

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2234 SCOMM 38: HOUSE TELECOMMUNICATIONS TASK FORCE, 1993

785

AT&T 800 Readyline® Service

- One Number Calling
- Alternate Number Translation
- Advanced 800 Service

AT&T WATS Service

- Access Line Extension (different rate center than the access line)
- Multilocation Calling Plan
- Answer Supervision
- WATS One Line Access

CERTIFICATE OF SERVICE

I, Dana M. Pass, hereby certify that copies of the foregoing Comments of the State of Hawaii were served by hand or by First Class U.S. mail, postage prepaid, upon the parties on the attached service list this 28th day of June, 1993.

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ATU

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

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

COMMENTS OF THE ANCHORAGE TELEPHONE UTILITY

The Anchorage Telephone Utility ("ATU"), by its attorneys, submits its comments in response to the Tentative Recommendation and Order Inviting Comments ("Tentative Recommendation") by the Federal-State Joint Board in this proceeding,¹ as well as the June 7, 1993 first responses of Alascom and AT&T on the Tentative Recommendation. ATU provides local telephone service and interstate and intrastate access services throughout the Municipality of Anchorage and surrounding areas. ATU's 130,000 subscribers represent approximately one-half of all telephone subscribers in the State of Alaska. ATU urges the Joint Board to assure that the proposal for Commission action in this proceeding would not put upward pressure on local telephone rates by unfairly encumbering ATU and other local exchange companies ("LECs") as they compete for interstate and intrastate access business.

ATU commends the Joint Board for its effort and recognizes the importance of the Tentative Recommendation in moving this longstanding proceeding toward resolution. ATU is concerned, however, that neither the Joint Board, AT&T nor Alascom has paid adequate attention to the effects of their proposals on LEC access costs and rates, and ultimately

¹ FCC 93J-1, released May 17, 1993.

on rates for local exchange service. The Tentative Recommendation does not indicate that, in developing its proposal, the Joint Board considered this important aspect of any restructuring of the Alaska interexchange telecommunications market. In its comments, Alascom explicitly excludes any analysis of either the effects of its proposals on access charges or the effects of access charges on its proposals.² Similarly, in both its petition proposing a "Consumer Benefit Plan" and its comments on the Tentative Recommendation, AT&T expressly qualifies its commitments concerning its intrastate interexchange rates by excluding increases in access charges approved by the Alaska Public Utilities Commission ("APUC").³

Under any of the plans now before the Joint Board, unit costs for intrastate access and therefore rates for intrastate access services may well increase. Through the operation of the Commission's cost allocation and separations rules, LEC rates for interstate and intrastate access services depend in substantial part on the markets for interstate and intrastate interexchange services -- i.e., demand. The Joint Board acknowledges that the Tentative Recommendation would lead to increases in intrastate interexchange rates,⁴ suggesting a decrease in intrastate interexchange demand. Because at least some intrastate access costs are non-traffic sensitive, this traffic decrease could

² Comments of Alascom, June 7, 1993, p. 12.

³ AT&T's Petition to Terminate the Joint Services Agreement, March 31, 1993, p. 13; AT&T's Response to Request for an Implementation Plan, June 7, 1993, pp. 10-11.

⁴ Tentative Recommendation, para. 45.

increase intrastate access unit costs and rates. The modifications to the Tentative Recommendation proposed by Alascom are apparently designed to minimize increases to its intrastate revenue requirement. It is nevertheless clear that Alascom's proposals would still produce increases in intrastate interexchange rates,⁵ with corresponding potential decreases in intrastate interexchange traffic and access demand. While AT&T proposes a five-year ceiling on intrastate interexchange rates, it provides no assurance that its plan would not lead to increases in intrastate access rates⁶ -- which it has excluded from its proposed ceiling. *? If charged by LECs primarily APIC.*

It bears emphasizing that the Alaska LECs will have had no part in causing the increased costs and rates that could result from the proposals in this proceeding. In simplest terms, those cost and rate increases will make it harder for ATU and other Alaska LECs to compete for access customers and traffic. ATU, for example, already confronts significant competition from Alascom and GCI for access customers and traffic, which AT&T's proposed market entry will surely heighten.

ATU does not shy from that competition. Indeed, ATU recently withdrew from the NECA traffic-sensitive pool and filed its own interstate access tariff in order to enhance its ability to compete in the access market. ATU is understandably concerned about any regulatory

⁵ Comments of Alascom, June 7, 1993, Exhibit J and p. 15.

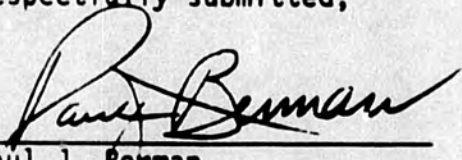
⁶ AT&T's proposal not to increase intrastate interexchange rates contrasts with its proposal to lower interstate interexchange rates. AT&T Petition to Terminate the Joint Service Arrangement, March 31, 1993, pp. 3-4, 6-7. The result is likely to be an increase in unit costs for non-traffic sensitive intrastate access.

action that threatens to reduce its growing control over its access costs and rates.

Important public interest issues are at stake in this proceeding. Competition for access customers and traffic could be reduced. Especially large-volume access customers could be prompted to leave the LEC network, leaving fewer and smaller customers to pay for the costs of that network. Inevitably, pressure would mount to increase rates for local service.

ATU therefore urges the Joint Board to consider carefully the effects of its Tentative Recommendation, as well as the proposals of the parties, on access costs, rates and competition in access services and, ultimately, on rates for basic local telephone service. The Joint Board needs to assure that, in the name of restructuring the market for interexchange services, it does not propose to increase rates for local service by sacrificing competition in access services or the ability of ATU and other LECs to participate fairly in that competition.

Respectfully submitted,

By: 

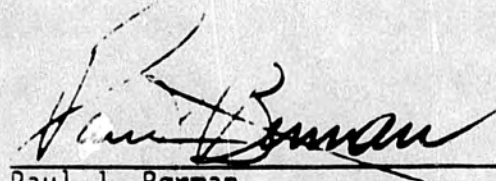
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June 28, 1993

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I hereby certify that, on this 28th day of June 1993, I caused copies of the foregoing "Comments of the Anchorage Telephone Utility" to be sent via first-class mail, stage prepaid, to the parties on the attached list.

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June 28, 1993

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Re: CC Docket No. 83-1376

Dear Ms. Searcy:

Enclosed for filing are the original and five copies of
MCI's comments in the above captioned proceeding. Please affix a
proper notation to mark as received for filing.

Yours truly,



Donald F. Evans

MCI

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 Common Carriers)
between the Contiguous States and)
Alaska, Hawaii, Puerto Rico and)
the Virgin Islands)

CC Docket No. 83-1376

MCI COMMENTS

MCI Telecommunications Corporation (MCI) herein provides its comments in the above captioned proceeding. MCI generally agrees with the Joint Board proposal to eliminate the current joint services arrangement between AT&T and Alascom. However, MCI cannot agree that it is in the public interest to require all interexchange carriers to pay for the so-called Alaska fund.

The Tentative Recommendation and Order Inviting Comments proposes to have NECA establish an Alaska fund to compensate Alascom for its transition to a fixed circuit equipment allocator. This is completely against the public interest. Alascom should not be entitled to receive any monies from any entities which do not utilize its interstate facilities to transport calls to and from Alaska. To the extent that any fund is required, only those entities which utilize Alascom facilities -- not including any bush facilities -- should be required to pay into this fund. The State Members Plan requires that AT&T pay Alascom to accelerate the depreciation of plant in place. There is no public interest or benefit reason for the Alaska fund to operate any differently, if any fund is required.

To the extent that the Joint Board does not listen to reason and allows an Alaska fund to be established and requires all entities providing service to Alaska -- regardless if they do or do not utilize Alascom facilities -- to pay into this fund, MCI urges the Joint Board to initiate a joint state/federal audit of Alascom. The objective of this audit should be to determine which of Alascom's assets and costs are reasonable and if Alascom is in compliance with state and federal accounting rules. To the extent that the audit detects that Alascom has kept on its regulated books assets that are not used or useful in providing telecommunications services, these costs should be ordered removed and any appropriate fines and forfeitures levied for such violations.

Respectfully submitted,

MCI TELECOMMUNICATIONS CORPORATION



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Dated: June 28, 1993

STATEMENT OF VERIFICATION

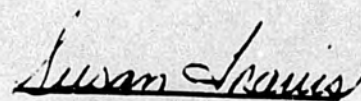
I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on this twenty eighth day of June 1993.



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I, Susan Travis, do hereby certify that copies of the foregoing MCI Reply Comments were sent via first class mail, postage paid, to the following on this 28th day of June, 1993:


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GCI

In the Matter of

CC Docket 83-1376

¹ Integration of Rates and Services, 4 FCC Rcd 395 (1989).

Recommendation also represents a workable compromise² between the positions of Alascom and AT&T and is fully capable of being implemented in accordance with the schedule proposed therein. GCI urges the Joint Board to finalize its Tentative Recommendation and specify that implementation commence no later than the beginning of 1994.³

II. THE WRITE-DOWN SHOULD BE RESTRICTED TO ASSETS USED FOR INTERSTATE MTS SERVICES

The Joint Board has recommended a write-down of Alascom's assets in connection with the transition from the Joint Services Arrangement (JSA) to a competitive market structure. GCI supports the write-down approach and urges that the write-down be applied specifically to assets used for the provision of interstate MTS services. While the Tentative Recommendation does not define how the write-down should be applied, GCI believes that any such funds should be used to write-down interstate MTS assets. It is important that the Joint Board clarify this issue because it appears from

² AT&T and Alascom substantially achieve their objectives but do not receive everything they might have sought. Alascom, though losing the Joint Services Arrangement (which all agree must end), receives substantial compensation which will enable it to effect a successful transition to a competitive market. (See Attachment 1) AT&T, while not freed of transitional requirements, achieves the objectives which it has sought throughout the proceeding (termination of the Joint Services Arrangement, spreading of burdens to other interexchange providers, reduction of interstate cost assignments and freedom to provide Alaska service in the manner of its choosing).

³ Alascom has agreed that implementation of the plan may commence beginning in 1994 and AT&T has already filed a Section 214 application proposing service to Alaska.

Alascom's Implementation Plan filing⁴ that Alascom would, in the absence of such a clarification, apply the write-down of assets across all services - not only to interstate MTS assets but also to those used for intrastate services, and "other services" (presumably including private line) as well. These latter services have not been provided under the Joint Services Arrangement and thus should not be affected by the write-down process.

III. AT&T'S SECTION 214 APPLICATION SHOULD BE GRANTED CONSISTENT WITH THE JOINT BOARD'S FINAL RECOMMENDATION

On March 31, 1993, AT&T filed a Section 214 application proposing direct service to Alaska.⁵ As GCI indicated in its Comments regarding the application filed June 25, 1993, the AT&T application should be granted subject to conditions making the grant consistent with the Joint Board's final recommendation. In particular, AT&T should be authorized to plan and construct facilities for Alaska service so long as the use of those facilities for the provision of interstate MTS services now provided under the Joint Services Arrangement is consistent with the terms of the final recommendation. As that recommendation now stands, AT&T could commence using its own facilities to provide a portion of its Alaska MTS

⁴ Response to Request for Implementation Plan of Alascom, Inc., filed June 7, 1993 ("Alascom Plan").

⁵ AT&T's Response to Request for an Implementation Plan, filed June 7, 1993, supported the approach described in its Section 214 application.

services three years after adoption of the decision. AT&T could plan and carry out its facilities construction consistent with that timetable.

IV. THE ALASCOM IMPLEMENTATION PLAN

Alascom's filing confirms that the Joint Board Plan is feasible.

Alascom's costs fall dramatically as a result of the write-down. At the end of the three year transition, the JSA ends but Alascom retains the right to carry a decreasing share of AT&T's Alaska service and receives transitional payments from a NECA-administered fund. Several observations regarding the Alascom Plan are appropriate.

Scope of the Write-Down

Alascom's calculations understate the potential cost reduction effects of the Tentative Recommendation on jurisdictional services. In Alascom's analysis, the write-down is applied to interstate, intrastate and "other services." If the write-down is limited to interstate MTS services, the cost of these services will fall even more dramatically.

Alascom Customer Base

Alascom's interstate and foreign "billed revenues" disappear in the fourth year of its analysis - meaning that Alascom apparently has no interstate MTS customers after that time.⁶ The disposition of these customers is not explained in the Alascom filing. Alascom apparently intends

⁶ See Alascom Plan, Appendix II, page 2.

to sell its customer base. A voluntary decision by Alascom to sell its customer base may be a valid business move but it makes difficult a comparison of pre- and post-transition financial performance since a major existing line of business is simply missing in later years. In addition, to the extent Alascom realizes cash from the sale of its customer base,⁷ these funds are apparently missing from the analysis as well.

Application of Write-Down to Particular Assets

Alascom has suggested that the total amount of the write-down be increased and has identified certain specific costs which should be recovered through the write-down, including FASB 106 effects and certain costs of the Aurora II domestic satellite. The Joint Board may not wish to combine a general facilities write-down with an additional particularized write-down directed to specific costs. The Joint Board should specify the total dollar amount of the write-down and direct that it apply to assets used for the provision of interstate MTS services. Beyond that, the Joint Board need not specify in detail how the write-down is to apply year-by-year to each of Alascom's myriad assets. Instead, in each year of the transition, Alascom should propose to the Common Carrier Bureau an accounting treatment for the application of the write-down for that year. This proposed accounting treatment would then be accepted or altered by the Bureau. There is no reason to identify particular assets or portions of assets at this time.

⁷ Alascom previously estimated that it could garner \$75.5 million from the sale of its interstate MTS customer base.

"Volume Issues"

Alluding to so-called "volume issues,"⁸ Alascom again portrays the Alaska Bush as a difficult burden - but apparently one that only Alascom should be legally allowed to carry. GCI reiterates, as it has said before, that it will acquire from Alascom, at net book value, the Alascom facilities at any Bush location which Alascom proposes to abandon and will serve that location through the GCI network without insisting upon monopoly rights, or any form of cost pooling or forced subsidization by others.

Alascom Rate Averaging

Alascom seeks to deaverage the rates it charges to other carriers.⁹ This proposal should be rejected. Alascom must be required to geographically average its carrier transport charges on a Statewide basis so long as it provides monopoly service to any segment of the market such as the Bush. Otherwise, it will simply shift costs away from competitive markets to monopoly markets where customers have no choices. It should be noted, however, that geographic averaging is merely an interim stop-gap to prevent monopoly abuse. The solution to the averaging problem in the long run is to open the Bush to entry by competing interexchange carriers -- preventing cost shifting of this kind. Until competitive service is available in the Bush, Alascom's rates must be geographically averaged.

⁸ Alascom Plan, p. 20.

⁹ Alascom Plan, p. 20.

Pricing for the Alaska Spur

Alascom apparently intends to charge "market driven" rates for use of the Alaska Spur.¹⁰ The Alaska Spur is an essential facility. "Market driven" rates in a monopoly environment such as this are monopoly rates. Clearly, while Alascom retains monopoly control of the only fiber optic facility to the State of Alaska, it may not be allowed to price the use of that facility in an extortionate manner.

Alascom Private Line Services

Alascom likens its provision of private line service to the provision of special access by an exchange carrier.¹¹ This is clearly not the case. Alascom has provided interstate and intrastate private line services for approximately twenty years under private line tariffs separate and apart from the Joint Services Arrangement or other artificial pricing or pooling arrangements. Alascom will continue to provide these private line services after the implementation of the Joint Board's Recommendation because it must do so unless and until it files and has granted a Section 214 application to discontinue such services.¹² No such application is pending or has even been alluded to by Alascom.

¹⁰ Alascom Plan, p. 24.

¹¹ Alascom Plan, p. 26.

¹² The Tentative Recommendation (p. 12) would reaffirm Alascom's private line service obligation.

AT&T Service to Alaska

Alascom questions why the addition of AT&T to the Alaska market as a facilities-based carrier would make sense. It would make sense if it allows AT&T to provide its services at lower cost.¹³ AT&T has indicated a willingness to provide both interstate and intrastate services. If these AT&T services are provided without artificial pooling or subsidies, Alaskans will benefit from both increased competition and freedom from dependency upon anachronistic structures that are certain to end in today's competitive environment.

Rochester Telephone-Style Restructuring

Alascom suggests in its filing that it may be appropriate to consider some form of corporate restructuring for the company.¹⁴ Alascom refers to the proposal of Rochester Telephone Company for restructuring along competitive and non-competitive lines. Ameritech has filed such a proposal as well. Both proposals are now in the comment stage. It is unclear at this time how the Commission will eventually deal with them. The three year transition period which has been specified by the Joint Board should permit

¹³ This kind of cost difference can be seen in Alascom's filing itself. Alascom provides an analysis of its own cost of providing Alaska services compared with that of AT&T and GCI. (Alascom Plan, Exhibit L.). On a per customer (per line) basis, the cost differential among carriers is enormous. While Alascom provides its services at a cost of \$1,131 per access line addressed, GCI's cost is only \$360 per access line addressed (representing 93% of Alaska access lines). Contrary to Alascom's claim, technology and competition will solve Alaska's high cost problem.

¹⁴ Alascom Plan, p. 22.

time for these proposals to be considered and possibly implemented in part by Rochester and Ameritech. Thus, at the end of the transition period the Commission would be in a much better position to evaluate how these exchange carrier restructuring proposals might apply to Alascom - an interexchange carrier. Insistence on development of such a restructuring plan now might be viewed as an effort to delay the proceeding.

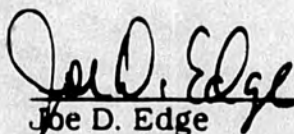
VIII. CONCLUSION

GCI commends the Joint Board for its diligent effort in structuring a solution to the Alaska market problem. The Tentative Recommendation should be adopted and implementation should commence no later than January 1, 1994.

Respectfully submitted,

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By its attorney



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June 28, 1993

ATTACHMENT 1

**Alascom Cash Flow Under the JSA and Tentative Recommendation
1993-2000**

(Dollar Amounts in Millions)

<u>Year</u>	<u>Depreciation*</u>	<u>Net Income*</u>	<u>Sale of Customer Base</u>	<u>Cash Flow TR</u>	<u>JSA***</u>
93	\$37	\$35		\$72	\$72
94	90	28		118	72
95	91	21		112	72
96	92	16	\$75.5**	183.5	72
97	6	18		24	72
98	10	14		24	72
99	16	13		29	72
00	17	10		27	72
Total	\$359	\$155		\$589.5	\$576

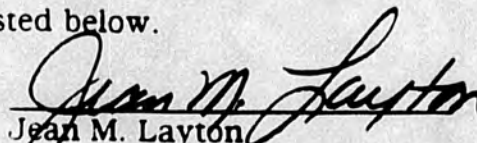
* Alascom Implementation Plan, Appendix II, p. 1.

** Alascom Purchase Agreement, December 19, 1991, p. 7., filed as part of the "Master Agreement."

*** For comparison purposes the financial performance for 1993, the final year of the JSA, is assumed to continue if the JSA is not terminated.

CERTIFICATE OF SERVICE

I, Jean M. Layton, hereby certify that on this 28th day of June, 1993, the foregoing Reply Comments of General Communication, Inc. was mailed postage prepaid to the parties listed below.


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ALASCOM

C-100

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 Common Carriers)
between the Contiguous States)
and Alaska, Hawaii, Puerto Rico)
and the Virgin Islands)

CC Docket No. 83-1376

MOTION OF ALASCOM, INC. TO SCHEDULE REPLY COMMENTS

Alascom, Inc. ("Alascom"), by its attorneys, hereby submits its motion asking the Alaska Joint Board to schedule reply comments as a consequence of its Tentative Recommendation and Order Inviting Comments, FCC 93J-1 (released May 17, 1993) ("Tentative Recommendation") and its subsequent Public Notice convening a hearing in Anchorage, Alaska, DA 93-755 (released June 23, 1993) ("Hearing Notice"), in the above-captioned proceeding.

The Joint Board has decided to convene a hearing in this proceeding "... to receive testimony from the citizens of Alaska and other interested persons..." In the Hearing Notice, the Joint Board amended the procedural schedule established in the Tentative Recommendation by providing that: "...interested persons may also provide written testimony or other comments

¹Hearing Notice, p.1.

until July 12, 1993."²

In view of the new schedule the Joint Board established in the Hearing Notice, Alascom plans to file its comments on July 12, 1993. This may give it some opportunity to take into account the record of the hearing to be held on July 1. In addition, consistent with the procedures previously established, the Joint Board should establish a date upon which reply comments are due. This is essential for the reasons originally comprehended in the Tentative Recommendation. Moreover, this will be the only manner by which Alascom and other interested persons will be able to address testimony and any other matters which are presented on July 12.

Therefore, Alascom requests that the Joint Board establish a conforming schedule for the filing of reply comments in this proceeding. Because the Hearing Notice directed that comments and testimony be served on the Joint Board's Commissioners and staff only, and not on the parties, this date should be two weeks (the amount of time originally allotted in the Tentative

²Hearing Notice, p.2. Previously, in the Tentative Recommendation the Joint Board had directed that comments would be filed on June 28, 1993 and reply comments on July 12, 1993.

Recommendation) after a complete record of comments and testimony has been made available by the Joint Board's staff to the parties.

Respectfully submitted,

ALASCOM, INC.

By /s/ Alan Y. Naftalin
Alan Y. Naftalin

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Its Attorneys

June 28, 1993

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I, Judy Cooper, a secretary in the law offices of Koteen & Naftalin, hereby certify that true copies of the foregoing "MOTION OF ALASCOM, INC. TO SCHEDULE REPLY COMMENTS" have been served upon the following by first-class United States mail, postage prepaid, this 28th day of June, 1993:

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ATA

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)

Integration of Rates and)
Services for the Provision)
Communications by Authorized)
Common Carriers between the)
Contiguous States and Alaska,)
Hawaii, Puerto Rico and the)
Virgin Islands)

CC Docket No. 83-1376
RM 4436

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.

INTRODUCTION

On March 31, 1993, American Telephone and Telegraph
("AT&T") petitioned the Commission, requesting it to enter an
order terminating the Joint Service Arrangement ("JSA"), and
adopting AT&T's "Consumer Benefit Plan." Attachment A to that
petition was AT&T's Section 214 application for authority to

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create and operate its own network for the provision of interstate service directly to and from Alaska.¹

On May 17, 1993, the Federal-State Joint Board ("Joint Board") issued its Tentative Recommendation and Order Inviting Comments ("Tentative Recommendation"). In the Tentative Recommendation, the Joint Board adopted a tentative recommendation for the creation of a new market structure for the provision of interstate telecommunications between Alaska and the lower-48, as well as between Alaska and Hawaii. Because Alaska interstate message telephone service and wide area telecommunications service is provided under a Joint Service Arrangement ("JSA") between AT&T and Alascom, Inc. ("Alascom") and because the Tentative Recommendation proposes terminating the JSA, the Joint Board requested AT&T and Alascom, either jointly or separately, to file on or before June 7, 1993 proposed implementation plans for the termination of the JSA.

The Tentative Recommendation requested interested parties to comment on all of these matters. The Alaska Telephone Association ("ATA"), the trade association for Alaska's certificated local exchange telephone companies, provides its

¹ The Commission has established a separate proceeding to consider AT&T's Section 214 application; parties were to file, by June 25, 1993, their petitions and/or comments.

comments herein.² As set forth below, it is clear that the parties understand that the status quo cannot stand. The Tentative Recommendation, however, does not go far enough in restructuring the Alaska telecommunications market in order to ensure the Tentative Recommendation's success.

ANALYSIS

As an initial matter, the ATA's positions on the pertinent Alaska telecommunications market structure issues are well known to the Commission and to the parties to this docket. The ATA is not going to repeat those positions in this brief; it hereby incorporates them by reference. The ATA's comments set forth herein address the major issues upon which comment was requested in the Tentative Recommendation, and particularly those issues on which the ATA has not commented before.

A. Tentative Recommendation

The principle thorn to resolving the Alaska telecommunications market structure issues is the cost of

² The ATA's comments do not reflect the views of Telephone Utilities of Alaska ("TUA") or Telephone Utilities of the Northland, Inc. ("TUNI"), local exchange telephone companies that are sister companies of Alascom, Inc. ("Alascom"). Pacific Telecom, Inc. ("PTI") is the parent company.

delivering telecommunications services to Alaska and Alaskans, particularly because of the State's geographical vastness and the fact that so many Alaskans live in remote, small and subsistence-based communities. After the JSA is terminated -- and all parties to this docket agree that the JSA must be terminated or that it will be terminated -- the Tentative Recommendation's central element, and its effort to achieve revenue requirement neutrality, is the Accelerated Cost Recovery Program ("ACR"). Under the ACR, Alascom's interstate and intrastate revenue requirement would be reduced; that reduction would be funded by AT&T.

To help prevent potentially significant cost shifts, AT&T would be required to use Alascom's facilities for its Alaska traffic for three years, with a phase-out of this obligation over an additional four years. At the end of seven years, AT&T would be permitted to provide interstate service without a requirement to use any Alascom facilities.¹

These integral elements of the Tentative Recommendation present a number of dilemmas. First is that assuming AT&T eventually submits a complete Section 214 application and a parallel Alaska Public Utilities Commission filing, and assuming

¹ The Tentative Recommendation also requires Alascom to separate its costs using the 75% circuit equipment allocator; the Tentative Recommendation calls for phasing the allocator in over ten years. The ATA supports this element of the Tentative Recommendation.

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they meet both agencies' regulatory requirements and goals,' the Tentative Recommendation reduces incentives for AT&T to enter the Alaska market with the resources it pledges in its Consumer Benefit Plan to dedicate to Alaskans including the fiber optic cable system, lower prices and increased service options. The Tentative Recommendation reduces AT&T's incentives in a number of ways, including preventing AT&T from fully entering the Alaska market for seven years.

Second is the fact that Alascom has no incentive under the Tentative Recommendation to invest in new technology or upgrade its facilities.' Much of the telecommunications equipment in rural Alaska is already outdated. Under the Tentative Recommendation, Alascom has no incentive to increase its investment by modernizing equipment, adding services or even increasing its existing equipment's reliability. In fact, the opposite is true. Alascom does not appear to have any incentive whatsoever to invest in upgraded equipment in rural Alaska, much

' Without both filings, it is not possible to determine the Consumer Benefit Plan's impact on Alaska's telecommunications market structure and ratepayers. As discussed more fully in these comments, AT&T should be required to file the major portion of its state application as a part of this proceeding.

' The Joint Board, in the Tentative Recommendation, recognizes the importance of new technology and innovative services. Tentative Recommendation at 9.

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less prepare to replace the Aurora II satellite which, according to Alascom, has an anticipated end-of-life in 2001.⁶

In order to achieve revenue requirement neutrality under the Tentative Recommendation -- and thus the Tentative Recommendation's success -- additional market structure changes may be required. Alascom's high operating costs are the dominant cost of Alascom's revenue requirement, and Alascom's operational costs must be reduced in order for the Tentative Recommendation to work. As AT&T states, a dollar of reduction in Alascom's operating expenses reduces its revenue requirement by a full dollar. See AT&T's Response to Request for an Implementation Plan at 6.

The ATA recommends that the Joint Board not take any action to preclude, and that the parties consider, reconfiguring the intrastate network whereby the local exchange telephone companies ("LECs") own the interexchange facilities in their respective service areas. Structurally normalizing the network in this fashion⁷ would assist in lowering Alascom's revenue requirement, and should also lower overall network costs. For example, if the

⁶ Moreover, to the extent that Alascom does not intend to compete against AT&T once it enters the interstate and intrastate markets, or to the extent that Alascom does not believe the Tentative Recommendation will be effective, Alascom's incentive to modernize equipment or improve its services may even be further reduced.

⁷ This configuration is "structurally normal" because it more closely resembles the market structure in the lower-48.

LECs owned the interexchange facilities in their service areas, the LECs and Alascom would no longer have redundant work forces in each LEC service area. As a result, Alascom's costs of operation would be reduced, and the remaining costs would be reflected in the transport elements of the LECs' access charge pools. In this manner, the costs would be proportionately distributed to all carriers on both an interstate as well as an intrastate basis.

Moreover, if the LECs not only owned the interexchange facilities in their service areas but also established an equal access tandem in a centralized location, equipped with equal access capability and the ability to switch both interstate and intrastate traffic, overall network costs should be lower than they would otherwise be.⁹ For example, the majority of the interstate toll traffic outside of Anchorage, Fairbanks and Juneau is routed by satellite. Much of it is first routed to several regional class 4 offices, then to Anchorage, and then to the Alaska Spur. It is likely that there would be considerable cost savings to the network if that traffic was instead routed to an equal access tandem, and then to interexchange carriers directly. Moreover, another benefit would be the ability to provide new

⁹ This arrangement could provide wholesale rates to GCI and other competitive interexchange carriers (IXCs). GCI and other IXCs could utilize their own facilities in locations where they have them.

technology and new services, and to provide them at a fraction of the cost than would otherwise be required.

LEC ownership of the interexchange facilities in their service areas, and an equal access tandem, would also assist in keeping the network costs as low as possible by achieving competition in long distance services in small towns and rural areas. This is so because it would avoid forcing LECs into uneconomic end office conversions. It also ensures that all communities in Alaska benefit from equal access competition and new service offerings.

B. AT&T's and Alascom's Responses to the Tentative Recommendation

AT&T's and Alascom's Responses to the Tentative Recommendation do not provide the assistance to the Joint Board that the Joint Board was requesting.' AT&T simply promotes its Consumer Benefit Plan. Unfortunately, AT&T fails to include in its Section 214 application or its Petition to Terminate the Joint Service Arrangement the details necessary to fully analyze the Plan's impact on Alaska's ratepayers and telecommunications market structure. AT&T has yet to file its promised application before

' AT&T's and Alascom's Responses both indicate that significantly more substantive comments will be filed in response to the Tentative Recommendation and in response to the Joint Board's request for an implementation plan. The ATA reserves the right to comment accordingly.

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the Alaska Public Utilities Commission ("APUC") to provide intrastate long-distance service. Without the information that is required to be submitted with a Section 214 application,¹⁰ and without the APUC filing, it is difficult to understand how AT&T intends to serve the State of Alaska outside of the three urban Points of Presence, and how its Plan contributes to or reduces the likelihood of the Tentative Recommendation's success. AT&T must file complete applications in both jurisdictions so that the APUC is fully involved in the process and so that all parties and both regulatory agencies can fully understand and participate in the network's restructuring.

As for Alascom, its filing purports to be a transition plan but it does little but call for a considerable amount to be added to the subsidy it would receive through adoption of the State Members' proposed ACR. Even if the additional funds were provided that Alascom claims is needed to make the Tentative Recommendation effective, without a significant reduction in Alascom's operating expenses, the Tentative Recommendation may fail to achieve its goals in the long term. For example, what if Alascom, after receiving the funds it requested in the three year period, installs new equipment to keep up increased demand as carrier of last resort: won't Alascom be entitled to recover these costs, and

¹⁰The ATA has submitted comments in the separate proceeding established to consider AT&T's Section 214 application. A copy is attached as Exhibit A.

won't Alascom's revenue requirement increase? What is the impact on revenue requirement neutrality, and is the transition period lengthened?

CONCLUSION

The ATA believes the JSA must be terminated. The ATA also believes that the Commission and the Joint Board must require AT&T to provide a complete Section 214 application, and file the major portion of its state application as a part of this proceeding. The ATA believes that for the Tentative Recommendation to achieve its goals, Alascom's operational costs must be reduced and the market structure normalized. One way to reduce these costs and to normalize the market structure is to allow the LECs to own the interexchange facilities in their service areas. The ATA urges the Joint Board to not take any action to preclude LEC ownership of these facilities, and urges the parties to examine LEC ownership of the interexchange facilities in their service areas as a component of the market restructuring.

DATED this 25th day of June, 1993 at Anchorage, Alaska.

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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of
Application of

AMERICAN TELEPHONE AND
TELEGRAPH COMPANY

Under § 214(a) of the
Communications Act for Authority
to create and operate its
own network by leasing,
purchasing and constructing
facilities for the provision
of interstate service
directly to and from Alaska

File No. W-P-C-6861

**Alaska Telephone Association's Response to AT&T's
Section 214 Application**

On March 31, 1993, pursuant to section 214 of the
Communications Act, and 47 C.F.R. § 63.01, AT&T submitted a
Section 214 application to the Commission for authority to create
and operate its own network for the provision of interstate
service directly to and from Alaska. The comments of the Alaska
Telephone Association, the trade association for Alaska's

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certificated local exchange carriers, to AT&T's application, are set forth below.¹

As 47 C.F.R. § 63.01 provides, Section 214 applications shall be accompanied by a statement showing how the proposed construction, etc. will serve the public interest, convenience, and necessity. The regulations set forth the information that the statement must include. See 47 C.F.R. § 63.01 (a)-(q).

The Alaska Telephone Association cannot respond substantively to AT&T's Section 214 Application as that application does not contain the significant information required by 47 C.F.R. § 63.01. AT&T recognizes this deficiency, as its application states that it does not include all that is required under Section 63.01. See AT&T's Application at 6 ("...AT&T cannot provide the specific detail called for by § 63.01 of the Commission's Rules").

Information required by the Commission's regulations but not provided include such fundamental matters as estimated revenues and costs, and the basis therefor (47 C.F.R. § 63.01(m)).

¹ The ATA's comments do not reflect the views of Telephone Utilities of Alaska ("TUA") or Telephone Utilities of the Northland, Inc. ("TUNI"), local exchange telephone companies that are sister companies with Alascom, Inc. ("Alascom"). Pacific Telecom, Inc. ("PTI") is the parent company.

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Other information required, but not provided, includes proposed tariff charges and regulations (47 C.F.R. § 63.01(o)), and AT&T's present and estimated future requirements for the route of the proposed facilities (47 C.F.R. § 63.01(i)).

The importance of this information to the Alaska Telephone Association's members is obvious. The importance of this information to the Commission, in its consideration of the Joint Board's Tentative Recommendation, is also obvious as costs, and cost shifts, are driving factors in the Federal-State Joint Board's efforts to resolve the Alaska telecommunications market structure issues. See, e.g., Tentative Recommendation and Order Inviting Comments, CC Docket No. 83-1376, (May 17, 1993).

Without this detail, the Alaska Telephone Association cannot substantively comment as the FCC has requested on AT&T's Application. The Alaska Telephone Association may well support AT&T's application. At this point in time, however, the Alaska Telephone Association is without sufficient information to substantively comment.

As a result, the Alaska Telephone Association requests the FCC to reject AT&T's Application until AT&T provides the detail required by the Commission's regulations. At a minimum, the Commission should require AT&T to provide that detail and then re-

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notice the application for comment. The Alaska Telephone Association reserves the right to comment further when the missing information is provided.

DATED this 24th day of June, 1993 at Anchorage, Alaska.

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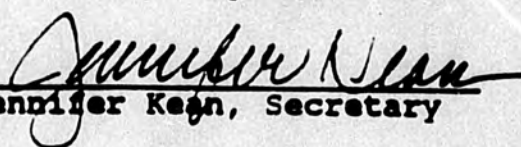
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I, Jennifer Kean, hereby certify that on this 24th day of June, 1993, a true and correct copy of the foregoing "Alaska Telephone Association's Response to AT&T's Section 214 Application" was served by U.S. Mail on the following:

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I, Jennifer Kean, hereby certify that on this 25th day of June, 1993, a true and correct copy of the foregoing "Alaska Telephone Association's Comments to the Joint Board's Tentative Recommendation..." was served by mail on the parties on the attached list.


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88-8

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 Common Carriers)
between the Contiguous States)
and Alaska, Hawaii, Puerto Rico)
and the Virgin Islands)

CC Docket No. 83-1376

COMMENTS OF ALASCOM, INC.

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July 12, 1993

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SUMMARY

Viewed from the perspective of the Joint Board's five policy goals in this proceeding, the current Alaska market structure is a public interest success. The three primary goals of universal service, rate integration and revenue requirement neutrality have been achieved. The secondary goals of competition and efficiency also have been achieved, as is demonstrated clearly in the record of this proceeding.

Accordingly, there is no service crisis of any sort and the Joint Board should take action only on the basis it has historically endorsed: adjusting the Alaska market structure as necessary, only if such an adjustment actually promotes the Joint Board's policy guidelines. The market structure before the Joint Board which best fulfills its goals at this time, based upon the record, is continuation of the current structure and the Joint Services Arrangement, with, if the Joint Board so finds, adoption of the Alaska Revenue Cap proposal of Alascom.

The other two proposals before the Joint Board are less satisfactory, though the Tentative Recommendation is clearly superior to AT&T's ad hoc program.

AT&T's Plan is so internally and externally inconsistent with its own assertions in this proceeding, and the facts, that it is an abuse of the Commission's processes. AT&T itself has admitted that when it made its proposal, it had not developed the facts and information necessary to describe this plan accurately, that it is trying to do so now, but that it does not intend to disclose this information in the near future. Thus, there is no

substantial or credible evidence in support of this "plan," so that the only rational alternative is to reject it.

Further, if the few sketchy details provided by AT&T are scrutinized, its plan appears to be a disaster for Alaska service. Although AT&T has carefully avoided any factual discussion in the record of separations effects, it apparently intends to add enormous capital investments and expenses to the Alaska telecommunications network. These costs, easily totalling in the hundreds of millions of dollars, could cause massive (although presently undocumented by AT&T) jurisdictional cost shifts to the Alaska intrastate jurisdiction and reduce the costs savings otherwise available to ratepayers in the other 49 states. Despite this over-building, AT&T would offer no gains in reliability, improved or additional services from what can be carried now on existing facilities. AT&T has not disputed this.

The proposal described in the Tentative Recommendation reflects intense effort by the Joint Board and its staff. It does contain certain plausible adjustments to the market structure, but on balance, appears insufficiently analyzed in terms of its potential effects on Alaskan consumers. Most particularly, the goal of revenue requirement neutrality is not fully protected by this proposal. In an effort to improve the public interest benefits of the Joint Board's proposal, Alascom has suggested a Transitional Credit Facility (TCF) as an additional element of the proposed Accelerated Cost Recovery. Alascom shows that this would improve the Joint Board's plan with

respect to revenue requirement neutrality.

Unfortunately, adoption of the Joint Board's proposal would probably not end the uncertainty surrounding the Alaska question, because of AT&T's intransigence. AT&T has announced that it will not cooperate with the Joint Board, and if its proposal is implemented anyway, AT&T will likely embark upon a course of litigation against it.

Finally, this proceeding has suffered from a number of procedural irregularities. Alascom urges the Joint Board to take note of these serious problems now and remedy them. Failure to do so would render any significant action in this docket, at this time, of uncertain legality. As well, much more comprehensive, hearings in Alaska could be conducted. This would achieve results clearly desired by the public, the parties, and the Joint Board.

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COMMENTS OF ALASCOM, INC.

Alascom, Inc. ("Alascom"), by its attorneys, hereby submits its Comments in response to the Tentative Recommendation and Order Inviting Comments, FCC 93J-1 (released May 17, 1993) ("Tentative Recommendation") of the Alaska Joint Board in the above-captioned proceeding.¹

I. INTRODUCTION AND BACKGROUND

For nearly ten years, this proceeding has explored the subject of Alaskan telecommunications and the need, if any, to adjust the existing market structure of Alaskan service. The nature of that "existing market structure" has evolved during the course of this docket, from one of de facto monopoly service provisioning in both the state and interstate markets, to one of

¹The due date for comments in this proceeding was extended to July 12, 1993 in Public Notice DA 93-755 (released June 23, 1993), 58 FR 35457 (July 1, 1993): "Interested persons may also provide written testimony or other comments until July 12, 1993."

de jure and de facto competition in both. During this period, the costs of telecommunications service to consumers has declined, and the scope of service offerings has expanded. Modern facilities -- satellite, terrestrial, and undersea -- have been installed by Alascom and are available to serve Alaskans, statewide. The activity occasioning this round of pleadings does not originate in an absence of any of these accomplishments, but rather from the efforts of the parties to adjust their commercial relationships. This point should animate the Joint Board's review of the current issues, because it places that review in perspective: There is no service crisis in Alaska requiring preemptive action by the Board. To the contrary, the concerns expressed by Alaskans during the brief July 1st hearing focused upon preservation of the gains made in the past. Therefore, change, if mandated by the Board, must find other justifications, and must be consistent with the five principles previously adopted by the Board for this proceeding.

The Commission initiated this proceeding in 1983 with a Notice of Inquiry at the request of the State of Alaska ("State") and the Alaska Public Utilities Commission ("APUC") to consider the market structure and take any steps necessary to preserve rate integration in light of the dramatic changes then taking place in the telephone industry, most notably the break-up of the Bell System and replacement of the historic settlements process with LEC access charges.²

²Rate Integration Policies, 96 FCC 2d 567, 568-569 (1984).

After substantial contributions to the record by the parties, including Alascom, the State, General Communication, Inc. ("GCI") and the American Telephone and Telegraph Company ("AT&T"), in 1985 the Commission issued a Notice of Proposed Rulemaking ("NPRM") and established the Alaska Joint Board pursuant to Section 410 of the Communications Act.³ The duty charged to the Joint Board was to examine the Alaska telecommunications market and recommend structural changes, if necessary, including separations changes, in order to harmonize the policies of competition and rate integration.⁴

After further participation from the parties and submission of data, in 1989 the Joint Board adopted tentative policy guidelines for resolution and reformation, if necessary, of the Alaska market structure:

"Based on a review of the comments filed to date in this proceeding, the guidance contained in the NPRM, and a review of fundamental Commission policy established in prior proceedings, we have tentatively identified the following five objectives which we believe should guide our resolution of the issues in this proceeding-- preservation of universal service, continuation of rate integration, market based competitive entry, increased efficiency, and jurisdictional revenue requirement neutrality. The delineated order of the objectives in this discussion should not be construed to indicate prioritization of the goals by this Joint Board. In our view, a proper resolution of the issues before us must represent a balanced effort to achieve each of the goals. *In particular, we emphasize that measures to increase*

³Section 410 requires the Commission to refer issues to a Joint Board for a recommendation if changes in separations rules are considered. Referral of any other issues are discretionary.

⁴Notice of Proposed Rulemaking, FCC 85-520 (released September 27, 1985), para.14.