

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2231 SCOMM 88: HOUSE TELECOMMUNICATIONS TASK FORCE, 1993 782

Alascom should accelerate depreciation of its interstate assets.⁶¹ GCI stated that the use of accelerated depreciation would dramatically reduce Alascom's costs while compensating Alascom for its investment made in reliance upon the JSA.⁶²

62. Alascom and AT&T each found the proposed accelerated cost recovery for Alascom to be objectionable. Alascom first argued that it is arbitrary and capricious to justify this action on the basis that there are disincentives for economic efficiency.⁶³ According to Alascom, investments must first be found to have been imprudent as a prerequisite to compelling a write-down.⁶⁴ Second, it argued that the State Members' Plan would make Alascom incapable of providing universal service that meets present standards and quality.⁶⁵ Alascom also stated that the constitutional claims of confiscation that it raised with respect to GCI's proposed write-down applied with equal force to the State Members' Plan.⁶⁶ Finally, it challenged the legal basis for applying accelerated depreciation to both its intrastate and interstate plant.⁶⁷

63. AT&T claimed that the requirement that it alone fund the accelerated cost recovery raised a serious issue of unconstitutional taking, given its belief that under the JSA it had already paid for much of the plant that would be written down.⁶⁸ Further, AT&T posited that it is inequitable to place this financial responsibility on AT&T, given that Alascom alone made investment decisions without any input from AT&T. AT&T also contended that the proposal would fall short of accomplishing the intended goals of accelerated cost recovery. Last, AT&T questioned the legal basis for compelling the use of accelerated cost recovery to Alascom's interstate and intrastate plant.⁶⁹

64. GCI disputed the claims made by Alascom and AT&T. First, GCI argued that Alascom's calculations of the financial impact of the \$150 million accelerated cost recovery were flawed because they inaccurately and improperly assumed the elimination of the frozen allocator for separating

61 GCI Proposal, October 2, 1992 at ii.

62 *Id.* at 2.

63 Alascom Comments, December 18, 1992 at 41-42.

64 *Id.* at 42; Alascom Reply Comments, January 15, 1993 at 14 n. 14.

65 *Id.* at 5-6.

66 Alascom Reply Comments, January 15, 1993 at 14 n. 14.

67 Alascom Comments, December 18, 1992 at 42, Attachment B at 22-23.

68 AT&T Comments, December 18, 1992 at 6.

69 AT&T Reply Comments, January 15, 1993 at 2.

circuit equipment. GCI also noted that the accelerated cost recovery was designed to reduce, and not totally eliminate, Alascom's costs. Consequently, GCI stated that there could be some intrastate cost impact arising from the new market structure that was not mitigated by the accelerated cost recovery. GCI stated that the payments to fund accelerated cost recovery should not be viewed as related to the JSA, since termination of the JSA could be ordered via regulatory action without any concomitant compensation. If anything, in GCI's view, the payments should be considered as a reward to Alascom for any conceivable reliance interest it may have in the JSA. As to the requirement that AT&T fund the accelerated cost recovery, GCI stated that such an action would be fair in light of the enormous economic and operational benefits conferred on AT&T as a result of the JSA termination.⁷⁰

2. Discussion

65. Our tentative recommendation would allow AT&T to achieve its ultimate objective of serving Alaska through its own facilities or in any other manner it chooses. However, we recognize that if AT&T were to immediately cease using Alascom's facilities, it could result in a significant increase in the intrastate revenue requirement. Cost shifts to the intrastate jurisdiction in excess of the amount resulting from the reduced interstate circuit equipment allocator would raise significant questions with respect to achievement of our revenue requirement neutrality goal. Therefore, we have concluded that an accelerated cost recovery mechanism should be used to ameliorate any cost shift as well as reduce Alascom's costs so that Alascom may better adapt to the proposed new market structure.

66. The arguments raised by AT&T and Alascom in opposition to the proposal for accelerated cost recovery funded by AT&T appear to have little merit. Alascom's argument that there must first be a finding of imprudence before accelerated cost recovery could be ordered is not accurate. Accelerated cost recovery could be implemented, for example, by prescribing higher depreciation rates and shortened service lives. The authority to accelerate cost recovery through depreciation rates, service lives, and charges for providing common carrier communication services has been given to the Commission and the Alaska Public Utilities Commission. The exercise of that authority presumes that the associated investment was prudent; there is no legal basis for approving recovery of depreciation expense for imprudent investment.

67. Not only is accelerated cost recovery through depreciation within the authority of the Commission and the Alaska Public Utilities Commission but also may well be justifiable under the circumstances. A decision to terminate the JSA is likely to significantly affect Alascom's network and operations plant, and thus could warrant a re-examination of the prescribed depreciation rates in light of such a development.

⁷⁰ GCI Reply Comments, January 15, 1993 at 9.

68. In our view, Alascom's concerns about the financial impairment that it would experience with accelerated cost recovery appear to be misplaced. Any financial impairment that Alascom perceives relates not to the use of accelerated cost recovery but, instead, to the elimination of the guaranteed revenue source (i.e., AT&T) to which it has likely grown accustomed under the JSA.⁷¹ However, the changed circumstances in the Alaska market no longer make it feasible to perpetuate the JSA.

69. Alascom's constitutional claims of confiscation raised with respect to GCI's proposed accelerated cost recovery plan also are inapplicable to the State Members' proposal. Whereas GCI's proposal contemplated the funding of the accelerated cost recovery from payments made to Alascom from AT&T under the MA, the State Members' plan clearly stated that AT&T's accelerated cost recovery payments would be separate from, and in addition to, any other payments that AT&T must make.⁷² In that regard, no argument can be sustained, therefore, that Alascom would be required to apply one payment to two purposes. Moreover, Alascom's argument rests on the improper assumption that it has a property interest in a continuation of the JSA. While the MA was structured to provide contractual compensation in conjunction with the termination of the JSA, we are not persuaded that Alascom can rightfully demand that this compensation be part of regulatory action terminating the JSA.

70. Alascom has been on notice since the inception of this proceeding that the arrangement requiring AT&T purchase of Alascom's services, along with other benefits under the terms of the JSA, was not likely to be permanent.⁷³ Alascom has also been on notice that AT&T has been an unwilling party to the JSA.⁷⁴ In fact, AT&T previously filed pleading requesting termination of the JSA, and argued that the JSA was violative of Section 201 of the Communications Act.⁷⁵ Clearly, the JSA continues only through regulatory assent. Any claim by Alascom of a right to the continuation of the JSA, as implied in its constitutional challenge, is not borne out by the record.⁷⁶

71. AT&T's and Alascom's challenge to applying accelerated cost recovery for plant that provides both interstate and intrastate services cannot lie under the Communications Act and Title 42 of the Alaska Statutes.

⁷¹ Under the JSA, AT&T is required to compensate Alascom for its interstate expenses, including accelerated depreciation expenses.

⁷² State Members' Plan, Nov. 5, 1992 at 20 & n. 18.

⁷³ AT&T Comments, December 18, 1992 at 6.

⁷⁴ AT&T Supplemental Comments, March 12, 1990 at 5-6.

⁷⁵ See AT&T Petition for a Lawful Interim Division of Charges, November 6, 1987.

⁷⁶ Id. at pp. 5-8.

For example, the FCC can prescribe depreciation charges for Alascom under the Communications Act,⁷⁷ and take cognizance of those charges in determining whether Alascom's interstate rates are unjust, unreasonable, or unreasonably discriminatory.⁷⁸ Similarly, the Alaska Public Utilities Commission is authorized to make a congruent determination for intrastate purposes.⁷⁹

72. Moreover, Alascom and AT&T may conclude independently that it is in the best interest of the shareholders of both companies if Alascom were voluntarily to propose to reduce the value of its regulated telecommunications common carrier assets⁸⁰ in exchange for a lump sum payment, or series of payments. Such a proposal, if approved, would not only reduce Alascom's costs of providing service to intrastate ratepayers in Alaska but would also reduce the cost of providing interstate MTS to and from the State of Alaska and simultaneously make Alascom a more competitive source of supply to AT&T and other intrastate and interstate interexchange carriers.

73. In light of the considerations raised in this section, it is evident that some direct method to reduce Alascom's costs of operation through accelerated cost recovery must be an integral part of any transition to a new market structure. Accordingly, we direct AT&T and Alascom to provide either joint or separate implementation plan(s) discussing methodologies that might be employed to resolve this issue in a way that satisfies the concerns set forth above.⁸¹ Without an acceptable solution to the accelerated cost recovery issue, it is unlikely that the Joint Board's five goals can be achieved. In that eventuality, this Joint Board is unlikely to recommend termination of the JSA with the other terms and conditions that have been previously described in this order.

F. AT&T Purchase Obligation

74. As previously stated, the potential for unforeseen jurisdictional revenue requirement shifts could be realized if AT&T immediately stopped using Alascom upon termination of the JSA. To further

⁷⁷ 47 U.S.C. § 220.

⁷⁸ 47 U.S.C. §§ 201-202.

⁷⁹ Alaska Stat. § 42.05.471 (1992).

⁸⁰ We recommend that any accelerated cost recovery would apply to regulated plant used to provide service to the public; plant dedicated to providing service to specific customers and non-regulated plant would be excluded. Alaska Spur facilities would not be subject to accelerated cost recovery.

⁸¹ AT&T and Alascom are requested to develop the necessary accounting procedures to implement this proposal. The implementation proposals should also include any special conditions, timing considerations, and waivers necessary to fully implement all aspects of the Joint Board's tentative recommendation.

reduce this potential, we recommend that AT&T be required to purchase Alascom Common Carrier Services for all of AT&T's Alaska interstate MTS traffic during the first three years of transition to a new market structure.⁸² In the four subsequent years, after other transition mechanisms have been implemented, we recommend that this obligation be lessened and ultimately eliminated, by reducing the traffic that AT&T will be required to place on Alascom's facilities. This reduction would occur in equal increments or on a schedule proposed by the parties and accepted by the Commission. At the conclusion of the seventh year of transition, AT&T would no longer be obligated to use any Alascom facilities and may choose to self-provision or to use the services of another carrier or carriers to satisfy all its requirements for providing Alaska service. We have tentatively concluded that this condition is necessary to stave off the potential jurisdictional revenue requirement shift that could occur should AT&T immediately stop using Alascom's facilities.⁸³

VII. Miscellaneous

⁸² We have tentatively concluded that, pending termination of the JSA, AT&T should be obligated to carry all of its Alaska interstate MTS traffic on Alascom facilities as it does today. Thereafter, the amount of AT&T's traffic that must be placed on Alascom's system would decrease from 100% to 0% in four equal annual increments from the volume of MTS traffic that AT&T carried during the third year. However, we invite comment on whether AT&T's obligation to use Alascom should be limited during any (or all) of these years, such as to a given percentage of AT&T's current traffic on the Alascom network and, if so, what base period should be used for this purpose.

⁸³ ATA and GCI comments to the State Members' Plan supported a must purchase requirement placed on AT&T. See ATA Comments, December 17, 1992 at 7-8; GCI Comments, December 18, 1992 at 20-22. ATA noted that this condition would guard against stranding significant Alascom investment and shifting jurisdictional cost shifts by as much as \$25.7 million per year if AT&T bypassed Alascom facilities for terminating and originating interstate minutes for Anchorage, Juneau and Fairbanks. The State of Alaska recommended that after a five-year transition during which all of AT&T's interstate traffic would be carried on Alascom's network, AT&T would continue to be required to place 10% of its traffic on Alascom's network. See State of Alaska Comments, November 13, 1992, at iv. MCI and AT&T objected on the basis that Alascom should not be insulated against the potential for AT&T bypass and the concomitant stranded investment that would occur. See MCI Comments, December 18, 1992 at 2, 5; AT&T Comments, December 18, 1992 at 4-9, 12-3. Our principal reason for imposing this obligation on AT&T relates to universal service and jurisdictional revenue requirement neutrality and not protection of Alascom against the effects of competition. In fact, we have proposed that this obligation be imposed for only a limited time to allow competition to evolve in the Alaska market as expeditiously as possible without its evolution impeding achievement of our goals of universal service and jurisdictional revenue requirement neutrality.

A. Tariffs, Leases, and Contracts

75. Alascom must file interstate tariffs⁸⁴ for its Alascom Common Carrier Services and its MTS with the Commission. We propose to recommend that any contracts or leases for use of Alascom or AT&T interstate services also must be filed for review by the Commission.

B. Alaska Spur

76. We further propose that Alascom shall make public and have on file with the Commission all contracts and agreements for interstate service on the Alaska Spur, including any technical standards that may be incident thereto. All contracts, agreements, and standards shall be subject to review by the Commission and to other requirements deemed applicable by the Commission.⁸⁴

C. Monitoring

77. We tentatively recommend that the Commission obtain information to monitor progress in achieving the market structure described in this order. We tentatively conclude that most of the information needed to monitor progress in the Alaska market can be obtained from existing sources. For example, the Alaska Public Utilities Commission has information about intrastate rates in Alaska, and the CC Docket 80-286 Joint Board publishes a Comprehensive Monitoring Report on Telephone Service, including information on subscribership and penetration levels. In addition, as part of our proposed market structure proposal, NECA would be required to file tariffs for the Alaska Fund that would be useful in monitoring the charges to carriers from the Alaska Fund. To the extent that there are existing reporting requirements that provide the types of information needed to monitor the proposed market structure, it is possible that no new reporting requirements would be required. We request comments on this aspect of our proposal.

78. Parties providing comments on a monitoring program for the Alaska market structure should respond regarding: costs and benefits of establishing a monitoring reporting requirement, parties that should be required to report, information that should be included in the reporting requirement, frequency of reporting, and relative importance of specific information for monitoring the Alaska market. Parties should also comment on the availability of the recommended reporting items from existing reports.

VIII. AT&T Petition to Terminate the Joint Service Arrangement

79. On March 31, 1993, AT&T filed a Petition proposing a "Consumer Benefit Plan" to replace the JSA. The AT&T Consumer Benefit Plan proposes that the JSA be terminated immediately upon all regulatory approvals. At that

⁸⁴ See Alascom Inc. Section 214 Application, Memorandum Opinion and Order, WPC - 6520, May 13, 1991.

time, AT&T would: 1) directly provide interstate MTS to and from Alaska at nationwide integrated rates; 2) eliminate bands 10 and 11 from its interstate tariff, thereby offering lower rates to Alaska interstate callers; 3) make available services and optional calling plans that Alascom does not currently offer; 4) construct a new fiber optic submarine cable between Alaska and the Lower 48 states and other facilities necessary to provide service; and 5) provide intrastate switched services in Alaska. AT&T states that its basic intrastate MTS rates would be equal to or lower than the lowest current Alascom or GCI standard MTS rates. AT&T would pledge not to raise its initial MTS rates for five years, except to pass through state-approved increases in intrastate access charges.

80. AT&T's Section 214 application for authority to provide service to and from Alaska indicates that initially AT&T would acquire capacity from carriers under tariff, supplemented as necessary by leasing or purchasing facilities.⁸⁵ Thereafter, AT&T states that it would construct the undersea cable system from the Pacific Northwest through Juneau to a point near Anchorage, and it may construct other facilities in Alaska substituting for, or adding to, the leased or purchased facilities. Until second stage facilities are in place to any given point, AT&T states that it would continue to obtain distribution and access services from Alascom and Alaska local exchange carriers under tariff. AT&T states that it would agree to subject itself to 214 requirements for withdrawal from providing southbound service from Alaska, even though it does not believe it should be subject to such requirements, and in addition to northbound service for which it is also subject to 214 requirements. AT&T's proposal assumes no change in separations. AT&T states that it would purchase Alascom services to originate and terminate calls to the bush, because of the prohibition against construction of duplicate earth stations in rural Alaska. AT&T states that it would begin to provide southbound service without preexisting customers, i.e., AT&T would not purchase Alascom's interstate customer list.

81. AT&T states that it would implement its Consumer Benefit Plan if three conditions were granted: 1) prompt termination of the JSA; 2) approval of AT&T's Section 214; 3) an order or assurance that Alascom will file nondiscriminatory interstate tariffs to permit AT&T and other IXCs to use Alascom's existing facilities to provide service from their Alaska POPs to the points served by Alascom including the Bush; and 4) that Alascom's rates for providing such service to the Bush were based on direct costs.

IX. Ex Parte Rules

82. This proceeding involves broad policy issues and shall be treated as non-restricted for purposes of the Commission's ex parte rules. See 47 C.F.R. §§ 1.1200(a), 1.1206. Ex parte presentations are permitted, except during the Sunshine Agenda period, provided that they are disclosed as

⁸⁵ AT&T's Section 214 application to service Alaska will be the subject of a separate proceeding instituted by the Commission.

provided in Commission rules. See generally 47 C.F.R. §§ 1.1202, 1.1203, and 1.1206(a).

X. Regulatory Flexibility Act

83. We certify that the Regulatory Flexibility Act of 1980 does not apply to this proceeding because the proposed rule amendments, if promulgated, would not have a significant economic impact on a substantial number of small business entities, as defined by Section 601(3) of the Regulatory Flexibility Act. Alascom and AT&T, two of the three major entities that would be directly subject to the proposed tentative decision, are large corporations or affiliates of large corporations. Interexchange carriers that might be otherwise affected by the tentative decision are also large corporations or their affiliates. UUI a provider of earth station facilities for the Alaska bush, is not considered a small entity because it is a monopoly provider of local exchange service. The Secretary shall send a copy of this Tentative Recommendation and Order Inviting Comment, including the certification, to the Chief Counsel for Advocacy of the Small Business Administration in accordance with ¶ 603(a) of the Regulatory Flexibility Act, Pub. L. No. 96-354, 94 Stat. 1164, 5 U.S.C. § 601 et seq (1981).

XI. Implementation Plan and Comment Dates

84. This tentative recommendation and order requesting comments is intended to present, and seek comments on, the Joint Board's tentative recommendation on how to resolve the outstanding issues in this proceeding and provide a new interstate market structure for Alaska that is consistent with the objectives previously identified by this Joint Board. Accordingly, we require that AT&T and Alascom submit either a joint or separate detailed plan(s) describing how they would implement the proposed market structure specified in this tentative recommendation on or before June 7, 1993.

85. Interested parties may file individual or consolidated comments, and/or reply comments with respect to: (1) the Joint Board tentative recommendation; (2) the implementation plan filed by AT&T and Alascom in response to this tentative decision; and (3) the AT&T Consumer Benefit Plan. Comments shall be filed on or before June 28, 1993 and replies thereto on or before July 12, 1993. An original and five copies should be filed with the Secretary, Federal Communications Commission, 1919 M Street, N.W., Washington, D.C. 20554. Additional copies should be sent to the following: six copies to Peggy Reitzel, Common Carrier Bureau, Federal Communications Commission, 1919 M. Street, N.W., Washington, D.C. 20554; and one copy to ITS, Inc. the Commission's contractor for public records duplication, 2100 M Street, N.W., Suite 140, Washington, D.C. 20037, (202) 857-3800. The AT&T petition and filings in response to this Tentative Recommendation and Order Inviting Comment, will be available for inspection and photoduplication in Room 239, 1919 M. Street, N.W., Washington, D.C. 20554 (which is open from 9:00 AM to 4:30 PM, Monday through Friday). Copies may also be obtained from ITS, Inc.

86. Petitions to reject, comments, informal comments, and replies on AT&T's Section 214 Application to serve the State of Alaska may be filed in the proceeding established to address AT&T's Section 214 application, and not here.

87. Parties should also send copies of filings to the following Alaska Joint Board Members and their staffs: Hon. Bruce Hagen, North Dakota Public Service Commission, State Capitol Building, Bismarck, North Dakota 58505; Hon. Susan M. Knowles, Alaska Public Utilities Commission, 1016 West 6th Avenue, Suite 400, Anchorage, Alaska 99501; Hon. Dean J. "Joe" Miller, Idaho Public Utilities Commission, 472 West Washington, Boise, Idaho 83702; Hon. David Rolka, Pennsylvania Public Utilities Commission, P.O. Box 3265, Harrisburg, Pennsylvania 17105; Lorraine Kenyon, Alaska Public Utilities Commission, 1016 West 6th Avenue, Suite 400, Anchorage, Alaska 99501; Eileen Benner, Idaho Public Utilities Commission, 472 West Washington, Boise, Idaho, 83702; Debra Kriete, Pennsylvania Public Utilities Commission, P.O. Box 3265, Harrisburg, Pennsylvania 17105; Ronald G. Choura, c/o Michigan Public Service Commission, 6545 Mercantile Way, P.O. Box 30221, Lansing, Michigan, 48910; Rowland Curry, Texas Public Service Commission, 7800 Shoal Creek Blvd. Suite 400N, Austin, Texas 78757.

XII. Ordering Clauses

88. ACCORDINGLY, pursuant to Sections, 1, 4, 5, 201-205, 214, 218, 403, and 410 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154, 155, 201-205, 218, 403, and 410 IT IS ORDERED that this Tentative Recommendation And Order Inviting Comment IS HEREBY ADOPTED to give notice of the tentative recommended decision described herein, and that interested parties may file comments and reply comments on this proposal;

89. IT IS FURTHER ORDERED, pursuant to Sections 1, 4, 5, 201, 202, 205, 218, 403, and 410, 47 U.S.C. §§ 151, 154, 155, 201, 202, 205, 218, 403, and 410, that AT&T and Alascom SHALL FILE, not later than June 7, 1993, either a joint or separate detailed implementation plan consistent with the tentative recommendation of the Joint Board discussed herein;

90. IT IS FURTHER ORDERED that interested parties may file individual or consolidated comments, and/or reply comments with respect to: (1) the Joint Board tentative recommendation; (2) the AT&T and Alascom implementation plan(s) filed in response to this tentative recommendation; and (2) AT&T's Petition to Terminate the Joint Services Agreement. Comments shall be filed on or before June 28, 1993, and replies thereto on or before July 12, 1993.

FEDERAL COMMUNICATIONS COMMISSION

Donna R. Searcy
Secretary

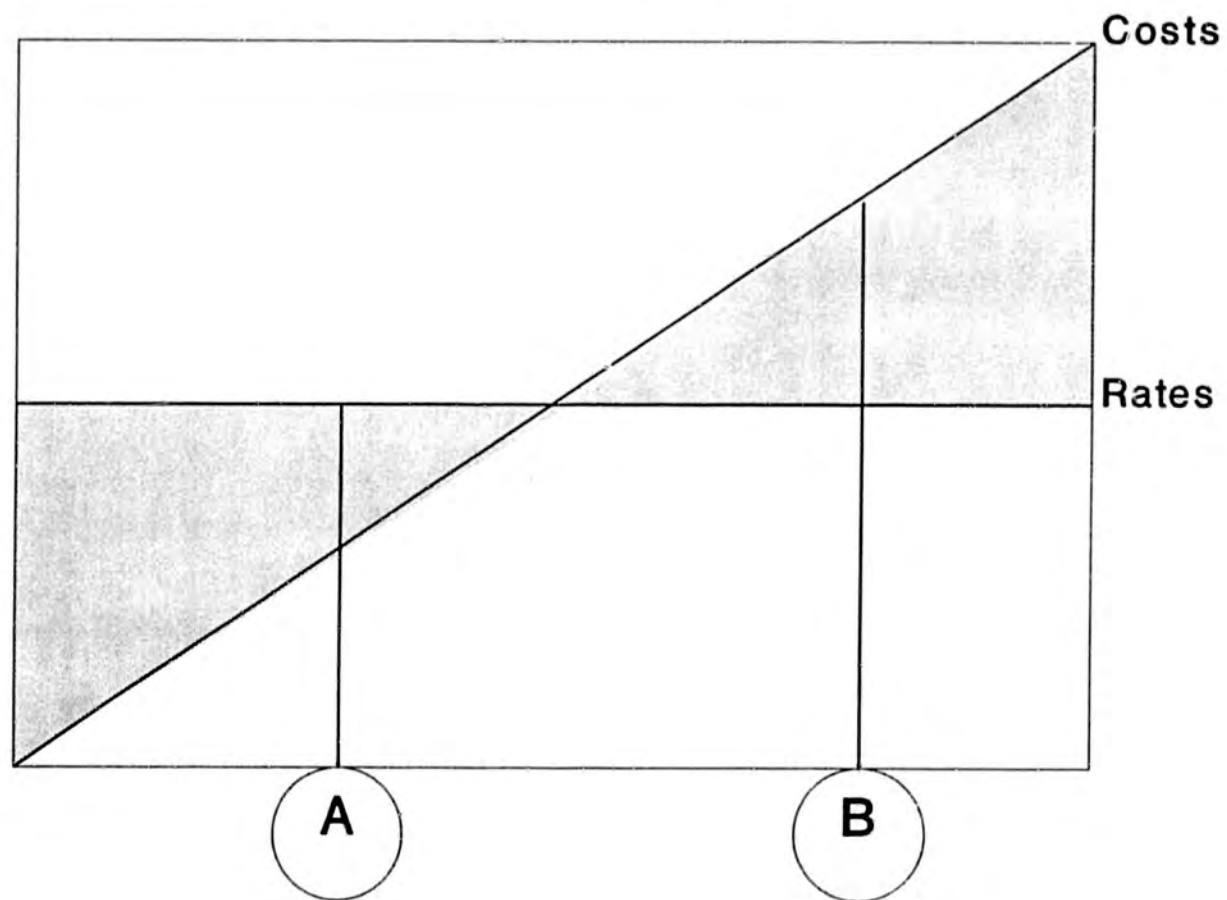
Alaska Joint Board Purposes:

- to recommend "any market structure changes necessary to harmonize rate integration and competition in the Alaska interstate market"
- to recommend "any changes in separations procedures relating specifically to Alaska that may be required to implement any market structure changes it recommends"

	National	Alaska
1930s	Bell System & Independents connected → nationwide telephone network	
1940s	Cost Separations Manual created	Alaska Communications System (ACS) run by US Government
1970		Alascom acquired ACS
1971	Carriers allowed to provide private line service to the public (FCC Specialized Common Carrier Decision)	Alascom extended rural radio telephone service to 85 villages by 1976
1972		Rate Integration Policy Adopted (FCC Domsat Decision)
1977	MCI allowed to compete in voice message telephone service (Court overrules FCC in Execunet I Decision)	Joint Board established to develop plan for implementing 3-step phase-in of rate integration
1975-1979		Alascom replaced rural radio system with small earth station & satellite system in 140 communities.
1980		Alascom + AT&T agreed to Joint Service Arrangement (JSA) to achieve rate integration
1981	GCI certificated	Joint Board Adopted JSA
1984	Bell System "divestiture", Settlements ended	
1985		New Alaska Joint Board Created by FCC
1987		Rate Integration Achieved
1987-1990		Intrastate Telephone Industry Restructured, Settlements ended
1991, 1992		GCI certificated, Sprint certificated

Costs & Rates

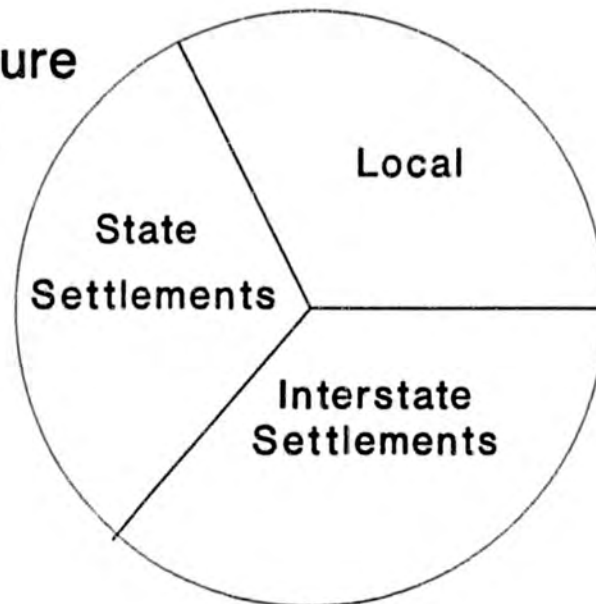
(conceptual only)



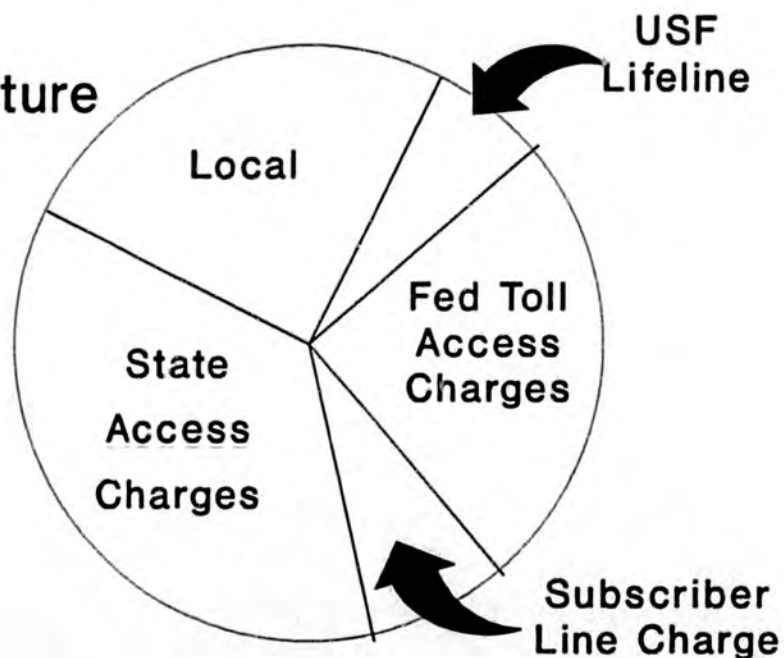
Local Telephone Company Cost Separations

(conceptual only)

Pre-Divestiture
(before 1984)



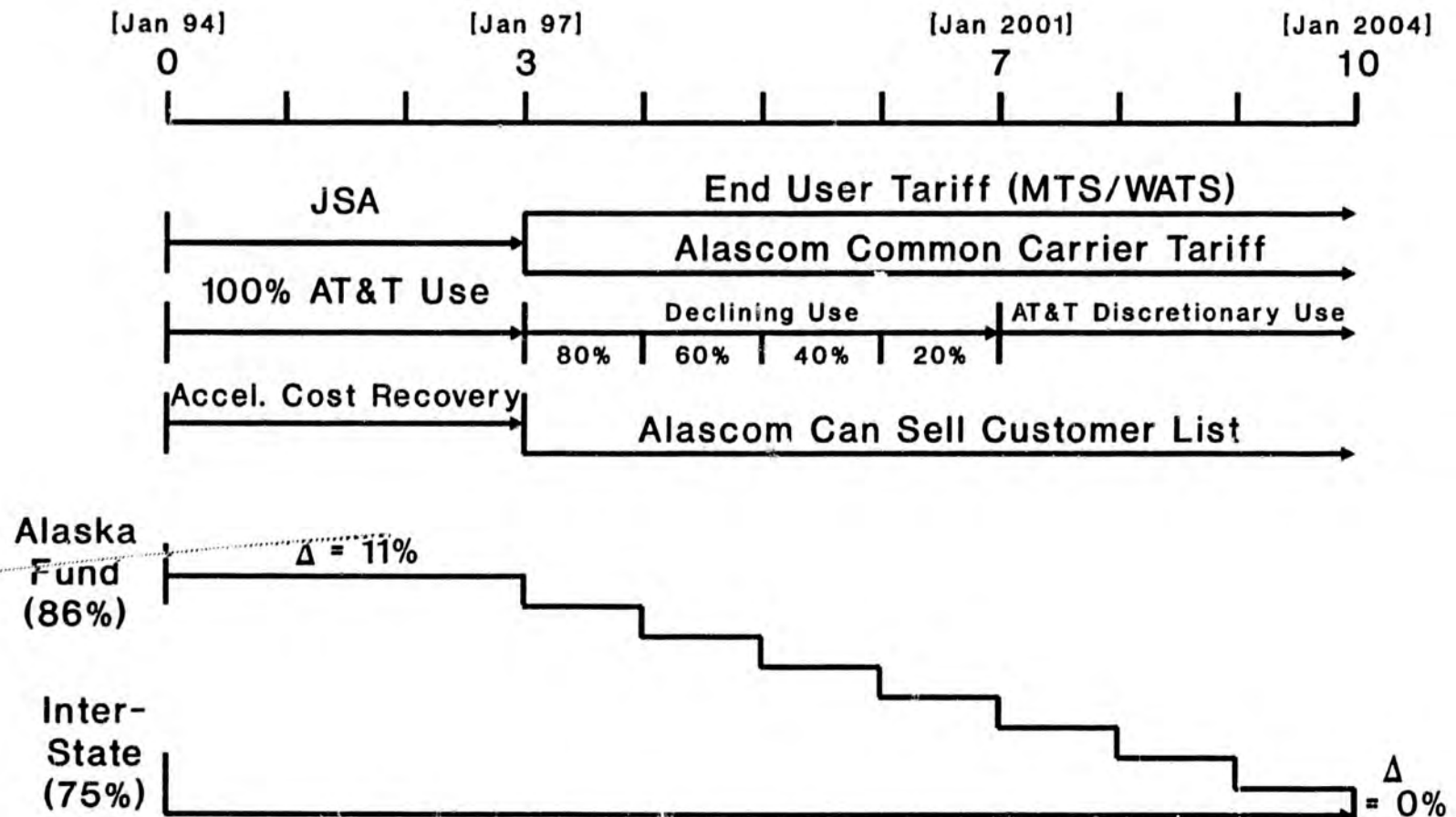
Post-Divestiture
(after 1984)



Alaska Joint Board Objectives:

1. Preserve universal service
2. Continue rate integration
3. Maintain jurisdictional revenue requirement neutrality
4. Allow for market-based competitive entry
5. Increase efficiency

Joint Board Tentative Recommendation, May 17, 1993



Can Anybody Figure Out Alaska's Phone Wars?

*The story behind Alascom,
GCI and AT&T's fight for
the Last Frontier's long-
distance lines*

By Sean Reid

"This process is virtually incomprehensible to the average humanoid." That candid and mostly-serious concession comes from an expert on Alaskan telecommunications — Susan Knowles of the Alaska Public Utilities Commission (APUC), which oversees long-distance telephone service in Alaska. Just about everyone agrees that long-distance service has become a complicated tangle of corporations, regulations, history, consumer interests, special interests and competition. Only on a daytime soap opera could you find something more complicated or bizarre.

The major corporate players in the unfolding drama include Alascom (an Anchorage-based, wholly-owned subsidiary of Vancouver, Wash.-based Pacific Telecom Inc., which is 87 percent owned by utility conglomerate PacifiCorp of Portland, Ore.); and GCI (an Anchorage-based corporation

now 30 percent owned by MCI). The latest entrant into the fray is global telecommunications giant AT&T (based in New York). Of the three, Alascom has the deepest Alaskan roots and probably stands to undergo the most change as a result of the upcoming industry restructuring.

The Evolution of Confusion

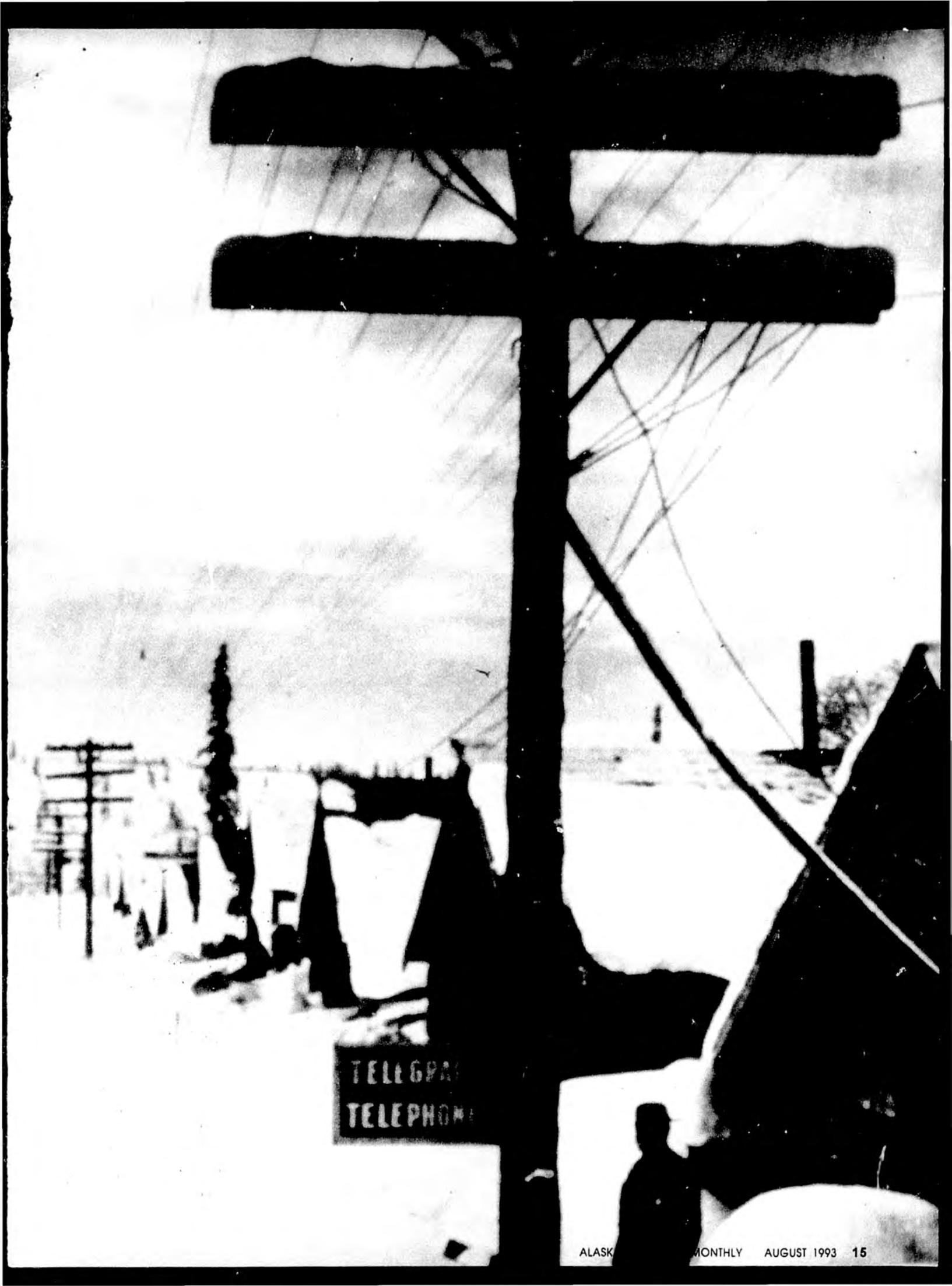
The confusing mix of regulations and competing interests evident today has much to do with how Alaskan telecommunications evolved. It was gov-

ernment, not private industry, that in 1900 took the first serious step to provide Alaska with a communications network. A 25-mile military telegraph line from Nome to an outpost at Safety, Alaska, was part of an ambitious plan by the Army Signal Corps to connect scattered military outposts in the Alaska territory with the United States. The system allowed public and commercial use as well as government business.

By 1905, thousands of miles of land lines, a submarine cable and a rudimentary wireless radio link formed a



Help!



TELEGRAPH
TELEPHONE

moderately reliable network known as the Washington-Alaska Military Cable and Telegraph System. In 1935, the growing system changed its name to Alaska Communications System (ACS) — a name and a government system that would last well into the 1960s, when most of the traffic was commercial, not military.

By 1967 Congress decided the system, now handling 95 percent of public and commercial traffic, should be sold to private enterprise. The Air Force, operating the Alaskan system,

evaluated bids from seven major communications corporations. RCA was the winner with a bid of nearly \$28.5 million. The newly created RCA Alascom division took control in 1971 of most "long lines" facilities and became the only company other than AT&T providing long-distance service in the United States.

Bush Communication

As a condition of state certification, Alascom promised to provide tele-

phone service by 1973 to 142 villages not being served by the existing network. The company quickly fell behind schedule and over budget. The state pressured Alascom to revise plans for rural Alaska. Alascom first refused, then later proposed alternatives unacceptable to the state.

The Legislature in 1975 appropriated \$5 million for construction of small satellite earth stations in 120 villages with a permanent population of 25 or more. First planned as an entirely state-run operation, Alascom was later granted permission to be a partner in the project with responsibility for installation, operation and maintenance of state equipment. In addition to the 120 state-owned earth stations, Alascom later began construction on 21 larger satellite earth stations to replace the obsolete White Alice network of transmitters scattered across Alaska.

Additions and improvements to the network continued. In 1973, long-distance telephone service via satellite began between Alaska and the Lower 48. Six years later, in 1979, RCA sold its Alascom division to Pacific Power and Light (now PacifiCorp); the acquisition formed the core of Pacific Corp's new Pacific Telecom division.

By the mid-1980s, Alascom had invested millions of dollars to create a modern satellite and terrestrial microwave telecommunications network serving all major Alaska towns and more than 160 rural communities. The network was viewed as a successful model for developing countries worldwide faced with similar problems of serving a relatively small population scattered across vast distances, often under inhospitable climatic conditions.

For its efforts, Alascom reaped the benefits of monopolistic service. And while the rates it could charge were regulated by the APUC and the Federal Communications Commission (FCC), the company had the opportunity to receive a regulated rate of return on its investment. It also received a large annual subsidy from AT&T, with whom it connected to carry calls to and from the Lower 48 and the rest of the world.

Starting a Subsidy

In 1972, the FCC stated that with

EXPERIENCE COSTS LESS

Specialized Fields:

- UST Removal & Installation • Remediation Services
- Hazardous Materials Handling & Hauling
- General Excavating • Cold Asphalt Recycling



B.C. EXCAVATING, INC.

2251 Cinnabar Loop, Anchorage, Alaska 99507
Phone: (907) 344-4490 • Fax: (907) 344-4492



ANCO Foodservice

TOLL FREE 800-478-2653

Wholesale Distributor

- Gourmet Meats •
- Produce •
- Institutional Groceries •
- Soft Drinks •
- By-pass Mail •

Anchorage • 1401 East First Ave., Anchorage, AK 99510 • Ph. (907) 264-0224 Fax (907) 274-4622
Fairbanks • 1705 Wells, Fairbanks, AK 99701 • (907) 456-4488 Fax (907) 456-3044
Juneau • 5452 Shaune Dr., Juneau, AK 99801 Ph. (907) 780-4474 Fax (907) 456-3044
Kodiak • 8046 Rezanof Dr. W. Whse-B, Kodiak, AK 99615 Ph. (907) 487-4547 Fax (907) 487-4547
Seattle • P.O. Box 24627, Seattle, WA 98124 Ph. (206) 623-3256 Fax (206) 233-0786

the inauguration of domestic satellite service, Alaskan interstate rates should come down and eventually match rates for like-distance calls between other Lower 48 states. The concept was known as "rate integration."

To accomplish this, Alascom took a decrease in its annual revenue and argued that it could ill afford such a cut while operating where the cost of doing business was considerably higher than in the Lower 48.



Anchorage Museum

The FCC agreed, and in time, Alascom and AT&T agreed to a plan (called the Joint Service Arrangement) under which AT&T would pay Alascom's costs to provide interstate service. In exchange, AT&T was entitled to Alascom's revenues generated by the interstate service. In essence, a subsidy was created that covered the difference between costs and revenues.

The concept of subsidizing a particular long-distance market was not unique. AT&T routinely subsidized less profitable portions of their own system with revenue from more lucrative markets. A complex formula for determining Alascom's reimbursable costs was created, which today allows Alascom to attribute 86 percent of its key investments in major circuit equipment (microwave facilities, etc.) for interstate service (costs that are subsidized). The remaining 14 percent is allocated for providing intrastate service (which is not subsidized by AT&T). It works out to an annual AT&T subsidy to Alascom of some \$80 million to \$100 million per year to make up Alascom's interstate expenses not covered by toll revenues.

David and Goliath

A lot has changed in the telecommunications industry since the 1970s when the Alascom/AT&T interstate subsidy was formulated. Since 1982, Alascom's competition has been primarily GCI, which began as a company some people thought would prove to be little more than a temporary thorn in Alascom's side. For some 10 years, Alaskans watched David-and-Goliath phone companies battle for

long-distance telephone dollars.

The battles were fought in the courts, the Legislature, the regulatory arena, in the press and in advertising. GCI, essentially free to set its rates at will, attacked Alascom with interstate rates that were typically just below Alascom's, which by regulation were, and still are, tied directly to AT&T's Lower 48 rates. GCI seemed to claim credit for forcing down Alascom's interstate rates by introducing Alaskan competition. In fact, Alascom's interstate rates were going down because AT&T, facing in-

creased competition from MCI and others, was cutting its rates. And as AT&T rates fell, Alascom's had to fall.

On the intrastate side, where Alascom is not bound by AT&T rates but still must secure APUC approval, GCI often continued to undercut Alascom rates by pennies or fractions of pennies per minute — even as Alascom cut its own rates. Alascom also countered with claims of superior equipment, service, experience and a long history of investing in Alaska.

By building its own facilities where

BEST OF THE BEST

Hot new products that will improve your business (and maybe your life!)

TECHNOLOGY PAYOFFS

Space age marketing that opens a whole new world (of customers)

RIGHT CONNECTIONS

Networking breakthroughs that make a perfect match (of product, buyers, sellers)

THE TIME MACHINES

Squeezing 14 hours of work into an 8 hour day.

HITTING THE JACKPOT

Success stories by Alaskans who found the "on" button and made technology payoff for them in catalog sales, retail inventory and manufacturing.

WHERE WE'RE HOT

Resources + Technology = Environmental Steps forward that pay off now.

DEMONSTRATE

Clearly how to harness the latest technology for small and large business.

TRADE SHOW SEMINARS EXHIBITS

NATIONAL SPEAKERS



TECHNOLOGY A NEW DAY FOR ALASKA

Alaska State Chamber of Commerce 34th Annual Convention & Business Trade Show

September 28-30, 1993

William A. Egan Civic & Convention Center
Anchorage

For more information call (907) 278-2722.

it could and by leasing space on Alascom's network elsewhere, the young GCI sometimes appeared larger than it really was. Some services were initially bare-boned (GCI had no long-distance operators for several years), and the advertising budget was stretched thin. Today, GCI claims it has about 50 percent of the long-distance customers in markets where it competes with Alascom. Stressing customer service, GCI executive vice president and general manager Wilson Hughes (a former Alascom engineer) explains, "People want other services than just POTS — plain old telephone service."

Alascom, feeling the sting of competition after years of regulated monopoly, responded by paring its large work force, cutting costs, increasing its advertising budget and improving its network and services, including upgrading to digital technology.

Meanwhile, GCI's market success as well as Alascom's continued profitability did not go unnoticed by AT&T. The corporate giant was growing tired of shelling out nearly \$100 million a year to Alascom; at the same time AT&T faced new competition of its own in the Lower 48. GCI and other Alascom critics also began to argue that the long-standing AT&T/Alascom subsidy provided Alascom with an unfair advantage. Particularly irksome to GCI was the fact that Lower 48 dollars provided by AT&T could be used by Alascom for advertising and promotion.

New Competition and a New Joint Board

By as early as 1983, it was clear a new round of open competition would again change the face of Alaska telecommunications. A federal/state body, called the Alaska Joint Board, was created to examine the interstate telecommunications market and reconcile the often contradictory principles of open competition and regulated rate integration or mandated averaging.

An impediment to open intrastate competition has been the concern that competitors would choose to serve only the most profitable areas and not the smallest rural communities — a practice called "skimming." This argument has long been central to Alascom's posi-

tion resisting GCI's entrance into the intrastate market at the more attractive larger communities.

Alascom has insisted that the small rural communities, on their own, are a money-losing operation. Under the concept of universal service, rates are averaged for all market areas; the high profit areas support the money losers — a fact of telephone service in many places including, for example, Nevada and Minnesota. The concept applies to just two long-distance companies in the United States — AT&T and Alascom,



Alaska State Museum

both of whom are classified as carriers of last resort. In other words, because these companies are the dominate carriers in their regions, they must provide service if no one else does and do it for the same averaged price. Other companies, like MCI, Sprint and GCI, can choose to serve virtually at will (given some oversight by the regulatory bodies).

Today, the Joint Board, Alascom, GCI and AT&T all agree that it is time for a change toward a market-driven, open and competitive arena. The Joint Board conceded that the AT&T/Alascom subsidy arrangement gives "Alascom little reason to control costs." And in a recent report it says, "There are few, if any, advocates for the current market structure's preservation."

The first serious proposition was brought to the table last year by Alascom and AT&T, who referred to their joint proposal as the "master agreement." Included in the complicated proposal were a number of sweeping changes in the way the market would be struc-

tured, as well as a buyout of Alascom's interstate side by AT&T for \$330 million. The plan met with considerable opposition and died.

The Joint Board itself then fostered an alternative plan that is today being reviewed and receiving comment. The complex plan would wean Alascom from the annual AT&T subsidy while still financially compensating Alascom for its sizable investment over the years. In theory, the plan would allow AT&T to enter the interstate market, leave Alascom with less investment to carry on the intrastate side of the books, and therefore help prevent any rise in intrastate rates to the consumer in a competitive market. In effect, open, unsubsidized competition would arrive while cushioning the blow to Alascom, which would remain the regulated carrier of last resort.

Compromise Cuts Competition

The Joint Board proposes a number of changes, all of which would be instituted and then phased out within the next 10 years. It calls for Alascom's interstate cost allocation to shrink from 86 percent to 75 percent, thereby reducing AT&T's annual subsidy. To help make up the difference to Alascom, the board has proposed the creation of a nationwide fund into which phone companies all over the country would pay. As the interstate allocation shrinks, Alascom's allowable intrastate cost allocation for key investments would nearly double, from 14 percent to 25 percent. To keep these intrastate costs from causing a rate increase for Alaskans, the proposal would require AT&T to "buy down" some of Alascom's investment, i.e., reimburse Alascom. In the meantime, AT&T would also be obliged to contract with Alascom for the use of its equipment for at least three years, providing another source of assured income for Alascom during a transition period.

Alascom seems willing to accept this deal as the best compromise package available. "We're prepared to go forward with exactly what the Joint Board is saying, as long as there is a reasonable transition period," says John Ayers, Alascom's executive vice president and general manager.

Even GCI, faced with the entry of

another formidable competitor, feels that the Joint Board proposal represents the best compromise available. "The solution to the Alaskan market structure is AT&T entry into the market," agrees Dana Tindall, vice president of GCI's legal and regulatory department. "It's always been our position that (AT&T's entry) is what needs to be done."

AT&T, however, thinks it has a better idea, which it recently proposed as an alternative to the Joint Board proposal. By comparison, their plan appears to be a remarkably simple and straight-forward approach in an arena strewn with complex timetables and calculations. AT&T proposes a complete and immediate elimination of the Alascom subsidy; it would enter direct competition with Alascom and GCI for interstate calling to and from the Lower 48 at comparable nationwide rates; it would be prepared to construct much of its own \$230 million network, including a new state-of-the-art fiber optic cable linking the Lower 48 and Alaska through Juneau and



Anchorage Museum

Anchorage; and it would provide complete intrastate service across Alaska using either its own equipment or through facilities leased from Alascom or GCI at rates equal to or less than Alascom or GCI for at least five years, except to pass through APUC-approved increases in intrastate access charges.

Critics are not convinced. They point to that last clause about passing through increased access charges. What that means, critics say, is that if Alascom is granted increased intrastate rates to earn its current rate of return in a shrinking market, AT&T's and presumably GCI's rates will go up too, especially since both would be paying to use some of Alascom's rural network.

However, both GCI and AT&T contend they could make a respectable return at current prices regardless of where they might serve, even in the Bush, if given unrestricted access. They say that new, lower-cost technology plus current competitive market forces would give them an edge over Alascom, which must support an older, more expensive network.

Doug Wilcox, AT&T's Alaska business unit general manager, also tries to reassure critics by responding to a claim from John Ayers that Alascom's intrastate rates will rise under unbridled competition. "I tell John Ayers every time I see him, 'I love that story, John. I hope you do it because I'll get all of your customers!'"

After years of debate over the form and future of Alaskan telecommunication, change appears close at hand. The period of review and comment is well along, with a decision expected from the Joint Board by fall. Implementation is expected to begin on the first of the year. That said, it should also be noted that given the stakes and the complexity of the issue, any decision could be appealed, negotiated or litigated for some time.

But there does appear to be consensus on at least one point. Competition will likely cull the competition. Few people seem to think the Alaska market can support three major players the likes of Alascom, AT&T and an MCI-affiliated GCI.

And like Alascom's Ayers muses, "Anything is for sale at a price." □

Reliability on the job. Efficiency in design.

These are the traits Alaska's mine managers, engineers and equipment operators look for when they've got earth to move. It's why CMI built its reputation on quality product lines like Hitachi. We know that "Hitachi-made" means careful research and design that relies on nearly 80 years of field data. It means attention to engineering, from computer-aided design to ultrasonic structural tests to field engineers checking up on applications in the remotest of sites.

Hitachi-made means quality hydraulic systems in which motors, pumps and pipings are tested individually and then tested again in high-stress conditions, tougher than any you're likely to encounter.

At CMI we know Hitachi builds excellence into its excavators. In Alaska, where isolated worksites and extreme cold are part of the job, Hitachi excellence means less downtime and improved operating costs. That adds up to a job well done.



Kirk Curry
Anchorage



Construction Machinery, Inc.



Daryl Box
Juneau

5400 Homer Drive
Anchorage, Alaska 99518
FAX (907) 563-1381
(907) 563-3822

5295 Glacier Highway
Juneau, Alaska 99801
FAX (907) 780-4800
(907) 780-4030

P.O. Box 999
Ward Cove, Alaska 99928
FAX (907) 247-1405
(907) 247-2228



Alaska: A Mecca or Myth for Business Women

How valid is the Last Frontier's reputation as a hot spot for female entrepreneurs? The statistics show one story, and business women across the state tell another.



Roxanna Horschel of ACME Fence Co.

© Chris Arend

By Jeannie Woodring

Money-making myths about Alaska — even for women — are thicker than mosquitoes in summer. Newspaper ads promise **BIG BUCKS** in construction, real estate, fishing. In labor halls, stories spread about the Alaska workers — including females — who rake in revenue as bartenders, oilfield workers and business owners.

Adding fuel to the fire, along come red-hot statistics. In its July 1991 issue, *American Demographics* carried a story called "Women in Business: Where, What, and Why." The article contained a women-business ownership rate list, based on 1987 census data, which divided the number of women-owned firms by the number of adult women in each state.

At the top of the list, with nearly 85 companies for every 1,000 adult wom-

en, stood Alaska. A sidebar entitled, "The Best States for Women Entrepreneurs," added, "Women in Alaska are almost three times more likely to own a business than are women in Mississippi."

But with any statistics, there are two sides to the story. On one side, women-owned businesses are booming across the country. According to other statistics:

- From 1980-1989, women-owned sole proprietorships grew 96.3 percent, compared to a 63.6 percent growth rate for all other firms.

- For the same time period, revenues for these women-owned businesses grew 145 percent.

- Women-owned businesses now employ more people than all the Fortune 500 companies combined.

You get a darker picture from the other side of the statistics. In the same *American Demographics* article, authors William O'Hare and Jan Larson also pointed out:

- Women entrepreneurs fail more often than their male counterparts.

- Employed women earn less than employed men.

- A higher proportion of businesses owned by women are small, with receipts under \$5,000.

- The number of women going into business increases each year, but the number of women expanding their business grows at a slower rate.

So the question remains: Is Alaska a great place for women entrepreneurs? Because the state charges no business sales tax, details on male- and female-owned Alaska businesses are scarce. Other than wage differences reported by the Alaska Department of Labor, few statistics show the real story of the state's women entrepreneurs.

Facts and figures aside, women across Alaska know what it's like to build a business in this frozen frontier. Ask any of them about Alaska's money-making myths, and what will you discover? Read on.

"Is Alaska a good place for women entrepreneurs?"

"I think so," says Roxanna Horschel, owner of Anchorage-based ACME Fence Co. Inc. "Alaska is still young in the business world. There's a lot of oppor-

Can Anybody Figure Out Alaska's Phone Wars?

The story behind Alascom, GCI and AT&T's fight for the Last Frontier's long-distance lines.

By Sean Reid

"This process is virtually incomprehensible to the average humanoid." That candid and mostly serious concession comes from an expert on Alaskan telecommunications — Susan Knowles of the Alaska Public Utilities Commission (APUC), which oversees long-distance telephone service in Alaska. Just about everyone agrees that long-distance service has become a complicated tangle of corporations, regulations, history, consumer interests, special interests and competition. Only on a daytime soap opera could you find something more complicated or bizarre.

The major corporate players in the unfolding drama include Alascom (an Anchorage-based, wholly-owned subsidiary of Vancouver, Wash.-based Pacific Telecom Inc., which is 87 percent owned by utility conglomerate PacifiCorp of Portland, Ore.); and GCI (an Anchorage-based corporation

now 30 percent owned by MCI). The latest entrant into the fray is global telecommunications giant AT&T (based in New York). Of the three, Alascom has the deepest Alaskan roots and probably stands to undergo the most change as a result of the upcoming industry restructuring.

The Evolution of Confusion

The confusing mix of regulations and competing interests evident today has much to do with how Alaskan telecommunications evolved. It was gov-

ernment, not private industry, that in 1900 took the first serious step to provide Alaska with a communications network. A 25-mile military telegraph line from Nome to an outpost at Safety, Alaska, was part of an ambitious plan by the Army Signal Corps to connect scattered military outposts in the Alaska territory with the United States. The system allowed public and commercial use as well as government business.

By 1905, thousands of miles of land lines, a submarine cable and a rudimentary wireless radio link formed a

Help!

moderately reliable network known as the Washington-Alaska Military Cable and Telegraph System. In 1935, the growing system changed its name to Alaska Communications System (ACS) — a name and a government system that would last well into the 1960s, when most of the traffic was commercial, not military.

By 1967 Congress decided the system, now handling 95 percent of public and commercial traffic, should be sold to private enterprise. The Air Force, operating the Alaskan system,

evaluated bids from seven major communications corporations. RCA was the winner with a bid of nearly \$28.5 million. The newly created RCA Alascom division took control in 1971 of most "long lines" facilities and became the only company other than AT&T providing long-distance service in the United States.

Bush Communication

As a condition of state certification, Alascom promised to provide tele-

phone service by 1973 to 142 villages not being served by the existing network. The company quickly fell behind schedule and over budget. The state pressured Alascom to revise plans for rural Alaska. Alascom first refused, then later proposed alternatives unacceptable to the state.

The Legislature in 1975 appropriated \$5 million for construction of small satellite earth stations in 120 villages with a permanent population of 25 or more. First planned as an entirely state-run operation, Alascom was later granted permission to be a partner in the project with responsibility for installation, operation and maintenance of state equipment. In addition to the 120 state-owned earth stations, Alascom later began construction on 21 larger satellite earth stations to replace the obsolete White Alice network of transmitters scattered across Alaska.

Additions and improvements to the network continued. In 1973, long-distance telephone service via satellite began between Alaska and the Lower 48. Six years later, in 1979, RCA sold its Alascom division to Pacific Power and Light (now PacifiCorp); the acquisition formed the core of Pacific Corp's new Pacific Telecom division.

By the mid-1980s, Alascom had invested millions of dollars to create a modern satellite and terrestrial microwave telecommunications network serving all major Alaska towns and more than 160 rural communities. The network was viewed as a successful model for developing countries worldwide faced with similar problems of serving a relatively small population scattered across vast distances, often under inhospitable climatic conditions.

For its efforts, Alascom reaped the benefits of monopolistic service. And while the rates it could charge were regulated by the APUC and the Federal Communications Commission (FCC), the company had the opportunity to receive a regulated rate of return on its investment. It also received a large annual subsidy from AT&T, with whom it connected to carry calls to and from the Lower 48 and the rest of the world.

Starting a Subsidy

In 1972, the FCC stated that with

EXPERIENCE COSTS LESS

Specialized Fields:

- UST Removal & Installation • Remediation Services
- Hazardous Materials Handling & Hauling
- General Excavating • Cold Asphalt Recycling



B.C. EXCAVATING, INC.

2251 Cinnabar Loop, Anchorage, Alaska 99507
Phone: (907) 344-4490 • Fax: (907) 344-4492



ANCO Foodservice

TOLL FREE 800-478-2653

Wholesale Distributor

- Gourmet Meats •
- Produce •
- Institutional Groceries •
- Soft Drinks •
- By-pass Mail •

Anchorage • 1401 East First Ave., Anchorage, AK 99510 • Ph. (907) 264-0224 Fax (907) 274-4622
Fairbanks • 1705 Wells, Fairbanks, AK 99701 • (907) 456-4488 Fax (907) 456-3044
Juneau • 5452 Shaune Dr., Juneau, AK 99801 Ph. (907) 780-4474 Fax (907) 456-3044
Kodiak • 8046 Rezanof Dr. W. Whse-B, Kodiak, AK 99615 Ph. (907) 487-4547 Fax (907) 487-4547
Seattle • P.O. Box 24627, Seattle, WA 98124 Ph. (206) 623-3256 Fax (206) 233-0786

the inauguration of domestic satellite service, Alaskan interstate rates should come down and eventually match rates for like-distance calls between other Lower 48 states. The concept was known as "rate integration."

To accomplish this, Alascom took a decrease in its annual revenue and argued that it could ill afford such a cut while operating where the cost of doing business was considerably higher than in the Lower 48.



Anchorage Museum

The FCC agreed, and in time, Alascom and AT&T agreed to a plan (called the Joint Service Arrangement) under which AT&T would pay Alascom's costs to provide interstate service. In exchange, AT&T was entitled to Alascom's revenues generated by the interstate service. In essence, a subsidy was created that covered the difference between costs and revenues.

The concept of subsidizing a particular long-distance market was not unique. AT&T routinely subsidized less profitable portions of their own system with revenue from more lucrative markets. A complex formula for determining Alascom's reimbursable costs was created, which today allows Alascom to attribute 86 percent of its key investments in major circuit equipment (microwave facilities, etc.) for interstate service (costs that are subsidized). The remaining 14 percent is allocated for providing intrastate service (which is not subsidized by AT&T). It works out to an annual AT&T subsidy to Alascom of some \$80 million to \$100 million per year to make up Alascom's interstate expenses not covered by toll revenues.

David and Goliath

A lot has changed in the telecommunications industry since the 1970s when the Alascom/AT&T interstate subsidy was formulated. Since 1982, Alascom's competition has been primarily GCI, which began as a company some people thought would prove to be little more than a temporary thorn in Alascom's side. For some 10 years, Alaskans watched David-and-Goliath phone companies battle for

long-distance telephone dollars.

The battles were fought in the courts, the Legislature, the regulatory arena, in the press and in advertising. GCI, essentially free to set its rates at will, attacked Alascom with interstate rates that were typically just below Alascom's, which by regulation were, and still are, tied directly to AT&T's Lower 48 rates. GCI seemed to claim credit for forcing down Alascom's interstate rates by introducing Alaskan competition. In fact, Alascom's interstate rates were going down because AT&T, facing in-

creased competition from MCI and others, was cutting its rates. And as AT&T rates fell, Alascom's had to fall.

On the intrastate side, where Alascom is not bound by AT&T rates but still must secure APUC approval, GCI often continued to undercut Alascom rates by pennies or fractions of pennies per minute — even as Alascom cut its own rates. Alascom also countered with claims of superior equipment, service, experience and a long history of investing in Alaska.

By building its own facilities where

BEST OF THE BEST

Hot new products that will improve your business (and maybe your life!).

TECHNOLOGY PAYOFFS

Space age marketing that opens a whole new world (of customers).

RIGHT CONNECTIONS

Networking breakthroughs that make a perfect match (of product, buyers, sellers).

THE TIME MACHINES

Squeezing 14 hours of work into an 8 hour day.

HITTING THE JACKPOT

Success stories by Alaskans who found the "on" button and made technology payoff for them in... catalog sales, retail inventory and manufacturing.

WHERE WE'RE HOT

Resources + Technology = Environmental Steps forward that pay off now.

DEMONSTRATE

Clearly how to harness the latest technology for small and large business.

TRADE SHOW

SEMINARS

EXHIBITS

NATIONAL SPEAKERS

THE FUTURE ISN'T WHAT IT USED TO BE.

TECHNOLOGY A NEW DAY FOR ALASKA

Alaska State Chamber of Commerce 34th Annual Convention & Business Trade Show

September 28-30, 1993

William A. Egan Civic & Convention Center
Anchorage

For more information call (907) 278-2722.

it could and by leasing space on Alascom's network elsewhere, the young GCI sometimes appeared larger than it really was. Some services were initially bare-boned (GCI had no long-distance operators for several years), and the advertising budget was stretched thin. Today, GCI claims it has about 50 percent of the long-distance customers in markets where it competes with Alascom. Stressing customer service, GCI executive vice president and general manager Wilson Hughes (a former Alascom engineer) explains, "People want other services than just POTS — plain old telephone service."

Alascom, feeling the sting of competition after years of regulated monopoly, responded by paring its large work force, cutting costs, increasing its advertising budget and improving its network and services, including upgrading to digital technology.

Meanwhile, GCI's market success as well as Alascom's continued profitability did not go unnoticed by AT&T. The corporate giant was growing tired of shelling out nearly \$100 million a year to Alascom; at the same time AT&T faced new competition of its own in the Lower 48. GCI and other Alascom critics also began to argue that the long-standing AT&T/Alascom subsidy provided Alascom with an unfair advantage. Particularly irksome to GCI was the fact that Lower 48 dollars provided by AT&T could be used by Alascom for advertising and promotion.

New Competition and a New Joint Board

By as early as 1983, it was clear a new round of open competition would again change the face of Alaska telecommunications. A federal/state body, called the Alaska Joint Board, was created to examine the interstate telecommunications market and reconcile the often contradictory principles of open competition and regulated rate integration or mandated averaging.

An impediment to open intrastate competition has been the concern that competitors would choose to serve only the most profitable areas and not the smallest rural communities — a practice called "skimming." This argument has long been central to Alascom's posi-

tion resisting GCI's entrance into the intrastate market at the more attractive larger communities.

Alascom has insisted that the small rural communities, on their own, are a money-losing operation. Under the concept of universal service, rates are averaged for all market areas; the high profit areas support the money losers — a fact of telephone service in many places including, for example, Nevada and Minnesota. The concept applies to just two long-distance companies in the United States — AT&T and Alascom,



Alaska State Museum

both of whom are classified as carriers of last resort. In other words, because these companies are the dominate carriers in their regions, they must provide service if no one else does and do it for the same averaged price. Other companies, like MCI, Sprint and GCI, can choose to serve virtually at will (given some oversight by the regulatory bodies).

Today, the Joint Board, Alascom, GCI and AT&T all agree that it is time for a change toward a market-driven, open and competitive arena. The Joint Board conceded that the AT&T/Alascom subsidy arrangement gives "Alascom little reason to control costs." And in a recent report it says, "There are few, if any, advocates for the current market structure's preservation."

The first serious proposition was brought to the table last year by Alascom and AT&T, who referred to their joint proposal as the "master agreement." Included in the complicated proposal were a number of sweeping changes in the way the market would be struc-

tured, as well as a buyout of Alascom's interstate side by AT&T for \$330 million. The plan met with considerable opposition and died.

The Joint Board itself then fostered an alternative plan that is today being reviewed and receiving comment. The complex plan would wean Alascom from the annual AT&T subsidy while still financially compensating Alascom for its sizable investment over the years. In theory, the plan would allow AT&T to enter the interstate market, leave Alascom with less investment to carry on the intrastate side of the books, and therefore help prevent any rise in intrastate rates to the consumer in a competitive market. In effect, open, unsubsidized competition would arrive while cushioning the blow to Alascom, which would remain the regulated carrier of last resort.

Compromise Cuts Competition

The Joint Board proposes a number of changes, all of which would be instituted and then phased out within the next 10 years. It calls for Alascom's interstate cost allocation to shrink from 86 percent to 75 percent, thereby reducing AT&T's annual subsidy. To help make up the difference to Alascom, the board has proposed the creation of a nationwide fund into which phone companies all over the country would pay. As the interstate allocation shrinks, Alascom's allowable intrastate cost allocation for key investments would nearly double, from 14 percent to 25 percent. To keep these intrastate costs from causing a rate increase for Alaskans, the proposal would require AT&T to "buy down" some of Alascom's investment, i.e., reimburse Alascom. In the meantime, AT&T would also be obliged to contract with Alascom for the use of its equipment for at least three years, providing another source of assured income for Alascom during a transition period.

Alascom seems willing to accept this deal as the best compromise package available. "We're prepared to go forward with exactly what the Joint Board is saying, as long as there is a reasonable transition period," says John Ayers, Alascom's executive vice president and general manager.

Even GCI, faced with the entry of

another formidable competitor, feels that the Joint Board proposal represents the best compromise available. "The solution to the Alaskan market structure is AT&T entry into the market," agrees Dana Tindall, vice president of GCI's legal and regulatory department. "It's always been our position that (AT&T's entry) is what needs to be done."

AT&T, however, thinks it has a better idea, which it recently proposed as an alternative to the Joint Board proposal. By comparison, their plan appears to be a remarkably simple and straight-forward approach in an arena strewn with complex timetables and calculations. AT&T proposes a complete and immediate elimination of the Alascom subsidy; it would enter direct competition with Alascom and GCI for interstate calling to and from the Lower 48 at comparable nationwide rates; it would be prepared to construct much of its own \$230 million network, including a new state-of-the-art fiber optic cable linking the Lower 48 and Alaska through Juneau and



Anchorage Museum

Anchorage; and it would provide complete intrastate service across Alaska using either its own equipment or through facilities leased from Alascom or GCI at rates equal to or less than Alascom or GCI for at least five years, except to pass through APUC-approved increases in intrastate access charges.

Critics are not convinced. They point to that last clause about passing through increased access charges. What that means, critics say, is that if Alascom is granted increased intrastate rates to earn its current rate of return in a shrinking market, AT&T's and presumably GCI's rates will go up too, especially since both would be paying to use some of Alascom's rural network.

However, both GCI and AT&T contend they could make a respectable return at current prices regardless of where they might serve, even in the Bush, if given unrestricted access. They say that new, lower-cost technology plus current competitive market forces would give them an edge over Alascom, which must support an older, more expensive network.

Doug Wilcox, AT&T's Alaska business unit general manager, also tries to reassure critics by responding to a claim from John Ayers that Alascom's intrastate rates will rise under unbridled competition. "I tell John Ayers every time I see him, 'I love that story, John. I hope you do it because I'll get all of your customers!'"

After years of debate over the form and future of Alaskan telecommunication, change appears close at hand. The period of review and comment is well along, with a decision expected from the Joint Board by fall. Implementation is expected to begin on the first of the year. That said, it should also be noted that given the stakes and the complexity of the issue, any decision could be appealed, negotiated or litigated for some time.

But there does appear to be consensus on at least one point. Competition will likely cull the competition. Few people seem to think the Alaska market can support three major players the likes of Alascom, AT&T and an MCI-affiliated GCI.

And like Alascom's Ayers muses, "Anything is for sale at a price." □

Reliability on the job. Efficiency in design.

These are the traits Alaska's mine managers, engineers and equipment operators look for when they've got earth to move. It's why CMI built its reputation on quality product lines like Hitachi. We know that "Hitachi-made" means careful research and design that relies on nearly 80 years of field data. It means attention to engineering, from computer-aided design to ultrasonic structural tests to field engineers checking up on applications in the remotest of sites.

Hitachi-made means quality hydraulic systems in which motors, pumps and pipings are tested individually and then tested again in high-stress conditions, tougher than any you're likely to encounter.

At CMI we know Hitachi builds excellence into its excavators. In Alaska, where isolated worksites and extreme cold are part of the job, Hitachi excellence means less downtime and improved operating costs. That adds up to a job well done.

Kirk Curry
Anchorage

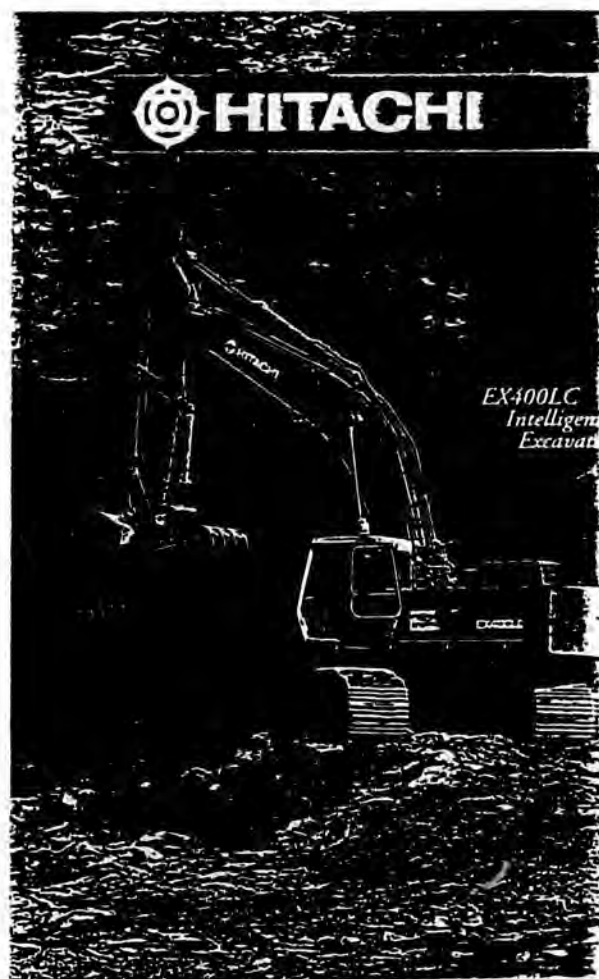
Construction Machinery, Inc.

Daryl Box
Juneau

5400 Homer Drive
Anchorage, Alaska 99518
FAX (907) 563-1381
(907) 563-3822

5295 Glacier Highway
Juneau, Alaska 99801
FAX (907) 780-4800
(907) 780-4030

P.O. Box 999
Ward Cove, Alaska 99928
FAX (907) 247-1405
(907) 247-2228

EX400LC
Intelligent
Excavator

JOINT BOARD FILINGS - CC83-1376, RM 4436

1/31/92 CC ltr frm C. R. Naftalin, Law Offices of Koteen & Naftalin, Washington, DC, to D. R. Searcy, FCC, RE: Ex Parte Presentation

2/3/92 CC ltr frm J. D. Edge, Counsel f/ GCI, to D. R. Searcy, FCC, ENCL: PETITION OF GCI

2/3/92 CC ltr frm C. R. Naftalin, Law Offices of Koteen & Naftalin, Washington, DC, to D. R. Searcy, FCC, RE: Agreement btwn AT&T & PTI, Alascom & TUA

2/7/92 FAX frm C. R. Naftalin, Law Offices of Koteen & Naftalin, Washington, DC, ENCL: COMMENTS OF ALASCOM, INC. AND PROPOSED SCHEDULE IN INTEGRATION OF RATES AND SERVICES FOR THE PROVISION OF COMMUNICATIONS BY AUTHORIZED COMMON CARRIERS BETWEEN THE CONTIGUOUS STATES AND ALASKA, HAWAII, PUERTO RICO AND THE VIRGIN ISLANDS

2/7/92 JOINT PETITION TO APPROVE MASTER AGREEMENT, TERMINATE JOINT SERVICE ARRANGEMENT, CONTINUE NECA PARTICIPATION, AND FOR LIMITED WAIVER OF SEPARATIONS RULES AND RESOLUTION AND TERMINATION OF REGULATORY PROCEEDINGS by Attys f/ AT&T, ALASCOM, and TUA

2/7/92 APPLICATION OF ALASCOM, INC. AND TUA, under Section 214(a) of the Communications Act to Transfer Interexchange Interstate and International Lines of Communication for Access Services in the State of Alaska by Attys f/ TUA & ALASCOM

2/7/92 PETITION FOR WAIVERS of Sections 36.125(f), and 36.154(e) (1) and (2), and the Definition of "Study Area" Contained in Part 36, Subpart H, Appendix-Glossary of the Commission's Rules by Attys f/ TUA

2/7/92 JOINT APPLICATION OF AT&T AND ALASCOM, INC., under Section 214(a) of the Communications Act, to acquire and assign (respectively) interexchange interstate and international lines and switched services of Alascom, Inc., by Attys f/ AT&T & Alascom

2/10/92 Recd frm FCC, COMMENTS OF INTEREXCHANGE RESELLERS ASSOCIATION TO APPLICATION OF AT&T FOR EMERGENCY DISCONTINUANCE

2/11/92 RESPONSES OF PACIFIC TELECOM, INC. FOR ITSELF AND ON BEHALF OF ITS SUBSIDIARIES, ALASCOM, INC. AND TELEPHONE UTILITIES OF ALASKA, INC., TO QUESTIONS OF THE STATE MEMBERS OF THE FEDERAL-STATE JOINT BOARD, posed October 4, 1991 (filed in separate blue

binders, 9 volumes)

2/12/92 CC ltr frm J. D. Edge, Hopkins & Sutter, to D. R. Searcy, FCC, RE: Petition to Establish a Consolidated Procedural Schedule

2/21/92 Ltr frm S. Knowles, Anchorage, to A. Sikes, FCC, RE: Invitation to informal work session 3/2/92, Marriott Hotel, Washington D.C.

2/21/92 Recd by FAX, ltr frm L. Tyree, AT&T, response of AT&T & PTI to Joint Board request to a number of questions about their agreement in principle regarding the Alaska telecommunications business

2/28/92 CC Ltr frm J. Edge, HOPKINS & SUTTER, RE: Notification of ExParte Communication ENCL: JOINT PETITION AND ASSOCIATED FILINGS BY AT&T, ALASCOM, AND TUA REGARDING ALASKA TELECOMMUNICATIONS SERVICES AND PETITION TO ESTABLISH REGULATORY POLICIES CONCERNING THE ALASKA TELECOMMUNICATIONS MARKET STRUCTURE filed by GCI, Inc.

3/13/92 PUBLIC NOTICE frm FCC, RE: JOINT PETITION AND ASSOCIATED FILINGS BY AT&T, ALASCOM, AND TUA REGARDING ALASKA TELECOMMUNICATIONS SERVICES AND PETITION TO ESTABLISH REGULATORY POLICIES CONCERNING THE ALASKA TELECOMMUNICATIONS MARKET STRUCTURE FILED BY GENERAL COMMUNICATIONS, INC., released March 4, 1992

3/16/92 Recd frm E. Benner, FAX CC Ltr frm W. Stern, NECA to V. Dunham, PTI, Vancouver, RE: CC Docket 83-1376, ENCL: NECA'S preliminary estimate of rate impacts (COMM, JJ, JMCP, LPK, PT, EH, WEM, SEC HDS, R&F CC83-1376)

3/18/92 CC Ltr frm V. Dunham, Pacific Telecom, Inc., to Commissioners E. Hagen, Bismark, ND; S. Knowles, APUC; D. Miller, Boise, ID; D. Rolka, Harrisburg, PA, ENCL: Correspondence received from NECA (COMM, SEC HDS, JMCP, JJ, EH, LPK, WM, R&F)

3/18/92 CC Ltr frm V. Dunham, Pacific Telecom, Inc., to Commissioners E. Hagen, Bismark, ND; S. Knowles, APUC; D. Miller, Boise, ID; D. Rolka, Harrisburg, PA, RE: Suggestion to meet with Joint Board staff to discuss detailed, complex submitted 10/4/91 (COMM, SEC HDS, JMCP, JJ, EH, LPK, WM, R&F)

3/18/92 CC Ltr frm C. Naftalin, KOTEEN & NAFTALIN, Washington DC, to D. Searcy, FCC, ENCL: Responses by PTI, ALASCOM & TELEPHONE UTILITIES OF ALASKA (COMM, SEC HDS, JMCP, JJ, EH, LPK, WM, R&F)

3/19/92 Recd frm Sen. T. Stevens office, FAX CC Ltr frm T. Stevens, U S Senator, to Hon. A. Sikes, FCC, RE: Request f/joint board to thoroughly examine the Alascom/AT&T/GCI proposals

3/20/92 ENTRY OF APPEARANCE by H. Grahame, BOGLE & GATES, Attys

CC83-1376, RM 4436

Page 2 of 17

f/Alaska Telephone Association (COMM, JJ, JMCP, LPK, EH, WEM, SEC HDS, R&F)

3/24/92 FAX CC MOTION FOR EXTENSION OF TIME, by H. Graehame, Atty f/Alaska Telephone Assn.

3/25/92 Recd frm E. Benner, Idaho Public Utilities Commission, FAX CC Ltr responding to questions posed 10/4/91 before Joint Board

3/25/92 FCC Docket 83-1376, OPPOSITION OF ALASCOM, INC. TO MOTION FOR EXTENSION OF TIME by A. Naftalin & C. Naftalin, KOTEEN & NAFTALIN, Attys f/Alascom

3/26/92 AT&T'S OPPOSITION TO ATA'S MOTION FOR EXTENSION OF TIME by F. Berry, Atty f/AT&T (R&F)

3/31/92 REPLY TO AT&T AND ALASCOM, INC.'S OPPOSITIONS TO THE ALASKA TELEPHONE ASSOCIATION'S MOTION FOR EXTENSION OF TIME

4/6/92 ORDER GRANTING EXTENSION OF TIME TO FILE COMMENTS by R. Firestone, FCC

4/17/92 COMMENTS OF UNITED UTILITIES, INC. ON THE JOINT PETITION AND ASSOCIATED FILINGS OF AT&T, ALASCOM, AND TUA REGARDING ALASKA TELECOMMUNICATIONS SERVICES by S. Hamlen, UII

4/21/92 COMMENTS OF ALASCOM, INC. by A. Naftalin, & C. Naftalin, KOTEEN & NAFTALIN, Attys f/Alascom

4/22/92 FAX CC COMMENTS OF SPRINT COMMUNICATIONS by R. Juhnke, Atty f/Sprint

4/22/92 PETITION TO DENY OPPOSITION AND COMMENTS OF GENERAL COMMUNICATION, INC. by J. Edge, HOPKINS & SUTTER, Atty f/GCI

4/22/92 COMMENTS OF THE STATE OF ALASKA, by R. Halperin, CROWELL & MORING, Atty f/State of Alaska

4/22/92 Ltr frm J. Bochis, to D. Searcy, FCC, ENCL: COMMENTS by J. Bochis, Atty f/NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

4/23/92 INTERIM OPPOSITION OF THE ALASKA TELEPHONE ASSOCIATION by H. Graehame, Atty f/ATA

4/23/92 COMMENTS OF AMERICAN TELEPHONE AND TELEGRAPH COMPANY by F. Berry, D. Condit & R. Rubin, Attys f/AT&T

4/24/92 Recd frm BOGLE & GATES, FAX CC ALASKA TELEPHONE ASSOCIATION'S FIRST SET OF DISCOVERY REQUESTS TO TELEPHONE UTILITIES OF ALASKA by H. Graehame, Atty f/ATA

4/24/92 COMMENTS OF THE STATE OF HAWAII, by H. Marks, QUIRE,

SANDERS & DEMPSEY, Atty f/State of Hawaii

4/24/92 INTERIM OPPOSITION by P. Berman, COVINGTON & BURLING,
Atty f/MOA dba Anchorage Telephone Utility

4/27/92 ERRATUM by J. Edge, HOPKINS & SUTTER, Atty f/GCI

4/27/92 COMMENTS OF MCI TELECOMMUNICATIONS CORPORATION by D.
Elardo, Atty f/MCI

4/30/92 NOTICE OF CHANGE IN COUNSEL by J. B. Ramsey, NARUC

5/1/92 CC ltr frm A. C. Sikes, FCC, to Hon. D. J. Miller, Idaho
PUC, RE: comments on disposition of ATA request (**confidential**)

5/4/92 Ltr frm A. C. Sikes, FCC, RE: Commission disposition of
a request from the ATA with regard to the Alaska Joint Board
proceeding (**confidential**)

5/5/92 Recd by FAX frm GCI, Exhibit 1 previously omitted from
GCI comments filing

5/6/92 ERRATUM TO GCI'S PETITION TO DENY, OPPOSITION AND
COMMENTS by J. D. Edge, Atty f/ GCI

5/8/92 Recd frm FCC, ORDER APPOINTING HONORABLE DAVID W. ROLKA
to serve as a member of the Federal-State Joint Board

5/11/92 RESPONSES (TWO VOLUMES/ I & III) OF PTI, ALASCOM, & TUA
TO QUESTIONS OF THE STATE MEMBERS OF THE FEDERAL-STATE JOINT BOARD
POSED 4/21/92 by M. K. Hughes, Atty f/ TUA (**filed under separate
cover**)

5/11/92 AT&T'S OPPOSITION TO ATA'S MOTION FOR EXTENSION OF TIME
by F. J. Berry

5/21/92 CC Ltr frm D. Rolka, Pennsylvania PUC; S. Knowles, Alaska
PUC; B. Hagen, North Dakota PSC; D. Miller, Idaho PUC; to V.
Dunham, PTI & A. Tyree, AT&T, ENCL: Data Requests

5/21/92 REPLY COMMENTS OF THE ALASKA TELEPHONE ASSOCIATION by K.
Gender f/H. Grahame, BOGLE & GATES, Attys f/ATA

5/21/92 REPLY COMMENTS OF ALASCOM, INC. by A. Naftalin, KOTEEN &
NAFTALIN, & F. Young, YOUNG AND JATLOW, Attys f/Alascom

5/26/92 COMMENTS OF MCI TELECOMMUNICATIONS CORPORATION by D. J.
Elardo

5/26/92 REPLY COMMENTS OF THE ORGANIZATION FOR THE PROTECTION AND
ADVANCEMENT OF SMALL TELEPHONE COMPANIES by H. E. Marks, State of

Hawaii

5/26/92 REPLY COMMENTS OF GENERAL COMMUNICATION, INC., by J. D. Edge, Atty f/ GCI

5/26/92 REPLY COMMENTS OF THE STATE OF ALASKA by R. M. Halperin, Atty f/ State

5/26/92 REPLY COMMENTS OF AMERICAN TELEPHONE AND TELEGRAPH COMPANY by F. J. Berry, D. P. Condit, & R. H. Rubin, Attys f/ AT&T

5/29/92 MOTION FOR DEFERRAL PENDING SUBMISSION OF ADDITIONAL DATA OR, IN THE ALTERNATIVE, FOR DISMISSAL by W. Keane, WINSTON & STRAWN, Atty f/UUI; CERTIFICATE OF SERVICE by L. Fox, Secretary, WINSTON & STRAWN

5/29/92 CC Ltr frm D. Rolka, Pennsylvania PUC; S. Knowles, Alaska PUC; B. Hagen, North Dakota PUC; D. Miller, Idaho PUC to Hon. A. Sikes, FCC, RE: Expressed concerns on Federal Decision to grant 17 day extension of time

6/3/92 Ltr frm A. Tyree, AT&T, ENCL: Response to 3rd set of data requests dtd 5/19/92

6/4/92 Ltr frm V. Dunham, Pacific Telecom, Inc., RE: Submission of materials in answer to Data Request Set 3

6/8/92 OPPOSITION OF ALASCOM, INC. TO UNITED UTILITIES MOTION FOR DEFERRAL by A. Naftalin, C. Naftalin, KOTEEN & NAFTALIN, Attys f/Alascom; CERTIFICATE OF SERVICE by B. Frank, Secretary f/Koteen & Naftalin

6/8/92 AT&T'S OPPOSITION TO UNITED UTILITIES' MOTION FOR DEFERRAL by D. Condit f/American Telephone and Telegraph Company; CERTIFICATE OF SERVICE by V.Harris

6/18/92 CC Ltr frm A. Tyree, AT&T, to R. Welchlin, Overland Consulting, Inc., ENCL: Response to questions in ltr dtd 6/8/92

6/22/92 CC ltr frm J. Edge, Hopkins & Sutter, on behalf of General Communication, Inc., to D. Searcy, FCC, RE: Notice of Ex Parte Communication Meeting

6/22/92 CC Ltr frm C. Naftalin, Koteen & Naftalin on behalf of Pacific Telecom, Inc., Alascom, Inc. & Telephone Utilities of Alaska, to D. Searcy, FCC, RE: Notice of Ex Parte Communication Meeting

6/24/92 Ltr frm V. Dunham, Pacific Telcom, Inc., ENCL: Response to Data Request Set 4

CC83-1376, RM 4436

Page 5 of 17

6/25/92 CC Ltr frm D. Rolka, Pennsylvania PUC; S. Knowles, Alaska PUC; B. Hagen, North Dakota PSC; D. Miller, Idaho PUC, to A. Tyree, AT&T, San Francisco, CA, ENCL: Data Request of State Commissioners and Staff of the Alaska Federal-State Joint Board, Set 5 (Request 5)

6/29/92 Ltr frm V. Dunham, PTI, ENCL: Response to Question 54 of Data Request Set 2

7/1/92 CC Ltr frm C. Naftalin, KOTEEN & NAFTALIN, to D. Searcy, FCC, RE: Report of Ex Parte communication

7/6/92 Ltr frm A. L. Tyree, AT&T, ENCL: Data Request (Set 5)

7/6/92 Recd by FAX frm R. Riggert, AT&T, RE: AT&T response to Data Request Set 5

7/17/92 Ltr to Hon. A. C. Sikes, FCC, RE: TUA's proposed change in its "study area"

7/22/92 Recd frm Overland Consulting, Inc., Study of the Alascom/AT&T Master Agreement Briefing Paper (SMK, LK, **CONFIDENTIAL**)

7/24/92 cc ltr frm C. R. Naftalin, to D. R. Searcy, FCC, RE: Ex Parte Report

7/30/92 cc ltr frm H. H. Grahame, Atty f/ Alaska Telephone Assn., to D. R. Searcy, FCC, RE: Ex Parte Presentation

8/3/92 CC Ltr frm C. Naftalin, KOTEEN & NAFTALIN, to D. Searcy, FCC, RE: Report of Exparte Communication

8/3/92 CC Ltr frm R. Halperin, CROWELL & MORING, to D. Searcy, FCC, RE: Report of Exparte Communication

8/4/92 Recd frm Pennsylvania Public Utility Commission, RE: Lifting of "**CONFIDENTIAL**" status frm Overland Report previously submitted to APUC on 7/27/92

8/4/92 Ltr to V. Dunham, PTI & A. tyree, AT&T, RE: Informal meeting held 7/27/92 to discuss Master Agreement, ENCL: MEMORANDUM OF UNDERSTANDING

8/10/92 NOTICE OF FILING OF RESPONSE TO FEDERAL-STATE JOINT BOARD by M. Hughes, HUGHES, THORSNESS, GANTZ, POWELL & BRUNDIN, Attys f/TUA

8/21/92 Ltr frm V. Dunham, PTI to Joint Board, RE: Clarification of availability of Lease Agreement terms

8/21/92 CC Ltr frm H. Grahame, BOGLE & GATES, Atty f/ATA to D. Searcy, FCC, RE: Ex Parte Report

9/1/92 Ltr frm A. L. Tyree, AT&T, RE: response to concerns raised in 8/4/92 "Memorandum of Understanding" regarding Master Agreement btwn AT&T & the PTI companies, Alascom & TUA

9/1/92 cc ltr frm R. M. Halperin, Crowell & Moring, to D. R. Searcy, FCC, Washington, DC, RE: Integration of Rates & Services

9/2/92 Ltr frm H. Grahame, Bogle & Gates, Attys f/ ATA, RE: Response to the Joint Board's 8/4/92 memorandum to Mr. Tyree & Mr. Dunham

9/4/92 Ltr frm J. D. Edge, Hopkins & Sutter, Attys f/ GCI, RE: GCI's Comments on Alascom/AT&T proposal

9/4/92 Ltr frm C. R. Naftalin, on behalf of PTI, Alascom & TUA, ENCL: DECLARATION OF PHILIP J. FREEDENBERG

9/4/92 Ltr to V. Dunham, Pacific Telecom, RE: Request f/ extension of time to file response to Memorandum of Understanding

9/11/92 FAX frm E. Hickerson, Asst Atty Gen., RE: CC ltr frm V. K. Dunham, to State Commission Members regarding PTI, Alascom, & TUA, requested additional time to respond to the Memorandum of Understanding of the State Commission Members

9/15/92 CC ltr frm C. R. Naftalin, Koteen & Naftalin, to D. R. Searcy, FCC, ENCL: Ex Parte Report

9/17/92 ALASKA TELEPHONE ASSOCIATION'S MOTION TO TAKE OFFICIAL NOTICE OF ALASKA PUBLIC UTILITIES COMMISSION ORDER NO. 14 IN DOCKET U-92-9 by Heather H. Grahame, Bogle & Gates, Atty f/ Alaska Telephone Association

9/21/92 Ltr frm J. W. Katz, Director of State/Federal Relations & Special Counsel to the Governor of State of Alaska, RE: clarify facts with respect to certain recent developments in proceeding

9/21/92 cc ltr frm J. D. Edge, to D. R. Searcy, FCC, Ex Parte Report

9/22/92 cc ltr frm C. R. Naftalin, to D. R. Searcy, FCC, RE: Ex Parte Report

9/22/92 Ltr frm V. K. Dunham, PTI, RE: response to Memorandum of Understanding & related correspondence of 8/4/92

9/23/92 Ltr frm M. K. Hughes, ENCL: Response of Pacific Telecom, Inc., to Memorandum of Understanding & related correspondence frm State Commission members of the Joint Board dtd 8/4/92

9/25/92 cc ltr frm R. M. Halperin, to D. R. Searcy, FCC, RE: Integration of Rates & Services

9/25/92 Ltr to D. R. Searcy, FCC, RE: complete cy of BJA PFT sent to Patrick Donovan

10/5/92 CC Filing with FCC of PROPOSAL OF GENERAL COMMUNICATION, INC. by J. Edge, HOPKINS & SUTTER, Atty f/GCI

10/5/92 CC Ltr frm R. Halperin, Crowell & Moring, to D. Searcy, FCC, RE: Notification of phone conversations covering matters in ltrs dtd 9/15/92 & 9/1/92

10/7/92 Ltr frm J. Edge, GCI Communication, Inc., RE: Response to ltr frm PTI dtd 9/21/92

10/12/92 Ltr frm A. Tyree, AT&T, RE: Supplement to AT&T's 8/31/92 response to Item I.C. of State Joint board members' 8/4/92 Memorandum of Understanding; CERTIFICATE OF SERVICE by K. Lindsay

10/12/92 Ltr frm V. Dunham, PTI, RE: Response to ltr of Counsel f/GCI dtd 10/6/92

10/12/92 Ltr frm J. Edge, Hopkins & Sutter, Atty f/GCI, RE: Notification of EX PARTE Communication

10/14/92 Ltr frm H. Grahame, BOGLE & GATES, Atty f/ATA RE: ATA's position on docket filings; CERTIFICATE OF SERVICE by J. Kean, f/Bogle & Gates

10/14/92 Ltr frm D. Tindal, GCI, to State Commission Members, RE: Preliminary overview of financial implications of GCI's proposals, ENCL: Copy of FCC Filing CC Dkt, FINANCIAL ANALYSIS OF THE GENERAL COMMUNICATION, INC. WRITE-DOWN PROPOSALS by J. Edge, Hopkins & Sutter, Attys f/GCI

10/20/92 Ltr frm D. Tindall, GCI, RE: Corrections to filing made on October 14, 1992, ENCL: Corrected filing

10/26/92 CC83-1376, (Alaska Joint Board), Ltr frm J. Edge, Hopkins & Sutter, Washington, DC RE: Response to PTI's ltr dtd 10/9/92

CC83-1376, (Alaska Joint Board), Recd frm Koteen & Naftalin, Washington DC, OPPOSITION OF ALASCOM, INC. TO PROPOSAL OF GENERAL COMMUNICATION, INC. by A. Naftalin & C. Naftalin, KOTEEN & NAFTALIN, Attys f/Alascom, Inc. (SMK)

11/5/92 Ltr to G. A. Parker, Jr., ATA, A. L. Tyree, AT&T, R. Duncan, GCI, V. Dunham, PTI & J. Katz, Office of the Governor, State of Alaska, RE: Memorandum of Principles

11/5/92 Ltr to FCC, Washington, DC, RE: Master Agreement

11/6/92 cc ltr frm R. M. Halperin, Crowell & Moring, to D. R. Searcy, FCC, RE: Integration of Rates & Services

11/9/92 REPLY TO OPPOSITION OF ALASCOM by Joe D. Edge, Hopkins & Sutter, Atty f/ General Communication, Inc.; and CERTIFICATE OF SERVICE by Jean M. Layton, employee of Hopkins & Sutter

11/9/92 Ltr frm Heather H. Grahame, Bogle & Gates, Atty f/ Alaska Telephone Association, RE: ATA's support of restriction on the construction of bush earth stations

11/9/92 Ltr frm Henry D. Ritter, Overland Consulting, Inc., RE: Audit Reports (**CONFIDENTIAL**, LPK)

11/10/92 cc ltr frm A. Y. Naftalin, Koteen & Naftalin, to D. R. Searcy, FCC, RE: Ex Parte Report

11/10/92 Ltr frm V. K. Dunham, PTI, RE: confirm oral notice of participation at the forthcoming NARUC meetings scheduled for 11/15/92 & request f/ copies of documents

11/12/92 Ltr frm A. Y. Naftalin, Counsel f/ PTI, RE: Memorandum of Principles

11/13/92 Ltr frm G. Parker, ATA, RE: Memo of Principles Alaska Market Structure: The State Members' Plan dtd 11/5/92

11/17/92 COMMENTS OF THE STATE OF ALASKA ON VARIOUS PROPOSALS TO MODIFY THE MASTER PLAN by L. K. Smith, Crowell & Moring, Attys f/ State of Alaska

11/20/92 cc ltr frm J. D. Edge, GCI, to D. R. Searcy, FCC, RE: Ex Parte Report

11/23/92 cc ltr frm C. R. Naftalin, PTI, Alascom, & TUA, to D. Searcy, FCC, RE: Ex Parte Report

11/23/92 cc ltr frm C. R. Naftalin, to D. Searcy, FCC, RE: summary of ex parte meetings

11/24/92 cc ltr frm J. D. Edge, GCI, to D. R. Searcy, FCC, RE: Ex Parte Report

11/27/92 cc ltr frm R. M. Halperin, State of Alaska, to D. R. Searcy, FCC, RE: Integration of Rates & Services

12/4/92 CC Ltr frm A. Tyree, AT&T, to D. Searcy, FCC RE: Brief summary of meeting btwn Alaska Joint Board members & AT&T on 11/16/92

12/7/92 CC Ltr frm J. Edge, HOPKINS & SUTTER, Atty f/GCI RE: Ex Parte Communication

12/11/92 Recd frm FCC, Public Notice, PLEADING CYCLE FOR COMMENTS ON THE STATE MEMBERS' PLAN FOR THE INTERSTATE ALASKA MARKET STRUCTURE dtd 12/2/92 (Comment period expires 12/18/92)

12/14/92 CC Ltr frm H. Grahame, BOGLE & GATES to D. Searcy, FCC, RE: EX Parte communication on 12/9/92

12/17/92 ALASKA TELEPHONE ASSOCIATION'S OPENING COMMENTS ON THE STATE MEMBERS OF THE JOINT BOARD'S MEMORANDUM OF PRINCIPLES REGARDING THE ALASKA MARKET STRUCTURE by H. Grahame, BOGLE & GATES, Atty f/Alaska Telephone Assn.; AFFIDAVIT OF SERVICE by C. Symonds, f/Bogle & Gates

12/18/92 Ltr to Alfred C. Sikes, FCC, RE: Reiterate position expressed in 7/17/92 ltr and respectfully request that the FCC, not reach a final decision on items that fall under the jurisdiction of the Commission, until the Commission has had the opportunity to consider the matters

12/21/92 COMMENTS OF ALASCOM, INC. ON THE MEMORANDUM OF PRINCIPLES ALASKA MARKET STRUCTURE: THE STATE MEMBERS' PLAN by Francis L. Young and Alan Y. Naftalin, Attorneys f/ Alascom, Inc.

12/21/92 COMMENTS OF GENERAL COMMUNICATION, INC., by Joe D. Edge, Hopkins & Sutter, Attorney f/ General Communication, Inc.

12/22/92 COMMENTS OF THE STATE OF ALASKA ON THE STATE MEMBERS' PLAN FOR THE INTERSTATE ALASKA MARKET STRUCTURE by Robert M. Halperin, Crowell & Moring, Attorney f/ the State of Alaska; CERTIFICATE OF SERVICE by Robin R. McKeever, employee of Crowell & Moring

12/23/92 CC ltr frm Donald F. Evans, MCI, to Donna Searcy, FCC, ENCL: COMMENTS OF MCI TELECOMMUNICATIONS CORPORATION and CERTIFICATE OF SERVICE by Susan Travis, employee of MCI

12/23/92 AT&T'S COMMENTS ON THE PROPOSAL OF THE STATE MEMBERS OF THE FEDERAL-STATE JOINT BOARD by Francine J. Berry, David P. Condit, & Richard H. Rubin, Attorneys f/ American Telephone and Telegraph Company; CERTIFICATE OF SERVICE by Valerie Harris, employee of American Telephone and Telegraph Company

12/23/92 COMMENTS ON STATE MEMBERS' MEMORANDUM OF PRINCIPLES by William K. Keane, Winston & Strawn, Attorney f/ United Utilities, Inc.; CERTIFICATE OF SERVICE by Patricia A. Jones, employee of Winston & Strawn

12/24/93 cc ltr frm C. Naftalin, Koteen & Naftalin, Atty f/ Pacific Telecom, to D. Searcy, FCC, RE: Ex Parte Report

1/12/93 cc ltr frm J. D. Edge, Atty f/ GCI, to D. R. Searcy, FCC, RE: Ex Parte Report

1/15/93 ATA'S REPLY COMMENTS ON THE STATE MEMBERS OF THE JOINT BOARD MEMORANDUM OF PRINCIPLES REGARDING THE ALASKA MARKET STRUCTURE by H. H. Grahame, Bogle & Gates, Attys f/ ATA

1/19/93 REPLY COMMENTS OF GCI by J. D. Edge

1/19/93 Ltr frm M. K. Hughes, ENCL: REPLY COMMENTS OF ALASCOM

1/20/93 REPLY COMMENTS OF THE STATE OF ALASKA by L. K. Smith; CERTIFICATE OF SERVICE by R. R. McKeever

1/28/93 Ltr frm A. L. Tyree, AP&T, RE: Reply Comments

2/17/93 CC83-1376, (Alaska Joint Board), Ltr frm A. Naftalin, Counsel f/PTI, ALASCOM & TUA, RE: Expiration of Master Agreement btwn PTI, Alascom & TUA

2/26/93 cc ltr frm Senator Ted Stevens, United States Senate, to Honorable James H. Quello, Interim Chairman, FCC, RE: Urging a full meeting of the Joint Board be called so that a formal order can be adopted that implements the state commissioners' November 1992 Memorandum of Principles

3/5/93 cc ltr frm A. Y. Naftalin, to D. R. Searcy, FCC, RE: Ex Parte Report

3/8/93 cc ltr frm R. M. Halperin, to D. R. Searcy, FCC, RE: Integration of Rates & Services

3/8/93 FCC Order appointing the Honorable James H. Quello to serve as Chairman of the Federal-State Joint Board

3/31/93 Ltr frm A. Tyree, AT&T, RE: immediate termination of Joint Service Arrangement btwn AT&T & Alascom, ENCL: CC AT&T'S PETITION TO TERMINATE THE JOINT SERVICE ARRANGEMENT by F. Berry, Atty f/AT&T

4/5/93 Ltr frm Rep. M. Navarre, Alaska State Legislature, RE: Concerns about potential impact to Alaskan consumers

4/6/93 CC Ltr frm R. Huhndorf, Cook Inlet Region, Inc., to Hon. Sen. F. Murkowski, RE: Statement of concerns regarding AT&T's proposed entry into Alaska telecommunications market

4/7/93 Recd frm Sen. J. Salo, Alaska State Legislature, FAX CC Ltr to Hon. F. Murkowski, United States Senate, RE: Request to encourage FCC's joint board to open proceedings to public and have Alaskan based hearings

4/8/93 FAX CC Ltr frm R. Brown, Alascom, to Common Carrier Bureau, FCC, Washington RE: Request f/waiver of Commission rules to make effective revisions to Alascom's FCC Tariff No. 9 with less than statutory 15 days notice

4/8/93 Ltr frm J. Slama, Teamsters Local 959, RE: Opposition to AT&T's expansion of services to Alaska

4/9/93 Ltr frm Sen. J. Ellis, Alaska State Legislature, RE: Request that FCC hold public hearings in Alaska on AT&T's apln to enter phone market

4/12/93 CC Ltr frm Rep. C. Toohey, Alaska State Legislature to Sen. Ted Stevens, RE: Comments on apln by AT&T to serve Alaska and request f/public hearings

4/12/93 CC Ltr frm J. Holst, Craig School District, to Rep. D. Young, Washington, RE: Opposition to eliminating Alaska's share of national telephone rate subsidy pool

4/12/93 CC Ltrs frm C. Curtis, NANA Regional Corporation, Inc., Kotzebue, to Sen. T. Stevens, Sen. F. Murkowski, & Rep. D. Young, Washington DC, RE: concerns about AT&T's competition application and request f/public hearings

4/12/93 CC Ltrs frm Sen S. Little, Alaska State Legislature, Juneau, to Sen. T. Stevens, Sen. F. Murkowski, & Rep. D. Young, Washington DC, RE: Concerns about potential loss of subsidy dollars and request f/public hearings

4/13/93 FAX CC Ltr frm C. Greene, Northwest Arctic Borough, to Sen. T. Stevens, Washington, DC, RE: Request f/public hearings on AT&T's apln

4/14/93 FAX CC ltr frm J. Levy, H.R.T. Real Estate Sales & Leasing, Inc. to Sen. F. Murkowski, Sen. T. Stevens & Rep. D. Young, Washington, DC, RE: Concerns about possible cut in phone subsidy and request f/investigation

4/15/93 CC Ltr frm P. Aamodt, North Slope Borough School District, to Sen. T. Stevens, Washington, DC, RE: Request f/public hearings on end of rural phone subsidy

4/16/93 INITIAL RESPONSE OF ALASCOM, INC. TO AT&T'S PETITION TO TERMINATE THE JOINT SERVICE ARRANGEMENT by A. Naftalin & C. Naftalin, KOTEEN & NAFTALIN, Attys f/Alascom; CERTIFICATE OF SERVICE by B. Frank, secretary f/KOTEEN & NAFTALIN

4/21/93 FAX CC Ltr frm State Rep. E. Mulder, Sen. T. Kelly, Sen. L. Leman, Sen. B. Sharp, Sen. D. Pearce, Sen. S. Frank, Sen. S. Rieger, Rep. C. Bunde, Rep. B. Hudson, Rep. D. finkelstein, Rep. M. Hanley, to Sen. T. Stevens, Washington, DC, RE: Stated committment to Alaska Joint Board goals

5/5/93 Recd by fax, cc ltr frm D. Tindall, GCI, to The Honorable Ron Larson & Eileen MacLean, Alaska State Legislature, RE: GCI opposes the amendment to SB 99

5/11/93 CC ltr frm Charles L. Naftalin, Koteen & Naftalin, to Donna R. Searcy, Secretary, FCC, RE: Ex Parte Report

5/27/93 TENTATIVE RECOMMENDATION AND ORDER INVITING COMMENTS by the Federal-State Joint Board

5/28/93 CC Ltr frm C. Naftalin, KOTEEN & NAFTALIN, to D. Search, FCC, RE: Ex Parte Report

6/7/93 Ltr frm Mary K. Hughes, Hughes, Thorsness, Gantz, Powell & Brundin, ENCL: Response to Request f/ Implementation Plan of Alascom, Inc.

6/11/93 AT&T'S RESPONSE TO REQUEST FOR AN IMPLEMENTATION PLAN by F. Berry, R. McKee, R. Rubin, Attys f/AT&T; CERTIFICATE OF SERVICE by A. M. Abrahamson

6/16/93 CC ltr frm Charles R. Naftalin, Koteen & Naftalin, Attorney for Alascom, Inc., to Donna R. Searcy, Secretary, FCC, ENCL: REQUEST FOR SUPPLEMENTATION OF RECORD

6/18/93 cc ltr frm Senator Al Adams, Alaska State Legislature, to J. W. Katz, State/Federal Relations, Washington, DC, RE: would appreciate information as these proceedings continue & how rural Alaskan impacts are being examined

6/21/93 CC ltr frm Alan Y. Naftalin, Koteen & Naftalin, Attorney for Alascom, Inc., to Donna R. Searcy, Secretary, FCC, RE: Ex Parte Report

6/28/93 Recd frm the FCC, PUBLIC NOTICE of ALASKA FEDERAL-STATE JOINT BOARD TO CONVENE A HEARING IN ANCHORAGE, ALASKA ON THURSDAY, JULY 1, 1993 dtd 6/23/93

6/28/93 COMMENTS OF THE STATE OF ALASKA, by R. Halperin f/State of Alaska; CERTIFICATE OF SERVICE by R. McKeever

6/28/93 CC Ltr frm J. Fuqua, Carr-Gottstein, Anchorage, to FCC, Washington D.C., RE: Support f/petition of AT&T

6/28/93 PETITION TO DENY OF ALASCOM, INC. by A. Naftalin & C. Naftalin, KOTEEN & NAFTALIN, Attys f/Alascom; DECLARATION OF PHILIP J. FREEDENBERG f/Federal Engineering, Inc.; CERTIFICATE OF SERVICE by J. Cooper, Secretary f/KOTEEN & NAFTALIN

6/28/93 COMMENTS OF GENERAL COMMUNICATION, INC. by J. Edge, HOPKINS & SUTTER, Attys f/GCI; CERTIFICATE OF SERVICE by J. Layton

6/28/93 ALASKA TELEPHONE ASSOCIATION'S COMMENTS TO THE JOINT BOARD'S TENTATIVE RECOMMENDATION, AT&T'S AND ALASCOM'S RESPONSES TO THE TENTATIVE RECOMMENDATION, AND AT&T'S CONSUMER BENEFIT PLAN by H. Grahame, BOGLE & GATES, Attys f/ATA; CERTIFICATE OF SERVICE by J. Kean, Secretary f/ATA

6/28/93 PETITION TO DEFER OR DENY; CERTIFICATE OF SERVICE by P. Berman, COVINGTON & BURLING, Atty f/Anchorage Telephone Utility

6/28/93 UNITED UTILITIES, INC. COMMENTS ON TENTATIVE RECOMMENDATION AND ORDER INVITING COMMENTS by S. Hamlen, President UUI

6/29/93 MOTION OF ALASCOM, INC. TO SCHEDULE REPLY COMMENTS by A. Naftalin & C. Naftalin, KOTEEN & NAFTALIN, Attys f/Alascom; CERTIFICATE OF SERVICE by J. Cooper, secretary, KOTEEN & NAFTALIN

6/30/93 OPPOSITION TO ALASCOM'S MOTION TO SCHEDULE REPLY COMMENTS by J. D. Edge, Atty f/ GCI

7/1/93 COMMENTS OF THE STATE OF ALASKA by R. Halperin, CROWELL & MORING, Attys f/State of Alaska; CERTIFICATE OF SERVICE by R. McKeever

7/1/93 REPLY OF ALASCOM, INC. TO OPPOSITION TOMOTION TO SCHEDULE REPLY COMMENTS by A. Naftalin & C. Naftalin, KOTEEN & NAFTALIN, Attys f/Alascom; CERTIFICATE OF SERVICE by B.Martin, Secretary, KOTEEN & NAFTALIN

7/1/93 COMMENTS OF THE ANCHORGE TELEPHONE UTILITY; CERTIFICATE OF SERVICE by P. Berman, COVINGTON & BURLING, Atty f/ATU

7/1/93 Ltr frm J. Bochis, National Exchange Carrier Association,
ENCL: Comments by J. Bochis, Atty f/NECA; CERTIFICATE OF SERVICE by
S. Stocker

7/1/93 COMMENTS OF SPRINT COMMUNICATIONS COMPANY L.P. by P.
Whitten, Atty f/Sprint; CERTIFICATE OF SERVICE by C. Jackson

7/1/93 COMMENTS OF GENERAL COMMUNICATION, INC. ON THE TENTATIVE
RECOMMENDATION by J. Edge, HOPKINS & SUTTER, Atty f/GCI;
CERTIFICATE OF SERVICE by J. Layton

7/1/93 Ltr frm D. Evans, MCI Communication Corporation, ENCL:
MCI COMMENTS; CERTIFICATE OF SERVICE by D. Evans, MCI

7/1/93 COMMENTS OF THE STATE OF HAWAII, by H. Marks, Atty
f/State of Hawaii; CERTIFICATE OF SERVICE by D. Pass

7/1/93 AT&T's COMMENTS by F. Berry, Atty f/AT&T; CERTIFICATE OF
SERVICE BY K. Mitchell

7/2/93 cc ltr frm G. Carr, Carr-Gottstein, to FCC, RE: disregard
ltr dtd 6/25/93

7/2/93 COMMENTS OF SOUTHWESTERN BELL TELEPHONE COMPANY by B. E.
Beard

7/6/93 Ltr frm D. Weeks, Anchorage, RE: Comments

7/7/93 Ltr frm D. E. Whit, Jr., Anchorage, RE: Comments

7/7/93 Ltr to P. Donovan, R. Crellin, FCC, Hon. B. Hagen, North
Dakota PSC, Hon. D. J. Miller, Idaho PUC, Hon. D. Rolka,
Pennsylvania PUC, R. Choura, Michigan PSC, R. Curry, Texas PSC, B.
Johnson, ENCL: Information packet providing details regarding the
Alaska Joint Board public hearing which was held in Anchorage on
7/1/93

7/8/93 Ltr frm Larry McCormick, Anchorage, RE: Comments
regarding final Joint Board recommendation concerning Alaska's long
distance interstate service

7/8/93 Ltr frm Representative Eldon Mulder, Alaska State House
of Representatives, RE: Comments

7/9/93 Ltr to V. Dunham, PTI, RE: Questions concerning
Request 7

7/12/93 AT&T'S REPLY by F. J. Berry; CERTIFICATE OF SERVICE by K.
L. Mitchell

7/12/93 ATA'S COMMENTS by H. H. Grahame, Atty f/ ATA; CERTIFICATE OF SERVICE by J. Kean

7/12/93 Ltr frm S. L. Napier, John & Judy Travlos, J. H. Powers, W. E. Christainsen, Anchorage, RE: Comments

7/13/93 UNITED UTILITIES, INC., REPLY COMMENTS by S. Hamlen; AFFIDAVIT OF SERVICE by K. M. Gallo

7/13/93 Ltr frm S. Steward, Anchorage, RE: Comments

7/13/93 COMMENTS OF ALASCOM by A. Y. Naftalin

7/13/93 REPLY COMMENTS OF GCI by J. D. Edge

*****VOLUME VI*****

7/14/93 AT&T'S REPLY COMMENTS by F. J. Berry; CERTIFICATE OF SERVICE by K. L. Mitchell

7/14/93 Ltr frm J. Robertson, Anchorage, RE: Comments

7/14/93 Ltr frm A. M. Hogue, Anchorage, RE: Comments

7/14/93 Ltr frm J. R. Ayers, Alascom, RE: Response to ltrs of 7/9/93 concerning requests from the State Members of the Joint Board & their Staff for analysis related to Alascom's Implementation Plan comments filed on 7/7/93

7/14/93 Ltr frm J. R. Ayers, RE: Alascom is willing to perform studies as requested, however, it is both necessary & appropriate that the consultants retained by the State assist in ensuring that separations studies are correctly and accurately developed

7/15/93 REPLY COMMENTS OF SPRINT by H. R. Juhnke; CERTIFICATE OF SERVICE by C. Jackson

7/15/93 Ltr frm D. F. Evans, MCI, ENCL: REPLY COMMENTS

7/15/93 REPLY COMMENTS OF THE STATE OF ALASKA by L. K. Smith; CERTIFICATE OF SERVICE by R. R. McKeever

7/15/93 REPLY COMMENTS OF THE STATE OF HAWAII by H. E. Marks; CERTIFICATE OF SERVICE by D. M. Pass

7/16/93 REPLY COMMENTS OF THE UNITED STATES TELEPHONE ASSOCIATION by M. T. McCue, USTA; CERTIFICATE OF SERVICE by R. L. J. Davis

7/19/93 Ltr to John Ayers, Alascom, RE: Alascom ltr dated 7/14/93, in which State Members of the Alaska Joint Board find ltr unresponsive to Request 6

7/22/93 Recd FAX cc ltr frm Kathy L. Shobert, Director, General Communication, Inc., to William F. Caton, Secretary, Federal Communications Commission, RE: Ex Parte Report

7/23/93 Recd by fax, ltr frm J. R. Ayers, Alascom, RE: Response to ltr of 7/19/93

7/26/93 REPLY COMMENTS OF GCI IN RESPONSE TO THE PUBLIC HEARING; STATEMENT OF VERIFICATION; & CERTIFICATE OF SERVICE by K. L. Shobert, GCI

7/26/93 cc ltr frm T. M. Banks, AT&T, to W. F. Caton, FCC, RE: Supplemental Reply Comments

7/26/93 AT&T'S REPLY TO MOTION OF ALASCOM by F. J. Berry; CERTIFICATE OF SERVICE by K. L. Mitchell

7/26/93 AT&T'S OPPOSITION TO ALASCOM'S REQUEST FOR ISSUANCE OF NOTICE OF APPARENT LIABILITY by F. J. Berry; CERTIFICATE OF SERVICE by K. L. Mitchell

7/27/93 cc ltr frm R. M. Halperin, to W. F. Caton, FCC, RE: Integration of Rates & Services

7/27/93 Ltr frm M. Hughes, ENCL: REPLY COMMENTS OF ALASCOM

8/2/93 CC Ltr frm R. Halperin, CROWELL & MORING to W. Caton, FCC, RE: Ex Parte communication

8/5/93 Recd frm R. Wellen, Rep. Knossin's office, FAX CC Public Hearing Agenda

8/5/93 REPLY OF ALASCOM, INC. TO AT&T'S OPPOSITION by A. Naftalin & C. Naftalin, KOTEEN & NAFTALIN, Attys f/Alascom, Inc.; CERTIFICATE OF SERVICE by B. Frank, employee of KOTEEN & NAFTALIN

8/12/93 cc ltr frm A. Y. Naftalin, to W. F. Caton, FCC, RE: in support of Alascom's Comments

AUGUST 13, 1993, CC83-1376, RM 4436

BLD

SCOMM

88:7



Official Business

Alaska State Legislature

House

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

SPEAKER NAMES TELECOMMUNICATIONS TASK FORCE

4/20/93

FOR IMMEDIATE RELEASE

CONTACT: SPEAKER RAMONA BARNES, 465-3438

In order to ensure that increased competition in the telecommunications industry is in the best interest of Alaskans, Speaker Ramona Barnes today appointed a Telecommunications Task Force.

Recently it was announced that AT&T has applied to the Alaska Public Utilities Commission to enter the Alaska phone market. Said Barnes, "While I am not opposed to increased competition, I believe that the potential impact of losing the rate subsidy that Alaskans currently benefit from is tremendous, and therefore deserves a policy review from the legislature."

Those appointed to the task force include Rep. Bill Hudson (R) Juneau, Rep. Harley Olberg (R) Delta Junction, and Rep. Mike Navarre (D) Kenai. Speaker Barnes also asked that three Senate members be appointed to the task force.

The task force will schedule a series of public hearings and gather input on the issue statewide.

ALASKA STATE LEGISLATURE
HOUSE TELECOMMUNICATIONS TASK FORCE

In the Matter of:

"Integration of rates and services for the provision of communications by authorized common carriers between the contiguous states and Alaska, Hawaii, Puerto Rico and the Virgin Islands"

This MATTER, more commonly referred to as the "restructuring of Alaska's telecommunications industry", has been before the Federal Communication Commission (FCC) for approximately nine years. It appears to most parties, state and industry representatives alike, that a new effort, by the FCC, is underway to bring finality to the situation.

Due to the complexity of this "restructuring" Matter, and the need to accommodate regional input, the FCC established the Joint Board. The Joint Board is composed of both FCC Commissioners and western-state public utility officials. Their charge: review the record, receive additional testimony, if necessary, and submit a recommendation to the full FCC for consideration.

Currently, the Joint Board has two "restructuring" proposals under active consideration: AT&T's Consumer Benefit Plan and the Joint Board's Tentative Recommendation. In response, various interested parties have submitted comments and formal filings. Interested parties include: Alascom, GCI, MCI, AT&T, states of Alaska and Hawaii, and the Anchorage Telephone Utility. In addition, the Board recently held an interstate video-teleconference specifically to hear from Alaskan groups and consumers. It is the responsibility of the Joint Board to review, and consider, this input as part of their process of formulating a final recommendation.

During the week of July 26-30, the Joint Board met in San Francisco to produce a final product. They will likely direct the Common Carrier Bureau (of the FCC) to draft a work product for the Board's final consideration. As directed, their final proposal will be forwarded on to the full FCC for consideration. A final ruling, by the FCC, is expected by the first of October, 1993.

STATE OF ALASKA CONCERNS

Alaska, and its consumers, will undoubtedly be the most impacted party from any restructuring of its telecommunications system. As such, the State has submitted two filings on the Matter. While commending the Board for its efforts, the State is recommending specific changes to its proposal. Furthermore, it has made a request for clarification(s) to a number of provisions in AT&T's proposal.

In general, everyone is in favor of greater market competition, system efficiencies, and improved and expanded services. These developments will, however, entail some risks.

It has been recognized, by the FCC itself, that the Alaskan market is indeed unique. It is a vast area; with few highly populated regions. Competition and deregulation, in most Alaskan markets, are undoubtedly beneficial. In rural Alaska, however, concerns are somewhat different due to remoteness, and heavy reliance on telecommunications as a "life-line". The State of Alaska has consistently recognized the unique problems of providing reliable and affordable service to Bush Alaska. These unique concerns should be addressed in any sensible plan to restructure Alaska's telecommunications market. To their credit, both AT&T and the Joint Board have endeavored to create proposals that will address these concerns. Minimum investment commitments, transition rules, requiring rate integration, dominant carrier regulation, accelerated cost recovery and a modified allocator requirement are but a few of the conditions contained in the proposals.

Still, the challenge remains, how to implement a new market structure without imperiling primary public interest objectives. The State noted these objectives, in its June 28, 1993 filing, with the Joint Board.

1. Universal service;
2. Rate integration; and
3. Avoiding/minimizing upward pressures on intrastate rates.

The House Telecommunications Task Force, established by the House Speaker, was directed to monitor this process. It will be successful to the extent it can involve the public, solicit industry responses, and further the objectives above.

AT+T

RECEIVED
A.P.U.C.
93 APR -5 AM 11:16

CC 83-1376

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Integration of Rates and	)	
Services for the Provision of	)	
Communications by Authorized	)	CC Docket No. 83-1376
Common Carriers between the	)	
Contiguous States and Alaska,	)	
Hawaii, Puerto Rico and the	)	
Virgin Islands	)	

AT&T'S PETITION TO TERMINATE THE JOINT SERVICE ARRANGEMENT

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Francine J. Berry
Robert J. McKee
Richard H. Rubin

Its Attorneys

Room 3244J1
295 North Maple Avenue
Basking Ridge, NJ 07920

Dated: March 31, 1993

SUMMARY

For nearly ten years, the Commission and Joint Board have struggled to find an appropriate interstate telecommunications structure for Alaska. During that time, the debate has centered principally upon the effects a new structure would have upon carriers. At the same time, however, the Alaska marketplace has continued to operate and competition has become the driving force, making customers, not carriers, the appropriate focus of attention. AT&T's Consumer Benefit Plan is a customer-focused and competition-based solution that fully satisfies all of the goals and objectives previously articulated by the Joint Board and the Commission. Adoption of AT&T's Plan will benefit customers by spurring the growth of efficient competition, lowering prices and providing higher service quality. It should finally put to rest the Commission's decade-long search for a structure that best provides for the future telecommunications need of Alaskans.

AT&T's Consumer Benefit Plan is straightforward. If AT&T's plan is approved and the current Joint Service Arrangement ("JSA") is terminated, AT&T will enter into the competition for interstate and intrastate Alaska services. AT&T will amend its interstate tariffs to provide both northbound and southbound services at AT&T's nationwide integrated rates, and it will offer Alaska customers lower rates on many calls by eliminating mileage bands 10 and 11 from its MTS tariff. AT&T will also improve service quality

and create new service capabilities for Alaskans by developing its own network to serve Alaska, including the construction of a new fiber optic submarine cable system that will connect Alaska directly with the lower 48 states. This new cable will not only make new service capabilities available to Alaskans, it will also transcend the limitations of the existing Alaska Spur cable since its inception.

The Consumer Benefit Plan will also offer benefits to Alaska intrastate customers. AT&T will apply to the Alaska Public Utilities Commission ("APUC") for authority to provide intrastate switched services. AT&T's basic intrastate MTS rates will be equal to or less than the lowest current Alascom or GCI rates for comparable services. In addition, AT&T will pledge not to raise its initial MTS rates for five years, except to pass through APUC-approved increases in intrastate access charges.

The implementation of AT&T's plan is subject to only three reasonable conditions: (1) prompt termination of the JSA; (2) approval of AT&T's companion Section 214 Application to extend its lines of communication to Alaska and create its new Alaska Network; and (3) an order requiring Alascom to comply with its obligations under Sections 201 and 202 of the Communications Act to provide AT&T and other carriers with tariffed, cost-based services between their Alaska Points of Presence ("POPs") and the

networks of the Alaska LECs, services which Alascom already provides under its intrastate tariff.

AT&T's Consumer Benefit Plan will guarantee permanent and vigorous competition for Alaska telecommunications services, and at the same time offer customers lower prices combined with higher service quality and more service options than have ever been available before. AT&T's plan offers customers substantially more advantages than any other proposal put forward in the ten year history of this proceeding. The Commission should therefore proceed promptly to adopt AT&T's Consumer Benefit Plan.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Integration of Rates and)
Services for the Provision of)
Communications by Authorized) CC Docket No. 83-1376
Common Carriers between the)
Contiguous States and Alaska,)
Hawaii, Puerto Rico and the)
Virgin Islands)

AT&T'S PETITION TO TERMINATE THE JOINT SERVICE ARRANGEMENT

American Telephone and Telegraph Company ("AT&T") hereby petitions the Commission to enter an order promptly terminating the Joint Service Arrangement between AT&T and Alascom, Inc. ("JSA") in accordance with the Consumer Benefit Plan described below. Implementation of AT&T's plan will achieve the stated goals and objectives of the Joint Board and Commission and serve the best interests of customers by lowering prices, improving service quality, expanding the range of available services and spurring the rapid development of efficient MTS/WATS competition in Alaska.

I. Introduction

This proceeding was commenced in April, 1983, in anticipation of the break-up of the Bell System, which had historically subsidized the provision of telecommunications services for Alaskans. During the past ten years, the Commission and the Joint Board have considered many

different proposals to establish an efficient and effective structure for the future of Alaska telecommunications. Despite the effort and the substantial amount of time invested in the process, however, they have to date yielded no consensus and no results. This is due largely to the fact that every proposal has been the subject of fierce debate, mostly over the effects the proposals would have upon particular carriers and the effects of technical regulatory rules relating to the separations process and rate of return regulation.

During the same time, however, the introduction of competition and new technology has caused drastic changes in the telecommunications business. The focus of the business has turned away from technical regulatory rules and toward head-to-head competition among carriers to meet the specific needs of customers. Concerns had earlier been expressed in this proceeding about the ability of competition to prevail in Alaska, but recent developments demonstrate that competition has become the driving force in Alaska as well.

While this proceeding has been pending, competition for Alaska telecommunications services has become increasingly more intense. GCI, the principal competitor of Alascom, has been very effective in winning the business of Alaska customers. The prospects of successful competition have apparently been so great that MCI has now acquired a substantial stake in GCI. This fact itself demonstrates the marketplace's belief that

competition has become the central operating force in Alaska as it has in the rest of the country. The existence of such competition in Alaska also reinforces the need to end the anomalous situation in which one carrier and its customers subsidize the entire telecommunications structure of the state.

In light of these developments, AT&T has created a plan for Alaska that focuses upon customer benefits rather than carriers' needs and upon competition rather than technical regulatory rules. The Consumer Benefit Plan described below is designed to serve the needs of Alaska customers by lowering prices, increasing service quality and the number of available service options and making competition the keystone of the Alaska telecommunications structure. Adoption of AT&T's plan will serve Alaska consumers better than any proposal that has previously been put forward and will finally allow the Commission to end its decade-long search for an appropriate Alaska telecommunications structure.

II. AT&T's Consumer Benefit Plan

AT&T's Consumer Benefit Plan is simple and straightforward. Upon the termination of the JSA, AT&T will amend its existing interstate MTS/WATS tariffs and begin providing interstate services directly to and from Alaska at AT&T's nationwide averaged rates. AT&T will also provide immediate rate reductions for Alaska customers by eliminating mileage bands 10 and 11 from its basic

interstate LDMTS rates and its rates for Commercial Long Distance Service (collectively referred to herein as "MTS").

In order to provide direct service quality improvements and more service options for Alaska customers, AT&T proposes (pursuant to a companion Section 214 application¹) to create a new network for Alaska services, including construction of a state-of-the-art fiber optic submarine cable system between Alaska and the continental United States. When constructed, AT&T's new cable system will enable it to transcend the limitations of the existing Alaska Spur cable and provide service based upon the latest optical transmission technology. AT&T's in-state Alaska network will also be designed to the high standards of quality that are used in the rest of AT&T's domestic network.

In addition, AT&T plans to apply to the Alaska Public Utilities Commission ("APUC") for certification to provide intrastate switched services as a competitive carrier. AT&T's application will propose a rate stability plan, pursuant to which AT&T's initial intrastate MTS rates will be equal to or lower than the lowest currently tariffed rates of either Alascom or GCI for similar services. AT&T will further pledge that its intrastate MTS rates will not rise for five years, except to pass through any LEC access

¹ A copy of AT&T's concurrent Section 214 Application is appended as Attachment A hereto.

charge increases approved by the APUC. This action by AT&T, together with the increased competition that will result from the MCI/GCI partnership, will assure that there will be permanent and effective competition for Alaska consumers' intrastate business. It will also assure that competitively-based intrastate prices will be available to Alaska consumers over the long term.

AT&T is prepared to implement its Consumer Benefit Plan subject to only three conditions:

- (1) prompt termination of the JSA;
- (2) grant of Section 214 authority permitting AT&T: (a) to provide interstate service directly to and from Alaska, and (b) to create its new Alaska network consistent with the network architecture proposed in AT&T's concurrent Section 214 application (a copy of which is appended as Attachment A hereto); and
- (3) issuance of an order pursuant to Section 201 of the Communications Act directing Alascom to file tariffs that will enable AT&T and other interexchange carriers to connect their points of presence ("POPs") in Alaska with locations served by Alascom's network and further requiring that the rates for such services be based solely on the direct costs of providing them.

III. AT&T's Plan Will Benefit Consumers And Fulfill The Commission's Goals And The Joint Board's Objectives.

AT&T's Consumer Benefit Plan offers Alaska customers significant advantages, including an integrated rate structure, lower rates, higher service quality and more service options, and the assurance of permanent and efficient competition for their telecommunications business. AT&T's plan thus achieves the Commission's goals of rate integration and effective competition, and it also satisfies all of the Joint Board's previously stated objectives for an Alaska telecommunications structure.

A. AT&T's Plan Will Benefit Consumers More Than Any Other Plan Offered During This Proceeding.

AT&T's plan offers Alaska consumers substantially more benefits than any other proposal made since this proceeding was commenced in April, 1983. Today approximately 25% of interstate MTS calls originating in Alaska are in mileage bands 10 and 11. Elimination of these bands would create substantial savings for Alaska interstate callers. For example, under AT&T's plan, a 10 minute night/weekend call from Anchorage to New York City would be reduced from \$1.60 to \$1.30, a savings of 19%; a 10 minute evening call from Juneau to Washington DC would be reduced from \$2.10 to \$1.50, a savings of 29%; and a 10 minute daytime call from Fairbanks to Houston would be reduced from \$3.00 to 2.50, a savings of 17%. Overall, approximately 25 percent of all MTS calls originating from Alaska would

experience rate reductions of 17% to 32%. AT&T's plan will also reduce prices for approximately 25% of northbound MTS calls to Alaska, for almost half of the MTS calls to and from Hawaii and for all MTS calls from Hawaii to Alaska.² No other plan proposed during this proceeding has offered these types of direct interstate pricing benefits to customers.

In addition, AT&T will make available to Alaska interstate customers a wide array of services and optional calling plans that Alascom does not offer. This will provide Alaska customers with opportunities to receive the benefits of new features and services in addition to reducing their interstate telecommunications costs.³

AT&T's plan will also offer tangible improvements in Alaska interstate service quality and capabilities,

² Approximately forty-five percent of all MTS calls between Hawaii and the Mainland would experience rate reductions ranging from 17% to 32%. The prices for MTS calls between Hawaii and Alaska will also be substantially reduced, because AT&T will be willing to integrate the rates for calls between those two states into its nationwide rate structure once it is permitted to provide service from Alaska to Hawaii.

³ Attachment B hereto is a list of some of the AT&T services, features and pricing plans that will become available to Alaska customers. These include consumer-oriented calling plans such as AT&T's Simple Savings Plan and Special Country Plan, enhancements to existing plans such as Reach Out® America and Reach Out® World and the introduction of AT&T MultiQuest® Service. For business customers, AT&T will offer many calling plans not currently provided by Alascom as well as enhancements to 800 and WATS services not available from Alascom today.

particularly after completion of AT&T's proposed fiber optic submarine cable system. AT&T's new cable system will be constructed using state-of-the art technology and will be very reliable. AT&T's cable system will use the new SL2000 optical amplified technology, which permits service capacities on the cable to be upgraded without having to replace undersea repeaters. The new technology also eliminates the need to convert signals from optical to electrical and back in the undersea repeaters. This, in turn, reduces the number of components in the undersea repeaters and increases reliability.⁴ Moreover, unlike the Alaska Spur cable, which is a branch off the North Pacific Cable between Portland, Oregon and Japan, AT&T's new cable system will be a stand-alone facility that will not be subject to any technical problems potentially caused by other related facilities.

AT&T's new cable system will also offer very high bandwidth capabilities compared to the existing cable.⁵ AT&T's system will be able to provide advanced telecommunications applications such as cable television

⁴ In addition, AT&T's equipment is compatible with new CCITT Synchronous Digital Hierarchy ("SDH") standards, which will make it easier for customers to perform multiplexing functions on their services.

⁵ AT&T's cable system will permit customers to develop service applications requiring extremely high bandwidths, up to 5 gigabits/second per fiber pair with up to four fiber pairs permitted per system.

service, teletraining, and computer assisted design and manufacture ("CAD/CAM") applications, as well as high definition television, interactive video and data management functions. This will bring new service possibilities to Alaska customers that are not available using existing telecommunications facilities. Moreover, AT&T's planned in-Alaska network will also be designed to AT&T's high standards and will provide quality service for both interstate and intrastate customers.

Further, AT&T's Consumer Benefit Plan will also provide price and competition-enhancing advantages for Alaska intrastate customers. AT&T's proposal to the APUC will assure the growth of effective intrastate competition and provide a five year "rate ceiling" for intrastate MTS service that is at or below the rates currently available from Alascom and GCI.⁶ During this period, AT&T's direct entry into the intrastate marketplace, together with the presence of Alascom and the GCI/MCI partnership, will assure that intrastate competition will flourish. This, in turn, will establish a firm basis for long-term price competition for intrastate services.

⁶ The services which are the subject of AT&T's rate stability plan are those covered in Section 4.2.2 (D) (1) of Alascom's Tariff Alaska PUC No. 98 and Section 4.2.3(A) of GCI's Tariff APUC No. 419.

B. AT&T's Consumer Benefit Plan Assures That The Commission's Goals Of Rate Integration And Effective Competition Will Be Achieved.

The Commission's Alaska Inquiry has been focused upon the development of an Alaska telecommunications policy that balances two Commission policies: competition and rate integration. Notice of Inquiry, ¶ 14. AT&T's Consumer Benefit Plan accomplishes both.

The continuation of the Commission's rate integration policy will be assured when AT&T includes calls from Alaska in its existing interstate MTS and WATS tariffs. Rate integration for Alaska interstate services will continue to the same extent it applies generally for AT&T's domestic interstate services. This is identical to the situation that would have occurred under earlier proposals, and that created no controversy in the debate over those proposals.

AT&T's Consumer Benefit Plan will also promote the growth of interstate competition more than any other proposal that has been offered during this proceeding. Under AT&T's Plan, AT&T will enter the competition for Alaska southbound interstate services with no preexisting customers. AT&T will therefore have powerful incentives to compete vigorously to earn back AT&T's substantial investment in its new Alaska Network, an investment which can only be recovered by winning customers' business through quality service and competitive prices. Thus, AT&T's entry

into the Alaska telecommunications marketplace will enhance competition for Alaska consumers' interstate business.

C. AT&T's Plan Satisfies Each Of The Joint Board's Objectives.

AT&T's Consumer Benefit Plan also satisfies each of the five objectives identified in the Joint Board's Supplemental Order.⁷ As described above, this plan will provide for the continued availability of interstate MTS and WATS service at integrated rates for all Alaska customers.⁸ Moreover, AT&T's direct competitive entry into the Alaska interstate services market demonstrates that "market-based competitive entry" will be a reality for Alaska.⁹

AT&T's plan will also preserve the Joint Board's objective of universal service.¹⁰ After the petition is granted and AT&T commences service independent of the JSA, AT&T will be required to seek authority under Section 214 of the Communications Act if it wishes to discontinue northbound interstate services to Alaska. And even though AT&T would not, under this proposal, be a dominant carrier for southbound interstate traffic from Alaska, AT&T would be willing to accept a requirement that it obtain Section 214

⁷ Supplemental Order Inviting Comments, released January 3, 1989 ("Supplemental Order").

⁸ Id. ¶ 25.

⁹ Id. ¶ 26.

¹⁰ Id. ¶ 28.

approval before discontinuing southbound services as well. AT&T's entry into the Alaska intrastate marketplace as a separate competitive intrastate carrier would not affect Alascom's existing obligation to act as the carrier of last resort for intrastate services. Thus, AT&T's plan would fully satisfy the Joint Board's universal service concerns while simultaneously providing Alaska customers with opportunities for higher quality and lower rates on both interstate and intrastate calls.

Implementation of AT&T's plan will also establish an efficient market structure for Alaska interstate services.¹¹ AT&T's entry into the marketplace, combined with MCI's recent acquisition of a major stake in GCI clearly demonstrates that competition will be a permanent feature of the Alaska intrastate telecommunications marketplace. All IXCs competing for Alaska business will succeed or fail on the basis of their ability to provide reliable, efficient and competitively priced services to Alaska customers. This will require all competitors to provide high quality service, adopt efficient cost structures and to drive unnecessary costs out of their business.

Further, the Consumer Benefit Plan will enable Alaska intrastate customers to avoid material intrastate

¹¹ *Id.* ¶ 33.

rate-effects.¹² AT&T's entry into the intrastate switched services business under the terms proposed above will assure customers that they have the ability (barring APUC-controlled access cost increases) to avoid intrastate MTS rate increases for at least five years. This obviates any previously expressed concerns about the effects of separations rules or the impacts that an Alaska solution may have upon intrastate revenue requirements.

III. The Limited Conditions of AT&T's Plan Are Reasonable.

AT&T's willingness to proceed with the Consumer Benefit Plan upon the termination of the JSA is subject to only three conditions. First, the JSA must be terminated so that AT&T can provide service independently. Second, AT&T needs Section 214 authorization to provide interstate services directly to and from Alaska and to create (through construction, lease, purchase or otherwise) its own Alaska network. Third, AT&T requires assurance that Alascom will file interstate tariffs to permit AT&T and other IXC's to use Alascom's existing facilities to provide service from their Alaska POPs to the points served by Alascom, and that Alascom's rates for providing such service are cost-based.

¹² See Supplemental Order ¶ 31. Because AT&T's proposal is based solely upon direct competitive activity by AT&T itself, there will also be no need to make any changes to existing separations rules.

The need for AT&T's first two condition is self-evident. AT&T cannot serve Alaska independently until the JSA is terminated, and AT&T cannot serve Alaska unless it has Section 214 authorization to do so. AT&T's portion of the existing joint service does not extend beyond the "meet points" between AT&T's and Alascom's networks in Oregon and Washington. Thus the requested Section 214 authorization is a technical requirement that has raised no issues in this proceeding, even when AT&T earlier proposed to assume all of Alascom's interstate MTS/WATS service.

AT&T also requires assurance that it will be able to fulfill its quality commitment to Alaska consumers. The concurrent Section 214 application describes AT&T's proposed network design for its future Alaska Network. AT&T recognizes that final authorization for the creation of its Alaska Network must await detailed filings to comply with environmental regulations, and acknowledges that its application for radio licenses is subject to future coordination with other radio licensees. AT&T's implementation of the Consumer Benefit Plan, however, is based upon the Commission's grant of conditional approval for AT&T's proposed Alaska Network, subject only to AT&T's compliance with environmental and other technical licensing requirements.

Finally, AT&T requires assurance that Alascom will comply with its common carrier duties under Sections 201 and 202 of the Communications Act to provide service upon

reasonable request and on reasonable and non-discriminatory terms. AT&T will have to purchase access transport-like services from Alascom in order to connect AT&T's Alaska POPs with the Alaska LECs' networks while AT&T is creating its Alaska Network. Moreover, because Alascom has a de jure monopoly to provide service to the Alaska bush, AT&T will also be required to purchase these Alascom services over the long term in order to originate and terminate calls to customers in those areas.¹³

Alascom, like all common carriers, has a duty under Section 201 to furnish service upon reasonable request and upon reasonable terms and conditions. AT&T therefore requests that the order approving the Consumer Benefit Plan require Alascom to file interstate tariffs that will enable AT&T and other IXCs to purchase access transport-like services connecting their Alaska POPs with other points in the state served by Alascom. This should create no hardship for Alascom, which already has filed tariffs for similar intrastate services.

AT&T further requests that the Commission order that the rates for Alascom's services should be based upon the direct costs of providing them. In particular, AT&T needs assurance before implementing its plan that Alascom's rates for service to the Alaska bush will be based solely

¹³ Interstate equal access is not currently available from the Alaska bush.

upon the costs of the satellite and earth station network used to provide this monopoly service. Finally, since Alascom can be expected to use the same facilities to provide its own competitive interstate services, the rates Alascom charges all carriers, including itself, should be the same. This requirement is one of non-discrimination, as well as fundamental fairness, and is consistent with the obligations of independent LECs in the lower 48 states that provide similar services to their IXC affiliates.

CONCLUSION

AT&T's Consumer Benefit Plan, unlike any previous proposals in this proceeding, will maximize customer benefits resulting from the termination of the JSA. AT&T's Plan will improve service quality and offer more service options, lower rates, open the Alaska telecommunications marketplace to effective competition, and ensure that Alaska

is permanently assimilated into the national telecommunications structure. Therefore, AT&T's Consumer Benefit Plan should be adopted as proposed.

Respectfully submitted

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

By /s/Francine J. Berry
Francine J. Berry
Robert J. McKee
Richard H. Rubin

Its Attorneys

Room 3244J1
295 North Maple Avenue
Basking Ridge, NJ 07920

Dated: March 31, 1993

American Telephone and Telegraph Company ("AT&T") hereby applies for authority to create and operate its own network for the provision of interstate service directly to and from Alaska ("AT&T's Alaska Network"). AT&T's Alaska Network will be created initially through acquiring capacity from carriers under tariff, supplemented as necessary by leasing or purchasing facilities. Thereafter, AT&T will construct an undersea cable system from the Pacific Northwest through Juneau and to a point near Anchorage, Alaska, and it may construct other facilities in Alaska substituting for or adding to the leased or purchased facilities. AT&T files this Application pursuant to Section 214(a) of the Communications Act of 1934, as amended (the "Act") and Section 63.01 of the Commission's Rules,

47 C.F.R. 63.01. In support of its application, AT&T respectfully shows:

1. AT&T is a corporation organized and existing under the laws of the State of New York, and has its principal office at 32 Avenue of the Americas, New York, New York 10013. Correspondence concerning this Application should be addressed to:

Mr. Frank Ianna
Vice-President & Chief Quality Officer
AT&T, Room 4C107
900 Route 202/206, P.O. Box 752
Bedminster, NJ 07921

A copy of any correspondence should also be addressed to:

Richard Rubin, Esq.
AT&T, Room 3252I3
295 North Maple Avenue
Basking Ridge, NJ 07920

2. AT&T is engaged in the business of furnishing interstate and foreign telecommunications services and is a "common carrier" subject to Section 214 of the Act.

3. By means of its Petition to Terminate the Joint Service Arrangement filed in CC Docket No. 83-1376 contemporaneously with the filing of this Application ("Petition") AT&T asked the Commission to terminate the Joint Service Arrangement between AT&T and Alascom, Inc. ("JSA"), pursuant to the Consumer Benefit Plan described in the Petition. The details of the Consumer Benefit Plan and the ways in which it serves the public interest are described in detail in the Petition, a copy of which is attached to this Application. The essence of AT&T's plan is

to benefit Alaska consumers by spurring the growth of efficient competition and providing Alaskans with higher quality, lower prices and more service options. Under AT&T's plan, AT&T will, upon the prompt termination of the JSA, amend its existing interstate tariffs and provide interstate MTS/WATS services directly to and from Alaska at AT&T's nationwide averaged rates. In addition, AT&T will lower rates on many interstate calls to and from Alaska by eliminating mileage bands 10 and 11 from its interstate LDMTS and Commercial Long Distance Service (collectively "MTS") tariffs.¹ In order to provide direct quality and service benefits to Alaska interstate customers, AT&T also will construct and operate a new state-of-the-art submarine fiber optic cable system that will transcend the limitations of the existing Alaska Spur cable that currently serves Alaska. AT&T will also create and operate its own high quality network within the State of Alaska.

4. In order to effectuate its Consumer Benefit Plan, AT&T requires Section 214 authorization to create and operate its own network to provide interstate service directly to and from Alaska. Such authorization is required

¹ Elimination of mileage bands could also lower prices on up to 45% of calls between Hawaii and the U.S. Mainland. Moreover, AT&T will also eliminate separate rates for Hawaii-Alaska service in its MTS and WATS tariffs, thereby integrating that service into AT&T's nationwide averaged rate structure.

because AT&T's portion of the existing joint service does not extend beyond the "meet points" between AT&T's and Alascom's networks in the northwestern Continental United States. Thus, AT&T's current operating authority does not extend to the State of Alaska.

5. AT&T will construct an undersea cable system, presently planned between Seattle, Washington and AT&T's Point of Presence ("POP") in Juneau, Alaska² and between Juneau and AT&T's POP in Anchorage, Alaska.³ This cable system will employ optical amplifier technology that is more technically advanced and reliable than the prior technology. AT&T believes that its new cable system can be constructed by the middle of 1996. However, in order to provide service upon the termination of the JSA, AT&T plans to lease currently spare capacity in Alascom's Alaska Spur cable between Pacific City, Oregon and Seward, Alaska, to lease facilities between Seward and AT&T's POP in Anchorage and to obtain distribution and access services under tariff from Alascom and other Alaska carriers, including local exchange carriers.

6. AT&T's Alaska Network will be created in stages. The first stage, in addition to the new undersea

² This will be a facilities POP consisting of Digital Access and Cross-Connect frames ("DACS").

³ This will be a switching POP containing a 5ESS[®] Switching System.

cable system, will consist of a microwave or fiber optic route between Anchorage and AT&T's POP in Fairbanks,⁴ initially obtained by lease and possibly followed by construction. Also, as part of the first stage, AT&T will construct for restoration purposes earth stations at its three POPs, permitting communications via satellite between those POPs and AT&T's earth station in Three Peaks, California. A map illustrating the first stage of AT&T's proposed network is Attachment 1. The first stage of the AT&T Alaska Network, aside from the new undersea cable system, could be constructed prior to the completion of construction of the undersea cable system. Restoration capability will, if necessary, be obtained via tariff or lease in advance of the construction of AT&T's own restoration facilities.

7. The second stage of AT&T's Alaska Network will consist of facilities connecting AT&T's Anchorage POP to the locations listed in Attachment 2, and possibly other locations in Alaska. Those facilities may be leased, purchased or constructed. They may consist of fiber optic cable, microwave radio or satellite routes. Until second stage facilities are in place to any given point, AT&T will continue to obtain distribution and access services from

⁴ This will also be a facilities POP consisting of DACS equipment.

Alascom and Alaska local exchange carriers under tariff. AT&T plans to serve the Alaska bush by means of acquiring distribution services from Alascom under tariff for as long as Alascom remains the de jure provider of monopoly services to those areas.

8. Because all the details of the AT&T Alaska Network, and the means by which that network can be best accomplished, are not known at this time, AT&T cannot provide the specific detail called for by § 63.01 of the Commission's Rules. However, AT&T's current estimate of the needed circuit capacity at the outset, measured at the DS-3 level,⁵ is five DS-3 circuits between Seattle and Juneau, seven DS-3 circuits between Juneau and Anchorage and two DS-3 circuits between Anchorage and Fairbanks. AT&T's best estimate is that the annual cost of leasing the first stage undersea cable and fiber optic facilities would be in the \$35-40 million dollar range, while the cost of constructing them would be about \$135 million. The final network configuration may consist of a mix of leased, purchased and constructed facilities. As time goes on, AT&T's Alaska Network will evolve in response to service demands, economic conditions and technological change.

⁵ Each DS-3 has a capacity of 672 equivalent 4 KHz circuits.

9. AT&T's estimate of the current and future circuit requirements from Alaska to the lower 48 states are:

<u>Terminal A</u>	<u>Terminal B</u>	<u>1994</u>	<u>1995</u>	<u>1998</u>
Seattle WA	Anchorage, AL	3243	4171	5465
Juneau, AL	Anchorage, AL	457	817	1094
Anchorage, AL	Fairbanks, AL	435	777	1042

10. AT&T cannot at this time make a precise estimate of its revenues for the new Alaska service for several reasons. The outcome of the proposed competition among AT&T, Alascom and GCI/MCI cannot now be known. Moreover, AT&T expects the growth in traffic between Alaska and other points to continue; such growth has occurred over the last decade. Finally, AT&T's proposed elimination of mileage bands 10 and 11 should cause some additional growth in traffic between Alaska and the lower 48.

11. AT&T will use the AT&T Alaska Network for the provision of AT&T's authorized services for which it may be suitable.

12. Accounting for AT&T's proposal as it is implemented in detail will be performed in accordance with the Uniform System of Accounts for Class A telephone companies, F.C.C. Rules, Part 32.

13. AT&T now requests § 214 authority to create and operate its own network by leasing, purchasing or constructing facilities from time to time for the provision of interstate and international service to and from Alaska.

That authority will, of course, be subject to the grant by the Commission of any necessary specific § 214 applications pursuant to the procedures in the Commission's rules.

Because the Commission's grant of AT&T's current application will determine that AT&T can create and operate its own network to provide service, the Commission should make it clear that proceedings on such future § 214 applications will be confined to issues regarding the specific lease, purchase or construction therein proposed, such as any environmental issues,⁶ and will not become a vehicle for relitigating the issues resolved in the current proceeding.⁷ Finally, at some future time it will be appropriate to include facilities supplementing AT&T's Alaska Network in AT&T's annual Blanket Applications.

⁶ Specific AT&T authorizations may be categorically excluded as defined by §1.1306 of the Commission's rules.

⁷ Nor should such relitigation occur in connection with any AT&T applications for radio licenses needed to serve Alaska.

CONCLUSION

For the reasons set forth above, AT&T should be granted authority pursuant to 47 U.S.C. § 214 as described herein.

Respectfully submitted,

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

By: /s/Frank Ianna
Frank Ianna
Vice President and
Chief Quality Officer
AT&T, Room 4C107
900 Route 202/206, P. O. Box 752
Bedminster, NJ 07921

/s/Richard H. Rubin
Richard Rubin
AT&T, Room 3252I3
295 North Maple Avenue
Basking Ridge, NJ 07920

Dated: March 31, 1993

CERTIFICATION

The applicant certifies that no party to the Application is subject to a denial of federal benefits that includes FCC benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. 862.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

By: /s/Frank Ianna
Frank Ianna
Vice President and
Chief Quality Officer

Dated: March 31, 1993

AT&T's Proposed Alaska Interstate Network First Stage

Attachment 1

Population

Anchorage 239,500
Fairbanks 29,800
Juneau 26,000

Route Miles

Anchorage-Fairbanks 391
Anchorage-Juneau 935

LEGEND

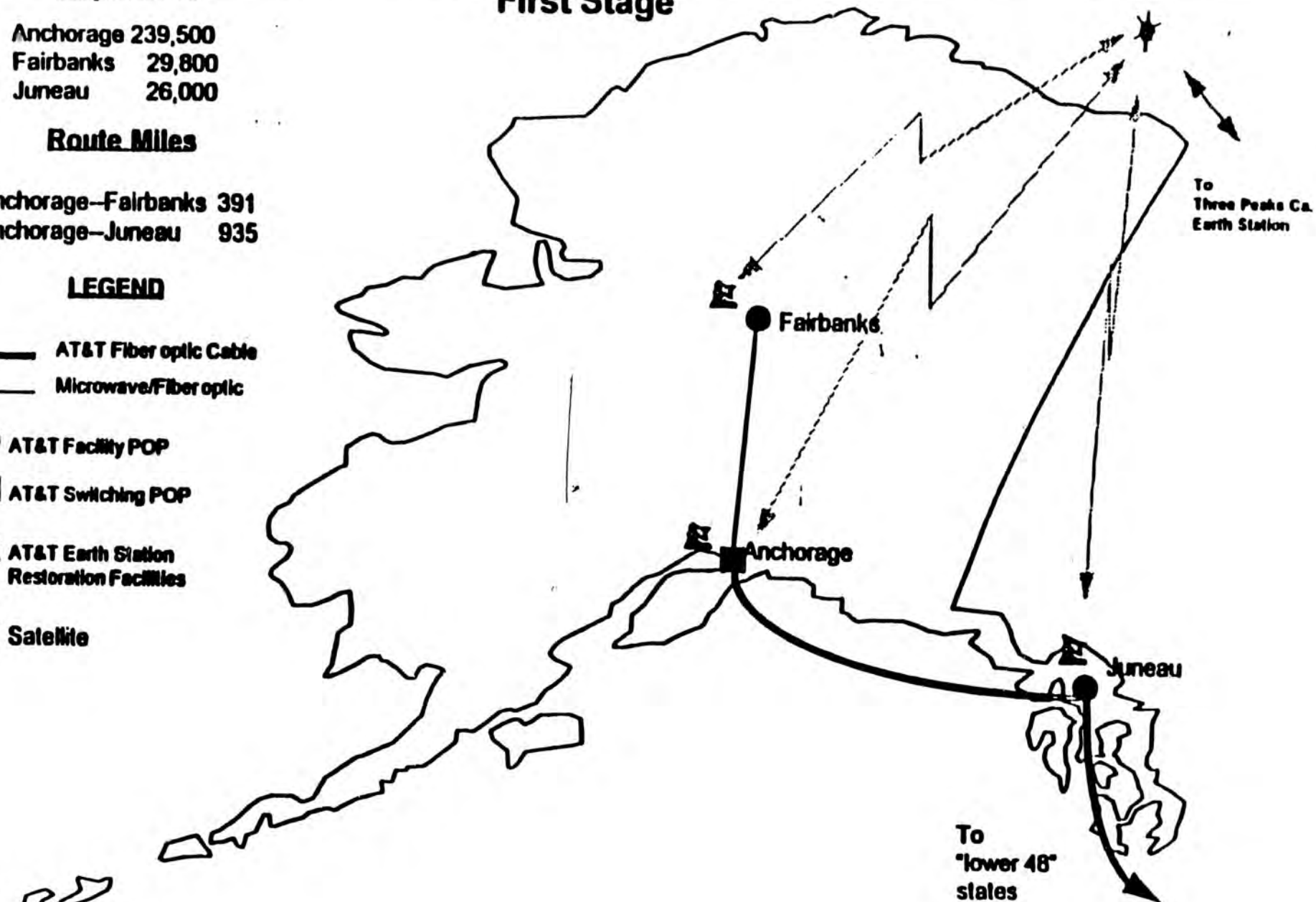
— AT&T Fiber optic Cable
— Microwave/Fiber optic

● AT&T Facility POP

■ AT&T Switching POP

⚡ AT&T Earth Station
Restoration Facilities

★ Satellite



AT&T's Proposed Alaska Interstate Network
(Second Stage)

Barrow
Bethel
Chugiak
Delta Jct
Dillingham
Eagle River
Ft. Greely
Ft. Wainwright
Glenallen
Haines
Healy
Homer
Kenai
Ketchikan
Kodiak (City)
Kodiak (U.S.C.G.)
Kotzebue

Nome
North Pole
Palmer
Petersburg
Seward
Sitka
Soldotna
Talkeetna
Valdez
Wasilla
Willow
Wrangell

ATTACHMENT B

Current AT&T Services/Features Not Offered by Alascom

AT&T Simple Savings Plan
AT&T Special Country Plan
AT&T Small Business Option (including Term Plan and Flex Plan)
AT&T MultiQuest® Service
AT&T NetPROTECT Service (Advanced and Premium)
AT&T Software Defined Network Service
AT&T Global Software Defined Network Service
AT&T Multilocation Calling Plan
AT&T FAXLine Service
AT&T Hospitality Network Service
AT&T Distributed Network Service
AT&T PRO® WATS Service
AT&T Plan D Service
AT&T Plan Q Service
AT&T Call Redirect Service
AT&T Optimum Service
AT&T EasyReach Service
AT&T MEGACOM® Plus Service
AT&T CustomNet Gold
AT&T Service Quality Guarantees
AT&T Advanced 800 Service
AT&T 800 Service - Canada
AT&T 800 Service - Overseas
AT&T 800 Service - Mexico
AT&T MEGACOM® 800 Service
AT&T MEGACOM® 800 Service - Canada
AT&T MEGACOM® 800 Service - Overseas
AT&T MEGACOM® 800 Service - Mexico
AT&T 800 Readyline® Service - Canada
AT&T 800 Service Plan K
AT&T 800 Service Plan E
AT&T 800 Service Plan P
AT&T 800 Gold Service

Current AT&T Services That Offer Additional Features
Compared to Alascom Counterparts

AT&T Reach Out® America-Basic (discount period begins 7 PM)
AT&T Reach Out® World
AT&T 800 Service
-Dialed Number Identification Service
-800 Validation
-800 Guaranteed Validation
-Make Busy Arrangement
-Alternate Number Translation
-Alternate Destination Routing