$2,513	1.12	\$3,376	1.50
600	\$3,147	\$3,518	1.12	\$3,285	1.04
900	\$4,271	\$4,775	1.12	\$4,620	1.08
1200	\$5,395	\$6,032	1.12	\$7,578	1.40
1800	\$7,644	\$8,546	1.12	\$9,039	1.18
2400	\$9,667	\$10,808	1.12	\$9,454	0.98
3600	\$13,489	\$15,081	1.12	\$14,706	1.09
5400	\$18,434	\$20,609	1.12	\$20,302	1.10
7200	\$22,481	\$25,134	1.12	\$26,076	1.16
9000	\$30,125	\$33,680	1.12	\$33,624	1.12
10800	\$35,970	\$40,214	1.12	\$39,562	1.10
12600	\$40,915	\$45,743	1.12	\$45,159	1.10
14400	\$44,962	\$50,268	1.12	\$50,932	1.13
16200	\$52,606	\$58,814	1.12	\$58,480	1.11
18000	\$58,451	\$65,348	1.12	\$64,147	1.10
19800	\$63,396	\$70,877	1.12	\$70,015	1.10
21600	\$67,443	\$75,401	1.12	\$75,789	1.12
23400	\$75,087	\$83,947	1.12	\$83,337	1.11
25200	\$80,932	\$90,482	1.12	\$89,003	1.10
27000	\$85,877	\$96,010	1.12	\$94,600	1.10
28800	\$89,924	\$100,535	1.12	\$100,645	1.12
Indoor					
1 pair	\$151	\$169	1.12	\$1,475	9.78
50	\$220	\$246	1.12	\$1,699	7.72
100	\$333	\$372	1.12	\$1,932	5.80
200	\$665	\$743	1.12	\$2,398	3.61
400	\$1,331	\$1,488	1.12	\$3,376	2.54
600	\$1,996	\$2,232	1.12	\$3,285	1.65
900	\$2,770	\$3,097	1.12	\$4,620	1.67
1200	\$3,993	\$4,464	1.12	\$7,578	1.90
1800	\$5,539	\$6,193	1.12	\$9,039	1.63
2400	\$7,536	\$8,425	1.12	\$9,454	1.25
3600	\$11,079	\$12,386	1.12	\$14,706	1.33
5400	\$16,618	\$18,579	1.12	\$20,302	1.22
7200	\$21,708	\$24,270	1.12	\$26,076	1.20
9000	\$27,247	\$30,462	1.12	\$33,624	1.23
10800	\$32,787	\$36,656	1.12	\$39,562	1.21
12600	\$38,326	\$42,848	1.12	\$45,159	1.18
14400	\$43,416	\$48,539	1.12	\$50,932	1.17
16200	\$48,955	\$54,732	1.12	\$58,480	1.19
18000	\$54,495	\$60,925	1.12	\$64,147	1.18
19800	\$60,034	\$67,118	1.12	\$70,015	1.17
21600	\$65,124	\$72,809	1.12	\$75,789	1.16
23400	\$70,663	\$79,001	1.12	\$83,337	1.18
25200	\$76,203	\$85,195	1.12	\$89,003	1.17
27000	\$81,742	\$91,388	1.12	\$94,600	1.16
28800	\$86,832	\$97,078	1.12	\$100,645	1.16

**Input Pitches for FCC Model
Unit Cost Inputs**

SAI, Juneau

	FCC	GCI		ACS	
	Input	Input	Ratio to FCC	Input	Ratio to FCC
Outdoor					
1 pair	\$151	\$169	1.12	\$1,454	9.64
50	\$562	\$631	1.12	\$1,674	2.98
100	\$787	\$884	1.12	\$1,904	2.42
200	\$1,349	\$1,515	1.12	\$2,362	1.75
400	\$2,248	\$2,525	1.12	\$3,325	1.48
600	\$3,147	\$3,534	1.12	\$3,238	1.03
900	\$4,271	\$4,796	1.12	\$4,540	1.06
1200	\$5,395	\$6,059	1.12	\$7,425	1.38
1800	\$7,644	\$8,584	1.12	\$8,864	1.16
2400	\$9,667	\$10,856	1.12	\$9,273	0.96
3600	\$13,489	\$15,148	1.12	\$14,405	1.07
5400	\$18,434	\$20,701	1.12	\$19,877	1.08
7200	\$22,481	\$25,246	1.12	\$25,522	1.14
9000	\$30,125	\$33,830	1.12	\$32,895	1.09
10800	\$35,970	\$40,394	1.12	\$38,708	1.08
12600	\$40,915	\$45,948	1.12	\$44,180	1.08
14400	\$44,962	\$50,492	1.12	\$49,825	1.11
16200	\$52,606	\$59,077	1.12	\$57,198	1.09
18000	\$58,451	\$65,640	1.12	\$62,738	1.07
19800	\$63,396	\$71,194	1.12	\$68,482	1.08
21600	\$67,443	\$75,738	1.12	\$74,127	1.10
23400	\$75,087	\$84,323	1.12	\$81,500	1.09
25200	\$80,932	\$90,887	1.12	\$87,041	1.08
27000	\$85,877	\$96,440	1.12	\$92,513	1.08
28800	\$89,924	\$100,985	1.12	\$98,430	1.09
Indoor					
1 pair	\$151	\$169	1.12	\$1,454	9.64
50	\$220	\$247	1.12	\$1,674	7.61
100	\$333	\$374	1.12	\$1,904	5.72
200	\$665	\$747	1.12	\$2,362	3.55
400	\$1,331	\$1,495	1.12	\$3,325	2.50
600	\$1,996	\$2,242	1.12	\$3,238	1.62
900	\$2,770	\$3,111	1.12	\$4,540	1.64
1200	\$3,993	\$4,484	1.12	\$7,425	1.86
1800	\$5,539	\$6,220	1.12	\$8,864	1.60
2400	\$7,536	\$8,463	1.12	\$9,273	1.23
3600	\$11,079	\$12,442	1.12	\$14,405	1.30
5400	\$16,618	\$18,662	1.12	\$19,877	1.20
7200	\$21,708	\$24,378	1.12	\$25,522	1.18
9000	\$27,247	\$30,598	1.12	\$32,895	1.21
10800	\$32,787	\$36,820	1.12	\$38,708	1.18
12600	\$38,326	\$43,040	1.12	\$44,180	1.15
14400	\$43,416	\$48,756	1.12	\$49,825	1.15
16200	\$48,955	\$54,976	1.12	\$57,198	1.17
18000	\$54,495	\$61,198	1.12	\$62,738	1.15
19800	\$60,034	\$67,418	1.12	\$68,482	1.14
21600	\$65,124	\$73,134	1.12	\$74,127	1.14
23400	\$70,663	\$79,355	1.12	\$81,500	1.15
25200	\$76,203	\$85,576	1.12	\$87,041	1.14
27000	\$81,742	\$91,796	1.12	\$92,513	1.13
28800	\$86,832	\$97,512	1.12	\$98,430	1.13

GCI'S INPUT PITCHES FOR THE FCC MODEL

- I. Input Values
- II. Support Documentation
- III. Common Support Cost Calculations
- IV. DLC Hut Cost Calculation



I. Input Values

**GCI's Input Pitches for FCC Model
Network Engineering Issues**

Fill Factors

Copper Cable

FCC Inputs

Density	Feeder	Distr
0	70.0%	50.0%
5	77.5%	55.0%
100	80.0%	55.0%
200	82.5%	60.0%
650	82.5%	70.0%
850	82.5%	75.0%
2550	82.5%	75.0%
5000	82.5%	75.0%
10000	82.5%	75.0%

GCI Inputs

Density	Feeder	Distr
0	70.0%	50.0%
5	77.5%	55.0%
100	80.0%	55.0%
200	82.5%	60.0%
650	82.5%	70.0%
850	82.5%	75.0%
2550	82.5%	75.0%
5000	82.5%	75.0%
10000	82.5%	75.0%

ACS Inputs

Density	Feeder	Distr
0		
5		
100		
200		
650		
850		
2550		
5000		
10000		

Fiber Cable

FCC Input	GCI Input	ACS Input
100%	100%	

Distribution Plant Mix, Fairbanks

FCC Inputs

Density	UG	Buried	Aerial
0	0.00%	60.00%	40.00%
5	1.00%	62.00%	37.00%
100	2.00%	68.00%	30.00%
200	4.00%	66.00%	30.00%
650	8.00%	62.00%	30.00%
850	20.00%	50.00%	30.00%
2550	40.00%	30.00%	30.00%
5000	60.00%	10.00%	30.00%
10000	90.00%	0.00%	10.00%

GCI Inputs

Density	UG	Buried	Aerial
0	0.00%	60.00%	40.00%
5	1.00%	62.00%	37.00%
100	2.00%	68.00%	30.00%
200	4.00%	66.00%	30.00%
650	8.00%	62.00%	30.00%
850	20.00%	50.00%	30.00%
2550	40.00%	30.00%	30.00%
5000	60.00%	10.00%	30.00%
10000	90.00%	0.00%	10.00%

ACS Inputs

Density	UG	Buried	Aerial
0			
5			
100			
200			
650			
850			
2550			
5000			
10000			

**GCI's Input Pitches for FCC Model
Network Engineering Issues**

Copper Feeder Plant Mix, Fairbanks

FCC Inputs

Density	UG	Buried	Aerial
0	5.00%	50.00%	45.00%
5	5.00%	50.00%	45.00%
100	5.00%	50.00%	45.00%
200	20.00%	40.00%	40.00%
650	40.00%	30.00%	30.00%
850	60.00%	25.00%	15.00%
2550	75.00%	15.00%	10.00%
5000	90.00%	5.00%	5.00%
10000	95.00%	0.00%	5.00%

GCI Inputs

Density	UG	Buried	Aerial
0	5.00%	50.00%	45.00%
5	5.00%	50.00%	45.00%
100	5.00%	50.00%	45.00%
200	20.00%	40.00%	40.00%
650	40.00%	30.00%	30.00%
850	60.00%	25.00%	15.00%
2550	75.00%	15.00%	10.00%
5000	90.00%	5.00%	5.00%
10000	95.00%	0.00%	5.00%

ACS Inputs

Density	UG	Buried	Aerial
0			
5			
100			
200			
650			
850			
2550			
5000			
10000			

Fiber Feeder Plant Mix, Fairbanks

FCC Inputs

Density	UG	Buried	Aerial
0	5.00%	50.00%	45.00%
5	5.00%	50.00%	45.00%
100	5.00%	50.00%	45.00%
200	20.00%	40.00%	40.00%
650	40.00%	30.00%	30.00%
850	60.00%	25.00%	15.00%
2550	75.00%	15.00%	10.00%
5000	90.00%	5.00%	5.00%
10000	95.00%	0.00%	5.00%

GCI Inputs

Density	UG	Buried	Aerial
0	5.00%	50.00%	45.00%
5	5.00%	50.00%	45.00%
100	5.00%	50.00%	45.00%
200	20.00%	40.00%	40.00%
650	40.00%	30.00%	30.00%
850	60.00%	25.00%	15.00%
2550	75.00%	15.00%	10.00%
5000	90.00%	5.00%	5.00%
10000	95.00%	0.00%	5.00%

ACS Inputs

Density	UG	Buried	Aerial
0			
5			
100			
200			
650			
850			
2550			
5000			
10000			

**GCI's Input Pitches for FCC Model
Network Engineering Issues**

Distribution Plant Mix, Juneau

FCC Inputs

Density	UG	Buried	Aerial
0	0.00%	60.00%	40.00%
5	1.00%	62.00%	37.00%
100	2.00%	68.00%	30.00%
200	4.00%	66.00%	30.00%
650	8.00%	62.00%	30.00%
850	20.00%	50.00%	30.00%
2550	40.00%	30.00%	30.00%
5000	60.00%	10.00%	30.00%
10000	90.00%	0.00%	10.00%

GCI Inputs

Density	UG	Buried	Aerial
0	0.00%	60.00%	40.00%
5	1.00%	62.00%	37.00%
100	2.00%	68.00%	30.00%
200	4.00%	66.00%	30.00%
650	8.00%	62.00%	30.00%
850	20.00%	50.00%	30.00%
2550	40.00%	30.00%	30.00%
5000	60.00%	10.00%	30.00%
10000	90.00%	0.00%	10.00%

ACS Inputs

Density	UG	Buried	Aerial
0			
5			
100			
200			
650			
850			
2550			
5000			
10000			

Copper Feeder Plant Mix, Juneau

FCC Inputs

Density	UG	Buried	Aerial
0	5.00%	50.00%	45.00%
5	5.00%	50.00%	45.00%
100	5.00%	50.00%	45.00%
200	20.00%	40.00%	40.00%
650	40.00%	30.00%	30.00%
850	60.00%	25.00%	15.00%
2550	75.00%	15.00%	10.00%
5000	90.00%	5.00%	5.00%
10000	95.00%	0.00%	5.00%

GCI Inputs

Density	UG	Buried	Aerial
0	5.00%	50.00%	45.00%
5	5.00%	50.00%	45.00%
100	5.00%	50.00%	45.00%
200	20.00%	40.00%	40.00%
650	40.00%	30.00%	30.00%
850	60.00%	25.00%	15.00%
2550	75.00%	15.00%	10.00%
5000	90.00%	5.00%	5.00%
10000	95.00%	0.00%	5.00%

ACS Inputs

Density	UG	Buried	Aerial
0			
5			
100			
200			
650			
850			
2550			
5000			
10000			

**GCI's Input Pitches for FCC Model
General Financial Inputs**

Cost of Capital

	FCC Inputs	GCI Inputs	ACS Inputs
Cost of Debt	8.80%	10.70%	
Cost of Equity	13.19%	16.50%	
Debt Fraction	44.20%	68.30%	

Depreciation Rates

Category	FCC Inputs		GCI Inputs		ACS Inputs	
	Life	Salvage	Life	Salvage	Life	Salvage
Motor Vehicles	8.24	10.4%	8.24	10.4%		
Garage Work Equipment	12.22	-5.6%	12.22	-5.6%		
Other Work Equipment	13.04	1.7%	13.04	1.7%		
Buildings	46.93	1.6%	46.93	1.6%		
Furniture	15.92	4.0%	15.92	4.0%		
Office Support Equipment	10.78	4.1%	10.78	4.1%		
Company Comm Equipment	7.40	2.5%	7.40	2.5%		
Computers	6.12	2.3%	6.12	2.3%		
Digital Switching	16.17	1.6%	16.17	1.6%		
Operator Systems	9.41	-0.4%	9.41	-0.4%		
Digital Circuit Equipment	10.24	-0.6%	10.24	-0.6%		
Public Telephone	7.60	5.1%	7.60	5.1%		
Poles	30.25	-90.0%	30.25	-90.0%		
Aerial Cable - Metallic	20.61	-23.0%	20.61	-23.0%		
Aerial Cable - Non-Metallic	26.14	-17.5%	26.14	-17.5%		
Underground - Metallic	25.00	-18.0%	25.00	-18.0%		
Underground - Non-Metallic	26.45	-14.6%	26.45	-14.6%		
Buried - Metallic	21.57	-8.4%	21.57	-8.4%		
Buried - Non-Metallic	25.91	-6.9%	25.91	-6.9%		
Intrabuilding - Metallic	18.18	-15.7%	18.18	-15.7%		
Intrabuilding - Non-Metallic	26.11	-10.4%	26.11	-10.4%		
Conduit Systems	56.19	-10.0%	56.19	-10.0%		

**GCI's Input Pitches for FCC Model
General Financial Inputs**

E/I Ratios, Fairbanks

Category	FCC Inputs	GCI inputs	ACS Inputs
Network Support Investment	0.0276	0.0276	
General Support Investment	0.0906	0.0906	
COE (Digital)	0.0558	0.0558	
Circuit - DDS	0.0166	0.0166	
Circuit - other than DDS	0.0200	0.0200	
Poles	0.0219	0.0219	
Aerial Cable - metallic	0.0669	0.0669	
Aerial Cable - fiber	0.0073	0.0073	
Underground Cable - metallic	0.0210	0.0210	
Underground Cable - fiber	0.0084	0.0084	
Buried Cable - metallic	0.0446	0.0446	
Buried Cable - fiber	0.0061	0.0061	
Conduit Systems	0.0058	0.0058	

Common Support (NID Fix), Fairbanks

Values are \$ per Line per month

FCC Values

Category	Cost/ Line/ mo.	% Retail	UNE Cost
6510 Other Property, Plant, Equip	\$0.01		
6530 Network Operations	\$2.24		
6610 Marketing	\$1.56		
6620 Services	\$3.37		
6700 Executive, Planning, G&A	\$3.25		
Total	\$10.43		

GCI Values

Category	Cost/ Line/ mo.	% Retail	UNE Cost
6510 Other Property, Plant, Equip	\$0.01		\$0.01
6530 Network Operations	\$2.35		\$2.35
6610 Marketing	\$1.64	90.0%	\$0.16
6620 Services	\$3.53	90.0%	\$0.35
6700 Executive, Planning, G&A	\$3.41	21.6%	\$2.68
Total	\$10.95		\$5.55

Ratio to FCC: 1.05

**GCI's Input Pitches for FCC Model
General Financial Inputs**

ACS Values

Category	Cost/ Line/ mo	% Retail	UNE Cost
6510 Other Property, Plant, Equip			\$0.00
6530 Network Operations			\$0.00
6610 Marketing			\$0.00
6620 Services			\$0.00
6700 Executive, Planning, G&A			\$0.00
Total	\$0.00		\$0.00

Ratio to FCC: 0.00

Common Support (NID Fix), Juneau

Values are \$ per Line per month

FCC Values

Category	Cost/ Line/ mo	% Retail	UNE Cost
6510 Other Property, Plant, Equip	\$0.02		
6530 Network Operations	\$2.47		
6610 Marketing	\$1.56		
6620 Services	\$3.10		
6700 Executive, Planning, G&A	\$3.52		
Total	\$10.67		

GCI Values

Category	Cost/ Line/ mo	% Retail	UNE Cost
6510 Other Property, Plant, Equip	\$0.02		\$0.02
6530 Network Operations	\$2.59		\$2.59
6610 Marketing	\$1.64	90.0%	\$0.16
6620 Services	\$3.26	90.0%	\$0.33
6700 Executive, Planning, G&A	\$3.69	18.9%	\$3.00
Total	\$11.21		\$6.10

Ratio to FCC: 1.05

ACS Values

Category	Cost/ Line/ mo	% Retail	UNE Cost
6510 Other Property, Plant, Equip			\$0.00
6530 Network Operations			\$0.00
6610 Marketing			\$0.00
6620 Services			\$0.00
6700 Executive, Planning, G&A			\$0.00
Total	\$0.00		\$0.00

Ratio to FCC: 0.00

**GCI's Input Pitches for FCC Model
Unit Cost Inputs**

DLC Costs, Fairbanks

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
2016 Line Fiber, Fixed	\$152,617	\$201,198	1.32		0.00
2016 Line Fiber, Variable	\$74.98	\$80.75	1.08		0.00
1344 Line Fiber, Fixed	\$107,225	\$146,786	1.37		0.00
1344 Line Fiber, Variable	\$74.98	\$80.75	1.08		0.00
672 Line Fiber, Fixed	\$97,443	\$130,727	1.34		0.00
672 Line Fiber, Variable	\$74.98	\$80.75	1.08		0.00
96 Line Fiber, Fixed	\$23,848	\$25,685	1.08		0.00
96 Line Fiber, Variable	\$87.30	\$94.02	1.08		0.00
24 Line Fiber, Fixed	\$19,881	\$21,412	1.08		0.00
24 Line Fiber, Variable	\$87.30	\$94.02	1.08		0.00
96 Line Copper, Fixed	\$23,848	\$25,685	1.08		0.00
96 Line Copper, Variable	\$87.30	\$94.02	1.08		0.00
24 Line Copper, Fixed	\$19,881	\$21,412	1.08		0.00
24 Line Copper, Variable	\$87.30	\$94.02	1.08		0.00
Site Preparation Cost	\$11,000	\$14,223	1.29		0.00

DLC Costs, Juneau

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
2016 Line Fiber, Fixed	\$152,617	\$164,674	1.08		0.00
2016 Line Fiber, Variable	\$74.98	\$80.90	1.08		0.00
1344 Line Fiber, Fixed	\$107,225	\$115,696	1.08		0.00
1344 Line Fiber, Variable	\$74.98	\$80.90	1.08		0.00
672 Line Fiber, Fixed	\$97,443	\$105,141	1.08		0.00
672 Line Fiber, Variable	\$74.98	\$80.90	1.08		0.00
96 Line Fiber, Fixed	\$23,848	\$25,732	1.08		0.00
96 Line Fiber, Variable	\$87.30	\$94.20	1.08		0.00
24 Line Fiber, Fixed	\$19,881	\$21,452	1.08		0.00
24 Line Fiber, Variable	\$87.30	\$94.20	1.08		0.00
96 Line Copper, Fixed	\$23,848	\$25,732	1.08		0.00
96 Line Copper, Variable	\$87.30	\$94.20	1.08		0.00
24 Line Copper, Fixed	\$19,881	\$21,452	1.08		0.00
24 Line Copper, Variable	\$87.30	\$94.20	1.08		0.00
Site Preparation Cost	\$11,000	\$14,421	1.31		0.00

Drop Cost

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
Drop Cost per Kilofeet	\$560	\$1,080	1.93		0.00

**GCI's Input Pitches for FCC Model
Unit Cost Inputs**

Network Interface Device (NID) Cost

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
NID Cost	\$39.50	\$46.45	1.18		0.00

Duct Cost per Kilofeet

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
Duct Cost per Kilofeet	\$720	\$990	1.38		0.00

Switching Costs, Fairbanks

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
Host / Standalone					
Fixed Cost	\$486,700	\$525,636	1.08		0.00
Per Line	\$87	\$94	1.08		0.00
Remote					
Fixed Cost	\$161,800	\$174,744	1.08		0.00
Per Line	\$87	\$94	1.08		0.00

Switching Costs, Juneau

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
Host / Standalone					
Fixed Cost	\$486,700	\$525,636	1.08		0.00
Per Line	\$87	\$94	1.08		0.00
Remote					
Fixed Cost	\$161,800	\$174,744	1.08		0.00
Per Line	\$87	\$94	1.08		0.00

**GCI's Input Pitches for FCC Model
Unit Cost Inputs**

Manhole Costs, Fairbanks

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
Normal					
2 Ducts	\$1,437	\$1,738	1.21		0.00
4 Ducts	\$4,472	\$5,412	1.21		0.00
9 Ducts	\$5,176	\$6,263	1.21		0.00
99 Ducts	\$3,070	\$3,715	1.21		0.00
Soft Rock					
2 Ducts	\$1,512	\$1,829	1.21		0.00
4 Ducts	\$4,652	\$5,629	1.21		0.00
9 Ducts	\$5,336	\$6,457	1.21		0.00
99 Ducts	\$3,150	\$3,812	1.21		0.00
Hard Rock					
2 Ducts	\$1,587	\$1,920	1.21		0.00
4 Ducts	\$4,832	\$5,847	1.21		0.00
9 Ducts	\$5,496	\$6,650	1.21		0.00
99 Ducts	\$3,230	\$3,908	1.21		0.00

Manhole Costs, Juneau

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
Normal					
2 Ducts	\$1,437	\$1,753	1.22		0.00
4 Ducts	\$4,472	\$5,456	1.22		0.00
9 Ducts	\$5,176	\$6,315	1.22		0.00
99 Ducts	\$3,070	\$3,745	1.22		0.00
Soft Rock					
2 Ducts	\$1,512	\$1,844	1.22		0.00
4 Ducts	\$4,652	\$5,676	1.22		0.00
9 Ducts	\$5,336	\$6,510	1.22		0.00
99 Ducts	\$3,150	\$3,843	1.22		0.00
Hard Rock					
2 Ducts	\$1,587	\$1,936	1.22		0.00
4 Ducts	\$4,832	\$5,896	1.22		0.00
9 Ducts	\$5,496	\$6,705	1.22		0.00
99 Ducts	\$3,230	\$3,941	1.22		0.00

**GCI's Input Pitches for FCC Model
Unit Cost Inputs**

Drop Terminal, Fairbanks

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
Buried					
1 pair	\$133	\$164	1.23		0.00
6	\$157	\$193	1.23		0.00
12	\$441	\$543	1.23		0.00
25	\$451	\$555	1.23		0.00
50	\$220	\$271	1.23		0.00
100	\$333	\$410	1.23		0.00
200	\$665	\$819	1.23		0.00
400	\$1,331	\$1,638	1.23		0.00
600	\$1,996	\$2,457	1.23		0.00
900	\$2,770	\$3,410	1.23		0.00
1200	\$3,993	\$4,915	1.23		0.00
1800	\$5,539	\$6,819	1.23		0.00
2400	\$7,536	\$9,277	1.23		0.00
3600	\$11,079	\$13,638	1.23		0.00
5400	\$16,618	\$20,457	1.23		0.00
7200	\$21,708	\$26,723	1.23		0.00
Aerial					
1 pair	\$70	\$87	1.23		0.00
6	\$96	\$118	1.23		0.00
12	\$132	\$162	1.23		0.00
25	\$216	\$266	1.23		0.00
50	\$220	\$271	1.23		0.00
100	\$333	\$410	1.23		0.00
200	\$665	\$819	1.23		0.00
400	\$1,331	\$1,638	1.23		0.00
600	\$1,996	\$2,457	1.23		0.00
900	\$2,770	\$3,410	1.23		0.00
1200	\$3,993	\$4,915	1.23		0.00
1800	\$5,539	\$6,819	1.23		0.00
2400	\$7,536	\$9,277	1.23		0.00
3600	\$11,079	\$13,638	1.23		0.00
5400	\$16,618	\$20,457	1.23		0.00
7200	\$21,708	\$26,723	1.23		0.00
Underground					
1 pair	\$133	\$164	1.23		0.00
6	\$157	\$193	1.23		0.00
12	\$441	\$543	1.23		0.00
25	\$451	\$555	1.23		0.00
50	\$220	\$271	1.23		0.00
100	\$333	\$410	1.23		0.00
200	\$665	\$819	1.23		0.00
400	\$1,331	\$1,638	1.23		0.00
600	\$1,996	\$2,457	1.23		0.00
900	\$2,770	\$3,410	1.23		0.00
1200	\$3,993	\$4,915	1.23		0.00
1800	\$5,539	\$6,819	1.23		0.00
2400	\$7,536	\$9,277	1.23		0.00
3600	\$11,079	\$13,638	1.23		0.00
5400	\$16,618	\$20,457	1.23		0.00
7200	\$21,708	\$26,723	1.23		0.00

GCI's Input Pitches for FCC Model
Unit Cost Inputs

Drop Terminal, Juneau

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
Buried					
1 pair	\$133	\$166	1.24		0.00
6	\$157	\$195	1.24		0.00
12	\$441	\$548	1.24		0.00
25	\$451	\$561	1.24		0.00
50	\$220	\$274	1.24		0.00
100	\$333	\$414	1.24		0.00
200	\$665	\$827	1.24		0.00
400	\$1,331	\$1,656	1.24		0.00
600	\$1,996	\$2,483	1.24		0.00
900	\$2,770	\$3,446	1.24		0.00
1200	\$3,993	\$4,967	1.24		0.00
1800	\$5,539	\$6,891	1.24		0.00
2400	\$7,536	\$9,375	1.24		0.00
3600	\$11,079	\$13,782	1.24		0.00
5400	\$16,618	\$20,673	1.24		0.00
7200	\$21,708	\$27,005	1.24		0.00
Aerial					
1 pair	\$70	\$88	1.24		0.00
6	\$96	\$119	1.24		0.00
12	\$132	\$164	1.24		0.00
25	\$216	\$269	1.24		0.00
50	\$220	\$274	1.24		0.00
100	\$333	\$414	1.24		0.00
200	\$665	\$827	1.24		0.00
400	\$1,331	\$1,656	1.24		0.00
600	\$1,996	\$2,483	1.24		0.00
900	\$2,770	\$3,446	1.24		0.00
1200	\$3,993	\$4,967	1.24		0.00
1800	\$5,539	\$6,891	1.24		0.00
2400	\$7,536	\$9,375	1.24		0.00
3600	\$11,079	\$13,782	1.24		0.00
5400	\$16,618	\$20,673	1.24		0.00
7200	\$21,708	\$27,005	1.24		0.00
Underground					
1 pair	\$133	\$166	1.24		0.00
6	\$157	\$195	1.24		0.00
12	\$441	\$548	1.24		0.00
25	\$451	\$561	1.24		0.00
50	\$220	\$274	1.24		0.00
100	\$333	\$414	1.24		0.00
200	\$665	\$827	1.24		0.00
400	\$1,331	\$1,656	1.24		0.00
600	\$1,996	\$2,483	1.24		0.00
900	\$2,770	\$3,446	1.24		0.00
1200	\$3,993	\$4,967	1.24		0.00
1800	\$5,539	\$6,891	1.24		0.00
2400	\$7,536	\$9,375	1.24		0.00
3600	\$11,079	\$13,782	1.24		0.00
5400	\$16,618	\$20,673	1.24		0.00
7200	\$21,708	\$27,005	1.24		0.00

GCI's Input Pitches for FCC Model
Unit Cost Inputs

SAI, Fairbanks

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
Outdoor					
1 pair	\$151	\$169	1.12		0.00
50	\$562	\$628	1.12		0.00
100	\$787	\$880	1.12		0.00
200	\$1,349	\$1,508	1.12		0.00
400	\$2,248	\$2,513	1.12		0.00
600	\$3,147	\$3,518	1.12		0.00
900	\$4,271	\$4,775	1.12		0.00
1200	\$5,395	\$6,032	1.12		0.00
1800	\$7,644	\$8,546	1.12		0.00
2400	\$9,667	\$10,808	1.12		0.00
3600	\$13,489	\$15,081	1.12		0.00
5400	\$18,434	\$20,609	1.12		0.00
7200	\$22,481	\$25,134	1.12		0.00
9000	\$30,125	\$33,680	1.12		0.00
10800	\$35,970	\$40,214	1.12		0.00
12600	\$40,915	\$45,743	1.12		0.00
14400	\$44,962	\$50,268	1.12		0.00
16200	\$52,606	\$58,814	1.12		0.00
18000	\$58,451	\$65,348	1.12		0.00
19800	\$63,396	\$70,877	1.12		0.00
21600	\$67,443	\$75,401	1.12		0.00
23400	\$75,087	\$83,947	1.12		0.00
25200	\$80,932	\$90,482	1.12		0.00
27000	\$85,877	\$96,010	1.12		0.00
28800	\$89,924	\$100,535	1.12		0.00
Indoor					
1 pair	\$151	\$169	1.12		0.00
50	\$220	\$246	1.12		0.00
100	\$333	\$372	1.12		0.00
200	\$665	\$743	1.12		0.00
400	\$1,331	\$1,488	1.12		0.00
600	\$1,996	\$2,232	1.12		0.00
900	\$2,770	\$3,097	1.12		0.00
1200	\$3,993	\$4,464	1.12		0.00
1800	\$5,539	\$6,193	1.12		0.00
2400	\$7,536	\$8,425	1.12		0.00
3600	\$11,079	\$12,386	1.12		0.00
5400	\$16,618	\$18,579	1.12		0.00
7200	\$21,708	\$24,270	1.12		0.00
9000	\$27,247	\$30,462	1.12		0.00
10800	\$32,787	\$36,656	1.12		0.00
12600	\$38,326	\$42,848	1.12		0.00
14400	\$43,416	\$48,539	1.12		0.00
16200	\$48,955	\$54,732	1.12		0.00
18000	\$54,495	\$60,925	1.12		0.00
19800	\$60,034	\$67,118	1.12		0.00
21600	\$65,124	\$72,809	1.12		0.00
23400	\$70,663	\$79,001	1.12		0.00
25200	\$76,203	\$85,195	1.12		0.00
27000	\$81,742	\$91,368	1.12		0.00
28800	\$86,832	\$97,078	1.12		0.00

GCI's Input Pitches for FCC Model
Unit Cost Inputs

SAI, Juneau

	FCC Input	GCI Input	Ratio to FCC	ACS Input	Ratio to FCC
Outdoor					
1 pair	\$151	\$169	1.12		0.00
50	\$562	\$631	1.12		0.00
100	\$787	\$884	1.12		0.00
200	\$1,349	\$1,515	1.12		0.00
400	\$2,248	\$2,525	1.12		0.00
600	\$3,147	\$3,534	1.12		0.00
900	\$4,271	\$1,796	1.12		0.00
1200	\$5,395	\$6,059	1.12		0.00
1800	\$7,644	\$8,584	1.12		0.00
2400	\$9,667	\$10,856	1.12		0.00
3600	\$13,489	\$15,148	1.12		0.00
5400	\$18,434	\$20,701	1.12		0.00
7200	\$22,481	\$25,246	1.12		0.00
9000	\$30,125	\$33,830	1.12		0.00
10800	\$35,970	\$40,394	1.12		0.00
12600	\$40,915	\$45,948	1.12		0.00
14400	\$44,962	\$50,492	1.12		0.00
16200	\$52,606	\$59,077	1.12		0.00
18000	\$58,451	\$65,640	1.12		0.00
19800	\$63,396	\$71,194	1.12		0.00
21600	\$67,443	\$75,738	1.12		0.00
23400	\$75,087	\$84,323	1.12		0.00
25200	\$80,932	\$90,887	1.12		0.00
27000	\$85,877	\$96,440	1.12		0.00
28800	\$89,924	\$100,985	1.12		0.00
Indoor					
1 pair	\$151	\$169	1.12		0.00
50	\$220	\$247	1.12		0.00
100	\$333	\$374	1.12		0.00
200	\$665	\$747	1.12		0.00
400	\$1,331	\$1,495	1.12		0.00
600	\$1,996	\$2,242	1.12		0.00
900	\$2,770	\$3,111	1.12		0.00
1200	\$3,993	\$4,484	1.12		0.00
1800	\$5,539	\$6,220	1.12		0.00
2400	\$7,536	\$8,463	1.12		0.00
3600	\$11,079	\$12,442	1.12		0.00
5400	\$16,618	\$18,662	1.12		0.00
7200	\$21,708	\$24,378	1.12		0.00
9000	\$27,247	\$30,598	1.12		0.00
10800	\$32,787	\$36,820	1.12		0.00
12600	\$38,326	\$43,040	1.12		0.00
14400	\$43,416	\$48,756	1.12		0.00
16200	\$48,955	\$54,976	1.12		0.00
18000	\$54,495	\$61,198	1.12		0.00
19800	\$60,034	\$67,418	1.12		0.00
21600	\$65,124	\$73,134	1.12		0.00
23400	\$70,663	\$79,355	1.12		0.00
25200	\$76,203	\$85,576	1.12		0.00
27000	\$81,742	\$91,796	1.12		0.00
28800	\$86,832	\$97,512	1.12		0.00

II. Support Documentation

GCI's Input Pitches, Support Documentation

June 12, 2000

This document provides backup documentation for the set of model inputs that GCI is "pitching" in the U-99-141/142/143 local interconnection arbitration. The actual input values are presented in a twelve page spreadsheet in the "Input Values" section. For cost inputs expressed in dollars, the spreadsheet document also shows the ratio of the "pitched" GCI input value to the corresponding FCC model default value.

Most of the GCI inputs were arrived at via one of three methods (exceptions are listed in the *Input Value Details* section):

- 1) Accept FCC Default Values:** For network engineering inputs and some financial ratio inputs, GCI saw no convincing reason or credible evidence to deviate from the default FCC input values.
- 2) Adjust FCC Defaults for Labor and Material Cost Differences between Alaska and the Lower-48:** For many unit cost inputs, GCI performed an adjustment to the input value that accounts for labor and material cost differences between Alaska and the Lower-48 states. The mechanics of that adjustment is explained in a section below.
- 3) Actual GCI Costs:** For some cost inputs, actual GCI cost data was available and deemed to be representative of the costs of an efficient provider. The cost data was used to develop a model input value.

Adjusting FCC Default Cost Values for Alaska Labor and Material Cost Differences

Method 2 listed above involves adjusting an FCC cost value to account for labor and material cost differences for Alaska relative to the Lower-48. Labor rates were estimated to be higher in Alaska relative to the Lower-48 according to the table below:

Labor Type	Labor Cost Increase relative to Lower-48
Common Support Costs, assumed to be performed in Anchorage	5%
Telephone Plant Construction in Fairbanks	32%
Telephone Plant Construction in Juneau	34%

Table 1: Labor Cost Differences.
Source of data: Exhibit 66, Rcd at 1433-34.

In cases where ACS is proposing the same cost inputs for Fairbanks and Juneau, we also are proposing no cost difference, assuming a 33% labor adjustment, the average of the Fairbanks and Juneau adjustments.

Material cost differences in Alaska relative to the Lower-48 were assumed to be due to extra shipping costs. For most items, a 5% increase was applied; for manholes, a 10% increase was used due to a higher weight to value ratio. Exhibits 67 and 68 provide support for these material cost adjustments (see Rcd at 1435-1437). Note that Exhibit 68 shows *total* shipping costs of a DLC and therefore is an overestimate of the extra shipping costs to Alaska relative to the Lower-48.

The last piece of information needed to make the cost adjustment is the ratio of material and labor cost in a particular FCC input value. This ratio was estimated for each input type by examining cost data presented by GCI and ACS during the hearings.

An example adjustment is shown below for the cost of a NID. The FCC default value cost is \$39.50 and is estimated to be 55% material and 45% labor. The Alaska material cost adjustment applied is 5%, and the Alaska labor cost adjustment applied is 33% (average of Fairbanks and Juneau).

$$\text{Material Cost Component} = \$39.50 \times 55\% \times 1.05 = \$22.81$$

$$\text{Labor Cost Component} = \$39.50 \times 45\% \times 1.33 = \$23.64$$

$$\text{Total Adjusted Cost} = \$22.81 + \$23.64 = \$46.45$$

Input Value Details

The section below gives details documenting how each one of the pitched input values was developed. The page numbers in parentheses indicate where the input appears in the "Input Values" spreadsheet.

Network Engineering Values (p. 1-4)

This includes Fill Factors, Plant Mix, Maximum Copper Loop Length, and Copper Cable Gauge Crossover Distance. GCI uses *Method 1* and pitches all of these inputs at the FCC default levels.

Cost of Capital (p. 5)

For purposes of the pitch, GCI adopts the ACS proposed cost of debt (10.7%) and the ACS proposed cost of Equity (16.5%) but pitches the *actual* ACS debt fraction (capital structure), as indicated by the official ACS 10-Q report for the quarter ending 3/31/2000, confirmed by ACS witness Hemmenway, Rcd. at 1169. That debt fraction is 68.3%, when adjusted for the cash on hand.

Depreciation Rates and E/I Ratios (p. 5-6)

GCI uses *Method 1* and pitches these inputs at FCC default levels.

Common Support Costs, alias "NID Fix" (p. 6-7)

The FCC developed a regression model to determine the \$7.32 per line per month Common Support Cost used for USF modeling. GCI used that same regression model to determine the Common Support Costs appropriate for UNE rate determination. After determining suitable cost values from the model, the costs were *adjusted upwards by 5%* to account for the higher labor costs present in Anchorage relative to the Lower-48. The Anchorage labor cost differential was used because most of the Common Support activities for ACS will occur in Anchorage, the headquarters office. Other details of the calculation are listed below:

- The costs associated with special access lines and toll were incorporated into the UNE costs through proper use of the FCC regression model.
- Because of difficulties in getting line count data from ACS, as described in the next bullet, GCI is pitching *per line* values for the Common Support costs, instead of total dollar values. The per line values can easily be converted into total dollar amounts when reasonable line counts are determined.
- The FCC regression model requires inputs as to the % of total lines that are switched, the % of total lines that are special access, and the number of toll minutes per line. These inputs were addressed by a settlement between GCI and ACS; however, ACS could not provide believable values for these inputs prior to the deadline for this pitch. Therefore, GCI estimates for these values were made for purposes of the pitch. If the GCI pitch is selected, we will substitute reliable line count and toll minute data into our common support model when they become available and adjust the common support cost figure accordingly.
- The FCC regression model did not estimate Marketing Costs, account 6610, as a separate Marketing Cost study was used for USF purposes. To determine the Marketing Cost component of Common Support costs, GCI averaged the per line Marketing costs for all of the utilities included in the FCC analysis. This data was provided by ACS on Exhibit 30. The resulting Marketing cost was \$1.56 per line per month.
- The adjustments performed by the FCC for one-time and non-recurring costs were adopted in the GCI pitch, reducing Network Operations costs, account 6530, by 2.6% and reducing Executive, Planning, and G&A costs, account 6700, by 20%.
- Both ACS and GCI agreed that retail costs must be removed from the Common Support costs for purposes of determining UNE rates. GCI removed retail costs from the FCC-determined Common Support costs by using the same assumptions used by the FCC to determine their default Wholesale discount rates. The FCC determined that 90% of Marketing costs, account 6610, are avoidable and 90% of Services expenses are avoidable, account 6620. Because reduction of direct retail expenses causes a reduction in indirect expenses, some of the costs in the indirect account,

account 6700, should also be removed. By analyzing the ARMIS data, GCI determined the ratio of expenses in the 6700 account to all other operating expenses. That ratio of 0.158 was used to remove the appropriate amount of 6700 expense associated with avoided direct retail expenses.

A four page spreadsheet is included in the "Common Support Cost Calculations" section documenting a number of these calculations.

DLC Costs (p. 8)

DLC costs were determined using *Method 2* plus an adjustment for including the cost of a hut for the 3 largest DLC sizes in Fairbanks. The following parameters were used to adjust the FCC default values:

For the fixed and per line DLC costs, material was assumed to be 90% of the total FCC default cost. For the site preparation cost, material was assumed to 10% and labor 90% of the cost.

Alaska material cost adjustment = 5%
Fairbanks labor cost adjustment = 32%
Juneau labor cost adjustment = 34%

The cost of a hut was included for the 2016 line, 1344 line, and 672 line DLCs in Fairbanks. However, a number of adjustments were made to the Hut costs proposed by ACS.

First, the power supply (battery/rectifier for the DLC) and MDF costs were removed from the Hut costs because the DLC costs already include all equipment sufficient for operation in a normal climate; the hut is only is required to warm the environment around the DLC.

The land cost included in the ACS hut cost was reduced by 45%, because the model will inappropriately apply the relatively high DLC annual charge factor to this cost to determine its annual cost. An appropriate annual charge factor for land is about 45% less than the annual charge factor for a DLC, because land does not depreciate in value (it appreciates in value) and has low maintenance cost. To cause the model to produce the correct annual cost for land entered as part of a DLC cost, the land's capital cost needs to be reduced by 45%.

ACS testified that the hut they priced could hold three of the 672 line DLC units (Rcd at 695). Thus, the hut is oversized for a DLC smaller than the 2016 line unit. We made adjustments to the cost of the building, land, and cost of setting the building for the 1344 line DLC and the 672 line DLC. We removed 15% of those costs for the 1344 line DLC and 30% of those costs for the 672 line unit.

GCI's hut cost estimates are detailed in the "DLC Hut Cost Calculation" section.

Drop Cost (p. 8)

Method 3 was used to determine this input pitch. GCI assumed that 30% of the drops would be aerial and 70% buried, consistent with the FCC default distribution plant mix. From ACS cost exhibits with removal of 2/3 of the warehousing cost, drop cable material costs \$0.21 per foot.

For the aerial drops, assume 70 feet is the average length. Gary Haynes for GCI testified that the labor for an aerial drop costs \$38.50 (Rcd at 770) or $\$38.50 / 70' = \0.55 per foot. Total cost for an aerial drop = $\$0.21/\text{foot material} + \$0.55/\text{foot installation} = \$0.76 / \text{foot}$.

For buried drops, Gary Haynes testified (Rcd at 769) that installation costs \$1.00 per foot. Total cost for a buried drop = $\$0.21/\text{foot material} + \$1.00/\text{foot installation} = \$1.21 / \text{foot}$.

Weighting the Aerial and Buried together: $\$0.76/\text{foot} \times 30\% + \$1.21/\text{foot} \times 70\% = \$1.08 / \text{foot}$ or \$1,080 per kilofeet.

This calculation ignored the economies that could be realized by the ability to share a drop trench with other utilities (a trench sometimes paid for by the home builder).

Network Interface Device (NID) (p. 9)

Method 2 was used with the following parameters: 55% of the FCC default value was estimated to be material, 45% labor.

Alaska material cost adjustment = 5%

Alaska labor cost adjustment = 33% (average of Fairbanks and Juneau)

Duct Cost per Kilofeet (p. 9)

Method 3, GCI actual cost, was used to determine this input. Kurt Anderson testified that the cost of an inch and a quarter innerduct is \$0.33 per foot, and GCI typically places three of these ducts (Rcd at 725 and 716). GCI's cost input is based on this data: $3 \text{ ducts} \times \$0.33 / \text{duct} / \text{foot} = \$0.99 / \text{foot}$ or \$990 per kilofeet.

Switching Costs (p. 9)

On Exhibit #79, GCI demonstrated that use of the FCC default switching cost inputs produced a cost estimate for a GCI remote switch in Anchorage that was 8% lower than actual cost. Accordingly, we have adjusted upward by 8% the FCC default switching cost inputs.

It is worth noting that Method 2 also results in an 8% upward adjustment of the FCC input values with the following parameters: 90% material and 10% labor fraction; 5% material cost adjustment; 33% labor cost adjustment.

Manhole Costs (p. 10)

Method 2 was used to develop input values using the following parameters: 50% of the FCC default cost was estimated to be material cost, 50% labor.

Alaska material cost adjustment = 10% (due to heavy weight)

Fairbanks labor cost adjustment = 32%

Juneau labor cost adjustment = 34%

Drop Terminal (p. 11-12)

Method 2 was used to develop input values using the following parameters:

33% of the FCC default cost was estimated to be material cost, 67% labor.

Alaska material cost adjustment = 5%

Fairbanks labor cost adjustment = 32%

Juneau labor cost adjustment = 34%

SAI (p. 13-14)

Method 2 was used to develop input values using the following parameters:

75% of the FCC default cost was estimated to be material cost, 25% labor.

Alaska material cost adjustment = 5%

Fairbanks labor cost adjustment = 32%

Juneau labor cost adjustment = 34%

III. Common Support Cost Calculations

NID Fix, FCC default values for Fairbanks and Juneau

PTICA, Fairbanks

Inputs to Common Support Cost Model for Fairbanks	Switched /	Special / Total	Toll DEMs /				
	Total Access		Total Access	Lines/ Year			
	Lines	Access Lines	(,000)				
	85.6%	14.4%	3.86				
	FCC's Model Coefficients, \$,000/year/line			\$ / line /	FCC	Adj. \$ /	RESULTS
				year	Adjustment	line /year	\$ / line /
6510 Other Property, Plant & Equipment	-0.000572639	-0.0017271	0.000209892	\$0.07		\$0.07	\$0.01
6530 Network Operations	0.018205306	0.01298475	0.00262234	\$27.58	-2.60%	\$26.86	\$2.24
6610 Marketing	NA	NA	NA	\$18.77		\$18.77	\$1.56
6620 Service Expense / Customer Operations	0.043462398	0.002989898	0.000712204	\$40.39		\$40.39	\$3.37
6700 Executive, Planning, General & Administrative	0.032645467	0.006433055	0.005152392	\$48.76	-20%	\$39.01	\$3.25

TUA, Juneau

Inputs to Common Support Cost Model for Juneau	Switched /	Special / Total	Toll DEMs /				
	Total Access		Total Access	Lines/ Year			
	Lines	Access Lines	(,000)				
	75.5%	24.5%	5.15				
	FCC's Model Coefficients, \$,000/year/line			\$ / line /	FCC	Adj. \$ /	RESULTS
				year	Adjustment	line /year	\$ / line /
6510 Other Property, Plant & Equipment	-0.000572639	-0.0017271	0.000209892	\$0.23		\$0.23	\$0.02
6530 Network Operations	0.018205306	0.01298475	0.00262234	\$30.44	-2.60%	\$29.65	\$2.47
6610 Marketing	NA	NA	NA	\$18.77		\$18.77	\$1.56
6620 Service Expense / Customer Operations	0.043462398	0.002989898	0.000712204	\$37.21		\$37.21	\$3.10
6700 Executive, Planning, General & Administrative	0.032645467	0.006433055	0.005152392	\$52.77	-20%	\$42.22	\$3.52

These inputs will be adjusted when reliable line count and DEM data are provided by ACS

Marketing Expense, 6610

From Exhibit #30

6610 Marketing	Total Lines	Marketing / Line / month
373,065	23,450,409	\$1.33
309,713	13,002,461	\$1.98
217,196	12,152,412	\$1.49
192,078	8,689,330	\$1.84
148,450	7,612,830	\$1.62
93,550	7,382,443	\$1.06
83,687	7,059,090	\$0.99
159,258	6,389,812	\$2.08
114,023	5,002,700	\$1.90
100,223	5,093,408	\$1.64
136,384	5,375,278	\$2.11
119,953	5,069,959	\$1.97
62,065	4,149,290	\$1.25
53,698	4,206,337	\$1.06
81,878	3,890,602	\$1.75
61,549	3,179,990	\$1.61
58,432	3,059,097	\$1.59
65,089	3,230,499	\$1.68
84,317	3,591,665	\$1.96
58,323	2,826,579	\$1.72
47,963	2,602,249	\$1.54
76,929	3,441,896	\$1.86
48,480	2,279,654	\$1.77
44,324	2,334,469	\$1.58
73,183	3,173,708	\$1.92
42,454	2,184,724	\$1.62
58,323	2,648,665	\$1.83
56,139	2,651,335	\$1.76
35,039	2,372,655	\$1.23
9,632	1,300,304	\$0.62
32,091	1,643,866	\$1.63
43,086	1,975,540	\$1.82
25,087	1,426,366	\$1.47
35,007	1,754,346	\$1.66
45,132	1,986,402	\$1.89
23,375	1,368,096	\$1.42
25,968	1,060,331	\$2.04
19,321	1,304,502	\$1.23
35,088	1,645,651	\$1.78
23,658	1,230,108	\$1.60
20,943	1,119,285	\$1.56
31,089	1,525,736	\$1.70
17,346	1,255,914	\$1.15
13,651	909,393	\$1.25
26,613	1,045,306	\$2.12
20,432	972,555	\$1.75

20,156	960,267	\$1.75
23,432	1,023,813	\$1.91
15,992	893,359	\$1.49
14,044	744,844	\$1.57
20,708	816,555	\$2.11
16,914	837,263	\$1.68
17,020	734,545	\$1.93
9,594	691,515	\$1.16
12,297	721,333	\$1.42
11,359	633,364	\$1.49
13,425	1,259,526	\$0.89
13,836	566,009	\$2.04
1,914	910,753	\$0.18
14,222	679,337	\$1.74
11,261	710,389	\$1.32
10,952	533,054	\$1.71
9,123	481,628	\$1.58
9,448	436,763	\$1.80
7,456	369,390	\$1.68
6,224	640,237	\$0.81
9,634	464,603	\$1.73
4,105	367,335	\$0.93
6,065	417,713	\$1.21
4,526	333,273	\$1.13
7,842	402,686	\$1.62
6,660	307,900	\$1.80
6,179	444,643	\$1.16
6,361	384,441	\$1.38
3,780	297,927	\$1.06
4,685	230,493	\$1.69
2,405	229,416	\$0.87
4,598	173,096	\$2.21
3,345	120,957	\$2.30
2,000	130,863	\$1.27
	Average:	\$1.56 per line

Lines and Toll Minute Estimates

GCI developed the following estimates for Switched %, Special %, and Toll minutes per line to be used until ACS produces accurate line and minute data for Fairbanks and Juneau.

Fairbanks

Year	Switched Lines	Special Lines	Toll Minutes	Switched %	Special %	Toll Mins / Line (000s per yr)
1998	38,975	2,046	175,721,327	95.0%	5.0%	4.28
1999	42,922	11,710	193,516,634	78.6%	21.4%	3.54
Average	40,949	6,878	184,618,980	85.6%	14.4%	3.86

All of TUA (we assume that the ratios are the same for Juneau)

Year	Switched Lines	Special Lines	Toll Minutes	Switched %	Special %	Toll Mins / Line (000s per yr)
1998	31,055	1,652	212,053,702	94.9%	5.1%	6.48
1999	33,296	19,261	227,355,983	63.4%	36.6%	4.33
Average	32,176	10,457	219,704,843	75.5%	24.5%	5.15

IV. DLC Hut Cost Calculation

DLC Hut Costs

	ACS Hut	GCI Hut Estimate		
		Line Capacity		
		2016	1344	672
Building	\$27,225	\$27,225	\$23,141	\$19,058
Land	\$8,280	\$4,554	\$3,871	\$3,188
Set building	\$5,050	\$5,050	\$4,293	\$3,535
MDF	\$3,800	\$0	\$0	\$0
Power supply	\$15,034	\$0	\$0	\$0
	\$59,389	\$36,829	\$31,305	\$25,780

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Notice: This opinion is subject to correction before publication in the Pacific Reporter. Readers are requested to bring errors to the attention of the Clerk of the Appellate Courts, 303 K Street, Anchorage, Alaska 99501, phone (907) 264-0608, fax (907) 264-0878.

THE SUPREME COURT OF THE STATE OF ALASKA

CHUGACH ELECTRIC)	
ASSOCIATION., INC.,)	
)	Supreme Court No. S-9692
Appellant,)	
)	Superior Court No.
v.)	3AN-98-11584 CI
)	
REGULATORY COMMISSION OF)	<u>OPINION</u>
ALASKA and MUNICIPALITY OF)	
ANCHORAGE d/b/a MUNICIPAL)	[No. 5585 - June 21, 2002]
LIGHT & POWER,)	
)	
Appellees.)	

Appeal from the Superior Court of the State of Alaska, Third Judicial District, Anchorage, Sen K. Tan, Judge.

Appearances: Andrew F. Behrend, Heller Ehrman White & McAuliffe, Anchorage; Michael C. Dotten, Heller Ehrman White & McAuliffe, Portland; and Donald W. Edwards, Chugach Electric Association, Anchorage, for Appellant. Ron Zobel, Assistant Attorney General, Clyde E. Sniffen, Jr., Assistant Attorney General, Anchorage, and Bruce M. Botelho, Attorney General, Juneau, for Appellee Regulatory Commission of Alaska. Paul J. Jones, Assistant Municipal Attorney, and William A. Greene, Municipal Attorney, Anchorage, for Appellee Municipality of Anchorage d/b/a Municipal Light & Power.

Before: Fabe, Chief Justice, Matthews, Eastaugh, Bryner, and Carpeneti, Justices.

NOTICE TO COUNSEL: This opinion will be released to the press and public at 12:30 p.m. (Anch. time) on the date indicated. This copy is provided to counsel of record in advance. Prior to the release time, please do not inform persons other than your clients in this case of the outcome.

Clerk of the Appellate Courts

CARPENETI, Justice.

I. INTRODUCTION

This case requires us to determine whether an electric utility that supplies electric service within a specific geographic area pursuant to a certificate of public convenience and necessity must obtain regulatory commission approval before selling power outside its assigned geographic area. Because AS 42.05.221(a) requires a utility to obtain an additional certificate for each type of utility service it provides and because the appellant in this case did not obtain such a certificate, we affirm the decision of the Regulatory Commission of Alaska.

II. FACTS AND PROCEEDINGS

Chugach Electric Association, Inc. (Chugach) is an electric utility that has received a certificate of public convenience and necessity from the Regulatory Commission of Alaska¹ (commission) to supply electric service to consumers within a specific geographic area. Anchorage Municipal Light and Power (ML&P) is also a public utility authorized to provide electric service to consumers under a certificate of public convenience and necessity.

In the fall of 1997, Chugach offered to sell electricity directly to two commercial customers who were requesting it from Chugach. Because these customers were located in the service area designated for ML&P, Chugach offered to compensate ML&P for distributing the electricity as well as metering and related services² at a rate

¹ In 1999 the name of the Alaska Public Utilities Commission was changed to the Regulatory Commission of Alaska in accordance with ch. 25, § 30(a), SLA 1999.

² ML&P had already established its right to provide distribution service in the geographic area involved in this case. *Alaska Pub. Utils. Comm'n v. Chugach Elec. Ass'n*, 580 P.2d 687 (Alaska 1978), *rev'd on other grounds by City & Borough of Juneau* (continued...)

to be determined by the commission.

ML&P responded to Chugach's offer by filing a complaint with the commission alleging that Chugach was violating Alaska law by attempting to serve customers outside its geographic area. ML&P asked the commission to enjoin Chugach from providing electricity outside that area. Chugach, allowed to intervene, maintained that although ML&P had a lawful monopoly over distribution services³ in the area, it did not have a monopoly over the electricity itself as a commodity and therefore could not prevent consumers from purchasing electric power as a commodity from other suppliers. Chugach additionally claimed that ML&P violated federal antitrust law by preventing Chugach from selling electricity over ML&P's lines. Chugach then asked the commission for a declaratory judgment that ML&P was not entitled to "monopolize sales of electric power to customers who receive transmission and distribution services from ML&P." Chugach also asked the commission for a ruling compelling ML&P to deliver, under appropriate tariffs to be approved by the commission, Chugach's electricity to willing buyers in ML&P's distribution area.

²(...continued)

v. *Thibodeau*, 595 P.2d 626 (Alaska 1979). Thus, Chugach in this case sought to provide only the commodity of electricity over ML&P's lines to customers requesting electricity from Chugach.

³ "[D]istribution services' . . . refers to delivery or distribution unbundled from the sale of the commodity — in this case the sale of electric power." Harvey L. Reiter, *Competition Between Public and Private Distributors In a Restructured Power Industry*, 19 ENERGY L.J., 333, 334 n.3 (1998). Chugach thus attempted to engage in "retail wheeling" with ML&P, the process by "which utilities deliver electric power sold by a third party directly to retail customers" allowing an individual retail customer "to choose his or her electricity supplier, but still receive delivery using the power lines of the local utility." Scott B. Finlinson, *The Pains Of Extinction: Stranded Costs In The Deregulation Of The Utah Electric Industry*, 1998 UTAH L. REV. 173, 187 n.109.

Both parties moved for summary judgment. The commission held that “[t]he Legislature’s charge in AS 42.05.221(d) to the Commission to eliminate competition that the Commission finds is not in the public interest impliedly authorizes the Commission to grant monopolies when competition is not in the public interest.” The commission also held that the provision of electric power constituted a service and therefore was subject to AS 42.05.221(a). It further held that AS 42.05.221(d) does not restrict the commission’s authority to regulate competition between electric facilities to only those areas where duplication of facilities and competition already exists. Finally, the commission ruled that federal antitrust principles did not apply, but that if they did apply, ML&P would be immune under the state action doctrine. Accordingly, the commission ruled in ML&P’s favor.

On appeal, Superior Court Judge Sen K. Tan affirmed the commission’s order and final judgment. In his decision, Judge Tan ruled that AS 42.05.221(a) requires Chugach to obtain prior approval from the commission before selling electricity outside of its allotted geographical area. The superior court also concluded that the commission’s interpretation of state law did not implicate any federal antitrust legal doctrines or principles, and that the state action immunity doctrine applied and was satisfied.

Chugach now appeals to this court.

III. STANDARD OF REVIEW

In an administrative appeal where the superior court acts as an intermediate appellate court, we directly review the agency action in question.⁴

Chugach and the commission agree that the issues before this court are not

⁴ See *N. Alaska Env'tl. Ctr. v. State, Dep't of Natural Res.*, 2 P.3d 629, 633 (Alaska 2000).

matters “that fall within [the commission’s] unique expertise”⁵ as this issue presents a matter of strict statutory construction.⁶ Because no agency expertise is involved, we review the commission’s statutory construction under an independent judgment standard.⁷ “As we substitute our judgment, it is our duty ‘to adopt the rule of law that is most persuasive in light of precedent, reason, and policy.’ ”⁸

We review the commission’s findings of fact for clear error and reverse only if there is not substantial evidence to support the findings.⁹ “However, even under the independent judgment standard [we have] noted that the court should give weight to what the agency has done, especially where the agency interpretation is longstanding.”¹⁰

IV. DISCUSSION

Chugach Must First Obtain a Certificate of Public Convenience and Necessity Before Attempting To Sell Its Electricity.

Chugach maintains that the commission does not have the authority to restrain competition between electric utilities by prohibiting Chugach from selling electricity without first obtaining a second certificate of public convenience and necessity to serve power in a particular geographic location. Instead, Chugach argues, the

⁵ *Tlingit-Haida Reg’l Elec. Auth. v. State*, 15 P.3d 754, 761 (Alaska 2001).

⁶ *Nat’l Bank of Alaska v. State, Dep’t of Revenue*, 642 P.2d 811, 815 (Alaska 1982).

⁷ *Id.*

⁸ *Cook Inlet Pipe Line Co. v. Alaska Pub. Utils. Comm’n*, 836 P.2d 343, 348 (Alaska 1992) (citing *Guin v. Ha*, 581 P.2d 1281, 1284 n.6 (Alaska 1979)).

⁹ *Tlingit-Haida Reg’l Elec. Auth.*, 15 P.3d at 761.

¹⁰ *Nat’l Bank of Alaska*, 642 P.2d at 815 (citing *State, Dep’t of Revenue v. Debenham Elec. Supply Co.*, 612 P.2d 1001, 1003 n.6 (Alaska 1980)).

commission may only limit competition for a commodity such as the sale of electricity once it has determined the utilities are already competing and that such competition is not in the public interest.¹¹ ML&P and the commission argue that the statutory language is clear that an additional certificate is needed for each new use and that only in instances where a certificate has been previously obtained does AS 42.05.221(d) apply.

Alaska Statute 42.05.221(a) provides:

A public utility may not operate and receive compensation for providing a commodity or service without first having obtained from the commission under this chapter a certificate declaring that public convenience and necessity require or will require the service. Where a public utility provides more than one type of utility service, a separate certificate of convenience and necessity is required for each type. A certificate must describe the nature and extent of authority granted in it, including, as appropriate for the services involved, a description of the authorized area and scope of operations of the public utility.

Alaska Statute 42.05.221(d) provides:

In an area where the commission determines that two or more public utilities are competing to furnish identical utility service and that this competition is not in the public interest, the commission shall take appropriate action to eliminate the competition and any undesirable duplication of facilities. This appropriate action may include, but is not limited to, ordering the competing utilities to enter into a contract that, among other things, would:

- (1) delineate the service area boundaries of each in those areas of competition;
- (2) eliminate existing duplication and paralleling to the fullest reasonable extent;
- (3) preclude future duplication and paralleling;
- (4) provide for the exchange of customers and facilities

¹¹ AS 42.05.221(d).

for the purposes of providing better public service and of eliminating duplication and paralleling; and
(5) provide such other mutually equitable arrangements as would be in the public interest.

Chugach argues that by not making findings under AS 42.05.221(d), the commission placed a prior restraint on the competition for utilities authorized to provide a particular type of service. It argues that the correct interpretation of the two provisions of AS 42.05.221 is that a public injury and a finding of competition must first be made before the commission can restrict competition between electric utilities that already have certificates to provide electric service to the public. It claims that any other interpretation would render AS 42.05.221(d) meaningless.

1. Whether Chugach has the right to provide electric service within ML&P's area is not precluded by collateral estoppel.

ML&P argues that the commission has already applied AS 42.05.221(d) to eliminate competition between Chugach and ML&P. Therefore, it argues that consideration of this issue is barred by the doctrine of collateral estoppel.

Collateral estoppel bars the relitigation by parties of an issue when:

(1) the party against whom the preclusion is employed was a party to or in privity with a party to the first action; (2) the issue precluded from relitigation is identical to the issue decided in the first action; (3) the issue was resolved by final judgment on the merits; and (4) the determination of the issue was essential to the final judgment.^[12]

Chugach and ML&P have long been parties in litigation against each other resulting in an AS 42.05.221(d) determination establishing specific geographical areas in

¹² *Alaska Contracting & Consulting, Inc. v. State, Dep't of Labor*, 8 P.3d 340, 344-45 (Alaska 2000) (quoting *Renwick v. State, Bd. of Marine Pilots*, 971 P.2d 631, 634 (Alaska 1999)).

which each utility could provide its service.¹³ In that earlier case, the commission recognized situations might arise where it would become necessary for one of the utilities to engage in work within the other's service area. Thus, the commission established certain procedures to address this concern, including a waiver by the incumbent utility or commission approval.

The commission also noted that there may be times when the utilities might need to run transmission or intertie lines through the other's service area. The commission chose not to limit these activities, provided that "service is not extended to new customers within that certified service area" unless allowed under another provision. We upheld the service areas established by the commission, although we vacated those portions of the order dealing with the transferring of facilities between the two parties.¹⁴

After remand, Chugach, ML&P, and the commission resolved the issue regarding the transferring of the facilities. But the issue at hand is distinct from the previous litigation. Here, instead of arguing that it has a territorial right to proceed, Chugach raises a matter of statutory interpretation. It questions how AS 42.05.221(a) and (d) should be applied. ML&P contends that the commission's prior order precluded Chugach from retaining or acquiring customers within ML&P's area. But this is separate from the issue of whether a determination must be made under subsection (a) or under subsection (d) before allowing Chugach to procure customers. Chugach also distinguishes this claim in that the previous order was specific to distribution only, making no determination about providing the commodity of electricity itself outside of Chugach's

¹³ *Alaska Pub. Utils. Comm'n v. Chugach Elec. Ass'n*, 580 P.2d 687 (Alaska 1978), *rev'd on other grounds by City & Borough of Juneau v. Thibodeau*, 595 P.2d 626 (Alaska 1979).

¹⁴ *Id.* at 696.

service area. Finally, all of the commission's decisions are predicated on the public interest. But the public interest might have changed since the commission's previous orders. Because the issues previously resolved and the one now before the court are not identical, Chugach is not estopped from litigating the present case.

In short, although Chugach and ML&P have a long history of court battles and many previous orders have been entered regarding their allocated areas, the instant action is distinct from these cases and therefore not precluded by previous decisions.

2. The commission may use its "general powers" as a means to limit competition.

The commission has implied powers.¹⁵ An organization like the commission "is an administrative agency that has whatever powers are expressly granted to it by the legislature or conferred upon it by implication as necessarily incident to the exercise of powers expressly granted."¹⁶

Chugach reads the commission's order to say the commission's power to limit competition is solely a result of some general inference. Chugach argues that because the commission lacked specific authority, the commission and the superior court were forced to infer that the commission had general powers to control competition within the framework of AS 42.05.221 instead of properly utilizing AS 42.05.221(d) for this purpose. This, however, is not what the commission held. Instead, it stated that its power

¹⁵ *Alaska Pub. Utils. Comm'n v. Municipality of Anchorage*, 902 P.2d 783, 788 (Alaska 1995) (citing *Far N. Sanitation, Inc. v. Alaska Pub. Utils. Comm'n*, 825 P.2d 867 (Alaska 1992)).

¹⁶ *Id.* (quoting *Glacier State Tel. Co. v. Alaska Pub. Utils. Comm'n*, 724 P.2d 1187, 1190 (Alaska 1986)).

to control competition derived from three places: AS 42.05.141,¹⁷ AS 42.05.221(a), and AS 42.05.221(d). No one contests Chugach's proposition that the statutory scheme allows for some competition. Chugach simply fails to acknowledge that that competition results only from the commission's issuance of certificates and can be curtailed only by the commission under AS 42.05.221(d) after it makes the requisite findings. Moreover, Chugach's reading of the statute contravenes the well-established interpretation of AS 42.05.221(a) to require public utilities to obtain approval from the commission prior to offering a competitive service in a particular market.¹⁸

¹⁷ AS 42.05.141 provides in part:

(a) The Regulatory Commission of Alaska may do all things necessary or proper to carry out the purposes and exercise the powers expressly granted or reasonably implied in this chapter

¹⁸ Chugach suggests that federal antitrust law provides an "overlay to state law" that bars the commission from exercising its general powers and precludes its longstanding interpretation of AS 42.05.221. But we disagree. In the Sherman Act, "Congress, exercising the full extent of its constitutional power, sought to establish a regime of competition as the fundamental principle governing commerce in this country." *City of Lafayette v. Louisiana Power & Light Co.*, 435 U.S. 389, 398 (1978) (internal citations omitted).

In *California Retail Liquor Dealers Ass'n v. Midcal Aluminum, Inc.*, 445 U.S. 97, 105 (1980), the Court found two standards for antitrust immunity stemming from the Court's earlier decision in *Parker v. Brown*, 317 U.S. 341 (1943): "First, the challenged restraint must be one clearly articulated and affirmatively expressed as state policy; [and] second, the policy must be actively supervised by the State itself." *Id.* at 105 (internal quotation marks and citations omitted). Alaska's policy of anticompetitive conduct for utilities that have a certificate of public convenience and necessity is not only permitted but compelled. AS 45.50.572(d) immunizes public utilities that have been issued a certificate of public convenience and necessity from state antitrust law. AS 42.05.221(a) requires certificates of public convenience before a utility can operate. AS

(continued...)

3. **The commission's and superior court's interpretation of AS 42.05.221(a) and (d) does not render subsection (d) meaningless.**

In Alaska, a certificate of public convenience and necessity does not confer a grant of monopoly power.¹⁹ Thus, Chugach claims that any previously certified utility is allowed to begin competing for consumers without additional advance notice or approval from the commission. The only check on this competition, according to Chugach, is AS 42.05.221(d), which allows competition to be limited only after the commission determines that competition between two or more utilities is taking place and

¹⁸(...continued)

42.05.221(d) then allows the commission to take appropriate action to control competition if it finds that competition not in the public interest. These statutes, read separately or together, evidence a stronger case for meeting the first prong of *Midcal* than was seen in *S. Motor Carriers Rate Conference, Inc. v. United States*, 471 U.S. 48, 64 (1985). In that case, the Court upheld a practice allowing a rate bureau to submit a joint rate proposal for rates on behalf of its members to the applicable state agency in each state for consideration regardless of the fact none of these states had legislation compelling collective ratemaking, noting that, “[i]f more detail than a clear intent to displace competition were required of the legislature, States would find it difficult to implement through regulatory agencies their anticompetitive policies.” *Id.* at 64. The purpose of the agency is to deal with problems outside the realm of the legislature’s knowledge. *Id.* Thus, to require “express authorization for every action that an agency might find necessary to effectuate state policy would diminish, if not destroy, its usefulness.” *Id.* Chugach does not argue whether the State of Alaska’s policy to regulate public utilities is actively supervised by the state in its brief, relying instead on its arguments regarding the first prong of the *Midcal* test. Despite the fact Chugach did not argue against it, it seems relatively clear that the issuance of certificates of public convenience as well as other policies relating to public utilities are actively supervised by the state. Unlike the situation in *Snake River Valley Elec. Ass’n v. PacifiCorp*, 238 F.3d 1189 (9th Cir. 2001), where the utility with the distribution facilities had the power to withhold its consent from other utilities wishing to serve its customers, ML&P has no such power. Therefore, the second prong of *Midcal* is easily met.

¹⁹ *Chugach Elec. Ass’n, Inc. v. City of Anchorage*, 426 P.2d 1001, 1003 (Alaska 1967).

that such competition is not in the public interest. Chugach thus asks: If ML&P does not have a monopoly by virtue of its certificate, how can it deny its customers the ability to buy electricity from a competing seller? Chugach's argument is unpersuasive. As ML&P correctly notes, monopolies exist "not because [they are] inherent in the issuance of [a] certificate, but because the Commission has not authorized any other utility to provide competing services within the area"

The plain language of AS 42.05.221(a) requires an additional certificate prior to any utility providing an additional type of service.²⁰ Chugach presents no legislative history to contest this plain meaning, nor does it present any case law to support its interpretation.²¹ Chugach argues that because AS 42.05.221(d) is the only subsection to mention competition, it is therefore the only part of the statute that regulates competition. But the commission has other statutes it may utilize to limit competition. Alaska Statute 42.05.221(a) is one of these. Under AS 42.05.241, "a certificate may not

²⁰ "We apply a sliding scale approach in matters of statutory interpretation, and have rejected a mechanical application of the plain meaning rule." *Moody-Herrera v. State, Dep't of Natural Res.*, 967 P.2d 79, 84 (Alaska 1998). Thus, the plainer the language of the statute is, the more convincing the evidence contrary to that language must be. *Anchorage Sch. Dist. v. Hale*, 857 P.2d 1186, 1189 (Alaska 1993). "Basic principles of statutory construction 'militate against interpreting a statute in a manner that renders other provisions meaningless.' Contradictions should be harmonized." *Rollins v. State, Dep't of Revenue, Alcoholic Beverage Control Bd.*, 991 P.2d 202, 208 (Alaska 1999) (quoting *M.R.S. v. State*, 897 P.2d 63, 66 (Alaska 1995)); *Homer Elec. Ass'n v. Towsley*, 841 P.2d 1042, 1045 (Alaska 1992) (stating "[a]s a general rule, a statute should be construed so that effect is given to all its provisions, so that no part will be inoperative or superfluous, void or insignificant." (internal quotation marks omitted)).

²¹ See *Homer Elec. Ass'n*, 841 P.2d at 1043-44 (noting the most reliable guide to a statute's meaning is the statute's words in conjunction with their common usage. Legislative history and context are still considered; however, they must "present a compelling case that the literal meaning of the language of the statute is not what the legislature intended.").

be issued unless the commission finds that the applicant is fit, willing, and able to provide the utility services applied for and that the services are required for the convenience and necessity of the public.”²² The commission can grant the certificate in whole or in part and may add conditions that it deems necessary to protect and promote the public interest, including ordering the applicant to serve an area not applied for. The commission may also deny any applicant for good cause. Under AS 42.05.271, these certificates can be revoked or suspended by the commission on complaint or on its own motion after good cause is shown. A necessary consequence of these provisions regarding certificates is that a utility is usually prohibited from providing service outside of the area granted in the certificate until the utility applies for a new certificate. This is not in conflict with AS 42.05.221(d). Alaska Statute 42.05.221(a) allows the commission to prevent utilities from duplicating service until the commission finds it is in the public interest and AS 42.05.221(d) authorizes the commission to eliminate or limit any existing competition if it is found to be harmful to the public interest.

The proper application of AS 42.05.221(a) in no way conflicts with the application of AS 42.05.221(d). One situation involving the proper use of subsection (d) arose when municipally-owned utilities came within the purview of AS 42.05.221. These utilities were not previously required to obtain a certificate. When the municipally-owned utilities came under this statute, both Chugach and ML&P were operating within the same district. The commission then utilized AS 42.05.221(d) to separate the two operations and provide them with distinct territories.²³

²² See, e.g., *Alaska Fed'n for Cmty. Self-Reliance v. Alaska Pub. Utils. Comm'n*, 879 P.2d 1015, 1020 (Alaska 1994).

²³ *Alaska Pub. Utils. Comm'n v. Chugach Elec. Ass'n, Inc.*, 580 P.2d 687, 696 (continued...)

Alaska Statute 42.05.221(a) requires a separate certificate where a utility provides more than one type of service. Chugach's interpretation of AS 42.05.221 would render subsection (a) meaningless. The commission would have no authority to require a utility to acquire a new or modified certificate before it began to provide services outside of its designated area as AS 42.05.221(a) does not distinguish between services, commodities, uses, or facilities.

Despite Chugach's claims, the commission's interpretation of AS 42.05.221(a) does not render subsection (d) of that provision meaningless. In addition, interpreting the statute as Chugach suggests would have precisely that effect.

4. Chugach incorrectly construes other statutes to show the State of Alaska's preference for competition.

Chugach argues that other relevant statutes show the State of Alaska's preference for competition over state regulation. Chugach relies on AS 42.05.311, which states that a public utility having any type of distribution or transmission facilities "shall, for a reasonable compensation, permit another public utility to use them when the public convenience and necessity require this use and the use will not result in substantial injury to the owner, or in substantial detriment to the service to the customers of the owners." According to Chugach, an electric utility cannot use the facilities of a second utility for any purpose other than competition, evidencing the preference for competitive over anticompetitive conduct.

Chugach fails to note the conditional language of the statute, which warrants shared use only when the "public convenience and necessity" require it. Joint use is not required by statute. Instead, if utilities fail to agree on whether joint use is

²³(...continued)
(Alaska 1978), *rev'd on other grounds by City & Borough of Juneau v. Thibodeau*, 595 P.2d 626 (Alaska 1979).

appropriate, a party may apply to the commission for an order mandating it.²⁴ Thus, even if the legislature intended AS 42.05.311 to engender competition, the commission may do so only after it finds that such competition is in fact appropriate.

5. There is no distinction between services and commodities under Alaska's public utilities law.

In the proceedings before the commission and the superior court, Chugach attempted to avoid the effect of AS 42.05.221(a) by arguing that the sale of electricity by itself was the sale of a commodity rather than the provision of a service.²⁵ Chugach argued that its certificate establishes a description of the authorized area for services only, not for commodities. Chugach thus contended that the service area description in its certificate applied only to services and not to the retail sale of the commodity of electricity itself. Both the commission and Judge Tan correctly rejected this argument based on the broad statutory definition of the word "service," which includes commodities.²⁶

V. CONCLUSION

The commission correctly held that AS 42.05.221(a) required Chugach to obtain an additional certificate of public convenience and necessity prior to engaging in contact with consumers regarding electricity sales outside its allotted area. This interpretation of the statute does not render AS 42.05.221(d) meaningless and is in accordance with other similar provisions. Accordingly, we AFFIRM the decision of the

²⁴ AS 42.05.321(a).

²⁵ Chugach has now apparently abandoned the argument.

²⁶ AS 42.05.990(6) provides: " 'service' means, unless the context indicates otherwise, every commodity, product, use, facility, convenience, or other form of service that is offered for and provided by a public utility for the convenience and necessity of the public."

superior court that affirmed the commission's decision.

Order Regarding Fees and Costs

Chugach Electric Assn., Inc. v. Regulatory Comm. of AK & Municipality of Anchorage


Supreme Court No. S-09692

Date of Order: 6/21/02

Under Appellate Rules 508(e) and (f)(1), attorney's fees of \$1500 plus allowable appellate costs are awarded to the Appellees. On or before 7/1/02, the Appellees shall serve and file with this court an itemized and verified bill of costs.

Entered at the direction of Justice Carpeneti.

Clerk of the Supreme Court


Deputy Clerk

cc: Authoring Justice

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STATE OF ALASKA

DEPARTMENT OF COMMUNITY AND
ECONOMIC DEVELOPMENT
REGULATORY COMMISSION OF ALASKA

TONY KNOWLES, GOVERNOR

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TTY: (907) 276-4533

June 20, 2002

The Honorable Robin Taylor, Chair
Senate Judiciary Committee
Alaska State Legislature
State Capitol, MS 301
Juneau, Alaska 99801-1182

Dear Senator Taylor:

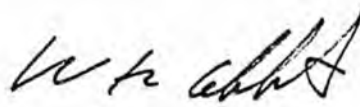
Thank you for your letter of June 18 clarifying your document request. I apologize for the confusion regarding the "industry e-mails" you requested. My understanding was that your request was directed at e-mails related to requests to utilities to testify on RCA authorization. Please find enclosed copies of all e-mails on my system, including the "Trash" folder, which were sent to a utility or the agent of a utility.

With respect to the other documents you requested, I am enclosing copies of all notices I filed pursuant to AS 39.52.130(b). A copy of the check sent to GCI was provided to you in my earlier response. For your convenience I am attaching another copy.

Finally, please find enclosed a copy of a letter recently received from the AARP commenting on reauthorization of the RCA. Please add this to our packet of materials under Tab No. 3. A revised list of exhibits is enclosed for your convenience.

Sincerely,

REGULATORY COMMISSION OF ALASKA


G. Nanette Thompson
Chair

Attachments

cc: Members of the Senate Judiciary Committee
The Honorable Rick Halford, Senate President
RCA Commissioners

REGULATORY COMMISSION OF ALASKA

G. Nanette Thompson, Chair
Bernie Smith
Patricia M. DeMarco
Will Abbott
James S. Strandberg

RCA TESTIMONY AND EXHIBITS

To

Senate Judiciary Committee Hearings

June 12 – 13, 2002

(Revised June 20, 2002)

1. Testimony of G. Nanette Thompson, Chair, RCA
2. Comparative Charts – Agency Performance
3. Comments in Support of Reauthorization of RCA (packet)
4. Alaska Legislative Audit #08-20013-02
5. 1998 NRRI Evaluation of APUC
6. 2000 NRRI Report on RCA
7. Memorandum from Landry, Dept. of Law, re APUC Sunset (6/21/94)
8. AS 44.66.010
9. AS 42.05.711
10. UNE Rate Comparison Matrix
11. 5/20/02 Letter to Senator Taylor from Chair Thompson
12. FY2001 Annual Report (2 Volumes)
13. U-00-115(18) – GHU/CUC
14. R-00-4(2) IXC applications
15. R-02-4 Notice of Inquiry – Small Water & Sewer System Certifications
16. R-00-5(2) Joint Use Regulations
17. U-98-151(8) Crimsonview
18. U-99-141(5) et al. GCI/PTI/TUA/TUNI Cost Model
19. U-97-82(11) - Order on Rural Exemption
20. U-96-89(8) Anchorage Arbitration Order
21. Reimbursement check for Thompson trip costs (2000)
22. Letter from Thompson regarding emails/correspondence to and from utilities on effect of sunset (6/17/02)
23. U-94-002 (T-HREA) and U-96-114 (FMUS) - Cost allocation orders; related emails
24. Material relating to Boysen email
25. Material requested on June 18, 2002

Re: verizon select services

Subject: Re: verizon select services
Date: Thu, 21 Feb 2002 19:46:02 -0900
From: Nan Thompson <nan_thompson@rca.state.ak.us>
To: allan.thoms@verizon.com

You're welcome.
You'll always get such quick answers if you make such easy requests.
It was almost out the door anyway, just a quick slap shot required.
Nan

----- Original Message -----
From: allan.thoms@verizon.com
Date: Thursday, February 21, 2002 7:21 am
Subject: verizon select services

> Well I owe you big time. That was the *quickest* turn around on a
> requestthe company has ever received. Thank you I appreciate your
> effort. Let me
> know if I can return the favor.

>
>
> ~~~~~
> Allan T. Thoms
> Vice President - Public Policy
> & External Affairs
> Phone: 425/261-5691
> Fax: 425/261-5262
> allan.thoms@verizon.com
>
>
>

Subject: Recommendation on #25

Date: Sun, 13 Jan 2002 15:21:04 -0900

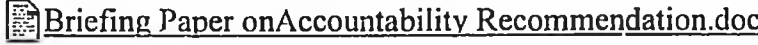
From: Nan Thompson <nan_thompson@rca.state.ak.us>

To: ballen@ak.usda.gov, eric@areca.org, mkohler@areca.org, jstaser@denali.gov, bgordon@gci.net, pat_poland@dced.state.ak.us

Bill-

Attached in the assigned briefing paper on recommendation #25. I hope getting it to you a few days late is not a problem. Bill Gordon tries to politely remind me about this obligation a few days before the holiday, but I failed to take the hint.

Nan

	<p>Name: Briefing Paper onAccountability Recommendation.doc</p> <p>Type: WINWORD File (application/msword)</p> <p>Encoding: base64</p> <p>Download Status: Not downloaded with message</p>
---	--

Subject: Re: Legislation

Date: Thu, 21 Feb 2002 06:44:43 -0900

From: Nan Thompson <nan_thompson@rca.state.ak.us>

To: Bob Grimm <bob.g@aptalaska.com>

Bob:

Yes, I am aware of it. I was in Juneau yesterday when it was introduced. We are looking carefully at the language to understand its impact.

Nan

----- Original Message -----

From: Bob Grimm <bob.g@aptalaska.com>

Date: Wednesday, February 20, 2002 10:08 am

Subject: Legislation

> Nan:

>

> Are you aware of HB496 and SB324. If appears to affect cities and
> subdivisions of the state that provide telecommunication services.

>

> FYI

>

> Robert Grimm, President

> Alaska Power & Telephone Company

> 191 Otto Street

> PO Box 3222

> Port Townsend, WA 98368

> 1-800-982-0136 ext. 120

> 1-360-385-1733 ext. 120

> 1-360-385-7538 fax<?xml:namespace prefix = o ns =

> "urn:schemas-microsoft-com:office:office" />

>

> <" target="1"><http://www.aptalaska.com/> <http://www.aptalaska.com>

>

> <<mailto:bob.g@aptalaska.com>> bob.g@aptalaska.com

>

>

>

Re: RE: Tuesday 2/19 i Juneau

Subject: Re: RE: Tuesday 2/19 i Juneau

Date: Mon, 18 Feb 2002 15:32:24 -0900

From: Nan Thompson <nan_thompson@rca.state.ak.us>

To: Dana Tindall <dtindall@gci.com>

CC: 'Nanette Thompson' <nanette_thompson@rca.state.ak.us>, Ron Duncan <rduncan@gci.com>

Thanks for the offer, but I've got early meetings on Tuesday. I got on the later flight today-off the milk run anyway.

Count me in as a definite maybe for dinner on Tuesday-I am getting hooked for something else. (They are the BORG, resistance is futile, but I am trying anyway.) Leave me a message at the Baranof with the details of where and when.

Nan

----- Original Message -----

From: Dana Tindall <dtindall@gci.com>

Date: Monday, February 18, 2002 8:29 am

Subject: RE: Tuesday 2/19 i Juneau

> Nan, we have a tues night dinner scheduled with the staff if you are
> interested. I am currently wait listed on planes for Tuesday.

> Don't know

> if I will get on, but the dinner will take place anyway.

>

> I am working on trying to get Ron to drop me in Juneau on the jet on

> Tuesday. If I get a ride - do you want one?

>

> Dana

>

> > -----

> > From: Nanette Thompson [SMTP:nanette_thompson@rca.state.ak.us]

> > Sent: Sunday, February 17, 2002 6:37 PM

> > To: Dana Tindall

> > Subject: Tuesday 2/19 i Juneau

> >

> > Dana-

> > I am heading to Juneau Monday afternoon (or Tuesday am if I can
> get a

> > seat on the plane). I'll be there Tuesday evening. If you are
> planning> one of the gatherings you mentioned, I can attend.

> > You can reach me in Juneau either at the Baranof, e-mail, or via the

> > DCED Commissioner's office where I will be camped when I am not

> > roaming> the halls of the Capitol.

> > Nan

> >

> >

>

Subject: Re: RE: Recommendation on #25

Date: Tue, 15 Jan 2002 03:32:34 -0900

From: Nan Thompson <nan_thompson@rca.state.ak.us>

To: Eric Yould <Eric@areca.org>

It went on to Bill to meet his deadline, but if you have heartburn with any part of it after you have a chance to look at it more closely, let me know and I'll talk to Bill. I was not intending to overrun the group.

I am travelling, and will be back in the office Wednesday.

Nan

----- Original Message -----

From: Eric Yould <Eric@areca.org>

Date: Monday, January 14, 2002 10:32 am

Subject: RE: Recommendation on #25

> Nan

>

> Plz give me the opportunity to review this write-up a little more closely (by the end of today) before you send it on to Bill Allen.

> As a general

> rule, I agree with our assessment regarding HB 267, but I still have a major

> problem with #25 as presently written.

>

> Eric

>

> -----Original Message-----

> From: Nan Thompson [mailto:nan_thompson@rca.state.ak.us]

> Sent: Sunday, January 13, 2002 3:21 PM

> To: ballen@ak.usda.gov; eric@areca.org; mkohler@areca.org;

> jstaser@denali.gov; bgordon@gci.net; pat_poland@dced.state.ak.us

> Subject: Recommendation on #25

>

>

> Bill-

> Attached in the assigned briefing paper on recommendation #25. I

> hope

> getting it to you a few days late is not a problem. Bill Gordon

> tries

> to politely remind me about this obligation a few days before the

> holiday, but I failed to take the hint.

> Nan

Re: The Flume

Subject: Re: The Flume

Date: Thu, 03 Jan 2002 08:17:55 -0900

From: Nan Thompson <nan_thompson@rca.state.ak.us>

To: "Jim Rowe" <jrowe@arctic.net>

I'll do some surfing to look for an alternative.
I am not in the office this week.

----- Original Message -----

From: "Jim Rowe" <jrowe@arctic.net>

Date: Wednesday, January 2, 2002 10:18 am

Subject: The Flume

> *I went to the Flume website. It doesn't look very exciting there.*

>

Subject: Re: Sitka & Zaina

Date: Sat, 23 Mar 2002 08:57:00 -0900

From: Nan Thompson <nan_thompson@rca.state.ak.us>

To: "Jim Rowe" <jrowe@arctic.net>

I am cleaning out my in-box in preparation for taking next week off. I don't think I ever gave you a final answer on Sitka. I can't attend. I have to be in Kotzebue Thursday for ATAC (telehealth project). I can't be out of the office that whole week because of hearing/decision schedules. Too much juggling.

You very discreetly did not say anything about the substance of the discussion about the PAS regs, but your face during the discussion suggested unease. Perhaps your shoes were tight. Its okay to tell me what you think about an R docket. The due process concerns that exist in U dockets do not apply.

I am going to try not to check e-mail next week.

Ta ta

----- Original Message -----

From: "Jim Rowe" <jrowe@arctic.net>

Date: Thursday, March 7, 2002 12:19 pm

Subject: Sitka & Zaina

> Nan,

>

>

>

> I still believe it is valuable to have you networking. Could we
> impose on you to stop in Sitka on Tuesday evening on the way back
> from your
> week in the Islands just to spend Wednesday with us? No presentation.
> Patty will be on that morning. Permit ATA to provide your
> accommodations for Tuesday and Wednesday nights and cover additional
> travel costs. And suggest that you do stay around for the Business
> lunch, board meeting and the evening banquet. You have been and
> likely will continue to be away from home a lot so I understand
> (and won't
> complain) if you decline this one.

>

>

>

> Item two: For Lisa's visit week of May 4, what day(s) or times would
> you like to have her attention or direct her elsewhere? I know
> that the
> legislature can turn the plans upside down, but let's plan anyway and
> punt if we have to.

>

>

>

> Lew got me some material that will be a good starting point.

>

>

>

> Jim

>

>

>

> Jim Rowe

>

> Executive Director

>

> Alaska Telephone Association

>
> 201 E. 56th, Suite 114
>
> Anchorage, AK 99518
>
> 907/563-4000
>
> 907/562-3776 fax
>
>
>
>
>

Subject: Re: Rhyner

Date: Tue, 11 Jun 2002 21:41:10 -0800

From: Nan Thompson <nan_thompson@rca.state.ak.us>

To: "Jim Rowe" <jrowe@arctic.net>

Thanks for your words of encouragement. This week is truly a test. I left a message for Jack on Monday-did he mention that he got it? I called you tonight at home after I finally got home from soccer Mom duty. I was going to ask what was coming next, since you have been right about several significant developments. The kicks in the gut for the day were the news that Jeanne will be a witness tommorrow, and the polling of staff by two of the commissioners who were fishing for management complaints. I can't understand this behavior.

Nan

----- Original Message -----

From: "Jim Rowe" <jrowe@arctic.net>

Date: Tuesday, June 11, 2002 8:51 pm

Subject: Rhyner

> Nan,

>

> I hope you are holding up in what seems to be a treacherous week.
> When it gets nasty, try to remember that there are people involved
> who hold you (personally) in high regard.

>

> There is more on your plate than is fair, but if you think of it
> tomorrow, you might acknowledge Jack's letter to Taylor. He and
> his staff have produced a Compass article that will be published
> in the next couple of days. Hopefully tomorrow. He said after it
> is printed Robin should have no recourse but to invite him to give
> testimony. He also spoke with Robin quite a while today to no
> avail.

>

> Jack plans to attend the hearing tomorrow morning and will be
> prepared to give testimony in the afternoon. I've seen the agenda
> and anticipate no opportunity, but hope the media makes some
> inquiries as to why.

>

> Now I share with you something I've kept around for a lot of years.

>

> To laugh often and much; to win the respect of intelligent
> people and the affection of children; to earn the appreciation of
> honest critics and endure the betrayal of false friends; to
> appreciate beauty; to find the best in others; to leave the world
> a little better place than we found it, whether by a healthy
> child, a garden patch or a redeemed social condition; to know even
> one life breathed easier because you lived. This is to have
> succeeded. Jim

>

Re: Neptune

Subject: Re: Neptune

Date: Tue, 18 Jun 2002 18:26:47 -0800

From: Nan Thompson <nan_thompson@rca.state.ak.us>

To: "Jim Rowe" <jrowe@arctic.net>

I saw that on ACS' 10K and wondered who they were loaning money to. I noticed because I thought it odd that a company in such allegedly dire financial straits could loan \$15 in cash to a third party.

----- Original Message -----

From: "Jim Rowe" <jrowe@arctic.net>

Date: Tuesday, June 18, 2002 9:58 am

Subject: Neptune

> I just got a call. At the Neptune bankruptcy hearings last week
> it was
> publicly disclosed during cross examination that ACS has an agreement,
> signed last December, to loan Neptune \$15M for a three year right to
> purchase the terrestrial infrastructure in Alaska and pricing control
> during that time.

>

>

>

> Jim Rowe

>

> Executive Director

>

> Alaska Telephone Association

>

> 201 E. 56th, Suite 114

>

> Anchorage, AK 99518

>

> 907/563-4000

>

> 907/562-3776 fax

>

> jrowe@arctic.net

>

>

>

>

Subject: Re: Request For Commission Intervention Re: ACS Delays In Processing Customer Conversion and New Line Orders

Date: Wed, 13 Feb 2002 13:31:36 -0500

From: Nan Thompson <nan_thompson@rca.state.ak.us>

To: Martin Weinstein <mweinstein@gci.com>, phil_treuer@rca.state.ak.us

CC: Dana Tindall <dtindall@gci.com>, Gina Borland <yborland@gci.com>, Rick Hitz <rhitz@gci.com>, dawn_bishop-kleweno@rca.state.ak.us

I am in Washington, and won't be able to set a meeting until early next week. I will be back in touch with all of you when I return. I am concerned about this issue if it affects customers. I am interested in the record on who you have been working with at ACS to solve this problem, when and the results of those efforts.

----- Original Message -----

From: Martin Weinstein <mweinstein@gci.com>

Date: Wednesday, February 13, 2002 1:06 pm

Subject: Request For Commission Intervention Re: ACS Delays In Processing Customer Conversion and New Line Orders

> Nan, I am sending you this e-mail in addition to the voice mail
> message I
> left on your phone this morning. Nan, we are encountering serious
> delays(6-8 weeks) in getting our customer conversion orders and
> orders for new
> lines processed by ACS. By contrast, in some cases, we have
> learned that
> ACS local customers have been able to get new lines installed in
> one day.
> We have discussed these matters with ACS but have been unable to
> come to
> agreement on how to correct the problems. We told ACS that we
> would have to
> go to the Commission given the lack of agreement. To avoid
> further harm to
> our customers and to come to a solution as expeditiously as
> possible, we ask
> that you convene a meeting at your earliest convenience with
> ourselves and
> ACS to discuss a resolution to these customer-affecting problems.
> Thank
> you. Marty W.
>

Subject: Fwd: Undeliverable: Recommendation on #25

Date: Mon, 14 Jan 2002 03:23:51 -0900

From: Nan Thompson <nan_thompson@rca.state.ak.us>

To: mkohler@avec.org

Meera-

I am sending this again because I got your address wrong the first time.

Nan

Subject: Undeliverable: Recommendation on #25

Date: Sun, 13 Jan 2002 15:21:12 -0900

From: System Administrator <postmaster@areca.org>

To: nan_thompson@rca.state.ak.us

Your message

To: ballen@ak.usda.gov; eric@areca.org; mkohler@areca.org; jstaser@denali.gov; bgordon@gci.net; pat_poland@dced.state.ak.us

Subject: Recommendation on #25

Sent: Sun, 13 Jan 2002 15:21:04 -0900

did not reach the following recipient(s):

mkohler@areca.org on Sun, 13 Jan 2002 15:21:07 -0900

The recipient name is not recognized

The MTS-ID of the original message is: c=us;a=

;p=areca;l=EXCHANGE0201140021YZHGVV02

MSEXCH:IMS:ARECA:EXCHANGE:EXCHANGE 0 (000C05A6) Unknown Recipient

Subject: Recommendation on #25

Date: Sun, 13 Jan 2002 15:21:04 -0900

From: Nan Thompson <nan_thompson@rca.state.ak.us>

To: ballen@ak.usda.gov, eric@areca.org, mkohler@areca.org, jstaser@denali.gov, bgordon@gci.net, pat_poland@dced.state.ak.us

Bill-

Attached in the assigned briefing paper on recommendation #25. I hope getting it to you a few days late is not a problem. Bill Gordon tries to politely remind me about this obligation a few days before the holiday, but I failed to take the hint.

Nan

 [Briefing Paper on Accountability Recommendation.doc](#)

Name: Briefing Paper on
Accountability
Recommendation.doc

Type: WINWORD File
(application/msword)

Encoding: base64

Download Status: Not downloaded with
message

Subject: Re: Committee Meeting

Date: Wed, 15 May 2002 19:30:30 -0800

From: Nan Thompson <nan_thompson@rca.state.ak.us>

To: Nancy Hayes <nhayes@rdmail.rural.usda.gov>

CC: Meera Kohler <mkohler@avec.org>, Jeff Staser <jstaser@denali.gov>, Bill Allen <ballen@ak.usda.gov>, Bob Poe <bpoe@aidea.org>, Jamie Kenworthy <jkenworthy@astf.org>, Mike Black <Michael_Black@dced.state.ak.us>, Steve Weaver <sweaver@anthc.org>

I am scheduled to be out of town on the 20th.

----- Original Message -----

From: Nancy Hayes <nhayes@rdmail.rural.usda.gov>

Date: Wednesday, May 15, 2002 4:00 pm

Subject: Re: Committee Meeting

> Bill Allen is available on May 20 at 2:00. Does that work
> for everyone?

>

> Nancy

>

> Meera Kohler wrote:

> >

> > I am not available May 21 through May 24. Sorry! I just got
> back from

> > Juneau, where I've been since 5/12 so I couldn't respond
> earlier. I am

> > available Monday May 20.

> >

> > Meera

> >

> > -----Original Message-----

> > **From:** Nancy Hayes [<mailto:nhayes@rdmail.rural.usda.gov>]

> > **Sent:** Tuesday, May 14, 2002 4:05 PM

> > **To:** Meera Kohler; Jeff Staser; Bill Allen; Bob Poe; Jamie
> Kenworthy; Nan

> > Thompson; Mike Black; Steve Weaver

> > **Subject:** RE: Committee Meeting

> >

> > It looks like May 23, Thursday is the day everyone can make

> > it so far except for Mike Black. Since Jeff has a morning

> > meeting, how about 1:00? Let me know.

> >

> > Nancy

ETHICS DISCLOSURE FORM

Notification of Receipt of Gift

To: Mike Nizich, Designated Ethics Supervisor

In accordance with AS 39.52.130(b), I am providing notice of my receipt of a gift given to me or a member of my family with a value in excess of \$150.00.

Was the gift given to you because you are a state employee or a member of a state board or commission? Yes No

I can take official action that may affect the person who gave me the gift.
 Yes No

If the answer to both of these questions is no, you do not need to report this gift. If the answer to either question is yes, or if you are not sure, you must complete this form and provide it to your designated ethics supervisor.

The gift is accommodations and meals during the Alaska Telephone Association convention. I was the keynote speaker at the convention (1/20-8:45 am) and attended the proceedings for the rest of the time I was in Hawaii.

My estimate of its value is \$ 700.

I received it from the Alaska Telephone Association.

The date of receipt was 1/19-1/22.

I can take or withhold the following official action that affects the giver: Individual members of the Alaska Telephone Association are regulated utilities. The association sometimes files comments on behalf of its membership in regulatory dockets.

The gift was received by a member of my family Yes No

I certify to the best of my knowledge that my statement is true, correct, and complete. In addition to any other penalty or punishment that may apply, the submission of a false statement is punishable under AS 11.56.200 - AS 11.56.240.

Ninette Thompson
(Signature)

1/20/02
(Date)

Ninette Thompson
(Printed Name)

Chair
(Position Title)

Anchorage
(Location)

Regulatory Commission of Alaska
(Division/Agency/Corporation/Board/Commission)

(Designated Ethics Supervisor)

Approved: _____ (initials)

(Date)

ETHICS DISCLOSURE FORM

Notification of Receipt of Gift

To: Mike Nizich, Designated Ethics Supervisor

In accordance with AS 39.52.130(b), I am providing notice of my receipt of a gift given to me or a member of my family with a value in excess of \$150.00.

Was the gift given to you because you are a state employee or a member of a state board or commission? Yes No

I can take official action that may affect the person who gave me the gift.
Yes No

If the answer to both of these questions is no, you do not need to report this gift. If the answer to either question is yes, or if you are not sure, you must complete this form and provide it to your designated ethics supervisor.

The gift is airfare, accommodations and meals at the Emerging Issues Policy Forum in Jacksonville, Florida.

My estimate of its value is \$1,500.

I received it from the Emerging Issues Policy Forum, organized by a telephone industry consultant.

The date of receipt was 1/12-1/15.

I can take or withhold the following official action that affects the giver: This forum was attended by state and federal commissioners, and industry leaders. We discussed national level policy issues. I spoke on two panels, and attended the meetings the rest of the time I was there. I was invited because of my role on the Federal-State Joint Board of Universal Service. No Alaskan utilities attended, although universal service is an important revenue source for rural telephone companies in Alaska.

The gift was received by a member of my family Yes No

I certify to the best of my knowledge that my statement is true, correct, and complete. In addition to any other penalty or punishment that may apply, the submission of a false statement is punishable under AS 11.56.200 - AS 11.56.240.

G. Nanette Thompson
(Signature)

1/28/02
(Date)

G. Nanette Thompson
(Printed Name)

Chair
(Position Title)

Anchorage
(Location)

Regulatory Commission of Alaska
(Division/Agency/Corporation/Board/Commission)

(Designated Ethics Supervisor)

Approved: _____ (initials)

ETHICS DISCLOSURE FORM

Notification of Receipt of Gift

To: Michael Nizich, Designated Ethics Supervisor

In accordance with AS 39.52.130(b), I am providing notice of my receipt of a gift given to me or a member of my family with a value in excess of \$150.00.

Was the gift given to you because you are a state employee or a member of a state board or commission? Yes No

I can take official action that may affect the person who gave me the gift. Yes No

If the answer to both of these questions is no, you do not need to report this gift. If the answer to either question is yes, or if you are not sure, you must complete this form and provide it to your designated ethics supervisor.

The gift is Airfare, hotel accommodations, 2 dinners, airport transportation

I hosted the NCTA Convention on the state regulators perspective, five

My estimate of its value is \$ \$2,500.00

I received it from National Cable and Telecommunications Assn.

The date of receipt was 6/10-12/01

I can take or withhold the following official action that affects the giver:

In my role on the federal-state Universal Service Joint Board
I evaluate policy questions relating to distribution of universal service

The gift was received by a member of my family Yes No

I certify to the best of my knowledge that my statement is true, correct, and complete. In addition to any other penalty or punishment that may apply, the submission of a false statement is punishable under AS 11.56.200 - AS 11.56.240.

G. Narette Thompson
(Signature)

6/18/01
(Date)

G. Narette Thompson
(Printed Name)

Chair, RCA
(Position Title)

Anchorage
(Location)

DCED
(Division/Agency/Corporation/Board/Commission)

Michael Nizich, Governor's Office
(Designated Ethics Supervisor)

Approved: _____ (initials) _____ (Date)

If action is necessary under AS 39.52.210 or AS 39.52.220 please attach explanation.

ETHICS DISCLOSURE FORM

Notification of Receipt of Gift

To: Mike Nilsen, Designated Ethics Supervisor

In accordance with AS 39.52.130(b), I am providing notice of my receipt of a gift given to me or a member of my family with a value in excess of \$150.00.

Was the gift given to you because you are a state employee or a member of a state board or commission? Yes No

I cannot take official action that may affect the person who gave me the gift. Yes No

If the answer to both of these questions is no, you do not need to report this gift. If the answer to either question is yes, or if you are not sure, you must complete this form and provide it to your designated ethics supervisor.

The gift is Airfare and hotel accommodations in San Diego, CA. I was a speaker at their current policy issues forum.

My estimate of its value is \$ 1200.

I received it from Competition Policy Institute

The date of receipt was 3/11 - 13/01

I cannot take or withhold the following official action that affects the giver:

None

The gift was received by a member of my family Yes No

I certify to the best of my knowledge that my statement is true, correct, and complete. In addition to any other penalty or punishment that may apply, the submission of a false statement is punishable under AS 11.56.200-AS 11.56.240.

G. Norette Thomas
(Signature)

4/3/01
(Date)

G. Norette Thomas
(Printed Name)

Chair, Commissioner
(Position Title)

Anchorage
(Location)

Regulatory Commission of Alaska
(Division/Agency/Corporation/Board/Commission)

(Designated Ethics Supervisor)

Approved: _____ (initials) (Date)

If action is necessary under AS 39.52.210 or AS 39.52.220 please attach explanation.

ETHICS DISCLOSURE FORM

Notification of Receipt of Gift

To: Mike Nizich, Designated Ethics Supervisor

In accordance with AS 39.52.130(b), I am providing notice of my receipt of a gift given to me or a member of my family with a value in excess of \$150.00.

Was the gift given to you because you are a state employee or a member of a state board or commission? Yes No

I can take official action that may affect the person who gave me the gift. Yes No

If the answer to both of these questions is no, you do not need to report this gift. If the answer to either question is yes, or if you are not sure, you must complete this form and provide it to your designated ethics supervisor.

The gift is Airfare and hotel accommodations in Santa Fe, New Mexico. I was a speaker at their forum on Current Issues in Utility Policy.

My estimate of its value is \$ \$1,000.

I received it from New Mexico State University

The date of receipt was 3/24-28/01

I can take or withhold the following official action that affects the giver: None

The gift was received by a member of my family Yes No

I certify to the best of my knowledge that my statement is true, correct, and complete. In addition to any other penalty or punishment that may apply, the submission of a false statement is punishable under AS 11.56.200-AS 11.59.249.

G. Nanette Thompson
(Signature)

4/3/01
(Date)

G. Nanette Thompson
(Printed Name)

Chair, ~~REG~~ Commission
(Position Title)

Anchorage
(Location)

Regulatory Commission of Alaska
(Division/Agency/Corporation/Board/Commission)

(Designated Ethics Supervisor)

Approved: _____ (initials) (Date)

If action is necessary under AS 39.52.210 or AS 39.52.220 please attach explanation.

ETHICS DISCLOSURE FORM

Notification of Receipt of Gift

To: Michael A. Nizich, Designated Ethics Supervisor

In accordance with AS 39.52.130(b), I am providing notice of my receipt of a gift given to me or a member of my family with a value in excess of \$150.00.

Was the gift given to you because you are a state employee or a member of a state board or commission? [X] Yes [] No

I can take official action that may affect the person who gave me the gift. [] Yes [X] No

If the answer to both of these questions is no, you do not need to report this gift. If the answer to either question is yes, or if you are not sure, you must complete this form and provide it to your designated ethics supervisor.

The gift is RT Airfare to Tallahassee Florida, 2 nights Lodging

My estimate of its value is \$ 2,221.00

I received it from Florida State University

The date of receipt was 1/31 - 2/2

I can take or withhold the following official action that affects the giver:

None. I was an invited speaker at a symposium entitled "Investing in Florida's Digital Future," sponsored by FSU.

The gift was received by a member of my family [] Yes [X] No

I certify to the best of my knowledge that my statement is true, correct, and complete. In addition to any other penalty or punishment that may apply, the submission of a false statement is punishable under AS 11.56.200 - AS 11.56.240.

G. Nanette Thompson (Signature)

2/5/01 (Date)

G. Nanette Thompson (Printed Name)

Chair, RCA (Position Title)

(Location)

Regulatory Commission of Alaska (Division/Agency/Corporation/Board/Commission)

(Designated Ethics Supervisor)

Approved: (initials)

(Date)

If action is necessary under AS 39.52.210 or AS 39.52.220 please attach explanation.

ETHICS DISCLOSURE FORM

Notification of Receipt of Gift

To: Mike Mizich, Designated Ethics Supervisor

In accordance with AS 39.52.130(b), I am providing notice of my receipt of a gift given to me or a member of my family with a value in excess of \$150.00.

Was the gift given to you because you are a state employee or a member of a state board or commission? Yes No

I can take official action that may affect the person who gave me the gift.
Yes No

If the answer to both of these questions is no, you do not need to report this gift. If the answer to either question is yes, or if you are not sure, you must complete this form and provide it to your designated ethics supervisor.

The gift is Roundtrip airfare to Billingham, charter flight to Agulowak Lodge, two nights' accommodations and meals at the lodge, and one day of guided fishing.
My estimate of its value is \$ \$1,200

I received it from GCI

The date of receipt was 7/6-7/8/00

I can take or withhold the following official action that affects the giver:

GCI is a regulated public utility.

The gift was received by a member of my family Yes No

My two children accompanied me.
I certify to the best of my knowledge that my statement is true, correct, and complete. In addition to any other penalty or punishment that may apply, the submission of a false statement is punishable under AS 11.56.200 - AS 11.56.240.

G. Nnette Thompson
(Signature)

7/10/00
(Date)

G. Nnette Thompson
(Printed Name)

Chair
(Position Title)

Anchorage
(Location)

Regulatory Commission of Alaska
(Division/Agency/Corporation/Board/Commission)

(Designated Ethics Supervisor)

Approved: _____ (initials)

(Date)

*Also on the trip were Lisa Sutherland (Sen. Stevens' aide) and her husband.
If action is necessary under AS 39.52.210 or AS 39.52.220 please attach explanation.

ETHICS DISCLOSURE FORM

Notification of Receipt of Gift

To: Nike Nizich, Designated Ethics Supervisor

In accordance with AS 39.52.130(b), I am providing notice of my receipt of a gift given to me or a member of my family with a value in excess of \$150.00.

Was the gift given to you because you are a state employee or a member of a state board or commission? Yes No

I can take official action that may affect the person who gave me the gift.

Yes No

If the answer to both of these questions is no, you do not need to report this gift. If the answer to either question is yes, or if you are not sure, you must complete this form and provide it to your designated ethics supervisor.

The gift is Round trip ^{and three meals.} airfare in a charter flight from Kotzebue to Noatak and the Red Dog mine. I was accompanied by representatives of the companies.

My estimate of its value is \$ 350

I received it from GCE, AT&T and DTL Telephone Coop split the cost

The date of receipt was 4/15-16/00

I can take or withhold the following official action that affects the giver:

All three phone companies are regulated by the KCA.

The gift was received by a member of my family Yes No

I certify to the best of my knowledge that my statement is true, correct, and complete. In addition to any other penalty or punishment that may apply, the submission of a false statement is punishable under AS 11.56.200 - AS 11.56.240.

G. Norette Thompson
(Signature)

4/20/00
(Date)

G. Norette Thompson
(Printed Name)

Chair, KCA
(Position Title)

(Location)

Regulatory Commission of Alaska
(Division/Agency/Corporation/Board/Commission)

(Designated Ethics Supervisor)

Approved: _____ (initials) _____ (Date)

If action is necessary under AS 39.52.210 or AS 39.52.220 please attach explanation.

STATE OF ALASKA

DEPARTMENT OF COMMUNITY AND
ECONOMIC DEVELOPMENT

REGULATORY COMMISSION OF ALASKA

TONY KNOWLES, GOVERNOR

1016 WEST SIXTH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99501-1963
PHONE: (907) 276-6222
FAX: (907) 276-0160
TTY: (907) 276-4533

February 1, 2000

Mike Nizich, Administrative Director
Division of Administrative Services
Office of the Governor
PO Box 110001-0001
Juneau, AK 99811-0001

Re: Ethics Disclosure Form

Dear Mike:

Enclosed is an Ethics Disclosure Form I completed to notify you of a gift received from the Alaska Telephone Association. I am submitting this to you because I understand that you are my ethic supervisor. As Chair of the Regulatory Commission of Alaska I am the ethics supervisor for that agency, but I was directed to submit my disclosure forms to you. Please contact me if you have any questions.

Very Truly Yours,


G. Nanette Thompson
Chair

Enclosure

ETHICS DISCLOSURE FORM

Notification of Receipt of Gift

To: Mike Nizich, Designated Ethics Supervisor

In accordance with AS 39.52.130(b), I am providing notice of my receipt of a gift given to me or a member of my family with a value in excess of \$150.00.

Was the gift given to you because you are a state employee or a member of a state board or commission? Yes No

I can take official action that may affect the person who gave me the gift.

Yes No

If the answer to both of these questions is no, you do not need to report this gift. If the answer to either question is yes, or if you are not sure, you must complete this form and provide it to your designated ethics supervisor.

The gift is: a hotel room at the Alaska Telephone Association convention in Kona, Hawaii for four nights. I was a speaker at the convention on 1/17/00 on general policy issues, and not on any specific case.

My estimate of its value is \$ 800.

I received it from Alaska Telephone Association.

The date of receipt was 1/16/00 to 1/19/00.

I can take or withhold the following official action that affects the giver:

Members of the ATA appear as parties in adjudicatory hearings, usually as opponents. The ATA files comments as a group in some regulatory dockets. Yes No

The gift was received by a member of my family Yes No

I certify to the best of my knowledge that my statement is true, correct, and complete. In addition to any other penalty or punishment that may apply, the submission of a false statement is punishable under AS 11.56.200 - AS 11.56.240.

G. Nanette Thompson
(Signature)

1/04/00
(Date)

G. Nanette Thompson
(Printed Name)

Chair, Regulatory Commission of Alaska
(Position Title)

Anchorage
(Location)

RCA
(Division/Agency/Corporation/Board/Commission)

(Designated Ethics Supervisor)

Approved: _____ (initials)

(Date)

Comments in support of reauthorization of the RCA

Packet Contents

Date	From
6/19/2002	Marguerite Stetson, Member/AARP Alaska Executive Council
6/10/2002	William M. Nugent, President/Nat. Assoc. of Reg. Commissioners
6/10/2002	David W. Wirick/National Regulatory Research Institute
6/6/2002	Jack Rhyner, CEO/TelAlaska
6/6/2002	Jim Rowe/Alaska Telephone Association
6/5/2002	Kathleen Q. Abernathy, Commissioner/FCC
5/23/2002	Kirk Durcan, Division Mgr/Waste Management of Alaska
5/17/2002	Henry P. Lang, P.E./Lang Consulting
5/17/2002	Don C. Schroer/Former APUC Chairman
5/14/2002	J. Jeffrey Mayhook, Esq.
5/10/2002	Attorneys & Consultants Who Practice Before the RCA (14)
5/10/2002	Mark Helmericks, President/Colville, Inc.
5/6/2002	Michael J. Felix, President/CEO - AT&T Alascom
5/3/2002	Anthony M. Izzo, President/ENSTAR Natural Gas
5/2/2002	Dana L. Tindall, Sr. Vice President/GCI1
5/1/2002	Jim Rowe/Alaska Telephone Association
2/27/2002	Eric Yould, Executive Director/ARECA



SAMPLE BEING SENT BY E-MAIL AND US MAIL TO AARP ACTIVISTS

TO: AARP Alaska Members and Friends
FROM: Marguerite Stetson
AARP Alaska Executive Council Member for Advocacy
DATE: June 17, 2002

WE NEED YOUR HELP!

As you know from the media, Governor Knowles has asked the Legislature to come into special session to deal with the reauthorization of the Regulatory Commission of Alaska (RCA).



AARP supports the reauthorization of the Regulatory Commission of Alaska and requests that you contact your Senator and Representative and ask them to vote "AYE" for RCA reauthorization.

BACKGROUND:

AARP is a consumer organization. Half of our members are over age 65 and half are younger. Most of our members are heads of their households. Our members use a variety of utilities: gas, electric, telephones and the internet. When utilities want to change their services, they must submit a proposed change to the Regulatory Commission of Alaska. It is the responsibility of the RCA to be a consumer "watchdog" and, under the rules and guidelines provided by the Legislature, to assure that our utility companies and telephone companies "do the right thing" and provide us needed services at reasonable rates. Consumer organizations like AARP rely on the RCA because it is the only organization that exercises some oversight and control over utilities.

The RCA is the only organization our members can turn to if they have a consumer complaint about their utility or telephone company.

The reauthorization of the RCA has become embroiled in partisan politics and telephone company squabbles. AARP has no interest in the politics of this debate nor do we care to participate in inter-company name-calling.

We are, however, very interested in the continuing existence of the Regulatory Commission of Alaska. As consumers, we need the RCA's oversight authority. After

watching the last session of the Legislature when virtually no important problems were resolved, we do not have confidence that the reauthorization of the RCA should wait for the next session in January, 2003. We believe the RCA should be reauthorized and it should be done now, when the special session convenes on June 24.



Please contact your Senator and Representative and ask them to vote "AYE" and reauthorize the Regulatory Commission of Alaska.

Thank you for your consideration.

Sincerely,

Marguerite Stetson
AARP Alaska
Executive Council Member for Advocacy
3009 Northwood Street
Anchorage, AK 99517-1871
907.245.5259 voice
907.245.5279 fax
ffmas@aurora.uaf.edu

* If you have an email address please send that address with your full name to:
ak@aarp.org

"This Alert is being sent by AARP Alaska State Office, 3601 "C" Street, Suite 1420, Anchorage, AK 99503, 907.341.2277, ak@aarp.org. Please visit www.aarp.org for more information about AARP generally, and www.aarp.org/privacy.html to read AARP's privacy policy. Copyright 2002, AARP. All rights reserved."

To unsubscribe from this alert and remove your name from the distribution list, please call, email, or mail us a note to the above address with that request.

AARP is nonpartisan and does not support, oppose, or give money to candidates or any political party.

AARP educates on the peace-of-mind issues of most concerns to voters age 50+.

Your Senator for District M

**Honorable Rick Halford
President of the Senate
Alaska Capitol, Room 107
Juneau, AK 99801-1182**

**1.907.465.4958 (voice)
1.907.465.4928 (fax)**

**District Office:
P.O. Box 190
Chugiak, AK 99567-0190**

**1.907.694.4958 (voice)
1.907.694.0549 (fax)**

senator_rick_halford@legis.state.ak.us

If you have an email address please send that address with your full name to:

ak@aarp.org

This will save AARP Alaska money and enable you to receive Alerts and Information in a timely manner – thank you.

Your Representative for District 25

Honorable Fred Dyson
Alaska Capitol, Room 104
Juneau, AK 99801-1182

1.800.342.2199 (toll free)
1.907.465.4587 (fax)

District Office:
10928 Eagle River Road, Suite 140
Eagle River, AK 99577
1.907.694.6683 (voice)
1.907.694.1015 (fax)

representative_fred_dyson@legis.state.ak.us

If you have an email address please send that address with your full name to:

ak@aarp.org

This will save AARP Alaska money and enable you to receive Alerts and Information in a timely manner – thank you.

06/19/2002 12:57 FAX 9073412270

AARP ALASKA STATE OFFICE

006

AARP Alaska

MEMORANDUM

TO: Members of the Alaska State Legislature

FROM: AARP Alaska

SUBJECT: Reauthorization of the
Regulatory Commission of Alaska (RCA)

AARP believes that all Alaskans must be able to rely on the availability of safe, affordable and high quality energy and telecommunications services.

The RCA is the only state agency with the authority to protect residential consumers in these ever-changing and often volatile utility markets.

Utility services are essential services and are critical to the quality of life of Alaskans - of all ages.

As a percentage of their monthly budget, many older persons spend 3 to 4 times more on utilities than the average household.

We need the RCA; all consumers do!

Please reauthorize the Regulatory Commission of Alaska during this special session and help ensure all consumers receive the protections they deserve.

STATE OF ALASKA

DEPARTMENT OF COMMUNITY AND
ECONOMIC DEVELOPMENT
REGULATORY COMMISSION OF ALASKA

TONY KNOWLES, GOVERNOR

701 WEST EIGHTH AVENUE, SUITE 300
ANCHORAGE, ALASKA 99501-3469
PHONE: (907) 276-6222
FAX: (907) 276-0160
TTY: (907) 276-4533

June 17, 2002

The Honorable Robin Taylor, Chair
Senate Judiciary Committee
Alaska State Legislature
State Capitol, MS 301
Juneau, Alaska 99801-1182

Re: Requested Information Regarding E-mails

Dear Senator Taylor:


During the Senate Judiciary Committee meetings last week, you requested copies of e-mails from me to members of the utility industry requesting that they testify in support of the RCA's reauthorization. I do not recall sending any e-mails to any utility asking for their support. Instead I recall responding to inquiries from utilities about what was going on and what they could do to help. My response was generally that they should contact members of the legislature to voice their opinions.

To comply with your request, I searched through the Sent Mail portion of my e-mail box. There are no e-mails that fit that description. I also checked with our Information Systems department to determine if it was possible to retrieve messages that were moved to Trash after they were read. As of the time this memo is written, I do not have a conclusive answer as to whether that is possible and, if it is, what must be done to obtain and sort through them. As soon as the Information Systems technicians let me know what is possible, I will provide you with an update.

I started posting the Sunset Update on our website after I received so many of those inquiries that they were becoming time consuming. If there are any e-mails that fit the committee's description, they are likely to convey the same information that is in the Sunset Updates. Copies of those updates are attached for your information.

Sincerely,

REGULATORY COMMISSION OF ALASKA



G. Nanette Thompson
Chair

cc: Members of the Senate Judiciary Committee
The Honorable Rick Halford, Senate President
RCA Commissioners

Subject: Sunset Updates

Date: Mon, 17 Jun 2002 15:03:01 -0800

From: Craig Hice <craig_hice@rca.state.ak.us>

To: Dawn D Bishop-Kleweno <dawn_bishop-kleweno@rca.state.ak.us>

CC: Keith H Norton <keith_norton@rca.state.ak.us>

Here are the pages which have been posted.

Craig

The Senate Judiciary committee moved its hearing on the Regulatory Commission of Alaska to Wednesday, June 12, beginning at 1 pm., and Thursday, June 13, beginning at 10 a.m. The hearings will be at the Legislative Information Office and are open to the public.

The Anchorage Legislative Information Office is located at 716 W 4th Avenue, Suite 200, Anchorage, AK 99501-2133.

Phone: (907) 269-0111

Fax: (907) 269-0229

TDD: (907) 269-0260

Anchorage_LIO@legis.state.ak.us

RCA Sunset Update – 5/9/02

In a letter to Senator Robin Taylor dated May 8th, Governor Tony Knowles expressed his strong support for immediate action on the RCA's Sunset legislation (CS for HB 333). The bill is currently pending in the Senate Judiciary Committee

(chaired by Taylor) and no hearing is scheduled before the end of the regular session.

Knowles committed to call a special legislative session to consider the RCA's sunset legislation if the Legislature fails to act during the remainder of the regular session.

An electronic copy of Knowles' letter can be found at: http://www.state.ak.us/rca/hot_topics/govoffice.pdf

RCA Sunset Update—May 13, 2002

The House amended SB 115 yesterday to include extension of the RCA. They modified the language of HB 333 to extend the agency for two years instead of four, and added a provision to make the bill effective on the date that the Commissioner of Administration awards the contract for study of the telecommunications industry that was funded last year. The referenced RFP is Statewide Telecommunications Study Consultant Rfp 2002-0200-3329. It is available through the state's on-line public notice system.

RCA Sunset Update - 5/17/02

The legislature adjourned without acting on the RCA's sunset bill. The Governor has identified action on the agency's reauthorization as a priority in the special session that convenes today. Because all bills died at the end of the regular session, our bill needs to pass through both bodies again. If you would like to comment, please contact your legislative representatives at <http://www.legis.state.ak.us/poms/>

Sunset Update –June 4, 2002

Governor Knowles has called a special session of the Legislature for June 24, 2002, to vote on reauthorization of the RCA. If the RCA is not reauthorized before July 1, 2002, the agency expires under state law and we will begin the process of closing the agency.

The Senate Judiciary Committee has scheduled hearings on June 11 beginning at 1:30 and June 12 beginning at 10 in the Anchorage Legislative Information office. The notice indicates that a teleconference bridge will be available.

If you are concerned about the RCA's reauthorization you may contact the members of the Alaska legislature and/or appear at the hearing to offer testimony. When they are not in session, the electronic public opinion message system does not work, but their interim contact information is at: <http://www.legis.state.ak.us/infodocs/infodocs.htm>

RCA Sunset Review

The RCA was recently audited by the Legislature's Division of Budget and Audit in preparation for a periodic review of its activities by the legislature. The auditor concluded that the agency was performing well and its operations should be extended to July 1, 2006.

A complete copy of the audit report is available at:

<http://www.legaudit.state.ak.us/pages/digests/2002/20013dig.htm>

HB 333, which extends the RCA to June 30, 2006, passed the House April

22nd and is currently in the Senate Judiciary Committee, chaired by Senator Robin Taylor. HB 333 has not been scheduled for hearing. Without action on this bill in the Senate Judiciary Committee, the bill will not pass to the Senate floor for a vote and the RCA will be sunsetted. The agency will be required to wind down its current operation beginning July 1, 2002 and close its doors on June 30, 2003. Sunsetting the RCA will have an enormous impact on all utilities, pipelines and consumers of utility and pipeline services in Alaska.

If you would like to comment on this legislation, you may send a Public Opinion Message to your legislators at:

<http://www.legis.state.ak.us/poms/>

[RCA Home Page](#)

Craig Hice <Craig_Hice@RCA.State.AK.US>

sunset web page letter

Subject: sunset web page letter

Date: Mon, 17 Jun 2002 16:02:58 -0800

From: Craig Hice <craig_hice@rca.state.ak.us>

To: Dawn D Bishop-Kleweno <dawn_bishop-kleweno@rca.state.ak.us>,
Keith H Norton <keith_norton@rca.state.ak.us>

One more sunset web page

May 20, 2002

The Honorable Robin Taylor, Chair

Senate Judiciary Committee

Alaska State Legislature

State Capitol, MS 301

Juneau, Alaska 99801-1182

Re: SB 2010

Dear Senator Taylor:

When we met on May 8 to discuss HB 333 you opined that sunseting the agency would have little effect because the next governor and legislature could revive the agency. Since that meeting, the legislature adjourned without extending the agency operations and I have begun planning for the agency's sunset year. If the legislature does not reauthorize the agency, there will be a significant impact on utilities, consumers and the state's budget before the next legislature has the opportunity to act.

Under state law, the RCA "expires" if it is not reauthorized by July 1, 2002. AS 44.62.010(a). The agency may continue for one year after termination "for the purpose of concluding its affairs." AS 44.62.010(b). As Chair, I have the legal obligation to begin winding down agency operations on July 1, 2002 with the goal of closing the agency by July 1, 2003.

I plan to meet with staff and industry in June to discuss the timing of the wind down process. The RCA's operations during the sunset year is the topic for discussion with industry representatives at the next Bench and Bar scheduled for June 5, 2002. We will inform them of the following impacts of sunset, and discuss the sequence and timing of the following actions:

1. Cessation of Work on Regulations Dockets. Continuing to work on new regulations would be pointless without an agency to administer them. All pending regulations dockets; including pole attachments, access charges, Public

Advocacy Section regulations and small water and sewer utility certifications, would be closed. Both the PAS regulations docket and the proceeding on small water and sewer utility certifications were opened this year at the suggestion of the legislative auditor.

2. Transition of PCE Administration to Another State Agency. The RCA determines the level of PCE funding due to eligible communities. We collect the cost of administering that program from the utilities that benefit from it. We will transfer administration of that program to another state agency that will need general fund support to continue this work.

3. Not Reviewing New Applications. The RCA reviews applications for new utilities and pipelines and requests to transfer operating authority to insure that the applicant is fit, willing and able to offer service and that the proposed service is in the public interest. Last year we received 73 such applications. We would stop review of all applications, and not accept new ones. This would impact developers who install and request certification of the water and sewer utilities they install in new subdivisions and applications for new oil and gas pipelines.

4. Concluding Existing Caseload. We will evaluate the existing caseload and prioritize it based on public interest and time required to resolve each case. We will try to conclude as many as we can before the agency closes. Loss of staff that seek more stable employment will diminish our ability to conclude cases.

5. Not Accepting New Cases. We will evaluate all new filings to determine if they can be concluded in our sunset year and whether doing so would serve the public interest. New complaints and tariff filings we cannot handle will be returned to the utilities, pipeline companies and consumers with an explanation that we are unable to process them because the legislature terminated the agency. The following types of matters will not be handled after the RCA ceases to exist:

- **Consumer Complaints** - The RCA handled over 600 consumer complaints last year.
- **Federal Funding Certifications** - Under federal law, the RCA must certify local telephone companies' eligibility for federal universal service reports before funding is distributed. Telephone companies received more than \$70 million last year under these programs, enabling them to serve high cost areas of the state.
- **Rate changes** Without regulatory oversight, it is not clear whether utilities and pipelines are free to serve whichever customers they choose at prices they are free to set without review, or if they must stay at the current prices indefinitely. This uncertainty is likely to negatively affect all utilities' ability to attract investment capital. Every consumer of a utility service statewide is at risk of seeing a rate increase or their service terminated.

In summary, a sunset year will dramatically impact utilities and utility consumers statewide beginning July 1, 2002 when the RCA terminates. The regulatory and legal confusion is likely to undermine utilities' efforts to obtain financing for new projects and impact consumers of all utility and pipeline services statewide. As responsibilities are transferred to other state agencies that lack the ability to collect the costs of their operations from consumers, there will be additional demand on state general funds. I urge your prompt endorsement of SB 2010.

Sincerely,

ALASKA

REGULATORY COMMISSION OF

G. Nanette Thompson

Chair

cc: Members of the Alaska Legislature

Governor Tony Knowles

Alaska Rural Electrical Cooperative Association

Alaska Telephone Association

Craig Hice <Craig_Hice@RCA.State.AK.US>

[Fwd: [Fwd: [Fwd: sunset update for 5/20] Do this first!]]

Subject: [Fwd: [Fwd: [Fwd: sunset update for 5/20] Do this first!]]

Date: Mon, 17 Jun 2002 16:05:36 -0800

From: Keith Norton <keith_norton@rca.state.ak.us>

To: Dawn D Bishop-Kleweno <dawn_bishop-kleweno@rca.state.ak.us>

Dawn,

Here is the original email for the update that Craig just sent.

Keith

Subject: Re: [Fwd: [Fwd: sunset update for 5/20] Do this first!]

Date: Mon, 20 May 2002 11:42:49 -0800

From: Craig Hice <craig_hice@rca.state.ak.us>

To: Keith Norton <keith_norton@rca.state.ak.us>

CC: Christin M Krieger <christin_krieger@rca.state.ak.us>

Ok it is out there please double check and make sure this is what we wanted.

Craig

Keith Norton wrote:

Craig,

Here is the text of the "Update"...

To: Keith H Norton <keith_norton@rca.state.ak.us>, Christin M Krieger

----- Original Message -----

Subject: sunset updatefor 5/20

Date: Mon, 20 May 2002 10:26:48 -0800

From: Nanette Thompson <nanette_thompson@rca.state.ak.us>

Organization: Regulatory Commission of Alaska

To: Dawn Bishop-Kleweno <dawn_bishop-kleweno@rca.state.ak.us>

The House moved HB 2001 over to the Senate over the weekend where it was

sent with the companion bill, SB 2010, to the Senate Judiciary committee. A letter explaining the consequences of sunsetting the RCA was sent to the legislature this morning.

[Fwd: [Fwd: [Fwd: sunset update for 5/20] Do this first!]]

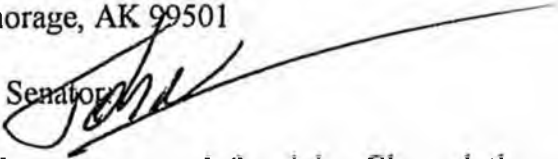
| (Add link to letter)

Joe Griffith
General Manager

CHUGACH
POWERING ALASKA'S FUTURE

June 18, 2002

The Honorable John Cowdery
Alaska State Senate
716 West Fourth, Suite 530
Anchorage, AK 99501

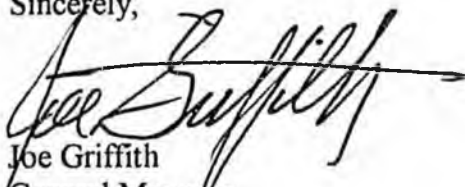
Dear Senator 

Thank you very much for giving Chugach the opportunity to share our comments last week at the legislative hearings in preparation for the special session.

For your information, I have attached copies of the presentations of Bruce Davison, President; Gene Bjornstad, retired General Manager; and by me. If you need any additional information, please don't hesitate to call me.

Thanks again for your interest in good government.

Sincerely,


Joe Griffith
General Manager

Attachments

June 10, 2002

The Honorable Robin Taylor
Chair, Senate Judiciary Committee
Alaska State Senate
State Capitol, Room 121
Juneau, Alaska 99801-1182

Dear Mr. Chairman:

I am writing this letter on behalf of Chugach Electric Association's Board of Directors and its 60,000 members to express our appreciation for your willingness to address the current problems that exist with the Regulatory Commission of Alaska's (RCA) ratemaking processes. As we have shared with you during prior conversations, Chugach Electric Association, Inc. (Chugach) is frustrated with the current process. There are three primary problems we wish to outline:

1. The Commission takes way too long to make decisions – A hearing on Chugach's 1998 Test Year rate case was held in September, 2001, and the decision was not issued until six months later. Chugach's 2000 Test Year general rate case was filed in July, 2001 – we are unlikely to have a decision within 18 months.
2. The Commission does not control its proceedings well – over 57,000 pages of discovery to five parties each have been disclosed thus far after two rounds of discovery in our pending rate case. There are four rounds of discovery scheduled.
3. The Commission considers the same issues in multiple proceedings (issues never seem to go away) – in our current case, the Commission is considering a financing issue it has considered twice before.

The message we are sending is that the existing process is quite inefficient and our members are not getting much value from the regulatory processes before the RCA. Chugach members pay for the RCA in their monthly electric bill through the regulatory cost charge. In addition, base electric rates are also impacted by this inefficiency (that is, costs are driven up by the expenses of outside counsel and the staggering costs of discovery). The Chugach Board of Directors has an obligation to its members to assure that costs incurred are for the benefit of its members. The current high costs of regulation and more importantly, the diversion of key staff resources, are benefiting no one.

Chugach is not the only electric utility that has concerns with the RCA. Eric Yould, Executive Director of ARECA, stated in a recent letter to House Finance Co-Chairman Eldon Mulder: "...the regulatory process is still broken and must be fixed. The present process costs the electric utility industry much time and ... money to run the regulatory gauntlet."

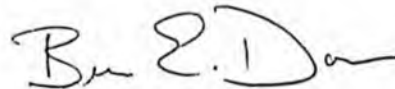
Honorable Robin Taylor
Chair, Senate Judiciary Committee

June 10, 2002
page 2

We concur with Mr. Yould's comments and welcome the Committee's involvement. Addressing the ineffectiveness of the RCA's current regulatory process will benefit all of our constituents. We believe there are solutions to the problems we are encountering, but steps must be taken now to start the process.

If you have any questions regarding this letter, please do not hesitate to contact me or Joe Griffith, Chugach's General Manager. We would be happy to meet and further discuss this important matter at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce Davison". The signature is written in a cursive style with a large, stylized "D" at the end.

Bruce Davison
President, Board of Directors

Public Comments by Eugene N. Bjornstad
Senator Taylor's Committee
Sunset Review of RCA
June 12, 2002

Good afternoon. My name is Eugene Bjornstad. I am the former General Manager of Chugach Electric Association. I am recently retired but would like to offer my prior experience with the Regulatory Commission of Alaska (RCA) for your consideration.

First of all, Senator Taylor, I appreciate you and your committee's efforts to improve the regulatory process. It is never easy to lead change. I truly admire your leadership position on this issue.

As you are aware, Chugach has also led the way to change in many areas. A few include getting ready for competition through benchmarking and adopting best practices from industry leaders. In the past five years, Chugach prepared itself for competition by looking at emerging technologies, promoting innovation and offering new services to its members. None of this change came easy, but Chugach is a better organization today because it was not afraid of change, and did not stick its head in the sand and ignore the future.

So too must the regulatory process change. Utilities are extremely dependent on the regulatory process, and cooperative member's equity and corporations' profits can be affected by decisions, and more importantly indecisions, of the Commission. The legislature has a duty to insure that the regulatory process is fair and serves the best interest of utility ratepayers.

Both the RCA and its predecessor organization, the APUC, failed to provide value to utility ratepayers.

Let me provide you with a few examples:

- In my last year with Chugach Electric as General Manager, my direct reports and I supervised much of the efforts to comply with several rounds of discovery requests from Alaska Electric Generation Transmission, Matanuska Electric Association and the Public Advocacy Staff (PAS) in our present general rate case.
- At times, Chugach had as many as 40 employees, the majority of whom are in management positions, including senior management, working on nothing but responses to discovery requests. I estimate in excess of 6000 hours of employee time was spent responding to these discovery requests.
- In addition to the staff time dedicated to discovery requests, 11 members of staff, including myself, made themselves available for depositions by AEG&T/HEA and MEA in the proceeding, some being deposed twice.

- These deponents necessarily spent numerous hours away from their normal duties preparing for and attending their depositions.
- The documentation prepared in response to the parties is staggering. Chugach made nearly half a million copies of pages responsive to discovery requests. In just the first two rounds, the parties have propounded a total of 184 interrogatories, 190 requests for production, and 13 requests for admission on Chugach.

All of this comes on the heels of the Commission's order stating its intent to "limit the contentiousness of the case" by limiting the number of discovery requests. In contrast, just the opposite occurred. The number of requests in the current docket already surpasses that of Chugach's 1998 Test Year matter, which the RCA did not decide until after the 2000 Test Year matter was filed.

In summary, the current process is not efficient. It is extremely disruptive to staff. It diverts critical resources from normal business activities, and it is also extremely burdensome. Entire conference rooms full of documents have been produced. This all adds up to costs – costs for staff, legal counsel, and document preparation. In addition, because Chugach is not receiving its permanent rate increase request, it is losing \$200,000 for each month that implementation of its request is delayed.

I encourage the Committee to use good management and problem-solving techniques to reinvent the regulatory process from the bottom up. Although we cannot solve the problem today, I do believe, with a commitment to change, good leadership and the use of industry experts, the regulatory process can become more timely and efficient.

Senator Taylor, I appreciate the opportunity to express my views and would be happy to answer any questions from the Committee.

Comments by Bruce Davison
Senator Taylor's Committee
Sunset Review of RCA
June 12, 2002

Good afternoon. My name is Bruce Davison. I am President of the Chugach Electric Association Board of Directors. I appreciate the opportunity to address the Committee on behalf of Chugach's 60,000 members.

So far, you have heard from Chugach's former General Manager, Gene Bjornstad, and our new General Manager, Joe Griffith. Gene has 20 years of utility management experience, and Joe has management and regulatory experience dating back some 17 years.

The testimony of these experienced managers indicates that the current regulatory process is not providing true value for our member/owners.

As testified and presented, the regulatory process takes too long, is not controlled by firm timetables and guidelines, and many issues fail to be finally, and I emphasize finally, resolved.

Rather than repeat the problems we have with the RCA, let me offer some suggestions as to how the regulatory process can be improved.

First of all, it is time for the RCA to undergo its own benchmarking study and identify areas for improvement. Gene Bjornstad mentioned that modern management techniques should be used to reinvent the process. The RCA should undergo a process review under the direction of an oversight committee empowered by the state government. This oversight committee should work with the RCA and regulated parties to get to the heart of the problem and make recommendations for improvement. The oversight committee should be comprised of professionals familiar with utility and regulatory processes. The oversight committee should be tasked with presenting a review and recommendation to the state government within a one-year timeline.

Second, it appears that some additional leadership or management coordination needs to take place to manage the workload of the RCA. The Chair needs a senior-level staff person to plan, organize, and control the overall process. The staff also needs modern management techniques and tools to assist in the change process.

Thirdly, the RCA needs to lighten its caseload. Proceedings need to be managed within set timetables and guidelines. Processes need to be created that place boundaries on discovery. Filings need to be scrutinized to be sure that issues are not readdressed in multiple forums.

Lastly, the RCA needs a better method of resolving disputes between parties. Benchmarking judicatory processes of successful entities would be a good start.

In short, the regulatory process needs to be more efficient.

We offer these suggestions in the spirit of cooperation and with the intent of offering solutions rather than only criticisms.

As far as large electric utilities, we prefer no economic regulation, as our elected boards are perfectly capable of balancing the needs of the Association with the needs of our member/owners.

In summary, we seek to be heard, we ask for leadership in promoting change, and we stand ready to assist in any way we can.

Thank you for the opportunity to comment.

Comments by Joe Griffith
Senator Taylor's Committee
Sunset Review of RCA
June 12, 2002

Good afternoon. My name is Joe Griffith. I am the General Manager of Chugach Electric Association. Though I was just recently appointed to this position, before that I was Executive Manager overseeing regulatory matters.

Chugach is a member-owned cooperative consisting of 60,000 retail members. Chugach also sells power wholesale. The result is that Chugach supplies most of the electric power for the Anchorage area, almost all of the power for the Matsu Valley and Kenai Peninsula areas, and supplies substantial amounts of power to the Fairbanks area. It is important to note that as a cooperative, our members elect the directors that sit on our Board of Directors. And, they have elected well. We have dedicated and knowledgeable directors with considerable professional expertise which meet over 25 times a year, ensuring that they keep very close track of our members' interests.

The message I bring to you today is simple: our members are not getting good value from the regulatory processes before the RCA. Chugach continues to have serious difficulties with the regulatory process before the RCA.

Before I elaborate on that message, let me say that it is with considerable trepidation that I appear before you. Many would say that it is a fool's errand to complain publicly about an agency that has such absolute power and authority over every aspect of each of our utility's operations. This agency sets the prices at which we sell our services. It sets the terms of our service. It has virtually unlimited investigative authority and ultimately, in extreme circumstances, has the authority to take on management authority at the company.

But despite the risks, we feel we owe it to our members to give you the benefit of our experience. However, I want to stress that what we have to say is offered in the spirit of constructive criticism and we trust and hope that it will be accepted that way.

Let me tell you a little about our experience which is, of course, unique. With a few notable exceptions, when we are actually able to get a decision, we are generally happy with the narrow result. It's getting a result that is the problem. There are three points I want to make in this regard:

First, the Commission takes far too long to make decisions. Let me give you a couple of examples.

- 1) A rate case was opened in 1996. A hearing was held in September, 2001, and a decision was issued six months later in March, 2002. This rate review process is over 6 years old and still open.

- 2) The 2000 Test Year general rate case was filed in July, 2001, and we are unlikely to have a decision before 18 months has passed.

Second, the Commission does not control its proceedings well. In excess of 60,000 pages of discovery have been disclosed thus far after two rounds of discovery. There are four rounds of discovery scheduled.

Third, the Commission has a tendency to make the least final decision possible in many circumstances. The result is that issues don't go away. In our current rate case, the Commission is considering a financing issue it has considered twice before. The Commission confronted the issue once in a separate docket opened to decide whether to investigate the claim. It closed the docket, finding no basis for investigation, but allowed consideration of the issue in the case I just mentioned that has been open for six years. They rejected the claim again in that case, but now it's back in the 2000 Test Year case. The Commission seems to have trouble with the issue of finality. As I said, the Commission sets prices at which we can sell our services, but once they have set the price and we have sold the service, the Commission asserts it has the right to and actually does go back in time to change that price. You can imagine trying to run a business when you can't know whether the revenues you receive are going to be taken back years later.

In conclusion, Chugach looks to the Commission to perform its role. We think they have an important role in Alaska. In a sense, we are a customer of the RCA. From our perspective, one of its main functions is to adjudicate cases which come before it. The RCA has become ineffective in performing this function.

Chugach has and will continue to participate in good faith and try to make work whatever regulatory structure the legislature determines is best, but the current situation is not good for our members. We currently pay \$365,475 to fund a regulatory process that adds little value and costs the members hundreds of thousands of dollars annually and, more importantly, diverts the considerable talents of my staff on work which benefits no one, for example in our 2000 Test Year rate case, we have already expended over 6,000 staff hours and we still have months to go. We need to expedite and improve the process.

Possible Questions

1. What do you recommend?
2. Why does a coop with an elected board need regulatory oversight?
3. Does Chugach (or other coops or munis) need to be regulated?

Clara Page - 05-5.4

Woods - 2.4

Jan 26