

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2238 SCOMM 88: HOUSE TELECOMMUNICATIONS TASK FORCE, 1993 789

$$\frac{(\text{Price of Lowest Cost Proposal}) \times (\text{Maximum Points for Cost})}{\text{Price of Each Higher Cost Proposal}} = \text{Points}$$

29. Discussion with Responsible Proposers

AS 36.30.240 and 2 AAC 12.290 in their entirety are incorporated into this RFP. As determined by the evaluation process, proposers reasonably susceptible of award may be offered the opportunity to discuss their proposal with procurement officer or evaluation committee and the evaluation of a proposal may be adjusted as a result of the discussion. Proposers may also be allowed to submit a best and final proposal, as a result of the discussion.

30. Notice of Intent to Award

After completion of the evaluation process the issuing office will issue a Notice of Intent to Award to all proposers. This notice will contain the names and addresses of all proposers including the intended recipients of the contract. See Attachment 4 of this RFP. (AS 36.30.365).

STANDARD CONTRACT INFORMATION

1. Location of work

The locations of the work to be performed, completed and managed are:

Wherever the contractor's offices are located within the United States. The contractor may be required to travel to Anchorage, Alaska, and other locations to audit the records of the utilities involved; discuss utility management and operational practices; and meet with the client. The contractor may be required to attend a hearing(s) in Washington, D.C. or at another location. It is expected that no more than four trips will be necessary to perform the contract.

2. Contract Amount

The maximum acceptable dollar amount for the completion of this contract is \$250,000. This includes all renewal options discussed in Item 3 below. Any proposal submitted which exceeds this maximum dollar amount will be considered nonresponsive and shall be rejected.

3. Contract Term and Renewal Options

The State wishes to establish a one year contract with the State's option to renew for two additional one year periods. The dollar amount given in Item 2 includes ALL renewal options.

4. Contract Type Resulting from this RFP

The resulting contract will have a not-to-exceed amount. Open ended contracts reflecting cost plus a percentage of cost are prohibited by law. (AS 36.30.370)

5. Funding of the Contract

The State reserves the right to cancel a contract negotiated as a result of this RFP at any time due to lack of appropriated funds. (AS 36.30.390(c)) In addition, the State may terminate the contract at any time when it is in the State's best interest as specified in Appendix A, (see Attachment 2).

This RFP may cross fiscal years therefore funding of this RFP is contingent upon future year appropriations.

6. Subcontractors

Subcontracting shall be allowed, but a subcontract shall not be

transferred or otherwise assigned without prior written consent by the head of the Department of Commerce and Economic Development. Any other conditions of AS 36.30.210(d) and AS 36.30.115 (b)-(e) apply.

All proposers must list in their proposals the complete names and location of their subcontractors, and the work and percentage of work to be subcontracted to each subcontractor. (AS 36.30.210(a))

The successful proposer must also supply proof of all subcontractor's Alaska business licenses with the proposal submission.

7. Joint Ventures

The issuing office grants the right to all prospective contractors to submit their proposals as a joint venture, and the issuing office reserves the right to contract with a joint venture if it is in the State's best interest. If a joint venture, all offerors must have an Alaska business license. Also required is a Letter of Agreement between the offerors stating which is the lead firm and which firm has authority to sign the contract.

If a joint venture is proposed, an agreement between the venturing firms must be included with the proposal. The agreement shall specifically state each firm's responsibilities, identify the lead firm and designate the individual from the lead firm with negotiating and signatory authority.

8. Proposal as Part of the Contract

The successful proposal may become an integral part of the contract. It will not, however, be considered the total binding obligation for the contract. Any and all proposal conditions may be included, at the discretion of the issuing office, as a part of a final negotiated and approved contract.

9. Additional Terms and Conditions

The State reserves the right to include additional terms and conditions during the contract negotiations. These terms and conditions must be within the scope of the original RFP and contract documents and will be limited to cost, clarification, definition, and administrative and legal requirements.

10. Contract Negotiations

Upon issuance of a notice of award, contract negotiations will commence. It is anticipated that all contract negotiations will be held at the APUC office in Anchorage.

11. Failure to Negotiate

If the selected contractor fails to provide the necessary information for negotiations in a timely manner or to negotiate in good faith or cannot perform the contract within the amount of budgeted funds available for the project and/or proposed by the proposer, the State may terminate negotiations and negotiate with the next highest ranked proposer or terminate award of the contract. (AS 36.30.360 and 2 AAC 12.500)

12. Contract Approval

This RFP does not obligate the State to perform until a contract is signed and approved by both parties. If approved, it is effective from the date of approval by the State. The State shall not be responsible for work done, even in good faith, prior to approval of the contract by the Commissioner of Department of Commerce and Economic Development or his designee.

13. Payment of Taxes

If it is discovered that the contractor is in arrears on taxes, the contract shall not be awarded until the Department of Revenue notifies and approves of the payment provisions of the contract.

14. Vendor Tax ID Number

A valid tax identification number must be provided to this department prior to or upon contract approval. No payments will be made prior to receipt of the tax identification number, and failure to provide may result in contract cancellation.

15. Lobbying

The department prohibits the contractor from using any portion of the contract amount for lobbying efforts.

16. Insurance Requirements

The successful proposer must supply proof of general liability, auto liability, and worker's compensation insurance prior to contract approval.

The successful proposer must secure satisfactory insurance coverage as required by the Department of Administration, Division of Risk Management. Failure to provide evidence of adequate coverage is a material breach and grounds for termination of the contract. Please review Appendix B1 to the "Standard Agreement Form". A copy is included as Attachment 3. Any alteration of these general insurance requirements must be approved by the Department of Administration, Division of Risk Management, prior to final approval.

17. Hold Harmless

The contractor shall indemnify, save harmless and defend the State, its officers, agents and employees from any and all claims or actions for injuries or damages sustained by any person or property arising directly or indirectly from the contractor's performance of this contract or as a result of any error, omission or negligent act of the contractor, subcontractor or anyone directly or indirectly employed by them in the performance of this contract.

18. Liquidated Damages

The State reserves the right to include liquidated damages in the contract to assure the contractor's performance of all contract provisions in a timely manner.

19. Performance Bonds and/or Surety Deposits

The State reserves the right to request a performance bond or surety deposit in the contract to assure the contractor's performance of all contract provisions in a timely manner.

20. Site Inspection

The State reserves the right to conduct on-site inspections during the contract performance period. (AS 36.30.410 and 2 AAC 12.510)

21. Standard Agreement Forms

The successful proposer will be required to sign and comply with the "Standard Agreement Form", "Appendix A", and "Appendix B1" for professional services. Copies are included as attachments to this RFP. Alterations of these provisions must be approved in writing by the Department of Law prior to any final contract approval. (AS 36.30.340 and 2 AAC 12.470)

HISTORICAL INFORMATION PERTINENT TO THIS RFP

Local Exchange

Local exchange services in Alaska are provided by over twenty municipally owned, investor owned, or cooperatively owned local exchange carriers (LECs). No Bell Operating Companies exist in Alaska. No LECs are currently authorized to provide intrastate interexchange services in Alaska, although the Alaska Public Utilities Commission (APUC or Commission) has not expressly prohibited LEC participation in the intrastate interexchange market. The Commission has not yet adopted regulations specifically addressing LEC entry and operation as competitive intrastate interexchange carriers. No LEC currently operate as interstate interexchange common carriers in Alaska.

Intrastate Interexchange

The Alaska intrastate interexchange market was opened to facilities-based competition in most non-rural locations in 1991. Over 80% of all Alaskan access lines are available on an equal access basis. The APUC regulations governing intrastate interexchange competition (3 AAC 52.350 to 52.399, by interexchange carriers (non-LEC's) are included as Exhibit 1 to this RFP.

Pacific Telecom, Inc. (PTI) owns Alascom, Inc. (Alascom), the dominant intrastate interexchange carrier currently operating in Alaska. Alascom provides Message Telephone Services (MTS) and private line services to all areas of the State and operates as a carrier of last resort through the use of microwave, satellite, and fiber optic systems. The only other facilities-based carrier operating in the intrastate market is GCI Communication Corp. (GCICC). GCICC currently holds a 15% to 20% Alaska intrastate market share. GCICC's facilities are not statewide and are primarily located in urban areas. GCICC is capable of reaching about 88% of the State's access lines using its facilities.

Interstate Interexchange

The GCICC and Alascom networks provide both intrastate and interstate services in Alaska. GCICC functions as a nondominant carrier in the market similar to other common carriers throughout the nation. Alascom's situation is slightly more complicated.

A Joint Service Arrangement (JSA) exists that requires Alascom and American Telephone & Telegraph Company (AT&T) to interconnect to provide interstate MTS services to and from Alaska. Under the JSA, Alascom and AT&T facilities interconnect in the contiguous United States with Alascom responsible for all Alaska facilities and AT&T responsible for all other facilities. The JSA requires that AT&T

maintain Alaska's interstate rates at nationally averaged rate levels (rate integration).¹ As a result, AT&T pays all costs associated with the provision of interstate MTS services, including Alascom's costs, through a settlement process. Any Alaska interstate MTS revenues are used to offset AT&T's cost of service. It has been claimed that AT&T's cost of providing Alaska service exceeds revenues by over \$100 million. The effects of the JSA on competition have also been questioned, in part because AT&T is generally not allowed to replace Alascom's services with those of another carrier.

The Federal Communications Commission (FCC) formed a Federal-State Joint Board in CC Docket No. 83-1376 to address Alaska issues raised by the JSA, rate integration, competitive effects, and other related interstate market structure questions. Further information may be found in a recent Joint Board order (Exhibit 4) attached to this RFP.

Alascom/AT&T/PTI and TUA Master Agreement

In December 1991, AT&T, Alascom, PTI, and TUA signed a Master Agreement that purported to resolve most of the significant market structure and cost issues pending in CC Docket No. 83-1376. Some of the requirements under the Master Agreement are as follows:

- a) The JSA would be terminated,
- b) Alascom would leave the MTS/WATS interstate and international interexchange markets for a set period of time,
- c) PTI would merge one of its local exchange operations, TUA, with the intrastate operations of Alascom to form a company similar in structure to a Bell Operating Company,
- d) The merged TUA/Alascom company would provide local exchange service, intrastate access, intrastate interexchange service, and interstate access service (under the NECA pool),
- e) AT&T would purchase termination of the JSA for \$156.7 million, Alascom's interstate customer list for \$98.6 million, and capacity on an undersea interstate fiber optic cable for about \$75 million. Payments to Alascom would be phased in over time.
- f) The utilities would petition for a change in separations procedures such that the merged company would set interstate costs based on non-mileage sensitive separations rules and a

¹ Rate integration is the federal policy that interstate interexchange rates in the United States are the same for the same distance regardless of where the callers are located.

potential change in study area. Intrastate costs would be set based on a phased-in approach. Without phase-in, Alascom estimated that the change in separations procedures would shift about \$35 to \$40 million in cost annually away from the interstate jurisdiction to the state jurisdiction. A phase-in period has been proposed that would allow the separation shift to gradually occur over a five year period with PTI effectively taking responsibility for funding the phase-in. At the end of year five, the intrastate jurisdictional costs would include the entire separations cost shift.

g) During the phase-in period, PTI stated it would not raise intrastate interexchange rates as a result of the change in separations factors.

h) Interstate private line services, international private line services, and MTS international interexchange service to Magadan, Russia, would be the only services retained by Alascom.

The Master Agreement is currently pending before CC Docket No. 83-1376 Joint Board. State Commissioners associated with the Joint Board have released a request for data on this matter (See Exhibit 2).

Additional general details regarding the Agreement are provided in Exhibit 3.

SCOPE OF WORK PERTINENT TO THIS RFP

The primary purpose of this RFP is to obtain a contractor to address issues raised by the Master Agreement and associated issues before CC Docket No. 83-1376 Joint Board. Intrastate issues concerning the Alascom/TUA merger are beyond the scope of this RFP and will be dealt with through a separate RFP.

1. Minimum requirements

The respondent must meet the following minimum requirements for responding to this RFP and submitting a proposal. A respondent must have:

a. Performed or substantially assisted in at least five previous cases involving the development and analysis of telephone jurisdictional cost separations and revenue requirement studies where the telephone company involved had greater than 100,000 access lines.

b. Performed or substantially assisted in at least three previous cases involving the development and analysis of telephone access charges where the contract value exceeded \$50,000 and the utility involved had greater than 100,000 access lines.

c. Performed or substantially assisted in at least five previous cases involving the auditing of telephone companies where each telephone company had greater than 100,000 access lines.

d. Performed or substantially assisted in at least three previous cases involving regulated telephone utility mergers and acquisitions, where review of changes in organizational structure, management, network configuration, operations, costs, and transfer of assets between entities occurred.

e. Performed or substantially assisted in at least three previous cases where telephone affiliated interest transaction analysis was performed.

f. Performed or substantially assisted in at least two previous cases involving the legal and economic evaluation of market power and anti-competitive effects involving telephone utilities.

g. Prepared and presented written and oral testimony in at least five different utility investigation proceedings before regulatory commission(s).

One contract may meet more than one of the minimum requirements set out in a-g above, and is acceptable as long as the proposer identifies which requirements the example is meeting.

2. Scope of Work Required

The contractor shall address and make recommendations regarding the issues before the Federal Communications Commission and CC Docket No. 83-1376 Joint Board pertaining to the Master Agreement, the Alaska interstate market structure, interstate separations procedures, the JSA, interstate competition, rate integration and other issues currently under consideration by the CC Docket No. 83-1376 Joint Board. The scope of work anticipated may include, but will not be limited to, the following:

a. Review and analyze for overall reasonableness all filings associated with the Master Agreement that are presented before the CC Docket No. 83-1376 Joint Board or the FCC.

b. Review the Master Agreement to determine its effects on Alascom's and AT&T's revenue requirement, interstate and intrastate rates, cost of service, network efficiency, utility management, utility operations, quality of service, and to determine any other aspects that affect the public interest. Determine if these changes as a whole, are in the best interest of the public. Included in this analysis shall be a review of whether the utilities' books properly reflect the results of the Master Agreement; whether or not any proposed retirements and transfers of plant are prudent and properly accounted for; whether affiliated interest transactions are appropriate and properly accounted for; and the reasonableness of any pro forma data and projections filed by the utilities.

c. Review and evaluate any study area changes and separations changes associated with the Master Agreement to determine their effects on intrastate and interstate rates. Review and as needed critique any cost studies that are filed.

d. Investigate the effects of intercarrier payments on Alascom and AT&T interstate and intrastate rates.

e. Evaluate jurisdictional authority over the payments between Alascom and AT&T (i.e., for what purposes the money can be used).

f. Review the effects of the Master Agreement on rate integration.

g. Recommend any procedures, courses of action, or conditions (e.g., define necessary restrictions and safeguards to prevent undesirable exercise of market power or undesirable rate changes) necessary to protect or promote the public interest in the event the Master Agreement is approved.

h. Review any proposed intercarrier contracts associated with the Master Agreement for interstate public interest issues (e.g., anti-competitive effects).

- i. Evaluate the effects of the Master Agreement on the National Exchange Carrier Association (NECA) pools, rates and operations.
- j. Determine if the Master Agreement will significantly affect other local and interexchange carriers.
- k. Review the effects of the Master Agreement on GCICC and the Alaska market in general. Included in this analysis should be the effects on ease of competitive entry and exit and an analysis of the potential for AT&T or the merged entity to exercise undesirable market power and control over bottleneck facilities.
- l. Investigate the reasonableness of affiliated interest transactions, services, and cost allocation procedures associated with the Master Agreement.
- m. Review and suggest any changes in interstate market structure and regulations necessary to accommodate the Master Agreement or to protect the public interest as a result of the Master Agreement.
- n. Review for reasonableness the financial transaction and market structure issues associated with the separation and formation of the new Alascom company that would provide essentially only private line services.
- o. Review the effects on the public interest of the sale/lease of the interstate undersea fiber optic cable providing service to Alaska.
- p. Review the effects of the Master Agreement on Universal Service Fund payments and any risk on long term availability of the fund.²
- q. Make recommendations regarding any necessary amendments to the Master Agreement. If the recommendation is to reject the Master Agreement, develop an alternative market proposal to resolve the outstanding issues associated with CC Docket 83-1376.
- r. Provide analysis, where appropriate, of the affects of the Master Agreement over an approximate seven (7) year period. Under the terms of the Master Agreement, separations changes, intercarrier payments, and certain leasing arrangements occur over the course of five years.
- s. Present the results of analysis and evaluation in the form of written white papers, memoranda, reports, and testimony. Written pre-filed or oral testimony may not be required if a hearing is not scheduled. The contractor may be required to provide a written

² Most Alaskan local carriers currently receive financial support from the Universal Service Fund.

report whenever a major segment of the contractor's analysis is completed. The contractor may also be required to provide intermediate reports of its overall findings and conclusions as of certain dates specified by the client. The exact format of the written product(s) will be mutually agreed upon by the client and the contractor.

t. Provide oral and written rebuttal (if requested) of the testimony and be available to the client in preparation for and during any hearing(s).

This RFP was written, and the proposer should submit its proposal, assuming that the proposer will perform ALL aspects of the investigative work associated with the Master Agreement as outlined in the Scope of Work. However, the requested ~~deadline~~ ^{deadline} associated with completion of this case by November 1, 1992, and it is expected that a signed contract will not be available until shortly after May 1, 1992. Between now and the time that a contract is signed, Staff will be initiating its investigation and may well complete segments of the Scope of Work identified in this RFP. As a consequence, depending upon when a contract is reached, portions of the consultant's Scope of Work may no longer be necessary or may be reduced to reviewing or enhancing Staff's work.

Under the terms of the Master Agreement, separations changes, intercarrier payments, and certain leasing arrangements occur over the course of five years. Any analysis of the Master Agreement must consider the effects of the Master Agreement over an approximate seven-year period.

3. Deliverables Under the Contract

In addition to the deliverables discussed in the "Scope of Work" section, the successful proposer will provide to the Client the following:

a. Drafts of all proposed reports at least one week prior to submission;

b. Status reports (every two weeks) on the progress of the investigation;

c. Written documents in the form of white papers, memoranda, reports or written testimony describing and supporting all recommendations, conclusions and responses to the parties' positions;

d. All workpapers (including computer spreadsheets in both hardcopy and computer readable format) in support of the work product;

e. Oral testimony (if requested) or presentations in support of

all findings, recommendations, conclusions and responses to the parties' positions.

f. A work schedule identifying the anticipated work plan and when reports on major issues would be available.

g. The contractor will present the results of analysis and evaluation in the form of written white papers, memoranda, reports, and testimony. Written pre-filed or oral testimony may not be required if a hearing is not scheduled. The contractor may be required to provide a written report whenever a major segment of the contractor's analysis is completed. The contractor may also be required to provide intermediate reports of its overall findings and conclusions as of certain dates specified by the client. The exact format of the written product(s) will be mutually agreed upon by the client and the contractor.

4. Timeframe

No hearing or filing schedule has been set by the CC Docket No. 83-1376 Joint Board. It is expected however, that the contractor's written products will be filed prior to November 1, 1992, with at least one intermediate summary report of findings filed in July. The proposer may be required to substantially complete the majority of the proposers conceptual analysis regarding the Master Agreement by mid-July. If such a schedule cannot be met, the proposer should explain why and provide the earliest possible completion date for the project. The Master Agreement lapses if regulatory approval is not achieved by November 1, 1992.

PROPOSAL SUBMISSION CONTENT IN RESPONSE TO THIS RFP

All proposals submitted in response to this RFP must use the following outline format for their proposal(s).

1. Required Proposal Format: Submit six (6) copies of the proposal. They are to be three hole punched with printing on BOTH sides of the paper and pages numbered. A Table of Contents is also required which reflects page numbers.

The proposer must address ALL the items and IN THE ORDER reflected below. Proposals which do not may be declared non-responsive and rejected.

2. Introduction: Provide a brief general discussion of the proposal, including the firm's name and address and whether this is a joint venture and if so with whom. Indicate the names of any subcontractors involved.
3. Minimum Requirements: Provide a detailed and precise discussion of meeting EACH of the minimum requirements established on page five (5) and in the "Scope of Work" section of this RFP. Discussion is to be limited to minimum requirements and is expected to be expanded upon in the appropriate sections listed below. One contract may meet more than one of the minimum requirements a-g and is acceptable as long as the proposer identifies which requirements the example is meeting.
4. Methodology and/or Management Plan: Provide a detailed discussion and/or outline of the approach and methods the proposer would employ to accomplish the proposed contract. Be specific in addressing the various elements, functions and responsibilities outlined in the "Scope of Work" section of this RFP. The proposer's management plan should include a schedule of work and a demonstration of how the schedule relates to the targeted deadline of November 1, 1992. The proposer should also identify the anticipated date when reports on specific issues could be made available.

Specifically identify and discuss whom (firms and individuals) will have what responsibilities. This should be discussed in much more detail under the "key personnel" section. Also discuss in detail, what will be performed; when, where, and in what sequence; how the various functions/responsibilities will be carried out; and the interaction and communication between the Proposer and Client.

Provide a detailed discussion of proposed joint ventures and all subcontractors and the interaction and communication between all parties. Identify clearly the division of

responsibilities between all subcontractors and joint ventures involved. Additional subcontracting information is also required under items six (6) and seven (7) of this section.

5. Firm's Experience: Provide a general discussion of the firm and any partner firm's (if proposing a joint venture) experience. The minimum requirements must be addressed separately and this section is an expansion of that. At a minimum the following information shall be provided.

A detailed discussion of the firm's experience and knowledge in the following areas:

- a) The National Exchange Carrier Association, Inc. (NECA);
- b) CFR 47 Parts 32, 36, 64 and 69;
- c) Federal regulatory ratemaking policies in general;
- d) Federal regulations governing dominant and nondominant interexchange carriers and local exchange carriers;
- e) Divestiture of AT&T;
- f) Economics of telephone utilities; and
- g) Economic, competitive, market and anti-trust considerations regarding the telecommunications industry.

A discussion of the firm(s) ownership, headquarters, branch or affiliate offices.

A discussion of the firm's structure, size and capabilities in terms of personnel and equipment. Indicate if the award of this contract would require the acquisition of additional space, equipment, personal or any other items. Be as specific as possible, i.e., how much additional space, specific equipment, the number and function of additional employees, etc. Indicate whether the firm or any partner firm (in the case of a joint venture) has other contractual obligations that would restrict or otherwise limit the firm's availability to work on this contract.

A discussion of the firm's length of time in business, qualifications and experience relative to the services required for this proposed contract. Provide a listing of current clients, nature of service provided, approximate dollar amount of the account, and a contact name and phone number at the client company for reference. Indicate at least three references that may be contacted.

Discuss the firm's ability to evaluate the effectiveness of its services.

Any other information about the firm that is pertinent and the proposer wishes to provide.

6. Subcontractors: The same information as required above for the firm is also required for all subcontractors. Additionally, a list of all proposed subcontractors names, addresses, brief description and percentage of work to be performed by the subcontractor must also be included. As discussed previously in this RFP, all subcontractors' Alaska Business Licenses are to be INCLUDED AS AN APPENDIX TO THE PROPOSAL. FAILURE TO DO SO MAY RESULT IN DECLARING THE PROPOSAL NONRESPONSIVE.

7. Conflict of Interest Restrictions

The successful proposer to this RFP must have no conflict of interest that would affect its analysis as documented in the Scope of Work. Proposers that have had one or more contracts with value totalling \$5,000 or more, with PTI, Alascom, AT&T, GCICC, or any affiliated telecommunications company within the past four years WILL BE DEEMED TO HAVE A CONFLICT OF INTEREST AND MAY BE DECLARED NONRESPONSIVE. Proposers that have had a past contract involving any issue pending before CC Docket No. 83-1376 Joint Board WILL BE DEEMED TO HAVE A CONFLICT OF INTEREST AND MAY BE DECLARED NONRESPONSIVE. In addition, the successful proposer must agree to not provide professional services to PTI, Alascom, AT&T, GCICC, or any affiliated telecommunications companies for a period of two years from the ending date of the contract. A waiver of this section may be requested. Any requests for waiver must be filed with full explanation within ten days of release of this RFP.

The APUC plans to release a second request for proposal (TUA RFP) dealing primarily with the intrastate issues raised by the TUA request for amendment of certificate and merger with Alascom. Proposers are not prohibited from responding to both the current proposal (ASPS No. 92-0121) and the TUA RFP. However, depending upon legal and administrative constraints, it may not be possible for one contractor to perform work on both contracts.

The same information as required above for the firm is also required for all subcontractors.

8. Key Project Personnel

Identify the individuals, discuss the responsibilities and indicate the percentage of time the Project Manager and other principal staff will be spending on the project. This includes the proposing firm, the joint venturing firm, and any subcontractors.

Resumes prepared specifically for this proposal for the Project Manager and other principal staff are required. Resumes must discuss and describe the individual's qualifications and experience relevant to this proposed

contract. Listing of previous projects are not useful unless the individual's specific duties and responsibilities and how they relate to this proposed contract are discussed.

Note, the State reserves the right to approve or disapprove any change in the successful proposer's project team members whose participation in the proposed contract is specifically offered in the respondent's proposal. This ensures that ~~individuals~~ with vital experience and skill are not arbitrarily removed from the contract by the Contractor. Personnel changes which impact the contract may result in the cancellation of the contract.

9. Cost of Proposal: By Alaska statute, the cost of a proposal must be an evaluation factor.

Complying with the "Scope of Work" section of this RFP and the firm's proposal, provide a detailed discussion of the firm's proposed method of compensation. Be specific as to professional fees by individuals and/or function, direct (out-of-pocket) expenses, subcontractors, and any and all expenses associated with this proposed contract.

All costs must be included and a total cost is required. Proposal without a total cost will be declared nonresponsive.

For purposes of developing the above price estimate, assume the need to perform one on-site audit of utility records at Vancouver, Washington, and two presentations, one in Washington, D.C. and one in Seattle, Washington, each for two days.

10. Alaska Business License Submission: Submission of proof of an Alaska business license is required.
11. Other Required Professional Licenses: None
12. Alaska Vendor Preference Submission: If qualified, provide a signed copy of the "Certification of Qualification for Alaska Vendor Preference" (see Attachment 5). Note that the firm's/person's name on the submitted proposal MUST be the SAME as appearing on the firm's/person's CURRENT Alaska business license. If a joint venture submit certificate for each firm.

PROPOSAL SUBMISSION EVALUATION CRITERIA

1. Site Inspection: Not applicable.
2. Oral Presentation: The State reserves the right to require an oral presentation. The entire evaluation committee must be present for all oral presentations. The cost will be borne by the proposer.
3. Evaluation Factors: The following will be used in the actual evaluation of the proposals:
 1. Methodology and/or Management Plan 25
 2. Firm's and subcontractor's Experience 10
 3. Key Project Personnel Qualifications 15
 5. Proposal's Cost 40
 6. Alaska Vendor Preference 10
 - Maximum Possible Points 100

ATTACHMENTS

Attachment 1	Standard Agreement Form
Attachment 2	Appendix A
Attachment 3	Appendix B1
Attachment 4	Notice of Intent to Award
Attachment 5	Certificate of Qualification for the Alaska Bidder Preference

EXHIBITS

Exhibit 1	Commission Regulations on Competition
Exhibit 2	Joint Board Data Request
Exhibit 3	TUA Executive Summary - Docket U-92-9
Exhibit 4	Joint Board Order



STANDARD AGREEMENT FORM

1. Agency Contract Number	2. ASPS Number	3. Financial Coding	4. Agency Assigned Encumbrance Number	
5. or Number		6. Alaska Business License Number		
This contract is between the State of Alaska, hereafter the State				
7. Department of		Division		
8. and,		hereafter the Contractor		
Mailing Address		Street or P.O. Box	City State ZIP + 4	
9. ARTICLE 1. Appendices: Appendices referred to in this contract and attached to it are considered part of it. ARTICLE 2. Performance of Service: 2.1 Appendix A (General Provisions), Articles 1 through 14, governs the performance of services under this contract. 2.2 Appendix B sets forth the liability and insurance provisions of this contract. 2.3 Appendix C sets forth the services to be performed by the contractor. ARTICLE 3. Period of Performance: The period of performance for this contract begins _____ and ends _____. ARTICLE 4. Considerations: 4.1 In full consideration of the contractor's performance under this contract, the State shall pay the contractor a sum not to exceed \$ _____ in accordance with the provisions of Appendix D. 4.2 When billing the State, the contractor shall refer to the Authority Number or the Agency Contract Number and send the billing to:				
10. Department of		Attention: Division of		
Mailing Address		Attention:		
11. CONTRACTOR		12. CERTIFICATION: I certify that the facts herein and on supporting documents are correct, that this voucher constitutes a legal charge against funds and appropriations cited, that sufficient funds are encumbered to pay this obligation, or that there is a sufficient balance in the appropriation cited to cover this obligation. I am aware that to knowingly make or allow false entries or alterations on a public record, or knowingly destroy, mutilate, suppress, conceal, remove or otherwise impair the variety, legibility or availability of a public record constitutes tampering with public records punishable under AS 11.56.015 - 020. Other disciplinary action may be taken up to and including dismissal.		
Name of Firm				
Signature of Authorized Representative				Date
Typed or Printed Name of Authorized Representative				
Title	Employer ID No. (EIN) or SSN			
12. CONTRACTING AGENCY		Signature of Head of Contracting Agency or Procurement Officer		
Department/Division		Date		
Signature of Project Director		Typed or Printed Name of Authorizing Official		
Typed or Printed Name of Project Director		Title		
TI				

NOTICE: This contract has no effect until signed by the head of contracting agency or designee.

Article 1. Definitions.

- 1.1 In this contract and appendices, "Project Director" or "Agency Head" or "Procurement Officer" means the person who signs this contract on behalf of the Requesting Agency and includes a successor or authorized representative.
- 1.2 "State Contracting Agency" means the department for which this contract is to be performed and for which the Commissioner or Authorized Designee acted in signing this contract.

Article 2. Inspection and Reports.

- 2.1 The department may inspect, in the manner and at reasonable times it considers appropriate, all the contractor's facilities and activities under this contract.
- 2.2 The contractor shall make progress and other reports in the manner and at the times the department reasonably requires.

Article 3. Disputes.

- 3.1 Any dispute concerning a question of fact arising under this contract which is not disposed of by mutual agreement shall be decided in accordance with AS 16.30.620-622.

Article 4. Equal Employment Opportunity.

- 4.1 The contractor may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood when the reasonable demands of the position(s) do not require distinction on the basis of age, physical handicap, sex, marital status, changes in marital status, pregnancy, or parenthood. The contractor shall take affirmative action to insure that the applicants are considered for employment and that employees are treated during employment without unlawful regard to their race, color, religion, national origin, ancestry, physical handicap, age, sex, marital status, changes in marital status, pregnancy or parenthood. This action must include, but need not be limited to, the followings: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The contractor shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.
- 4.2 The contractor shall state, in all solicitations or advertisements for employees to work on State of Alaska contract jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.
- 4.3 The contractor shall send to each labor union or representative of workers with which the contractor has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' compensation representative of the contractor's commitments under this article and post copies of the notice in conspicuous places available to all employees and applicants for employment.
- 4.4 The contractor shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors, so that these provisions will be binding upon each subcontractor. For the purpose of including these provisions in any contract or subcontract, as required by this contract, "contractor" and "subcontractor" may be changed to reflect appropriately the name or designation of the parties of the contract or subcontract.
- 4.5 The contractor shall cooperate fully with State efforts which seek to deal with the problem of unlawful discrimination, and with all other State efforts to guarantee fair employment practices under this contract, and promptly comply with all requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices.
- 4.6 Full cooperation in paragraph 4.5 includes, but is not limited to, being a witness in any proceeding involving questions of unlawful discrimination if that is requested by any official or agency of the State of Alaska; permitting employees of the contractor to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting inspection of the contractor's facilities; and promptly complying with all State directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and State laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.
- 4.7 Failure to perform under this article constitutes a material breach of the contract.

Article 5. Termination.

The Project Director, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

Article 6. No Assignment or Delegation.

The contractor may not assign or delegate this contract, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Project Director and the Agency Head.

Article 7. No Additional Work or Material.

No claim for additional services, not specifically provided in this contract, performed or furnished by the contractor, will be allowed, nor may the contractor do any work or furnish any material not covered by the contract unless the work or material is ordered in writing by the Project Director and approved by the Agency Head.

Article 8. Independent Contractor.

The contractor and any agents and employees of the contractor act in an independent capacity and are not officers or employees or agents of the State in the performance of this contract.

Article 9. Payment of Taxes.

As a condition of performance of this contract, the contractor shall pay all federal, State, and local taxes incurred by the contractor and shall require their payment by any subcontractor or any other person in the performance of this contract. Satisfactory performance of this paragraph is a condition precedent to payment by the State under this contract.

Article 10. Ownership of Documents.

All designs, drawings, specifications, notes, artwork, and other work developed in the performance of this agreement are produced for hire and remain the sole property of the State of Alaska and may be used by the State for any other purpose without additional compensation to the contractor. The contractor agrees not to assert any rights and not to obtain any claim under the design patent or copyright laws. The contractor, for a period of three years after final payment under this contract, agrees to furnish and provide access to all retained materials at the request of the Project Director. Unless otherwise directed by the Project Director, the contractor may retain copies of all the materials.

Article 11. Governing Law.

This contract is governed by the laws of the State of Alaska. All actions concerning this contract shall be brought in the Superior Court of the State of Alaska.

Article 12. Conflicting Provisions.

Unless specifically amended and approved by the department of law the General Provisions of this contract supersede any provisions in other appendices.

Article 13. Officials Not to Benefit.

Contractor must comply with all applicable federal or State laws regulating ethical conduct of public officers and employees.

Article 14. Covenant Against Contingent Fees.

The contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding of a commission, percentage, contingent fee, or brokerage except employees or agencies maintained by the contractor for the purpose of securing business. For the breach or violation of this warranty, the State may terminate this contract without liability to the contractor.

APPENDIX B' INDEMNITY AND INSURANCE

Article 1. Indemnification

The contractor shall indemnify, save harmless and defend the state, its officers, agents and employees from all liability, including costs and expenses, for all actions or claims resulting from injuries or damages sustained by any person or property arising directly or indirectly as a result of any error, omission or negligent act of the contractor, subcontractor or anyone directly or indirectly employed by them in the performance of this contract.

All actions or claims including costs and expenses resulting from injuries or damages sustained by any person or property arising directly or indirectly from the contractor's performance of this contract which are caused by the joint negligence of the state and the contractor shall be apportioned on a comparative fault basis. Any such joint negligence on the part of the state must be a direct result of active involvement by the state.

Article 2. Insurance

Without limiting contractor's indemnification, it is agreed that contractor shall purchase at its own expense and maintain in force at all times during the performance of services under this agreement the following policies of insurance. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If the contractor's policy contains higher limits, the state shall be entitled to coverage to the extent of such higher limits. Certificates of insurance must be furnished to the Contracting Officer prior to beginning work and must provide for a 30 day prior notice of cancellation, nonrenewal or material change. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach and grounds for termination of the contractor's services.

2.1. Workers' Compensation Insurance: The contractor shall provide and maintain, for all employees of the contractor engaged in work under this contract, Workers' Compensation Insurance as required by AS 23.30.045. The contractor shall be responsible for Workers' Compensation Insurance for any subcontractor who directly or indirectly provides services under this contract. This coverage must include statutory coverage for states in which employees are engaging in work and employer liability protection not less than \$100,000 per person, \$100,000 per occurrence. Where applicable, coverage for all federal acts (i.e. U.S.L. & H. and Jones Acts) must also be included.

2.2. Comprehensive (Commercial) General Liability Insurance: with coverage limits not less than \$300,000 combined single limit per occurrence and annual aggregates where generally applicable and shall include premises-operations, independent contractors, products/completed operations, broad form property damage, blanket contractual and personal injury endorsements.

2.3. Comprehensive Automobile Liability Insurance: covering all owned, hired and non-owned vehicles with coverage limits not less than \$100,000 per person/\$300,000 per occurrence bodily injury and \$50,000 property damage.

NOTICE OF INTENT TO AWARD

1. Name of Program, Project or Service (Use RFP Title)		2. Date issued	
3. Authority Number (s)		4. Name of Procurement Officer	
This is notice of the State's intent to award a contract. The offeror, identified here as the apparent successful offeror, is instructed not to proceed until a signed contract or other written notice of award is received from the State. A firm or person who proceeds prior to receiving a signed contract or other written notice of award does so at their own risk. AS 36.30.365. An offeror who wishes to protest this Notice of Intent must file a protest within ten (10) calendar days following the date this notice is issued. If the tenth day falls on a weekend or holiday, the last day of the protest period is the first working day following the tenth day. The protest shall be filed with the procurement officer in writing and include the following information: (1) the name, address, and telephone number of the protester; (2) the signature of the protester or the protester's representative; (3) identification of the contracting agency and the solicitation or contract at issue; (4) a detailed statement of the legal and factual grounds of the protest, including copies of relevant documents; and (5) the form of relief requested (AS 36.30.560 and AS 36.30.565).			
5. Name and Address of Apparent Successful Offeror			
6. Names and Addresses of All Other Respondents (in alphabetical order)			

CERTIFICATE OF QUALIFICATION FOR
THE ALASKA BIDDER PREFERENCE
(AS 36.30.170(b))

In response to ASPS # _____ (response to an RFP/CSP),

OR

In response to bid # _____ (response to ITB),

OR

In response to verbal solicitation from _____,

I certify under penalty of perjury that _____

(Business Name)

qualifies for the Alaska Bidder Preference under the following conditions:

- (1) holds a current valid Alaska business license (a copy must be attached);
- (2) submits a bid for goods, services, or construction under the name as appearing on the person's current Alaska business license;
- (3) has maintained a place of business within the state staffed by the bidder or an employee of the bidder for a period of six months immediately preceding the date of the bid;
- (4) is incorporated or qualified to do business under the laws of the state, is a sole proprietorship, and the proprietor is a resident of the state or is a partnership, and all partners are residents of the state; and
- (5) if a joint venture, is composed entirely of ventures that qualify under (1) to (4) of this subsection.

Authorized Signature

Date

Printed Name

Business Tax ID Number

Telephone Number

Note: This "Certificate of Qualification" must accompany your proposal or bid in order to ensure that the Alaska Bidder Preference is applied to your proposal or bid during the evaluation process.



files the information required by 3 AAC 48.720 for each semi-annual period shall file that information within 90 days after the end of the semi-annual period. (Eff. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.381 AS 42.05.431

Publisher's notes. — This regulation at the end of the first sentence of subsection (b).
is set out to correct a typographical error

3 AAC 48.770. LIMITATIONS ON USE OF SIMPLIFIED PROCEDURE. (a) Rate adjustments allowed under 3 AAC 48.700 — 3 AAC 48.790 may not exceed a cumulative 20 percent increase in any three-year period, or a cumulative eight percent in any 12-month period, excluding purchased power and fuel costs rate adjustments.

(b) For good cause shown, the commission will, in its discretion, revoke or deny a cooperative's authority to request an increase under the simplified rate filing procedure in 3 AAC 48.700 — 3 AAC 48.790. (Eff. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.381 AS 42.05.431

Publisher's notes. — This regulation
is set out to correct typographical errors
at the end of the regulation.

CHAPTER 52. OPERATION OF PUBLIC UTILITIES

Article

4. Criteria for Intrastate Interexchange Telephone Competition (3 AAC 52.350 — 3 AAC 52.399)
6. Criteria for Determination of Power Cost Equalization (3 AAC 52.600 — 3 AAC 52.690)

Publisher's notes. — Existing Articles numbered as Articles 5 and 7, respectively, as of Register 117 (April 1991).
4 and 6, as set out in the Register 107
(October 1988) main pamphlet, were re-

Article 4. Criteria For Intrastate Interexchange Telephone Competition

Section

350. Applicability, finding, purpose, and waiver
355. Scope of competition

Section

360. Certificates of public convenience and necessity
361. Notice of certain federal applications

Section

363. Determination of dominant status
 365. Discontinuance, suspension, or abandonment of service by nondominant carrier
 370. Retail rates
 375. Wholesale service and rates

Section

380. Reporting, verification, and auditing requirements
 385. Standards of service
 390. Miscellaneous provisions
 399. Definitions

3 AAC 52.350. APPLICABILITY, FINDING, PURPOSE, AND WAIVER. (a) The provisions of ~~3 AAC 52.350~~ — **3 AAC 52.399** apply to all interexchange carriers that furnish intrastate interexchange telephone service within the State of Alaska.

(b) The commission finds that the competitive provision of intrastate interexchange telephone service in accordance with the provisions of 3 AAC 52.350 — 3 AAC 52.399 is required by the public convenience and necessity.

(c) The purpose of 3 AAC 52.350 — 3 AAC 52.399 is to allow competition in the provision of intrastate interexchange telephone service to the extent possible while maintaining and promoting universal intrastate interexchange telephone service at geographically averaged rates.

(d) Notwithstanding (a) — (c) of this section, 3 AAC 52.350(b) and 3 AAC 52.360 do not apply to an interexchange carrier that is also a local exchange carrier. A local exchange carrier may file an application to provide intrastate interexchange telephone service under 3 AAC 48.600 — 3 AAC 48.660.

(e) For good cause shown, the commission will, in its discretion, waive the application of all or any portion of 3 AAC 52.350 — 3 AAC 52.399 to an interexchange carrier and establish appropriate criteria for that carrier. (Eff. 3/16/91, Register 117)

Authority: AS 42.05.141(a)
 AS 42.05.151(a)
 AS 42.05.221

AS 42.05.711(d)
 AS 42.05.720(4)

3 AAC 52.353. SCOPE OF COMPETITION. (a) The extent to which interexchange carriers may construct facilities for use in the origination and termination of intrastate interexchange telephone service is specified as follows:

- (1) All interexchange carriers are permitted to construct facilities and use those facilities in the provision of intrastate interexchange telephone service in the NNX designations set out by order of the commission in the locations of Adak, Anchorage, Barrow, Bethel, Chugiak, Cordova, Deadhorse, Delta Junction, Dillingham, Eagle River, Eielson Air Force Base, Fairbanks, Ft. Greeley, Ft. Wainwright, Glennallen, Haines, Healy, Homer, Juneau, Kenai, Ketchikan, King Salmon, Kodiak, Kotzebue, Nome, North Pole, Palmer, Petersburg, Seward, Sitka, Soldotna, Talkeetna, Unalaska.

Valdez, Wasilla, Willow, and Wrangell. A location served by a remote unit from one of these locations as of 3/16/91 is also considered a part of that location and is incorporated in the NNX designations set out by order of the commission.

(2) In a location not listed in (1) of this subsection, only the incumbent carrier is permitted to construct facilities and use those facilities in the provision of intrastate interexchange telephone service.

(3) The commission will, in its discretion, amend (1) of this subsection to reclassify a location in the state based on a determination that traffic density and other relevant factors require reclassification.

(b) Retail competition in the provision of intrastate interexchange telephone service, through resale of services from another carrier authorized to provide intrastate interexchange telephone service, is permitted throughout the state, regardless of whether traffic originates or terminates in a location where the construction and use of facilities is limited to the incumbent carrier. (Eff. 3/16/91, Register 117)

Authority: AS 42.05.141(a); AS 42.05.711(d);
AS 42.05.151(a); AS 42.05.720(4);
AS 42.05.221

Editor's notes. — Copies of the commission orders setting out the NNX designations mentioned in 3 AAC 48.355(a)(1) may be obtained from the Alaska Public Utilities Commission, 1016 West Sixth Avenue, Suite 400, Anchorage, Alaska 99501.

3 AAC 32.260. CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY. (a) An entity proposing to provide intrastate interexchange telephone service must file an application for a certificate of public convenience and necessity that includes

(1) the legal name and the name under which the applicant proposes to do business;

(2) the address of the principal national and Alaskan place of business;

(3) the name, title, and telephone number of the individual who is the liaison with the commission in regard to the application;

(4) applicant's business structure (corporation, partnership, etc.), including proof of incorporation and name and address of registered agent if applicable;

(5) proof of authority to do business in Alaska;

(6) a list of the owners of 5 percent or more of the applicant's equity;

(7) a list of persons or entities that are affiliated interests of the applicant;

(8) a list of all administrative and judicial proceedings that resulted in

(A) suspension, revocation, or denial of the authority, license, or certification of the applicant or its officers, directors, or affiliates to provide utility services;

(B) a reprimand, penalty, or conviction of an applicant or its officers, directors, or affiliates related to operations, gross misrepresentations, fraudulent transactions, or securities violations; or

(C) an adjudication of bankruptcy or a reorganization in bankruptcy of applicant or its officers, directors, or affiliates;

(9) a list of all cases and locations in which the applicant, its officers, directors, or affiliates, has abandoned service in violation of applicable statutes, regulations, or orders;

(10) a list of the names, titles, and responsibilities of key management now employed or to be employed by the applicant and resumes for each person;

(11) for existing businesses, copies of the most recent year's balance sheet and income statement or Federal Communications Commission Form M and, if available, Securities and Exchange Commission Form 10-K;

(12) for new businesses, copies of the most recent year's balance sheet and income statement for the owners of the business listed under (6) of this subsection;

(13) a list of all services proposed, together with an explanation of the applicant's technical ability to provide the proposed services;

(14) a list of all locations proposed to be served on an originating basis;

(15) a list of all locations proposed to be served on a terminating basis;

(16) a description of all existing facilities that will be used to provide intrastate interexchange telephone service;

(17) a description of all agreements or negotiations with other utilities for joint use and interconnection of facilities;

(18) a description of all facilities planned for construction within five years to provide intrastate interexchange telephone service;

(19) a description of all existing facilities, or facilities planned for construction within five years, that are or will be used to provide interstate interexchange service;

✓(20) a tariff of rates and services; and

(21) a verification signed by the person authorized to sign on behalf of the applicant that all of the information provided in the application is true, accurate, and complete.

(b) Notice of an application for a certificate of public convenience and necessity to provide intrastate interexchange telephone service will be given in accordance with 3 AAC 48.645(a).

(c) Subject to 3 AAC 52.361, a certificate of public convenience and necessity will be issued, within 90 days of the date of filing a complete application, to an entity that proposes to provide intrastate

3 AAC 52.361 ADMINISTRATIVE CODE SUPPLEMENT 3 AAC 52.363

interexchange telephone service under 3 AAC 52.350 -- 3 AAC 52.399 and that is found by the commission to be fit, willing, and able to provide the proposed service.

(d) The commission will, in its discretion, place conditions on a certificate of public convenience and necessity that it considers appropriate, including a condition that the interexchange carrier post a bond to assure compliance with commission rules and payment of access charges. (Eff. 3/16/91, Register 117)

Authority: AS 42.05.141(a)	AS 42.05.241
AS 42.05.151(a)	AS 42.05.711(d)
AS 42.05.221	AS 42.06.720(4)

3 AAC 52.361. NOTICE OF CERTAIN FEDERAL APPLICATIONS. (a) An authorized carrier, other than the incumbent carrier, or an entity proposing to provide intrastate interexchange telephone service shall file with the commission a copy of each application submitted to the Federal Communications Commission (FCC) that requests authority to construct or install facilities to provide interstate interexchange telephone service in locations where only the incumbent carrier is permitted to construct facilities under 3 AAC 52.355. A copy of the application must be filed with the commission at the same time that the application is submitted to the FCC. Information demonstrating that the facilities are cost effective and fully justified on the basis of the proposed interstate interexchange telephone service alone must accompany the application. A statement that the carrier or entity will not use the existence of the interstate facilities to support a request for a certificate of public convenience and necessity to provide facilities-based intrastate interexchange telephone service must be submitted at the same time.

(b) Failure to provide the application, information, and statement required by (a) of this section is grounds for denial of a certificate of public convenience and necessity to provide facilities-based intrastate interexchange telephone service to the location where facilities for interstate interexchange telephone service were constructed or installed, even if the location is subsequently classified as a location where all interexchange carriers are permitted to construct facilities. (Eff. 3/16/91, Register 117)

Authority: AS 42.05.141(a)	AS 42.05.711(d)
AS 42.05.151(b)	AS 42.05.720(4)
AS 42.05.221	AS 42.05.810

3 AAC 52.363. DETERMINATION OF DOMINANT STATUS. (a) Upon petition or on its own motion, the commission will, in its discretion, determine whether an interexchange carrier has market

power and, as appropriate, designate or change the designation of the interexchange carrier as dominant or nondominant.

(b) Until changed under (a) of this section, the incumbent carrier is a dominant carrier, and all other interexchange carriers are nondominant carriers. (Eff. 3/16/91, Register 117)

Authority: AS 42.05.141(a)
AS 42.05.151(a)
AS 42.05.221

AS 42.05.711(d)
AS 42.05.720(4)

3 AAC 52.365. DISCONTINUANCE, SUSPENSION, OR ABANDONMENT OF SERVICE BY NONDOMINANT CARRIER. (a) A nondominant carrier may discontinue, suspend, or abandon intrastate interexchange telephone service at the end of the 30-day notice period required by (b) of this section unless the commission finds that continuation of the service is required for the public convenience and necessity.

(b) A nondominant carrier proposing to discontinue, suspend, or abandon intrastate interexchange telephone service must provide at least 30 days' written notice to the commission, to its subscribers, and to each local exchange telephone company and every other interexchange carrier providing service to locations where the discontinuance, suspension, or abandonment is proposed. (Eff. 3/16/91, Register 117)

Authority: AS 42.05.141(a)
AS 42.05.151(a)
AS 42.05.221

AS 42.05.241
AS 42.05.711(d)
AS 42.05.720(4)

3 AAC 52.370. RETAIL RATES. (a) The retail rates for message telephone service of each interexchange carrier must be geographically averaged. The rates for message telephone service of each interexchange carrier must be structured with the same time-of-day rating periods and the same mileage bands used in the approved tariff of the incumbent carrier. The rate for each mileage band must be equal to or greater than the rate for the next shorter band. Discounts, if offered, must be available to all locations in the state where the interexchange carrier offers service.

(b) A nondominant carrier may modify retail rates and implement special contracts for retail services without approval of the commission. A modification of retail rates must be consistent with (a) of this section. A nondominant carrier must maintain a current tariff and all special contracts on file with the commission and must submit a tariff filing in accordance with 3 AAC 48.220 and 3 AAC 48.270 at least 30 days before the effective date of a tariff change or special contract.

(c) The dominant carrier is authorized to reduce retail rates, to offer new or repackaged services, and to implement special contracts for

retail services without approval of the commission. A rate reduction, new service, or repackaged service must be in accordance with the requirements of (a) of this section. The dominant carrier must maintain a current tariff and all special contracts on file with the commission and must submit a tariff filing in accordance with 3 AAC 48.220 and 3 AAC 48.270 at least 30 days before the effective date of a special contract or a tariff change reducing retail rates or offering new or repackaged services. A tariff revision by the dominant carrier to increase a rate is subject to the provisions of 3 AAC 48.200 — 3 AAC 48.430.

(d) Notwithstanding (b) or (c) of this section, the commission will disapprove and require modification of rates that are not just and reasonable or that grant an unreasonable preference or advantage to any customer or subject a customer to an unreasonable prejudice or disadvantage. (Eff. 3/16/91. Register 117)

Authority: AS 42.05.141(a)	AS 42.05.431
AS 42.05.151(a)	AS 42.05.711(d)
AS 42.05.221	AS 42.05.720(4)
AS 42.05.241	

3 AAC 52.375. WHOLESALE SERVICE AND RATES. (a) An interexchange carrier must offer all of its services for resale by other carriers.

(b) The rates of a dominant carrier for all wholesale services offered primarily or exclusively for resale by another carrier, including wholesale rates provided under special contract, are subject to the provisions of 3 AAC 48.200 — 3 AAC 48.430.

(c) A nondominant carrier may modify wholesale rates without approval of the commission. A nondominant carrier must maintain a current tariff on file with the commission and must submit a tariff filing in accordance with 3 AAC 48.220 and 3 AAC 48.270 at least 30 days before the effective date of a tariff change.

(d) Notwithstanding (c) of this section, the commission will disapprove and require modification of wholesale rates of a nondominant carrier that are not just and reasonable or that grant an unreasonable preference or advantage to any customer or subject a customer to an unreasonable prejudice or disadvantage.

(e) The wholesale rates for services for resale are not required to be averaged geographically. (Eff. 3/16/91. Register 117)

Authority: AS 42.05.141(a)	AS 42.05.431
AS 42.05.151(a)	AS 42.05.711(d)
AS 42.05.221	AS 42.05.720(4)
AS 42.05.241	

3 AAC 52.380. REPORTING, VERIFICATION, AND AUDITING REQUIREMENTS. (a) An interexchange carrier shall submit

data necessary for the calculation of access charges in accordance with the Alaska Intrastate Interexchange Access Charge Manual (adopted by reference in 3 AAC 48.440) and the effective access charge tariff, including the following data (as specified and supplemented by the effective access charge tariff) for each calendar month:

- (1) minutes sold at retail (including switched minutes on private lines) by mileage band, time of day, and high density or low density status, as defined in the Alaska Intrastate Interexchange Access Charge Manual;
 - (2) nonswitched private lines sold at retail, including originating and terminating locations of each private line;
 - (3) minutes sold for resale (including switched minutes on private lines), by purchaser, mileage band, time of day, and high density or low density status;
 - (4) nonswitched private lines sold for resale, by purchaser and originating and terminating location;
 - (5) minutes purchased for resale (including switched minutes on private lines), by seller, mileage band, time of day, and high density or low density status; and
 - (6) nonswitched private lines purchased for resale, by seller and originating and terminating location.
- (b) An interexchange carrier shall retain for a period of three years the records, including billing tapes, from which the data specified in (a) of this section is obtained.
- (c) All information submitted by an interexchange carrier under (a) of this section is available for public inspection.
- (d) An interexchange carrier may petition the commission to authorize an independent audit of the information provided by another interexchange carrier under (a) of this section. The interexchange carrier requesting an audit must pay for the cost of the audit. If the commission determines, based on the audit, that the information provided by the audited interexchange carrier is inaccurate by a margin exceeding 2 percent or by a margin that resulted in an underpayment of access charges by an amount exceeding \$200,000 on an annual basis, the audited interexchange carrier shall reimburse the cost of the audit and shall be subject to civil penalties in accordance with AS 42.05.571 — 42.05.621. In addition, an interexchange carrier that is determined to have underpaid access charges shall correct that underpayment in accordance with the tariff of the Alaska Exchange Carriers Association. (Eff. 3/16/91, Register 117)

Authority: AS 42.05.141(a)
AS 42.05.151(a)
AS 42.05.221

AS 42.05.241
AS 42.05.431
AS 42.05.720(4)

3 AAC 52.385. STANDARDS OF SERVICE. (a) The application of 3 AAC 52.200 — 3 AAC 52.340 to nondominant carriers is waived.

3 AAC 52.390 ADMINISTRATIVE CODE SUPPLEMENT 3 AAC 52.399

(b) Traffic initially routed over the facilities of one interexchange carrier that is blocked due to busy circuits may not be automatically rerouted to the facilities of another interexchange carrier without the written agreement of the other carrier. (Eff. 3/16/91. Register 117)

Authority: AS 42.05.141(a) AS 42.05.241
AS 42.05.151(a) AS 42.05.711(d)
AS 42.05.221 AS 42.05.720(4)

3 AAC 52.390. MISCELLANEOUS PROVISIONS. (a) The application of 3 AAC 48.230, 3 AAC 48.275, 3 AAC 48.277, and 3 AAC 48.430 to nondominant carriers is waived.

(b) The application of 3 AAC 48.275(a) to the dominant carrier is waived for rate decreases, new services, and repackaging of existing services.

(c) A dominant carrier is responsible for providing intrastate interexchange telephone service as the carrier of last resort.

(d) A message telephone service subscriber of an interexchange carrier may not be transferred to another interexchange carrier unless the subscriber signs a written request for the change.

(e) No implicit modification or waiver of any statutory or regulatory requirements is intended by 3 AAC 52.350 — 3 AAC 52.399, for either dominant or nondominant carriers; absent specific modification or waiver, all statutory and regulatory requirements remain in effect for both dominant and nondominant carriers. (Eff. 3/16/91. Register 117)

Authority: AS 42.05.141(a) AS 42.05.241
AS 42.05.151(a) AS 42.05.711(d)
AS 42.05.221 AS 42.05.720(4)

3 AAC 52.399. DEFINITIONS. Unless the context indicates otherwise, in 3 AAC 52.350 — 3 AAC 52.399

(1) "commission" means the Alaska Public Utilities Commission;

(2) "dominant carrier" means an interexchange carrier determined by the commission to have market power;

(3) "geographically averaged rates" means rates that use the same tariff provisions and rate schedules to apply to all message telephone service communications of the same distance, regardless of the originating and terminating points of the communication;

(4) "incumbent carrier" means the telephone utility, or its successor, certificated in commission Docket U-69-24 to provide intrastate interexchange telephone service;

(5) "interexchange carrier" means a carrier certificated by the commission to provide intrastate interexchange telephone service;

(6) "local exchange carrier" means a carrier certificated to provide local exchange telephone service;

(7) "NNX" means a group of three digits that designates a particular central office where "N" is any number from 2 to 9 and "X" is any number from 0 to 9;

(8) "nondominant carrier" means an interexchange carrier other than a dominant carrier. (E.F. 3/16/91, Register 117)

Authority: AS 42.05.141(a)
AS 42.05.151(a)
AS 42.05.720(4)

Article 6. Criteria for Determination of Power Cost Equalization

Section	Section
600. Applicability, purposes, and waiver	650. Processing of power cost equalization requests
610. Computation of power cost equalization	660. Annual filing requirements
620. Generation efficiency and line loss standards	670. Other requirements
630. Standards for nonfuel costs	680. Effect on power cost equalization for noncompliance
640. Adjustments to power cost equalization	690. Definitions

3 AAC 52.600. APPLICABILITY, PURPOSES, AND WAIVER. (a) The provisions of 3 AAC 52.600 — 3 AAC 52.690 apply to all electric utilities participating in the power cost equalization program established in AS 44.83.162 — 44.83.164.

(b) The purposes of 3 AAC 52.600 — 3 AAC 52.690 are to establish criteria for the determination of power cost equalization per kilowatt-hour and to encourage economic and efficient practices by participating electric utilities.

(c) For good cause shown, the commission will, in its discretion, waive all or any portion of 3 AAC 52.600 — 3 AAC 52.690 for a participating electric utility and establish appropriate criteria for that utility. (E.F. 10/29/89, Register 112)

Authority: AS 42.05.141(b) AS 44.83.163
AS 42.05.151(a) AS 44.83.164
AS 44.83.162

3 AAC 52.610. COMPUTATION OF POWER COST EQUALIZATION. (a) Power cost equalization per kilowatt-hour is determined separately for each rate schedule.

(b) The power cost equalization per kilowatt-hour for each rate schedule is the least of

- (1) the average rate per kilowatt-hour for that rate schedule;
- (2) 41.8 cents per kilowatt-hour; or
- (3) the amount equal to $.95 \times (F + NF - A - 8.5 \text{ cents})$ where F is the total fuel cost per kilowatt-hour.

STATE OF ALASKA

ALASKA PUBLIC UTILITIES COMMISSION
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

WALTER J. HICKEL GOVE

1018 WEST 6TH AVENUE
SUITE 400
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-4222

October 4, 1991

A. L. Tyree
Government Affairs Director
American Telephone and Telegraph Company
795 Folsom Street, Room 200
San Francisco, California 94107

Vernon Dunham
Senior Vice President, Revenue Requirements
Pacific Telecom, Inc.
805 Broadway
P. O. Box 9901
Vancouver, Washington 98668-8701

Gentlemen:

The State members of the Federal-State Joint Board in Docket CC83-1376 have begun an evaluation of the agreement in principle between Pacific Telecom, Inc. (PTI) and its subsidiary, Alascom, Inc., and American Telephone and Telegraph Company (AT&T) regarding the Alaska telecommunications market. We support the parties' goal to expedite consideration of the agreement by the Joint Board and Federal Communications Commission (FCC). To that end, we have prepared the attached information request, the answers to which will provide us with the data we need to thoroughly understand the effects of this agreement on the telecommunications market.

It may be that the parties had planned to include much of the requested data with their generic filing of the agreement before the Joint Board and the FCC. Nonetheless, we recognize that our request is extensive and that some responses may require preparation time beyond the planned filing date. It is not our desire to delay that filing. Therefore, within two weeks of the date of this letter, each party should submit a schedule that indicates which questions can be (or have been) answered with the filing, which will take additional time and when their answers can be expected, and which cannot be answered and why. All data responses and other information should be formally filed in Docket CC83-1376.

Again, we hope to accommodate your desire to have this review completed next year. Please understand, however, that any significant delay in providing the requested data may jeopardize our ability to achieve that goal.

Questions concerning this request may be directed to Lori Kenyon of the Alaska Public Utilities Commission at (907)-276-6222.

Sincerely,

Susan M. Knowles
Susan M. Knowles, Commissioner
Alaska Public Utilities
Commission

/s/Bruce Hagen
Bruce Hagen, Commissioner
North Dakota Public Service
Commission

/s/Dean Joe Miller
Dean Joe Miller, Commissioner
Idaho Public Utilities
Commission

cc: Francis L. Young
Alascom, Inc.

Gordon A. Parker, Jr.
Alaska Telephone Association

J.G. Kilpatrick
American Telephone and Telegraph Company

Ronald Duncan
General Communication, Inc.

Joanne M. Salvatore
National Exchange Carriers Association

Linda K. Smith
State of Alaska

Herbert E. Marks
State of Hawaii

Steve Hamlen
United Utilities, Inc.

Donna R. Searcy
Federal Communications Commission

Richard M. Firestone
Chief, Common Carrier Bureau

James Spurlock
Special Assistant to the Chief
Common Carrier Bureau

Commissioner Andrew C. Barrett

Commissioner Ervin S. Duggan

Chairman Alfred Sikes

Doug Slotten
Federal Communications Commission

Rose Crelin
Federal Communications Commission

Claudia Pabo
Federal Communications Commission

Cynthia Work
Federal Communications Commission

Ronald G. Choura
Michigan Public Service Commission

Rowland Curry
Texas Public Utilities Commission

Charles Gray
NARUC

Carl Hunt
Colorado Public Utilities Commission

Lorraine Kenyon
Alaska Public Utilities Commission

Berry Pain
North Dakota Public Service Commission

DATA REQUEST

INTRODUCTION

Time Frames

The following data request asks for information both for the two (2) years before and for each of the seven (7) years after the conceptual agreement is fully authorized and presumed to go into effect. The two years of interest before the agreement shall be 1989 and 1990, but 1991 information may be required in the future if investigation of the conceptual agreement is delayed and 1991 data becomes readily available. The seven-year forecast is requested to demonstrate how the agreement is implemented and what long-term effects will occur during the two years after all phase-in periods, special restrictions, and time-limited provisions of the agreement have expired. Additional projected information may be required if the conceptual agreement contains, phase-in or time-limited provisions which take longer than five years to effectuate.

Data Submission and Format

Financial information should be submitted in hardcopy and, whenever possible, by electronic means. Financial information should be presented using the ARMIS 4301 and 4304 report formats prescribed by the Federal Communications Commission (FCC) or, if not possible, in a substantively equivalent format. The electronic presentation of financial information should be in LOTUS 123 spreadsheet format with labels for all rows and columns. Files should be stored on a floppy disk in IBM format, if possible.

Level of Detail

Data may be required to be reported by jurisdiction, by account, by service type, by company or by other category. "By jurisdiction" means provide the information categorized by state and interstate jurisdictions. "By account" refers to reporting data on an account basis as defined in the Uniform System of Accounts adopted by the FCC (for interstate data) and the Alaska Public Utilities Commission (for intrastate data). "Service type" refers to the different classes of service provided, namely, message telephone service (MTS), private line, other regulated services, unregulated services, other toll, and local. "By company" refers to reporting data on a company-by-company basis without aggregation to the holding company level.

Duplication of Information

Some of the questions on the following pages are similar to one another and it is expected that many questions will be answered through filings that will be made before the FCC or the Alaska Public Utilities Commission (APUC). To the extent that answers

have already been provided, please reference the document or question where the answer may be found. If the document is not readily available to the Staff and Commissioners of CC Docket 83-1376, please provide a copy of the document with your response.

Definitions

- Agreement -** The conceptual agreement reached between American Telephone and Telegraph Co. (AT&T) and Alascom, Inc. (Alascom) that dissolves the Joint Service Arrangement and provides an alternative market structure in part based upon Alascom leaving the interstate MTS market for a set period of time and merging with a local Alaska Pacific Telecom, Inc. (PTI) company or companies and any other directly associated agreements, understandings or contracts necessary to implement the new proposed market structure contemplated under the AT&T/ Alascom agreement. The AT&T/ Alascom agreement is further described in the PTI news release dated July 10, 1991.
- Pacificorp - Companies** All companies owned by Pacificorp and their affiliates.
- PTI Companies-** Unless specified otherwise, the PTI Companies refer to Alascom; Telephone Utilities of the Northland, Inc. (TUNI); Telephone Utilities of Alaska, Inc. (TUA); and all other companies owned by PTI.
- Seven-Year - Forecast** A forecast or projection of data for each year of a seven-year period following the implementation of the Agreement, presuming it was approved as proposed.
- Successor - Alascom Company** The company formed by the merger of the current Alascom and any other PTI owned local exchange carrier(s) operating in Alaska as a result of the Agreement.

DATA TO BE PROVIDED

Unless otherwise noted, the following information should be provided by or on behalf of Pacificorp, each PTI company, and AT&T:

Market Structure

1. Explain, with specificity, the market structure that will be created if the Agreement is implemented.
2. Will the new market structure and conditions under the Agreement affect the provision of, and incentives for providing, geographically averaged interexchange MTS rates at both the state and interstate level? Describe any changes in incentives and method of provision of nationwide and Alaskan statewide averaged rates that are expected to occur.
3. How will competitors, local exchange carriers (LECs), and customers interconnect with the facilities of the successor Alascom company and AT&T under the proposed Agreement? Explain the expected effects of implementation of the Agreement on competitors in the market, interconnecting LECs, and interconnecting customers in their dealings with AT&T and the PTI Companies. Will any restrictions apply to where and how a competitor may interconnect with AT&T or PTI Company facilities?
4. Will the Agreement propose or require any changes to the current prohibition on construction of earth station facilities in rural Alaska? If so, please elaborate.
5. Describe in detail any limitations or restrictions that may be placed on the availability or resale of services provided by the successor Alascom company to interexchange carriers.
6. Explain how Alaska - Hawaii services will be provided under the proposed Agreement.
7. What entity, if any, will be responsible for providing, at nationwide average rates, the Alaska interstate MTS services previously provided by Alascom?
8. What entity or entities, if any, will be responsible for providing carrier of last resort facilities and services in Alaska? Describe any changes in carrier of last resort responsibilities that would likely result from implementing the Agreement.

Financial Information

9. Provide financial information for the past two years and for the forecasted seven years after the Agreement is presumed to be

implemented using ARMIS 4301 and 4304 format by company.¹ Describe all changes in net investment, expenses, revenues, taxes, and overall costs associated with the proposed Agreement. Data using the 4304 format should be further divided between jurisdictions and services for revenues, expenses and investments. Special descriptions should be made to explain how all compensation, payments, and things of value provided or exchanged under the Agreement will be accounted for by account, jurisdictional assignment, and company (if multiple companies are involved). Describe in narrative form how the financial compensations (including the \$225 million payment, the \$75 million payment, the AT&T leases, and any other compensation) will affect expenses, investments and revenues by company.

10. ALASCOM ONLY: Provide the revenue requirement and rate base for all PTI Companies providing service to or within Alaska before and for the seven years after the Agreement is placed in effect.

11. Describe any proposed changes in study area and service area (by company) associated with the Agreement.

12. ALASCOM ONLY: Provide a copy of the 1989 and 1990 jurisdictional cost separations studies done by Alascom and provided to AT&T. Provide a seven-year forecast of jurisdictional cost separations studies for the successor Alascom company including the merged assets of the local exchange company(s) affected. Provide the output of the separations computer program, the program itself, and its input data². Describe any major underlying assumptions associated with the seven-year forecast. If the program is based on a standard off-the-shelf separations program, describe all modifications, if any, made to the standard program.

Describe any changes in cost separations factors that would result from implementing the Agreement. Explain any changes in methodology employed in calculating the factors.

13. ALASCOM ONLY: Provide all available studies (including inputs, outputs and a description of any computer program) prepared by Alascom or PTI showing historical and/or projected costs on a route-specific or service-specific basis.

14. ALASCOM ONLY: Provide all recent studies and analyses concerning Alascom's cost of providing its services in the Alaska

¹ Companies that will not be materially affected by the Agreement need not file financial information.

² If provision of the input data itself would be too voluminous or burdensome, then provision of a description of the input will suffice at this time.

market.

15. AT&T ONLY: Describe how AT&T will treat any additional "costs" (related to the Agreement) under the interstate price cap regimen. Will these cost increases be treated as exogenous or endogenous? Describe how AT&T will treat the reduction in overall "costs" in the ensuing years under the interstate price cap regimen. Will these cost reductions be treated as exogenous or endogenous?

Effect on Access Costs

16. Provide detailed financial information (in the format used by the FCC for tariff filings if possible) for 1990 and a seven-year forecast showing the effects of the proposal on expenses, investment, and revenue requirements for the National Exchange Carriers Association, Inc. (NECA) and for the Alaska Exchange Carriers Association, Inc. (AECA).¹ Describe the likely effects of the Agreement on transitional and long term support payments made in accordance with Title 47 CFR 69.612. ALASCOM ONLY: Provide financial information for 1990 and a seven-year forecast showing the effects of the proposal on expenses, investment, and revenue requirement for PTI non-pooling companies that have formed their own pool(s) for interstate access purposes.

17. Provide a current rate schedule and a seven-year forecast of charges for NECA, AECA, and the interstate access and intrastate interexchange services (e.g., switching and transport) provided by the successor Alascom company to other carriers.¹ Will the successor Alascom company impute intrastate access charges to itself and, if so, how?

Effect on Rates

18. ALASCOM ONLY: Provide a schedule of current and seven-year projected MTS rates for Alaska intrastate services provided by the successor Alascom company.¹ Describe in narrative how the financial compensations (including the \$225 million payment, the \$75 million payment, the AT&T leases, and any other compensation paid or received) and other terms of the conceptual Agreement will affect rates of Pacificorp Companies.

19. AT&T ONLY: Provide a schedule of current and seven-year projected MTS rates for Alaska interstate services provided by AT&T.¹ Describe in the narrative how the financial compensations

¹ If desired, simplify the forecast calculation by ignoring potential changes in costs and demand that do not result from implementation and operation of the Agreement and the proposed new market structure. Indicate any simplifying assumptions that were made.

(including the \$225 million payment, the \$75 million payment, the AT&T leases, and any other compensation paid or received) and other terms of the conceptual Agreement will affect rates of AT&T.

Affiliated Transactions

20. ALASCOM ONLY: Describe in general terms the goods and/or services which will be provided by Pacificorp Companies, PTI Companies, or any affiliated company to the successor Alascom company for 1990 and for a seven-year forecast presuming the Agreement is approved.

21. ALASCOM ONLY: Provide detailed information using the 4301 ARMIS format for all the Pacificorp Companies and PTI Companies of the affiliated charges made to and from Alascom for the years 1989 and 1990 and those expected affiliated charges to and from the successor company for the seven years following the Agreement. The companies involved in any transaction should be clearly identified and all charges should be detailed by account.

Plant In Service

22. ALASCOM ONLY: Provide a detailed description of the assets to be retained by the successor Alascom company. The assets should be separated for each service by jurisdiction and by service type with a separate category for those facilities provided to AT&T (if applicable) via sale or lease. The details should be by account, showing number of units, depreciation reserve and average remaining life.

Describe in detail all changes in equipment function, total cost, and provision of service necessary to provide AT&T switching and facilities points of presence in Alaska.

23. ALASCOM ONLY: Provide a detailed description of, and reasons for, any major retirements expected to be made during the seven-year period after the Agreement is effected. Identify those retirements which are primarily associated with implementation and adoption of the Agreement.

24. ALASCOM ONLY: Describe in narrative and by drawings or block diagrams how facilities will be utilized to provide service under the Agreement and how this would differ from the status quo.

Services

25. Identify any changes in scope of service, demand for service, provision of service, quality of service, or company providing service to Alaskan customers that are likely to occur if the Agreement is implemented.

26. Describe in general terms how customers currently

presubscribed to Alascom would be transferred to AT&T, including who would be responsible for the payment of any costs associated with the change in carriers.

27. Indicate whether carriers currently receiving interstate services from Alascom would be transferred to AT&T. How would such a transfer occur?

28. Describe how services to interexchange carriers such as billing and collection, operator services, switching, centralized equal access, and transport will be provided by the successor Alascom company and AT&T under the terms of the Agreement.

29. AT&T ONLY: Describe which AT&T tariff offerings will and will not be available in Alaska, if the Agreement is adopted.

Contractual Agreements

30. Provide a copy of all contracts and agreements and a description of all understanding and unwritten agreements proposed to be executed based on the proposed new market structure and Agreement.

31. Describe any joint sharing of facilities that will occur or be affected as a result of the Agreement. Which entities will be involved in the joint sharing of facilities? Will the terms and conditions of the joint sharing arrangements be available to all comers?

32. Describe how any existing contracts or arrangements with other telecommunications carriers must be modified in order to accommodate the Agreement.

Management

33. Clearly identify all changes in management, operational structure, and organizational structure that are expected to occur as a result of the Agreement. Identify those duplicate functions, if any, that would be eliminated as a result of the merger of Alascom with the PTI local exchange company(s).

Changes in Regulations and Procedures

34. List all changes in licensing and certification associated with implementing the new market structure under the Agreement.

35. Describe all changes in state and federal regulations and procedures associated with implementing the Agreement.

Miscellaneous

36. Describe any effects of the Agreement on the joint ownership

of small earth stations between Alascom and United Utilities, Inc. Discuss any change in separations factors for the United Utilities, Inc. earth stations that could likely occur as a result of implementing the Agreement.

37. Describe any proposed requirements under the Agreement to merge or consolidate future and current PTI Companies.



EXECUTIVE SUMMARY

Source: Telephone Utilities of Alaska, Inc. application for amendment of certificate, Docket U-92-9

MASTER AGREEMENT TERMS AND CONDITIONS

- * AT&T acquires Alascom's interstate MTS/WATS business for \$255 million
- * Alascom exits interstate MTS/WATS market permanently (5A)
- * AT&T acquires (commenced in US) 10% of Alascom's intercity phone (ICB) for \$75 million
- * Alascom transfers interstate intercity assets to TUA
- * Alascom exits interstate interexchange market
- * TUA agrees to accept Alascom's intercity and to provide interstate interexchange service
- * AT&T and TUA agree to accept of acquisition funds (including interexchange unit of operating requirements)
- * Agreement entered into by November 1, 1997
- * Implementation on or before January 1, 1998

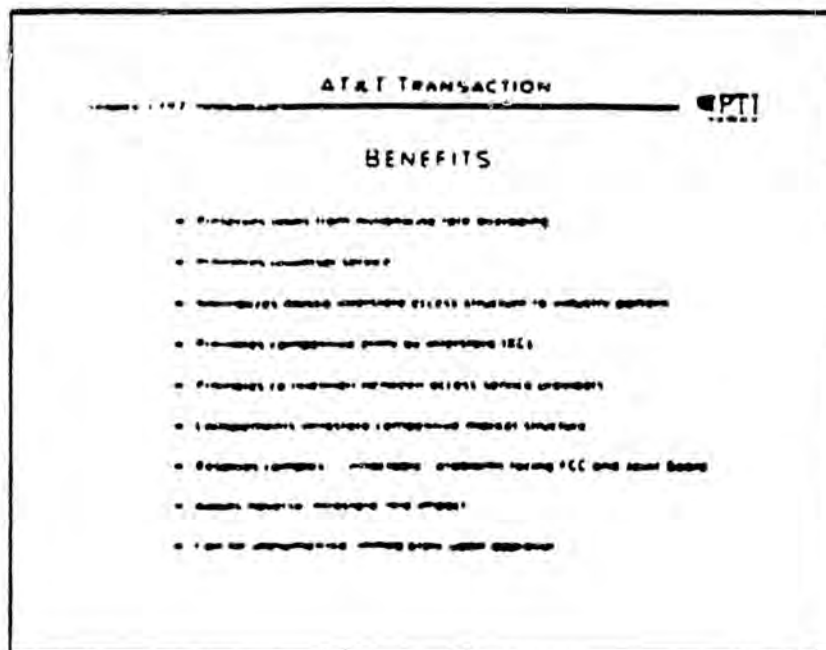
[1]

This Application represents part of a \$330,000,000 transaction between American Telephone & Telegraph (AT&T), Pacific Telecom, Inc. (PTI), and PTI's affiliates Alascom, Inc., and Telephone Utilities of Alaska, Inc. (TUA) for the sale and transfer of Alascom's interstate message telephone service (MTS) and wide area telephone service (WATS) to AT&T. When completed, AT&T will initiate service directly to points of presence (POPs) in Alaska at Anchorage, Fairbanks, and Juneau. Alascom will cease to provide interstate MTS/WATS services, and existing interstate long distance customers of Alascom will become customers of AT&T.

Concurrently, the assets of Alascom now used to provide interstate interexchange carriers' such as AT&T with access to Alaska will be transferred to TUA. The operations and personnel of Alascom and TUA will be combined. TUA will adopt the tariffs of Alascom and will provide intrastate interexchange service to Alascom's current intrastate customers. Alascom will cease to provide intrastate interexchange service. The interstate private line services now provided by Alascom will hereafter be provided by a successor company which is fully separate from TUA, has no affiliation with AT&T, and provides no intrastate services.

Alaskan customers of AT&T will pay the same uniform averaged rates charged by AT&T in the other 49 states, equal to those now being charged by Alascom. Intrastate interexchange customers of TUA will pay the same rates, under the same tariffs now applied by Alascom. TUA will market and identify to its customers local exchange service under the name "PTI Communications", as it is doing now. TUA will market and identify its intrastate interexchange services under the name "Alascom".

Regulatory approval of this Application and implementation of the agreements will offer significant benefits to the telecommunications users of Alaska. Prior to the mid-1970s, Alaskans paid interstate MTS rates three times higher than the rest of the nation. By virtue of regulatory policies fostering the integration of Alaskan interstate long distance rates into the national averaged rate structure, Alaskans now enjoy from Alascom nondiscriminatory, nationwide averaged rates at AT&T's rate levels. For Alaskans in remote areas, these reductions in rates are especially important, since costs for service to their areas, on a stand-alone basis, greatly exceed revenues from such service. When AT&T begins direct service to Alaska, its rates will be equivalent to those now charged by Alascom. This will avoid "rate shock" to Alascom's customers and will ensure future economic savings to people and businesses in Alaska.



Approval of the transaction will normalize the Alaska interstate access structure, bringing TUA into line with the telecommunications industry structure found throughout the lower-48. It will promote the entry of competitive carriers into Alaska by offering them access services on equal terms, under rates and practices administered uniformly across the nation by the National Exchange Carrier Association. It will promote competition between and among access service providers. And the transaction is consistent with the recently inaugurated competitive market structure for intrastate interexchange services in Alaska.

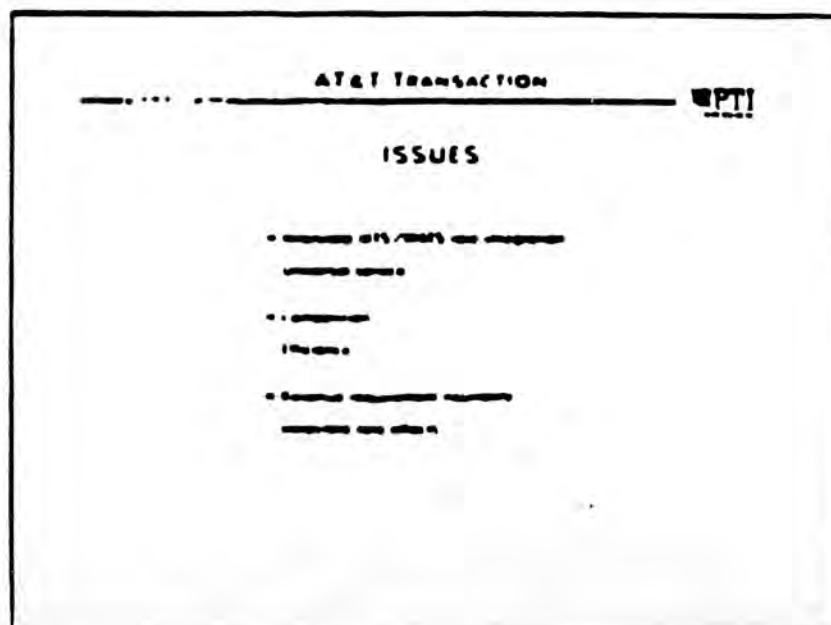
The Application reflects a compromise among the parties that will resolve the seven-year old proceedings before the FCC and Federal-State Joint Board concerning Alaska market structure issues, and will permit future federal policies fostering competition to apply directly to Alaska. These benefits will be achieved without burdening Alaskan in-state telecommunication users with rate hikes, either now or in the future.

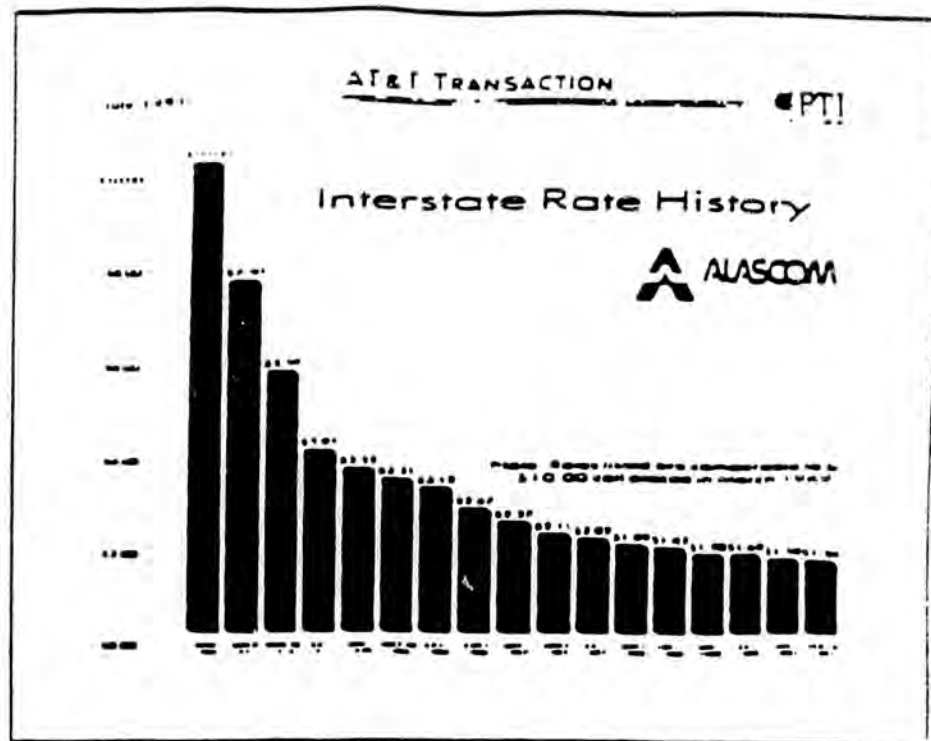
[3]

Prior to the break-up of the Bell System in 1984, federal regulatory policy for Alaska focused primarily on reducing the rates for interstate long distance service to Alaska while simultaneously improving the quality and availability of long distance service to Alaska. The federal policies were embodied in programs addressing "Rate Integration" and "Universal Service", and resulted in the substantial rate reductions to Alaskan consumers depicted on the next page.

Following the break-up of the Bell System, regulatory policies shifted focus to the benefits which competition offers to telecommunications users. Competitive policies emphasize multiple service providers in an open marketplace and the efficient use of resources in addressing consumer demands. Profit incentive and competitive threat supplant regulation as the mechanisms for achieving increased efficiency and reduced prices.

The State of Alaska, concerned that the historical federal regulatory goals favoring rate integration and universal service might not prove compatible with the newer regulatory policies relying upon competition, petitioned the FCC in 1984 to open an inquiry into the requirements for harmonizing these policies. The FCC established, under applicable federal law, a board (the Federal-State or Alaska Joint Board) composed jointly of FCC and state regulatory commissioners. The Joint Board has sought for more than seven years — without success — to arrive at recommendations for adjustments which would not only reconcile these two policy strains, but would do so without increasing the costs of Alaskan intrastate telecommunications services. The proposed AT&T/TUA transaction succeeds in meeting all five of the Board's criteria and in achieving the reconciliation of federal policies for Alaska.



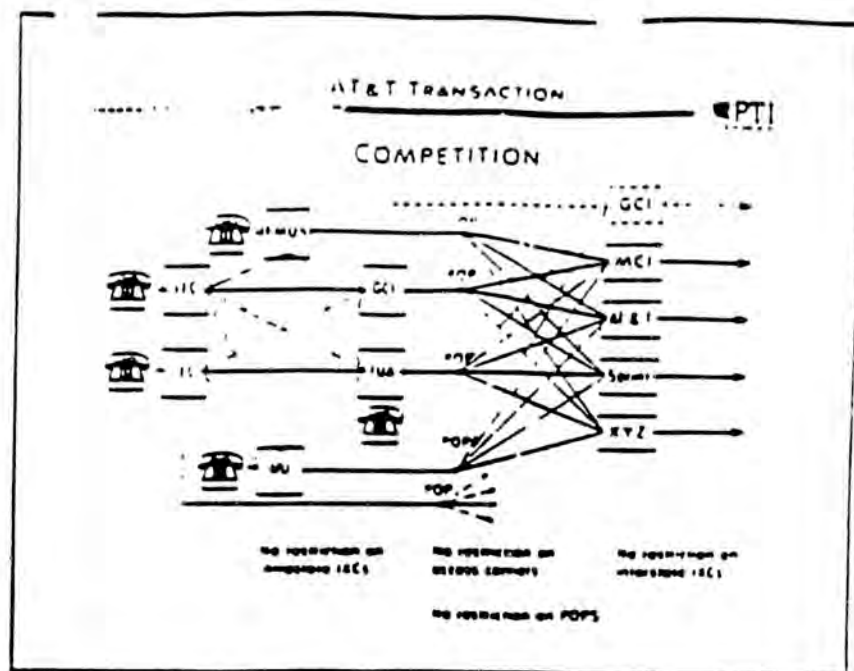


[4]

As a general proposition, in the lower-48 prior to the break-up of the Bell System costs from all participants in the provision of interstate long distance service were pooled. The long distance rates developed to cover those costs were made uniform for time and distance of call for all locales in the continental U.S. As a result, everyone paid the same rate for the same distance and length of call.

Before the mid-1970s, Alaska was not included in these industry practices. As a result, Alaskans paid interstate long distance rates three times those of other Americans. Under the auspices of the FCC, Alascom and AT&T entered into negotiations leading to a Joint Service arrangement in 1980. Under that arrangement, Alascom was effectively included in the cost and revenue pools for interstate MTS/WATS services, along with AT&T and lower-48 service providers. Alascom received from the pool its costs plus the pool-earned rate of return. Concurrently, Alascom began a series of rate reductions; in 1987, these reductions culminated in interstate MTS/WATS rate parity between Alascom and AT&T. For the Alaskan consumer, this provided major economic benefits: a \$10 call in 1969 now costs less than \$1.50.

The AT&T/TUA transaction preserves those hard-won gains. Under its terms, AT&T will directly apply its nation-wide averaged MTS/WATS rate schedules to Alaska, to the same degree they are applied elsewhere in the country. Because Alascom's rates already mirror AT&T's, Alascom's customers will suffer no rate shock and remain beneficiaries of past rate integration policies. Lowered interstate MTS/WATS rates are especially important to Alaskans living in remote areas, who often lack alternatives to telecommunications service. This transaction will continue nationwide averaged rates and universal service to the benefit of all Alaskans throughout the State.



[5]

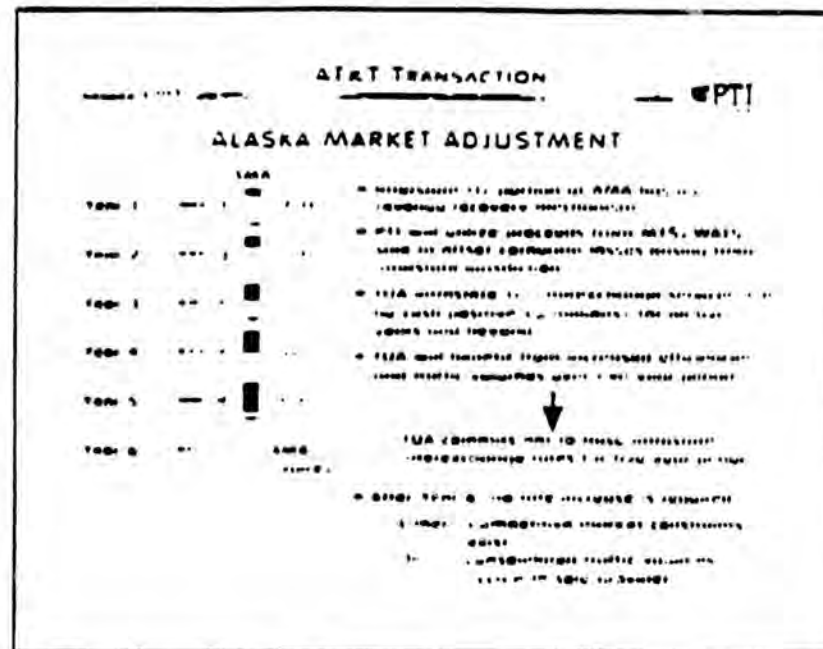
Both the interstate and intrastate interexchange markets serving Alaskans are fully competitive. The AT&T/TUA transaction adheres to state and federal requirements affecting competition and will serve to promote and enhance competition in each jurisdiction. As a result of its implementation, the opportunities in Alaska for active competition in market entry and expansion of service offerings will be equal to or greater than those in any other state.

Approval of TUA's Application and implementation of the transaction will result in an interstate access service structure consistent with the national industry pattern and conducive to competitive entry. TUA will offer nondiscriminatory access to any and all interexchange carriers, not just AT&T, at fair uniform rates established and administered by the NECA. Competitors will be able to enter the Alaskan market or to extend new service offerings to Alaska with the same ease attending their service to the other states. Because of this normalized structure, future federal policies concerning competition will apply directly to Alaska for the benefit of Alaskan consumers, without the need for special regulatory proceedings such as the seven-year old Alaska Joint Board. In combination with other state and federal competitive rulings, TUA's restructuring will also spur competition in access provisioning, as well as in intrastate interexchange services.

Alascom's exit from the interstate MTS/WATS market eliminates baseless concerns previously expressed regarding 'subsidy' and 'cross-subsidy' of its services. The transaction contains no exclusive or exclusionary arrangements between TUA and AT&T to hamper the development of competitive relationships between any and all parties desiring to compete for Alaskan consumer dollars.

The transfer of facilities from Alascom to TUA is a necessary prerequisite to obtaining access to the NECA and thereby securing the competitive benefits described on the previous page. TUA, however, as a local exchange carrier (LEC), is subject to FCC separations rules different from those applicable to Alascom. As a result of this change in applicable federal rule, \$35 million of annual revenue requirements associated with the transferred facilities will be shifted from the interstate to the intrastate jurisdiction.

To prevent any adverse impact on Alaskan consumers of TUA's intrastate interexchange services, TUA is committing to the APUC, and PTI will guarantee, that no intrastate interexchange rate increases will result from this jurisdictional shift for the five-year period in which the shift will occur. The elements of the transaction which make this commitment both possible and credible are depicted below, and may be summarized as follows:



- For five years, TUA will calculate the amount of the jurisdictional shift and assign it to an interstate Alaska Market Adjustment category
- Each year, an increasing percentage of the AMA will be assigned to the intrastate jurisdictional revenue requirements of TUA
- PTI will elect to offset the shortfall in interstate revenues represented by the AMA balance with proceeds of the NTS/WATS sale to AT&T
- TUA will remain cash-positive and will receive contributions to operating income throughout the five year period
- TUA will address the gradual increase in intrastate revenue requirements through efficiencies and growth in traffic
- After five years, TUA will be constrained either by regulation or market forces from increasing its rates and anticipates having no need to do so, in any event

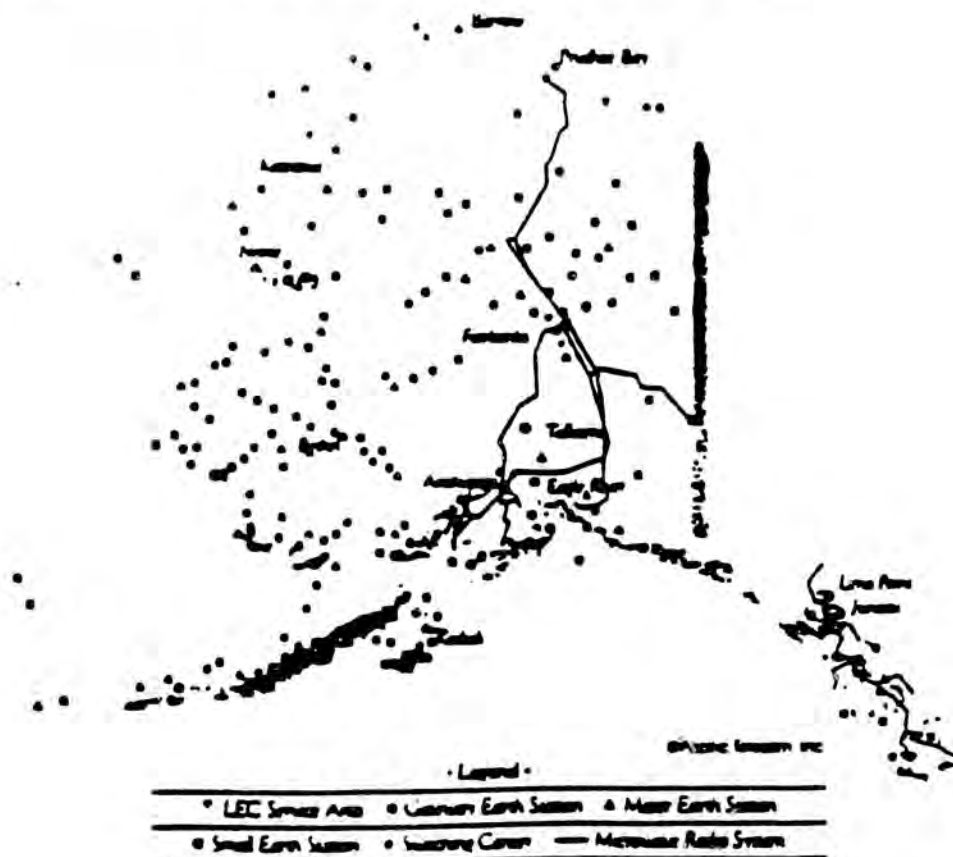
TUA's local exchange rates are not affected by the transaction. This approach will ensure that the gains realized in other aspects of the transaction will not be lost through increased rates for Alaskan intrastate consumers.

This Application requests two things of the Alaska Public Utilities Commission:

- (1) Approval for TUA, under the statutory standard of fit, willing and able, to provide intrastate interexchange services in Alaska; and
- (2) Approval for TUA to adopt in their entirety the existing tariff and service obligations of Alascom, with no modifications, additions, or deletions thereto.

This Application seeks neither to expand nor to enhance TUA's existing LEC authority. Under Commission regulations, LECs are clearly entitled to apply for intrastate interexchange certification. TUA has been found for a decade to be fit willing and able to provide local exchange service. Alascom's fitness, willingness and ability have been demonstrated for two decades. The intrastate interexchange services and operations TUA proposes to provide are those which have already been approved by the Commission, since TUA will adopt Alascom's tariff and will combine Alascom's personnel and facilities with its own. Thus, every jurisdictional element and aspect of TUA's restructuring has been previously subjected to Commission authority and oversight. Since there is no change in control nor change in the size of PTI's telecommunications presence in the jurisdiction, TUA submits that a prima facie showing of compliance with the statutory standards has been made.

The Statement of Public Interest appearing as Exhibit D contains a more detailed discussion of these and other matters implicit in TUA's Application.



[8]

The proceedings before the FCC and the Federal-State Joint Board involve serious issues for the people of Alaska. Competition offers future benefits in terms of reduced prices to consumers and innovation in service offerings. Regulatory policy has ensured that fundamental services are initiated and maintained at rates which do not discriminate against Alaskan consumers and businesses. The regulatory agencies have recognized that the desire to reap future benefits must be balanced against the need to avoid loss of past gains. And the achievement of both in the federal arena must not come at the expense of Alaskan intrastate telecommunications users.

The transactions negotiated between AT&T, PTI, Alascom, and TUA strike that balance through a complex but well thought out series of agreements. These agreements address rate integration and universal requirements through introduction of direct AT&T MTS/WATS service to Alaska and the concomitant application of AT&T's nationwide averaged rate schedules to Alaska. Alaskan consumers will continue to pay non-discriminatory interstate long distance rates to the same degree as other Americans.

Those direct economic benefits to Alaskans are not acquired at the cost of foregoing future benefits from competition. TUA will be restructured in a manner consistent with industry practice elsewhere in the nation. This restructuring will promote competitive entry into Alaska by interstate interexchange carriers, and will make it easier for those carriers to extend existing and future service offerings to Alaskan telecommunication users. To the extent undesirable jurisdictional shifts of revenue requirements are necessitated to accomplish these desirable ends, the transaction incorporates specific elements which will permit PTI to shield Alaskan intrastate consumers from the effects of these shifts.

The transaction, laboriously worked out by the parties, achieves the requirements of the Federal-State Joint Board and meets the needs of Alaska, now and in the future. As the opportunity to fairly and permanently resolve these matters will not soon recur, TUA respectfully seeks in this Application the appropriate approvals from the Alaska Public Utilities Commission to help implement this transaction and deliver the benefits embodied therein to the telecommunications users of Alaska.



Federal Communications Commission

FCC 381

Before the
Federal Communications Commission
Washington, D.C. 20554

CC Docket No. 83-1376

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

RM 4436

SUPPLEMENTAL ORDER INVITING COMMENTS

Adopted: December 19, 1983: Released: January 3, 1989

By the Federal-State Joint Board:

I. INTRODUCTION

A. Summary

1. On September 27, 1985, the Federal Communications Commission (Commission) adopted a Notice of Proposed Rule Making (NPRM) in the above-captioned proceeding¹ and established this Federal-State Joint Board (Joint Board) pursuant to Section 410(c) of the Communications Act of 1934, as amended (Act). As discussed below, we were asked to consider a variety of questions related to the appropriate market structure for the provision of interstate telecommunication service to Alaska as well as any separations changes that might be required to implement the recommended market structure arrangements for Alaska service.²

2. By this Order, we invite interested persons to comment in more detail on several aspects of the issues before us. First, we outline and request comment on five objectives that we believe should guide resolution of the issues in this proceeding. Second, after discussing the market structure proposals presented in the record, we describe two alternative market structure options and seek comment concerning them. We also give parties the opportunity to present additional market structure proposals and to suggest improvements in the current arrangement in case an acceptable alternative is not found. Third, we request comments on certain other issues before us in this proceeding.

B. Background

1. Procedural History

3. In the NPRM, the Commission referred to this Joint Board issues raised by rate integration³ and the competitive provision of interstate telecommunication services to Alaska. Specifically, we were asked to prepare recommendations concerning: (1) what market structure changes, if any, are necessary to harmonize the Commission's rate

integration and competition policies for the Alaska interstate telecommunication market; and (2) what, if any, separations or other rule changes would be necessary to implement the recommended market structure in light of the high cost of service. We were asked to study the need for cost support in order to assure universal service to Alaska, and to consider alternative sources for such support. The following issues are also before this Joint Board for consideration: (1) the appropriate separations procedures for the Alaska exchange carriers' ownership interest in bush earth stations;⁴ and (2) the provision of service to the Alaska-Hawaii route, as well as the applicability of rate integration to this service.⁵

4. On May 9, 1986, we issued an order requesting that interested persons submit information and data concerning the provision of telecommunication services within the State of Alaska and between Alaska and the contiguous states.⁶ Specifically, we requested data identifying:

(1) the costs associated with Alaska's interstate and intrastate telecommunication services in order to determine the extent to which these services are characterized by high costs; (2) the location of those costs within the network hierarchy to permit the evaluation of cost allocation, market structure, or separations alternatives; and (3) the cost of the various interstate and intrastate service offerings of the Alaska carriers to allow evaluation of the market structure proposals.

On July 15, 1986, data were filed by the State of Alaska (Alaska), the American Telephone and Telegraph Company (AT&T), Alascom, Inc. (Alascom), General Communication Incorporated (GCI), and the Alaska Telephone Association (ATA).⁷ Market structure proposals for Alaska and/or comments were filed by interested parties on December 2, 1986.⁸ Opposition comments and reply comments were filed on February 27 and March 27, 1987, respectively.⁹ Subsequently, a number of supplemental filings were made, and several of them generated responsive comments.¹⁰ These filings are listed in Appendix A.

5. Issues concerning the provision of Alaska-Hawaii service and the appropriate rate structure for these services were initially raised in an April 4, 1986, Alascom petition requesting that the Commission direct AT&T to continue providing Alaska-Hawaii MTS and WATS service in conjunction with Alascom. After AT&T and Alascom reached agreement on interim measures for provision of this service, to be effective through December 31, 1987,¹¹ AT&T and Alascom requested that the issues be considered in this proceeding. On December 1986, the Commission adopted a *Supplemental Notice* referring the issues of appropriate service provisioning arrangements on, and rate structure for, the Alaska-Hawaii route to this Joint Board. Comments in response to *Supplemental Notice* were filed on February 10, 1987. Opposition comments and reply comments were filed March 10 and March 31, 1987, respectively.¹²

6. We are also considering questions related to separation of Alaska bush earth station costs. In the *Reconsideration Order* in the *Bush Earth Station Ownership* proceeding,¹³ the Commission approved interim Alascom's CMM (conversation minute mile) factor for the separation of Alaska exchange carriers' investment and expenses associated with bush earth stations. In dc

6. The Commission noted that separations issues relating to the allocation of bush earth station investment and expenses were being considered by the Joint Boards in CC Docket Nos. 80-286 and 83-1376.¹⁰ Since the CC Docket 80-286 Joint Board has not specifically addressed this issue, we will consider it in this proceeding.

2. Existing Market Conditions and Structure

7. The State of Alaska has the lowest population density of any state, with a land area encompassing approximately 591,000 square miles and a population of approximately 500,000. Nearly one-half of the residents live in Anchorage; and only two other cities, Fairbanks and Juneau, have more than 10,000 residents. Seventy-seven percent of the communities in Alaska have 500 or fewer residents, with one-third of the communities having fewer than 100 residents.¹¹ In addition, Alaska has a per capita cost of living that is substantially above the national average, as well as a high per capita income.¹² Census Bureau data showed that 87.2% of Alaska households had telephone service as of March 1988.¹³

8. Twenty-three exchange carriers provide local service in Alaska,¹⁴ serving approximately 240,000 access lines in about 250 exchanges.¹⁵ Equal access is available in most, if not all, of those Alaska exchanges directly served by competitive carriers. Alascom provides interexchange service within the state, while interstate service to and from Alaska is provided by two facility-based carriers—Alascom and GCI. A limited number of resale carriers also provide Alaska interstate service. In order to facilitate understanding of the market structure issues presently before us, the operations of Alascom and GCI are described below.

a. The Alascom Operation

9. Alascom, a dominant carrier under the Commission's rules,¹⁶ provides both interstate and intrastate long distance service over a mix of owned and leased satellite, microwave, and cable facilities located in Alaska, the contiguous states, and Canada. Alascom provides interstate MTS and WATS service in conjunction with AT&T pursuant to a joint service arrangement implementing rate integration.¹⁷ The joint service settlements formula provides that Alascom is to be compensated for all of its interstate expenses and provided with a return on its interstate investment equal to that earned by AT&T.¹⁸ Alascom's interstate expenses and investment are determined in accordance with the separations procedures contained in Part 36 of the Commission's rules.¹⁹

10. In providing message service between Alaska and the contiguous states, Alascom interconnects its satellite facilities with AT&T's network at two earth stations it leases in California. It connects its microwave facilities, which traverse Canada, with AT&T's network at a point on the U.S.-Canadian border in the State of Washington. Communication signals between Alaska and the contiguous states are transmitted via Alascom's Aurora satellite, AT&T's Telstar satellite, or microwave facilities to and from gateway entry locations at Anchorage, Fairbanks or Juneau. Each gateway location has at least two earth station antenna systems and a Class IV entry switch. Almost all of the interstate message traffic passes through one of these switches to reach Alaska exchange carrier facilities.²⁰

11. Alascom and AT&T provide joint interstate MTS and WATS service pursuant to the Commission's rate integration policy. To implement that policy, AT&T files tariffs covering northbound service offerings, and Alascom files tariffs covering southbound service offerings. Each concurs in the other's interstate MTS and WATS tariffs which charge fully-integrated rates for calls between Alaska and the contiguous states.²¹ Interstate private line services are offered on an "end-on-end" basis, with each carrier developing separate rates for the portion of the circuit it provides based on its own costs.

b. The GCI Operation

12. GCI, a nondominant carrier under the Commission's rules, provides interstate message and private line services through a satellite-based network of its own. It also uses access service obtained from other carriers. Its interstate message services consist almost exclusively of southbound offerings, although it terminates some northbound traffic for other competitive IXCs, and offers travel feature that can be used to make both southbound and northbound calls. GCI competes with Alascom in the provision of interstate service to more than two-thirds of the access lines in Alaska.²² While it is not presently authorized to provide intrastate service in Alaska, GCI has filed an application for such authority with the Alaska PUC. GCI is also associated with an applicant for a mobile satellite system.²³

13. GCI owns two satellite transponders on an American Satellite Corporation satellite, and provides interstate service via four principal earth stations located at Egan River (near Anchorage), Fairbanks, and Juneau, Alaska as well as Issaquah (near Seattle), Washington. It also owns a mobile earth station and several other earth stations in smaller population centers in Alaska.²⁴

14. GCI obtains access from Alaska exchange carriers and leases lines from Alascom, when necessary, for origination and termination of its traffic in Alaska. In the Seattle area, GCI terminates its traffic over access facilities obtained from the exchange carriers, or via intrastate services obtained from Pacific Northwest Bell or AT&T. To distribute its Alaska-originated traffic in the remainder of the contiguous states, it primarily uses facilities obtained from AT&T pursuant to the Carrier Lease Agreement.²⁵ That agreement provides GCI with a digital interface at an AT&T Class IV switch in Seattle, allows GCI to obtain a specified number of circuits, described as "base circuit terminations," at AT&T's average cost of exchange access. GCI uses these circuits for termination of its Alaska originated message traffic in contiguous states. GCI is also allowed to obtain additional circuits from AT&T at Megacom tariff rates. The number of base circuits available to GCI under the agreement increases until October 1988, after which time the number declines through 1992 when the Carrier Lease Agreement terminates.²⁶

II. OBJECTIVES

A. Introduction

15. In this section, we discuss the fundamental objectives that we have tentatively selected to appraise developing our recommendations, and request comment on these goals. The Commission described a number

these concerns in the *NPRM* referring these issues to us. Among other things, the Commission stated that it did not propose to abandon rate integration, noting that the principles underlying this policy remain valid.³³ The Commission also asked us to consider the efficiency of alternative market structures, adding that we should avoid approaches that create incentives for uneconomic facility duplication. In addition, the Commission asked that we bear in mind the high cost of serving portions of the Alaska market. It also stated that Alascom's state-wide service obligations should be a significant factor in evaluating the public interest considerations raised by the parties. In addition, the Commission emphasized that we should consider the effect of any proposed market structure on intrastate rates.

16. The comments filed to date in this proceeding reveal differences in the parties' perspectives on the objectives that should be the focus of this proceeding, and on what these objectives mean for resolution of the issues before us. Given the importance that our choice of objectives will have in guiding resolution of the issues before us, we believe that this matter merits a further opportunity for comment by interested parties.

Comments of the Parties

17. Alascom emphasizes the importance of rate integration and universal service, arguing that the existing joint service arrangement must be continued in order to ensure achievement of these goals. Alascom argues that the status quo has provided a functioning, proven structure which has allowed Alaska the benefits of universal service, integrated rates and competition. Alascom also contends that allegations of inefficiency generated by the present market structure are unsubstantiated though it could take steps, in conjunction with AT&T, to reduce costs. It is argued that any losses to AT&T under the current system are exaggerated, trivial compared to AT&T's overall operations, and are compensated for by nationwide rate averaging. Alascom suggests in its comments that deviation from the status quo could set precedents regarding the treatment of high cost areas of the nation that could ultimately lead to nationwide toll rate deaveraging. Alascom does not oppose competition in the provision of Alaska interstate service under the current market structure, but argues that new entrants should be required to compete against integrated rates without cost assistance, just as competitive entrants do in the contiguous states.

18. AT&T states that its settlements with Alascom currently exceed the two way revenues for Alaska interstate message service, and emphasizes the importance of measures designed to promote efficiency and reduce the cost of Alaska interstate services. It argues that the current arrangements foster inefficiency, and it proposes an alternative market structure that it believes will create appropriate incentives. Among other things, this plan would allow AT&T to enter the Alaska interstate market directly, rather than through the existing joint service arrangement.³⁴ AT&T also argues that support for Alaska costs is necessary to ensure universal service only in the case of rural or bush high cost areas. It supports measures to reassign approximately \$40 million in revenue requirements from interstate message services to the interstate private line service category and the intrastate jurisdiction, taking the position that these costs can be recovered without undermining universal service. AT&T also argues

that, in light of the divestiture of the Bell System and the Modification of Final Judgment, AT&T can no longer afford to support the high cost of Alaska service under the current structure for rate integration. Therefore, it suggests establishing a pooling mechanism to spread some of the cost of serving rural Alaska among all IXCs.³⁵ If such a system is not adopted, AT&T argues that the rates for message services to rural areas in Alaska must be allowed to rise.

19. GCI emphasizes the need for market structure changes to facilitate competition, arguing that this will foster efficiency and reduce costs. Like AT&T, it advocates termination of AT&T-Alascom joint services and proposes an alternative market structure designed to achieve the objectives.³⁶ GCI also proposes measures to ensure universal service and continued rate integration, as well as targeted support for high cost rural areas.³⁷ GCI opposes measures to shift costs to the intrastate jurisdiction, and advocates a freeze on the intrastate MTS cost assignment.

20. NTIA in its comments supports a goal of bringing the benefits of competition to the Alaska market. Thus, it argues that this Joint Board must develop a support mechanism that ensures affordable rates for Alaska service without hampering competitive entry.

21. Alaska emphasizes the uniqueness of the Alaska market, arguing that the low population density, vast distances, and the lack of transportation make affordable communications particularly important for its citizens. It contends that the Communications Act and the critical necessity of telephone service in Alaska require that universal service be the fundamental goal of the proceeding. Accordingly, it asks this Joint Board to recommend a market structure that is compatible with the provision of a carrier of last resort and provides affordable rates for both interstate and state interexchange service. Alaska also reaffirms its position concerning the overriding importance of rate integration. Like Alascom, Alaska contends that AT&T revenue-to-cost shortfalls in the Alaska market are balanced by its provision of service at averaged rates in low cost areas of the nation. Alaska states that rate integration in Alaska should be achieved as is done in other high cost portions of the nation through revenue and cost sharing. Alaska argues that treating Alaska differently from the rest of the nation will cause precedent for "special treatment" in other high cost locations leading to nationwide rate deaveraging. In addition, Alaska expresses concern that a change in the Alaska market structure could produce additional undesirable results, including stranded investment, shifts in jurisdictional cost allocations, and unaffordably high intrastate rates.

22. ATA and ATU support continued rate integration and oppose measures to reallocate costs to the intrastate jurisdiction. ATU argues that continuation of the current procedures for an additional five year period is necessary to allow Alaska to achieve the level of telephone service found in the contiguous states.

23. Hawaii states that it takes no position on the resolution of Alaska issues but that the resultant Alaska decision should apply to the Hawaii/Alaska route. Hawaii supports rate integration and opposes the AT&T position that integration need not be provided between Hawaii and Alaska.

C. Discussion

24. 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 these goals. In particular, we emphasize that measures to increase efficiency and promote market based competitive entry should not be implemented at the expense of universal service, rate integration or revenue requirement neutrality. Each of our proposed objectives is discussed separately below. In light of the fact that the Commission has asked us to prepare recommendations designed to harmonize rate integration and competition in the provision of Alaska interstate service, we will begin with a discussion of these two objectives.

1. Continuation of Rate Integration

25. In the NPRM, the Commission endorsed the principle of rate integration, while indicating that we should consider alternative implementation arrangements if necessary to harmonize rate integration and competition policies. With the exception of AT&T, all of the parties strongly endorsed continued rate integration for message services. AT&T, however, expresses reservations concerning its ability to continue to support full rate integration for rural areas absent a high cost fund. Based on the record in this and prior proceedings concerning rate integration, we tentatively conclude that continued integration of interstate MTS and WATS rates²⁵ is necessary to ensure that all Alaska residents are able to participate fully in the social, economic, and political life of our nation.²⁶ We also believe that a rate structure which averages interstate toll rates for states other than Alaska, while imposing deaveraged rates for service to and from Alaska could raise questions concerning an unjust and unreasonable discrimination pursuant to Section 202 of the Act.²⁷ We therefore propose to develop an Alaska market structure recommendation that provides for the continued availability of interstate MTS and WATS service at integrated rates for all Alaska residents.

2. Market Based Competitive Entry

26. The Commission authorized competitive entry in the Alaska interstate MTS and WATS market for non-bush locations in 1982,²⁸ without adopting any Alaska-specific provisions for the treatment of competitive entrants.²⁹ Here, we are examining the market structure rules applicable to the provision of Alaska interstate service on a competitive basis. The FCC has found in many of its previous proceedings that a market based competitive entry policy for the provision of interstate service, allowing competitors to enter the market, with their success or failure determined by marketplace performance has provided substantial benefits in the contiguous

states.³⁰ The success of such a policy, of course, requires providing a full and fair opportunity for new entrants to compete. It is the desire of this Joint Board to promote in Alaska the benefits associated with a policy of free market competition. Accordingly, we tentatively conclude that the recommended Alaska interstate market structure should allow for market based competitive entry.

27. Under this approach, new entrants would compete with AT&T's nationally averaged interstate rates, as carriers do in the contiguous states. While competitive IXCs would be allowed to enter the Alaska interstate telecommunication market just as they are allowed to do in the contiguous states, we do not believe that competition is required on every route. Routes that will not support a competitor without a subsidy or other rate support would, of course, continue to be served by a monopoly provider.³¹ Thus, we tentatively conclude that rate support or other special treatment should not be made available to competitive entrants in the Alaska interstate market. Among other things, the provision of assistance to competitive entrants sends improper economic signals and could lead to the building of uneconomic duplicative facilities, thereby impairing efficiency.

3. Preservation of Universal Service

28. This Joint Board is firmly committed to ensure universal service for Alaska as part of our deliberations in this docket. Nationwide universal service is one of the objectives of the Communications Act,³² and has served a specific Commission and Joint Board objective in other proceedings, including those involving the allocation of recovery of local exchange costs. In furtherance of the nationwide policy, the Joint Board in CC Docket No. 78-72 and 80-286 recommended, and the Commission adopted, measures establishing a universal service fund assist subscribers in areas where the cost of local exchange service is particularly high,³³ and two federal lifeline assistance programs for low income telephone subscribers. These programs are available throughout the United States, including Alaska, upon adoption of implementing measures by exchange companies and the state. A number of the parties commenting in response to the NPRM state that the maintenance of universal service in Alaska should be a principal concern.

29. Previous Joint Board and Commission discussions of universal service have concentrated on subscription local exchange services.³⁴ Alascom argues that the concept of universal service must encompass access to toll service if it is to be meaningful for Alaska. Alascom says a carrier of last resort should be designated for the provision of interexchange service.³⁵ Alaska also advocates a market structure that allows for an interexchange carrier of last resort.³⁶ Essentially, all customers served by an exchange carrier in the contiguous states have access to interexchange service.³⁷ We believe that this should be the case for Alaska subscribers as well. Given the high cost of interexchange service to certain portions of Alaska, we tentatively conclude that it would be prudent to ensure that the measures adopted in this proceeding include designation of a carrier of last resort for Alaska message service.

30. The carrier of last resort will be responsible for building necessary facilities and providing service under the market structure rules adopted in this proceeding. Typically, the facilities involved will be used jointly by

provision of both intrastate and interstate message services. As such, the Alaska PUC, this Joint Board, and the Commission have a role to perform. We would anticipate that the carrier with statewide service obligations would serve as the carrier of last resort. Alascom, as the only carrier currently authorized to provide intrastate toll service, presently fulfills this function.

4. Jurisdictional Revenue Requirement Neutrality

31. The record compiled in this proceeding indicates that the adoption of certain market structure alternatives could result in a shift in revenue requirements to the intrastate jurisdiction as well as shifts between the switched and private line service categories.³² In addition, AT&T advocates specific separations changes that would reassign approximately \$40 million in revenue requirements from interstate message services to the intrastate jurisdiction and the interstate private line category.³³ These proposed changes could increase significantly Alascom's intrastate revenue requirement, and undermine the affordability of intrastate MTS service.³⁴ We do not believe that the record demonstrates that the Alaska intrastate cost assignment is disproportionately low and thus should be increased.³⁵ Furthermore, the telephone industry is currently in the midst of several other multi-year transitions implementing separations changes in the allocation of local loop³⁶ and central office costs,³⁷ which could involve significant jurisdictional cost shifts for certain local exchange carriers in Alaska. There are a number of other issues under consideration in CC Docket No. 80-286 which could also result in additional revenue requirement shifts.³⁸ Accordingly, we tentatively conclude that resolution of the issues in this proceeding, including adoption of any changes in the Alaska interstate market structure, should be accomplished without generating any material increase in the intrastate revenue requirement.³⁹

32. Support of our objective of revenue requirement neutrality warrants that the Alaska-specific separations changes proposed by the parties in this proceeding in order to reassign costs to the intrastate jurisdiction not be adopted. By adopting a revenue requirement neutrality principle in this proceeding, our attention, as well as that of the commenting parties, can be focused on the overall merits of alternative market structures. However, intrastate revenue requirements could increase due to factors not directly at issue in CC Docket 83-1376. Among other things, regulatory action on separations issues in other proceedings could affect the intrastate revenue requirement for Alaska as well as other states.⁴⁰

5. Increased Efficiency

33. The present market structure arrangements in Alaska originated in the early 1970's when the provision of interstate MTS and WATS service was a *de facto* monopoly. Periodic reexamination of such arrangements to determine whether they remain efficient is essential. In this proceeding, AT&T and GCI argue that the current Alaska interstate market structure creates incentives for inefficiency, and they advocate changes designed to address this problem. We believe that such a reexamination is particularly important in the case of Alaska since the overall cost of service for this state is high. The creation of an efficient telecommunication network is one of the goals of the Communications Act.⁴¹ Efficiency and in-

novation in the provision of telecommunication services are longstanding concerns of the Commission, and the Joint Boards, as well as state regulators. These are not merely theoretical issues since they affect the cost of service, and consequently the rates paid by all subscribers. Improved efficiency could lead to a reduction in total Alaska service cost and possibly a reduction in the level of interstate cost support. Accordingly, we tentatively conclude that the public interest will be served by the adoption of the most efficient Alaska telecommunication market structure possible, consistent with our other public interest concerns. As discussed in more detail in the following section, a market structure involving the provision of service on a cost-plus basis produces few, if any incentives for cost control or efficiency. We also emphasize that a market structure that encourages the building of uneconomic facilities by competitive entrants undermines economic efficiency.

D. Conclusion

34. We believe that these objectives will provide a sound basis for evaluating proposals for restructuring the provision of Alaska interstate service. However, we recognize that these objectives and the relative weight that we propose to accord each of them differ in certain respects from the goals advocated by certain of the parties to this proceeding. Accordingly, interested parties are requested to comment on these objectives and their use as standards for evaluating alternative market structure proposals for the provision of Alaska interstate telecommunication service and for making any changes to the Commission's rules that may be required.

III. MARKET STRUCTURE AND COST ALLOCATION ISSUES

A. Introduction

35. This proceeding focuses, in large measure, on possible changes in the market structure for the provision of Alaska interstate service. Questions concerning the need for separations changes in conjunction with possible market structure revisions are also before us. In this section we review the comments concerning these issues and discuss the market structure and cost allocation proposals offered by AT&T, Alascom and GCI. After reviewing various concerns with each of these proposals that lead us to conclude that they cannot be adopted as proposed, we present two alternative market structure proposals of our own and an opportunity to comment on the need for cost adjustment mechanisms. Following the discussion of our alternative market proposals, we request comments concerning the benefits and detriments of adopting either plan relative to the existing joint service arrangement in light of our basic objectives in this proceeding. While it is our preliminary opinion that changes are necessary in the existing market structure for Alaska, we will carefully evaluate the record compiled in response to this Order to ensure that any recommended revisions in market structure will in fact improve the method of providing Alaska telecommunication service and promote the achievement of the objectives identified earlier in this Order.

36. By proposing Plans A and B, we are not foreclosing consideration of other alternatives or of variations of alternatives described in this Order. However, any modifications and/or alternatives to the proposals at hand will be deemed worthy of further consideration only if supported with sufficient detail; identification, and when relevant, quantification of the benefits and detriments of any alternative proposal; and production of data and other analysis comparable to that requested for Plans A and B. Parties supporting alternative proposals should show how those plans eliminate, reduce, or provide fewer internal deficiencies than those that may exist under Plan A, Plan B, and the joint service arrangement. Parties should consider this to be their final opportunity for presentation of new market proposals.

37. Finally, analysis of the above plans necessitates our request for additional data from interested parties. We will further clarify the nature of these data requests later in this Order.

B. Comments

1. AT & T

38. AT&T argues that the present market structure for Alaska interstate service is highly inefficient, and places unfair burdens on AT&T and its customers. In particular, AT&T alleges that the existing joint service arrangement encourages Alascom "to manage for maximum subsidy rather than for network efficiency . . . a result contrary to the public interest. AT&T further argues that the present settlements formula for joint AT&T-Alascom services requires an unlawful division of charges contrary to Section 201 of the Act. AT&T contends that the formula violates Section 201 because it must pay Alascom compensation in excess of the two way revenues for Alaska interstate message service. In addition, AT&T contends that the high cost of serving rural areas in Alaska can no longer be supported through averaging of its interstate toll rates. Accordingly, AT&T proposes an alternative market structure for Alaska interstate service that eliminates joint offerings, establishes an Alaska Rural Fund to redistribute the cost of service to rural areas among all IXCs, and changes jurisdictional separations rules to reduce the costs assigned to Alaska interstate message services.

39. Under AT&T's proposal, any carrier that wishes to enter the Alaska interstate market directly would be allowed to do so by establishing a point of presence (POP) in Alaska. Alascom would be required to make its facilities for the distribution of traffic within Alaska available to all entrants on a non-discriminatory basis. Carriers entering the Alaska interstate market would also be allowed to interconnect directly with the exchange carriers without using Alascom's services.

40. Under such a competitive scenario, AT&T indicates that it would not expect to offer joint service with Alascom, as it does now. Instead, AT&T indicates that it would consider establishing one or more POP in Alaska, and interconnecting directly with the exchange carriers in Anchorage, Fairbanks, and Juneau.⁴¹ However, AT&T states that it would be willing to lease existing facilities from Alascom during a transition period if the Alascom rates were reasonable. AT&T also states that it does not propose to provide Alaska intrastate service, instead, Alascom would continue to provide intrastate interexchange

service. GCI would also continue to compete in the Alaska interstate market under this proposal, and AT&T advocates retention of its existing arrangements with GCI.

41. AT&T also argues that much of the support that it provides for services in the Alaska market—\$97 million by its estimate⁴²—can be eliminated without undermining universal service. AT&T contends that service to the urban areas in Alaska does not necessarily involve high costs and should not be accorded special treatment. Accordingly, it proposes separations changes designed to transfer approximately \$40 million in revenue requirements from interstate message services to the intrastate jurisdiction and the interstate private line category. AT&T would achieve this result by establishing two Alascom study areas to eliminate the distance sensitive allocation of satellite costs. AT&T contends that these costs can easily be recovered from interstate private line service and intrastate sources such as short-haul toll and operator services as well as state private line services, without undermining universal service or producing inordinately high intrastate toll rates. AT&T proposes the establishment of an Alaska Rural Fund to cover \$39 million in Alaska service costs. It argues that this support for Alaska services should be funded from tax revenues, adding that if support is instead generated through telecommunication service pricing, its costs involved must be borne by all IXCs.⁴³

42. Overall assistance would be set at current support levels to foster efficiency, and a capped assistance amount would be developed for each high cost route in order to target support to the areas that need it. Facility-based carriers serving these points would be eligible to receive payments from the Fund, based on their relative share of traffic on these routes. AT&T recommends phased elimination of the assistance for Alaska as technological and other changes obviate the need for it.

43. AT&T strongly opposes continuation of the existing joint service arrangement with Alascom. If that arrangement is retained, however, AT&T argues that it must give much greater control over Alascom's expenditures for the provision of interstate services.⁴⁴ AT&T also opposes GCI's proposal that the carrier common line charge (CCLC) for high cost rural areas in Alaska be eliminated,⁴⁵ arguing that this will not produce sufficient support.

2. Alascom

44. Alascom argues that continuation of the current arrangement for the provision of Alaska interstate message service, with its cost and revenue pooling, is necessary to guarantee continued rate integration. Alascom contends that allegations of inefficiency in its present operation: AT&T and GCI have not been substantiated. It also argues that Alaska is not the only area where the cost of interstate message service exceeds revenues, arguing that this is the case in certain areas in the contiguous states as well.⁴⁶ Alascom argues that allowing AT&T to build facilities in Alaska would not increase efficiency. Instead, it states that this would increase the total cost of Alaska service, thereby reducing efficiency, and leaving Alascom's current network with the same costs, but greatly reduced revenues. Alascom also contends that AT&T's proposal to create an Alaska access area is inconsistent with Alascom's statewide network design that is predicated on full MTS and WATS rate integration, with service provided in partnership with AT&T.

45. Alascom alleges that AT&T wants to interconnect with it in Alaska in order to reassign costs to the intrastate jurisdiction.⁴⁸ Contrary to AT&T, Alascom argues that this reallocation of costs is unnecessary, stating that the current cost to AT&T of rate integration for Alaska is less than 0.5% of AT&T's interstate revenues or less than six cents per month per access line.⁴⁹ Alascom also notes that there is no evidence that this level of support for rate integration will cause uneconomic bypass. It submits that Alaskans already face relatively steep toll charges on all but the shortest mileage bands.⁵⁰ Alascom also submits that it can take additional steps, with AT&T's assistance, to reduce the cost of the Alaska network. It asserts that these measures should be carefully explored before market structure or separations changes are considered. Alascom also emphasizes that changes in separations procedures should not be made without careful consideration of the effect on intrastate rates. It also states that if this Joint Board should recommend separations changes, the proposal should include a five-year transition period to allow Alascom adequate time to adjust to the increased intrastate revenue requirement.

46. Alascom contends that continuation of joint services and rate integration are compatible with a competitive environment, but emphasizes that competitive entrants in the Alaska interstate market must be subject to the same market rules as nondominant competitive entrants (other common carriers or OCCs) in the contiguous states. It contends that the Carrier Lease Agreement between AT&T and GCI is unlawfully preferential and denies other OCCs an opportunity to compete fairly in the Alaska interstate market.⁵¹ Alascom also alleges that the Carrier Lease Agreement promotes uneconomic facility duplication by GCI and notes that this agreement gives GCI a cost advantage that has allowed it to obtain almost 30% of all southbound Alaska interstate traffic.⁵² As a result, Alascom argues that the benefits that GCI receives from AT&T pursuant to the Carrier Lease Agreement must be terminated. Alascom also argues that its state-wide service obligations, when contrasted with GCI's status as a non-dominant carrier with substantial regulatory flexibility, provides a sound basis for treating the two carriers differently.

3. GCI

47. GCI recommends elimination of joint services. It says that the joint service arrangement lowers inefficiency by compensating Alascom on a cost-plus basis. In particular, GCI contends that the present Alascom system has unused satellite capacity and multiple earth stations for individual service areas. It also argues that Alascom's system for providing interstate service to rural Alaska is very inefficient.⁵³ GCI contends that a more competitive market structure would increase incentives for efficiency. Accordingly, it proposes a plan which would require AT&T to assume responsibility for ensuring universal service to and from Alaska at integrated rates. AT&T would be allowed to provide this service directly over its own facilities or to obtain service from the carrier of its choice. Under this market structure, GCI assumes that AT&T would serve urban areas directly and seek competitive bids for service to rural areas rather than automatically using Alascom facilities.

48. GCI also proposes a new network structure for provision of service to rural areas in Alaska.⁵⁴ This network would be almost entirely satellite-based.⁵⁵ According to GCI, could be constructed for under \$5 million, with direct operating costs of less than \$30 million per year. GCI asserts that if AT&T entered Alaska urban markets on its own facilities and accepted GCI proposal for rural service, AT&T could reduce its cost for service to and from Alaska by almost two-thirds.⁵⁶

49. GCI also recommends freezing the existing assignment of costs to intrastate MTS in order to ensure that market structure changes would not produce undesirable cost allocation changes. As a further protection, it proposes that AT&T be required to purchase Alascom facilities that become surplus due to implementation of market structure changes. GCI also argues that its Carrier Lease Agreement with AT&T should remain in effect as a transitional mechanism until competition and technological innovation remedy the high-cost problem, with Alascom as well as GCI receiving base circuits under the terms of the Carrier Lease Agreement.⁵⁷ According to GCI, it will allow competition to continue in the Alaska interstate market pending decreases in the cost of contiguous states traffic distribution.⁵⁸

50. If a unique high cost assistance mechanism is required to support Alaska service, GCI believes that should be competitively neutral, with the costs involuntarily recovered from all IXCs, not solely AT&T. GCI suggests that any such subsidy be provided by reducing interstate access charges in non-urban Alaska exchanges through waiver of the Carrier Common Line (CCL) charge. The revenue shortfall would be borne by all IXCs through increased charges for access elsewhere in the country. GCI notes that as the CCL charge declines, the amount the subsidy will decrease.⁵⁹

51. GCI contends that its proposal would lead to a number of benefits including: (1) fully integrated intrastate message toll rates; (2) a reduced need for support of Alaska costs over time due to competitive forces; (3) need for Commission oversight; and (4) increased competition in both rural and urban markets.⁶⁰ GCI argues that, in contrast to this, Alascom's proposal is designed to achieve only one objective—universal service—at an extraordinarily high cost to AT&T ratepayers in the contiguous states, and at the cost of competition and increased efficiency in the Alaska interstate market.

4. Alaska

52. Alaska focuses on the importance of assuring universal service and continued rate integration, stating that any proposed market structure or separations changes must promote these goals.⁶¹ As a result, Alaska strongly opposes AT&T's plan to reassign approximately \$40 million in costs from interstate message services to the intrastate jurisdiction and interstate private line service, arguing that this constitutes discrimination against Alaska. It emphasizes that the separations rules are not based solely on cost causation principles, stating that these rules also reflect public policy concerns with the protection of universal service and the development of a national telephone network. Alaska argues that the amount of support for Alaska telecommunication service is negligible when compared to AT&T's overall revenues, while Alaska subscribers would be subjected to considerable hardship if this support were withdrawn. Alaska states that the

sence of rate integration is that geographically averaged rates are set at levels necessary to generate sufficient revenue to cover the cost of providing service to all portions of the United States, not each and every portion by itself. To that end, Alaska submits that the state should not be considered a separate interexchange market. Alaska submits that AT&T is permitted to charge rates that are higher than costs for low cost routes because it charges the same rates, which are lower than costs, for high cost routes of comparable length. It states that there is no evidence that AT&T has suffered financially from its support of rate integration and universal service in Alaska. Alaska also asserts that changes in the separations rules would be inequitable because sizable investments have been made by Alascom and Alaska exchange carriers with the Commission's encouragement based on the existing rules.⁵³

53. Alaska emphasizes that it would have serious concerns if AT&T were allowed to establish a POP in Alaska, particularly if this would increase intrastate revenue requirements.⁵⁴ Alaska also opposes establishing an Alaska Rural Fund as proposed by AT&T, arguing that there is no reason for an Alaska Fund when nationally averaged rates are achieved in the contiguous states without such a mechanism. Alaska also criticizes the complexity of the route-specific cost allocation procedures required to implement AT&T's Alaska Rural Fund.

5. NTIA

54. NTIA recommends measures designed to bring the benefits of competition to Alaska. Accordingly, it states that we should find a mechanism to ensure affordable rates in Alaska without impairing the efforts of competitors to bring additional telecommunication services to Alaska residents.

6. ATA

55. ATA supports full rate integration, and asserts that Alaska deserves special consideration in the development of separations procedures. It contends that Alaska telephone service has grown slowly because Alaska exchange carriers did not obtain the benefits of the Ozark separations procedures until five years after they were applied in the contiguous states.⁵⁵ It argues that the unique characteristics of the Alaska market mandate continued use of distance-sensitive separations procedures.⁵⁶ In its reply, ATA indicates that the changes in the separations procedures for Central Office Equipment recently adopted by the Joint Board in CC Docket No. 80-280 address the concerns of most of its member companies.

7. ATU

56. ATU also supports rate integration, arguing that Alaska has many unique characteristics that make dependable telecommunication service at affordable rates particularly vital. It also supports continued application of the Ozark separations procedures to Alaska. In the absence of this, ATU emphasizes that a high cost fund must be established to ensure universal service by minimizing the effect of separations changes and the loss of revenues due to rate integration.

C. Discussion

57. We have reviewed the market structure proposals made by AT&T, Alascom and GCI, as well as the other comments filed in this proceeding and conclude that each of the proposals has one or more features that makes incompatible with the proposed objectives of this Joint Board. Therefore, we tentatively conclude that none of the market structures proposed to date in this proceeding should be adopted without modification. However, elements of some of the proposals are incorporated into one or more of our plans presented for comment herein. In this section, we identify the major features of each of these market structure proposals that we find incompatible with our stated objectives, and therefore undesirable part of a revised interstate market structure for Alaska. Since we are seeking further comment on the market structure and cost allocation issues, we do not discuss all of the details of the existing proposals herein.

58. The present arrangement between AT&T and Alascom raises substantial questions in our view. Alascom proposes continuing that arrangement, while AT&T and GCI assert that the joint service arrangement fosters inefficiency and should be eliminated. The cost-plus nature of the agreement provides undesirable incentives for Alascom because it receives reimbursement from AT&T for all of its costs assigned to the interstate jurisdiction as well as a return on the portion of its investment that is assigned to the interstate jurisdiction. When all of a company's expenses are reimbursed and a profit is virtually guaranteed, there may be little reason to control costs. Such a compensation mechanism may also create incentives for the carrier to inflate its rate base in order to increase earnings. Additionally, the joint service arrangement, with its settlement procedures, complicates the determination of the rates that other IXCs should be charged for the use of the Alascom network, thus creating the possibility of discrimination. Moreover, to our knowledge, this AT&T's only joint service arrangement in its interstate operations. These deficiencies in the joint service arrangement suggest that alternative arrangements should be given serious consideration in an effort to achieve an improved market structure that will inure to the benefit of all toll ratepayers. Parties believing that the joint service arrangement remains the preferred market structure, of course, are free to present their arguments to rethese points. Any party seeking to justify the joint service arrangement must explain why the deficiencies discussed herein are not present or can be ameliorated by other means.

59. The AT&T and GCI proposals support dissolution of the joint service arrangement and an open market structure for all toll carriers, including AT&T, that provide Alaska interstate service. Both parties claim that their proposals will create a more competitive market structure than the status quo. However, neither AT&T nor GCI adequately addresses the problems associated with implementing their proposed market structures or the effect that their plans would have on the achievement of our objectives.

60. We also have questions concerning the measures proposed by AT&T and GCI to address the high cost of serving rural locations in Alaska. GCI would have recommended a broad waiver of the CCL rate element for all IXCs serving rural locations in Alaska. AT&T proposes establishment of an Alaska Rural Fund to spread the costs among all IXCs. Each plan contains a mechanism

that would give nondominant competitive entrants in the Alaska market benefits in the form of reduced costs or direct payments from a high cost pool. These measures are inconsistent with our proposed objective of open entry in the Alaska market based on the economic fundamentals of the marketplace without any Alaska-specific subsidy to competitive entrants.⁶⁷ Moreover, the AT&T and GCI plans attempt to establish a mechanism to subsidize particular routes. Such an approach appears unnecessary if, as we propose, only the carrier of last resort could benefit from any cost adjustments that might be provided. Furthermore, the development of any route specific subsidy would involve the Commission in extremely detailed, complex and time consuming cost allocation issues. Thus, we tentatively conclude that neither AT&T nor GCI's proposal should be adopted, although we do not foreclose the establishment of a cost adjustment mechanism for Alaska. The question of the need for such a mechanism for Alaska is discussed *infra*.⁶⁸

61. We also have concerns regarding AT&T's proposed separations changes that would shift approximately \$27 million to the intrastate jurisdiction. As previously discussed, one of this Joint Board's objectives is to ensure revenue requirement neutrality, and AT&T's proposal is in direct conflict with this. Therefore, if we adopt this objective, AT&T's proposal would have to be rejected.⁶⁹

62. GCI's proposal to extend the benefits of the Carrier Lease Agreement to Alascom may not be desirable. In particular, GCI suggests that if Alascom enters the interstate message market on its own, AT&T should be required to provide Alascom with circuits for the termination of its Alaska originated traffic on terms similar to the terms of the AT&T agreement with GCI. It does not appear that this proposal would reduce the total cost of providing Alaska interstate message service or result in entry decisions based on the underlying economic fundamentals. We believe that extending the terms of that agreement to Alascom is inconsistent with the public interest and the objectives tentatively established in this proceeding. Thus, we cannot recommend adoption of this GCI proposal.

D. Joint Board Alternative Market Structure Proposals

63. We have developed two alternative plans for the structure of the Alaska interstate market for the purpose of inviting comments from interested parties. Both plans would terminate the present joint service arrangement and restructure the Alaska interstate message telecommunication market. However, the extent of the change is different under the two plans. We believe that seeking comments on these two alternatives will be helpful to us in preparing recommendations on the extent and nature of the market structure changes needed to achieve our objectives in this proceeding. Plans A and B are described briefly below, along with a number of specific questions that we ask commenting parties to address.

1. Plan A

64. Plan A would eliminate the AT&T and Alascom joint services and assign responsibility for the provision of interstate message toll services throughout Alaska to both AT&T and Alascom. Alascom would be responsible for services provided in Alaska, while AT&T would be responsible for services provided in the contiguous states

AT&T and Alascom would be required to provide AT&T services to and from Alaska by interconnecting their facilities. The point of interconnection would occur in the contiguous states. AT&T would be precluded from constructing or leasing Alaskan facilities which are or could be provided by the Alascom network.

65. Alascom would be required to supply interstate toll facilities to any carrier requesting service, and would develop a tariff describing the terms, conditions, and rate for these services. Alascom's tariff would be available to all carrier tariffs employed by AT&T, with the charges available on a non-discriminatory basis to all IXCs. In addition, the OCCs would be given the choice of taking service from Alascom at a point or points in Alaska or using Alascom's facilities for service between the contiguous states and Alaska as well. Alascom's tariff rates on competitive routes would generally be expected to reflect costs, and thus cost allocation procedures would have to be developed to accomplish this. The Alascom tariff would not include any access charges of the local exchange carriers. Alascom would be required to file tariff proposals and supportive cost materials with the Commission which would be reviewed pursuant to its tariff procedures.

66. Plan A would assign AT&T the responsibility for ensuring interstate service at integrated rate levels in Alaska. The cost of Alaska service would be recovered by AT&T through nationwide averaged rates. All competitive carriers entering the Alaska market would compete against integrated toll rates since competition under the plan will function as it does in the contiguous state. Presubscription balloting would re-occur in Alaska to determine the customers' choice of IXC under the new market structure.⁷⁰

67. This plan would require that Alascom submit detailed planning documents (including cost-benefit analyses) regarding any extensive system upgrade or redesign and obtain Commission approval prior to commencement of construction as a means of reducing costs. The current restrictions against construction of duplicative toll facilities in bush areas would be maintained to prevent uneconomic investment. Furthermore, to ensure reasonable intrastate toll rates, no changes in jurisdictional separations shifting costs to the intrastate jurisdiction would be adopted.

2. Plan B

68. Plan B would eliminate the joint service agreement between AT&T and Alascom and permit entry into the Alaska interstate market by competitive carriers pursuant to the requirements for nondominant carriers in the contiguous states. These carriers would provide service in competition with AT&T's nationwide average rate structure. Under this approach, Alascom's current interstate operations would be divided into two segments—the "distribution segment" and the "interstate link segment." The distribution segment would resemble the provision of transport access service in the contiguous states, in certain respects, and would include Alascom's current interstate investment in, and expenses associated with, the distribution facilities from its switches in Anchorage, Fairbanks and Juneau to the facilities of the Alaska exchange carriers, as well as any portion of Alascom's switches used to provide equal access in Alaska. The interstate link segment would include all of Alascom's jurisdictionally

terstate investment and expenses that are not encompassed in the distribution segment. This would include Alascom's satellite and microwave facilities used to carry traffic from its switches in Alaska to the contiguous states, as well as any portion of Alascom's switches used by IXCs as a POP in Alaska. Cost allocation rules would have to be developed to allocate Alascom's investment and expenses between these two segments.

69. Alascom would file interstate tariffs to recover the costs associated with the distribution segment. These tariffs would offer both switched and private line elements to provide distribution of IXC traffic from each of Alascom's three switches to the Alaska exchange carriers' end offices. The Alascom distribution tariff charges would not include the cost of access services provided over the Alaska exchange carriers' facilities. Alascom, as the dominant carrier, would be responsible for carrying traffic from all exchanges in Alaska to one or more central points of interconnection with IXCs. However, IXCs would also be allowed to establish direct connections with Alaska exchange carriers. Alascom would provide equal access for exchanges that would not otherwise have this feature.

70. Plan B would require AT&T to continue to use Alascom facilities associated with the interstate link segment for a finite transition period in recognition of Alascom's past reliance on Commission policy requiring joint planning and service provision. Thus, AT&T would be required to take a specified number of circuits (roughly equivalent to the number it currently uses) for the remaining life of the relevant Alascom facilities.¹¹ AT&T could obtain circuits in excess of that number from any carrier it desired, or build its own facilities. After termination of the transitional requirements, AT&T would be free to provide interstate service between Alaska and the contiguous states via any facilities it chose to use. AT&T would become the provider of interstate message service between Alaska and the contiguous states at integrated rates. AT&T would inherit the interstate service obligations of AT&T and Alascom and would thus continue to serve all Alaska exchanges. Alascom could provide facilities for the interstate link segment, on a non-discriminatory basis, to AT&T and any other IXCs pursuant to a tariff filed with the Commission or pursuant to intercarrier contracts. Alascom would be permitted to enter the interstate message market itself. Finally, under Plan B, Alascom and AT&T would be required to file engineering and cost allocation proposals reflecting their plans for implementing the new market structure. These filings would be subject to public comment before implementation of the revised market structure.

E. Questions on Market Structure Plans

71. We urge interested persons to comment on a number of additional questions concerning our alternative market structure proposals. In addressing these questions, commenting parties should include sufficient documentation to allow a full evaluation of their positions. Any party presenting its own market structure proposal should discuss each of the issues raised below as it relates to that party's plan.

72. Initially, we ask commenting parties to discuss how each plan addresses the objectives we identified in Section II of this Order. Parties should identify the benefits and detriments of both Plan A or B relative to the joint service arrangement. Parties shall support their conclusions

with a complete analysis, including, whenever possible, relevant quantitative support,¹² of the effects of adopting Plan A or B. In evaluating any proposal, we will apply the objectives we identified in Section II and evaluate each plan based on the extent to which it achieves improvements in the overall provision of telecommunications service in Alaska. In addition, we ask those parties to address the implications of Alascom's statewide service obligations for our choice of market structure. To this end, parties are also requested to identify those responsibilities and characteristics (system redundancy, fail-safe provisions, service quality, services provided, etc.) which should be required of the carrier of last resort in Alaska. The comments should discuss the market implications for a carrier required to fulfill such carrier of last resort responsibilities. Parties should discuss the costs and benefits associated with various trade offs between these factors as they affect our development of a recommended market structure. Parties should address how these performance characteristics should be weighed against expected system costs and system efficiency concerns. Parties should also discuss the impact that improvements in transmission technologies will have on future facility planning and operating decisions.

73. Parties are invited to suggest modifications to either Plan A or B that will foster achievement of our objective in this proceeding, or facilitate the implementation of either plan. In addition, we request interested parties to identify any provisions, not contained in the descriptions of the plans or Commission rules applicable to dominant and nondominant carriers, that are necessary to ensure that either plan will further promote our proposed objectives. Finally, interested parties are asked to comment on any legal issues raised by either plan.

74. Alascom stated that cost savings could be achieved under the joint service arrangement. The Joint Board seeks comments on improvements¹³ which can be made to the joint service arrangement and current market structure in the event that no better alternative can be developed at this time.

75. We also ask interested persons to comment on any separations changes necessary to ensure jurisdictional revenue requirement neutrality in conjunction with Plan A. Plan A is premised on the assumption that it can achieve revenue requirement neutrality without separations changes. We ask parties to comment on these aspects of the plans. Parties should also discuss the timing of any changes under the transition mechanism for implementation of Plan B. We also ask parties to discuss any differences in the cost allocation issues raised by Plans A, B, and to address the inter-relationship between the separations procedures required to achieve revenue requirement neutrality and the cost allocation rules necessary to implement either plan. Commenting parties should discuss whether Alascom's state-wide service obligations raise unique cost allocation issues, and suggest means for resolving any such problems that they identify. We invite interested parties to provide this Joint Board with any separations rule changes as well as draft cost allocation rules they believe may be necessary for implementation of either plan. In the following paragraphs, we identify several additional areas on which persons should focus their attention.

76. We also ask interested parties to comment on achievement of revenue requirement neutrality should be measured. Specifically, they should discuss what information

tion should constitute the baseline for determining whether cost allocation shifts had taken place. For example, would adjusted data from the same month in consecutive years be sufficient to gauge revenue requirement neutrality, or will it be necessary to replicate that month's data under both sets of separations procedures? Interested persons should also address the procedures to be used in ensuring that cost shifts do not develop. We also invite parties to provide the Joint Board with proposals regarding the actions which should be taken in the event that unanticipated jurisdictional cost allocation shifts are observed after implementation of the new market structure.

77. Interested persons are requested to analyze Plan A and Plan B and estimate the amount of any revenue requirement shifts between the interstate and intrastate jurisdictions that would result if either Plan were to be adopted without additional measures to prevent material jurisdictional revenue requirement shifts. Parties are to address any concerns they may have regarding potential risks to revenue neutrality under Plans A and B given future changes in either the market structure or regulatory policy. In making these estimates for Plan B parties should assume that AT&T would use three entry locations. Parties are requested to comment on alternative network configurations that they believe will eventually be employed in Alaska. If the parties identify structures employing more or less than three entry locations, they shall estimate the revenue requirement impact of any such alternative market structure. AT&T and Alascom are requested to discuss the feasibility of using fewer than three entry locations and identify the effect such a structure would have on network design and cost. Alascom, AT&T, and GCI should each describe, with as much detail and supporting information as possible, the estimated revenue impact and overall change in costs for their operations under each plan. The comments should identify both the short-run and the long-run effects, and contain sufficient supporting data to permit evaluation of the accuracy of these estimates.

78. Plans A and B each propose that Alascom offer some or all of its services to the IXCs pursuant to tariff. We ask interested parties to comment on the appropriate structure for the tariffs that Alascom would file to implement either Plan A or Plan B. Alascom is specifically requested to file sample tariff pages reflecting the terms and rate structure it would employ under each plan. It shall also discuss the rationale for the rate structure proposed and identify any cost allocation principles it believes must be adopted to implement a tariff under either plan.⁴⁴ We also ask interested parties to discuss the advantages and disadvantages of using carrier contracts as opposed to tariffs for the interstate link segment of Plan B. Finally, we ask interested parties to address whether there are any special concerns applicable to the transition period if a carrier contract were to be employed.

79. We request that interested persons identify and address any issues related to the demarcation point between the interstate link segment and the distribution segment of Alascom's operations under Plan B. Among other things, commenting parties should discuss the public policy implications of implementing equal access at the Alascom switches when it would not otherwise be available, as well as the ability of the Alascom entry switches to provide equal access and their ability to perform this function while simultaneously serving as an IXC POP. They should also identify the principles that would be used to develop

separations and cost allocation procedures applicable to Alascom's switches. These comments should discuss a scenario in which AT&T establishes a POP located at one or more of Alascom's switches, as well as a scenario in which no IXC establishes a POP using Alascom's switches. Alascom shall estimate the cost of equipping its three entry switches with the ability to provide equal access to exchanges that would not otherwise have this feature and compare this to the cost of equal access implementation by the exchange carriers involved. Finally, commenting parties should also address the issue of whether a new round of presubscription balloting should take place if either Plan A or Plan B is implemented.

80. Another question raised by proposals to restructure the Alaska market involves the scope of competitive interstate entry in Alaska. In the *Bush Earth Station Ownership* proceeding, the Commission found that the traffic of bush routes would only support one earth station in each bush exchange, and barred competitive service to bush locations over separate facilities. Plan A continues this policy while Plan B does not explicitly address this policy. We ask commenting parties to discuss this subject with respect to both plans in light of our objectives in this proceeding.

81. In discussing our competitive entry objective, we stated that entry into the Alaska interstate telecommunication market should be based on economic principles, and that competitive entrants should not receive support or other assistance for their services. AT&T and GCI each support permitting the Carrier Lease Agreement to remain in effect until it expires in 1992 by its own terms. Although Alascom has abandoned its opposition to its continuation of the Carrier Lease Agreement,⁴⁵ we believe that comment on possible public interest considerations presented by the Carrier Lease Agreement would be helpful. Accordingly, interested persons are requested to comment, in light of our previously discussed objectives, on the implications for both Plan A and Plan B of allowing the Carrier Lease Agreement to continue in effect until its scheduled termination. They are also requested to comment on whether any public interest considerations exist that should lead this Joint Board to recommend the termination of the Carrier Lease Agreement in advance of its scheduled termination.

F. Cost Adjustment Mechanism

82. In paragraph 60, *supra*, we tentatively concluded that the mechanisms proposed by AT&T and GCI to address the high cost of serving rural Alaska should be adopted. However, the fact that these parties proposed specific mechanisms suggests that they perceive a potential for equitable or competitive problems to develop under some competitive market structures due to the need to provide for the recovery of the substantial portion of Alascom's costs that are assigned to the interstate jurisdiction by the separations procedures. We reach no decision in this *Supplemental Notice* on the need for a cost adjustment mechanism for Alaska, and therefore neither Plan A nor Plan B contains any special mechanism for addressing this situation, if it in fact poses a problem.

83. Interested persons are invited to comment on whether a specific mechanism is necessary under either Plan A or Plan B to address any aspects of the high cost of serving Alaska. Persons advocating such a mechanism should carefully identify the benefits that would re-

from adoption of such an approach. Interested parties should discuss the short-run and long-run impact of adopting a cost adjustment mechanism for Alaska. Commenting parties should also address the effect, if any, that a cost adjustment mechanism would have on the cost allocation issues raised by the market structure plans, and how a cost adjustment mechanism would work in conjunction with the Alascom cost allocation procedures previously discussed. We also ask for comments on the means of funding a cost adjustment mechanism. Specifically, parties should address whether the mechanism used for the recovery of the existing high cost assistance should be used, or whether a different mechanism should be employed. If a party believes a better method exists, it should describe that method. In addition, interested persons should address whether any cost adjustment mechanism should be permanent or transitional. Advocates of a transitional mechanism should describe the means that should be used to accomplish this transition and the consequences of phasing out any cost adjustment mechanism.

G. Data Requests

84. In this section, we specify additional data which we believe is necessary to an analysis of the record and application of the objectives outlined above. In responding to the data requests, commenting parties should include sufficient documentation to allow a full evaluation of their positions.

85. Data was submitted to this Joint Board in July 1986. GCI and Alaska filed supplemental data.⁹⁸ To ensure that we are making our recommendations based on current information, several aspects of the data filed earlier in this proceeding needs to be updated and supplemented. Accordingly, the parties are requested to file the following information with this Joint Board.

86. We request that AT&T (with respect to its Alaska operations), Alascom and GCI update the descriptions of their operating arrangements submitted in earlier filings. We ask Alascom to provide this Joint Board with its plans for any major changes in its facilities within the next six years. This material should include a schedule indicating the timing of any major replacements or upgrades planned for the Aurora satellite, major toll centers, Alascom earth stations, and major terrestrial transmission facilities. Alascom shall discuss the major economic or other factors that are involved in its decisions to replace or upgrade its facilities. Alascom shall also provide this Joint Board with information on the remaining useful life of assets associated with the facilities included in the interstate link segment under Plan B. We also ask Alaska to update previously provided information that relates to the issues discussed herein.

87. Alascom and GCI shall each file an income statement and a year-end balance sheet for 1987.⁹⁹ Each carrier shall also provide financial reports for the fourth quarter of 1987 and the first three quarters of 1988. These reports shall include a level of detail comparable to similar reports contained in the earlier data submission.¹⁰⁰ AT&T, Alascom, and GCI shall outline how they anticipate they would modify their current operations, network design, quality and type of services provided, and market structure given the adoption of Plan A or Plan B. All parties are also invited to comment on the anticipated network and operational structure of the interexchange carriers

after the adoption of Plan A or Plan B. AT&T shall estimate its 1988 and 1989 revenues from interstate Alaska message services and the cost of that service, dividing its costs into the following categories — Alaska exchange access, Alascom expenses, AT&T contiguous states transmission, and contiguous states exchange access. AT&T and Alascom shall provide this Joint Board with cost analysis for 1988 and 1989 developed under the joint service arrangement, Plan A, and Plan B.

88. Alascom and GCI shall each provide northbound and southbound minutes-of-use data for each month since October 1987. The southbound data shall be categorized to reflect minutes originating in Anchorage, Fairbanks, Juneau, and all other locations. GCI is to identify separate its southbound traffic terminated over exchange access to the Seattle area, Megacom, WATS, and other services facilities. Alascom, GCI and AT&T each shall estimate the growth they anticipate in interstate and intrastate minutes-of-use for 1988 compared to 1987's fourth quarter traffic data.

89. Ensuring that any market structure revisions are accomplished in a manner that is neutral with respect to intrastate revenue requirements necessitates the collection of data to measure the effect of revised separations procedures on revenue requirement allocations. In the following paragraph, we request specific data to be used as a baseline for our analysis. However, we recognize that may be necessary, assuming a revised market structure selected, to ask Alascom to make additional data runs test separations alternatives specifically designed to reflect the chosen market structure. Accordingly, we are limiting the scope of our data request in this area at present.

90. Alascom is to file separations data for March 1987 and March 1988 on computer readable spreadsheets to be obtained from the Commission.¹⁰¹ Two sets of separations data are required for March 1987, the first reflecting actual separations study performed, and the second assuming that the 1985 frozen allocator for Category 8.23 been in effect in March 1987. In addition, Alascom is to file annual 1987 data in the same format.¹⁰²

IV. OTHER ISSUES

A. Separations Procedures for Bush Earth Stations

91. The issue of the proper separations treatment of the bush exchange carriers' investment in earth stations and the expenses associated with that ownership interest also before this Joint Board.¹⁰³ AT&T, the only party commenting on this issue to date in this proceeding, is that United Utilities, Inc. (United), uses Alascom's CMM factor in separating its share of the investment and expenses of the bush earth stations United owns jointly with Alascom. AT&T opposes this approach and argues any necessary support should be encompassed in the Alaska Rural Fund it proposes.¹⁰⁴

92. The Commission permitted the bush exchange carriers to use Alascom's CMM factor on an interim basis to maintain the status quo. If bush exchange carriers had been required to develop their own allocation factor other than using Alascom's CMM factor, a significant revenue requirements to the intrastate jurisdiction would have resulted. Since a substantial portion of this earth station investment and expense relates to message services, we tentatively conclude that the separations

this investment and expense is within the scope of our revenue requirement neutrality objective. Interested persons are asked to comment on this tentative conclusion, and, in doing so, to discuss with specificity the separations changes, if any, necessary to implement this tentative conclusion. We also ask Alascom and the Alaska exchange carriers with bush earth station investment to provide data showing the amount of their 1987 investment in, and expenses for, jointly owned bush earth stations, and to project this data for 1988 and 1989.

B. Alaska - Hawaii Rate Integration

93. Alaska contends that the Commission has already determined that rate integration applies to the Alaska-Hawaii route.¹⁰³ Alaska also argues that rate integration will promote affordable, universal service, and contends that there is no basis for treating service between Alaska and Hawaii differently than service between Alaska and the contiguous states. Hawaii recognizes that the implementation of rate integration for services between Alaska and the other states of the Union may present certain unique problems. However, it states that the same rate integration principles that apply to the Alaska-contiguous states route should apply to the Alaska-Hawaii route. Hawaii asserts that anything less would constitute discrimination against the residents of Hawaii.

94. Alascom contends that this Joint Board should recommend that the joint service arrangement between Alascom and AT&T support MTS and WATS service between Alaska and Hawaii on the same basis as service between Alaska and all other United States points. Alascom argues that failure to do this constitutes discrimination in violation of Section 202 of the Act. GCI opposes Alascom's request that the Commission mandate the joint provision of service on the Alaska-Hawaii route by AT&T and Alascom. It argues that such a restrictive policy would give Alascom an artificial competitive advantage by forcing AT&T to use Alascom's facilities rather than those of another IXC to terminate its Alaska-bound traffic. This would, according to GCI, deprive customers of the benefits of competition on the Alaska-Hawaii route. AT&T argues that it should not be required to provide joint MTS and WATS service with Alascom on the Alaska-Hawaii route or be forced to offer such service at non-compensatory, integrated rates. AT&T contends that such a requirement would be contrary to the public interest because it is anti-competitive, creates incentives for inefficiency, and would require AT&T to subsidize Alascom.

95. As discussed previously, we have tentatively identified continuation of rate integration for service between Alaska and the contiguous states as an important goal in this proceeding. We believe that the public policy implications of rate integration on the Alaska-Hawaii route are no different from those underlying rate integration between Alaska and the other states. Accordingly, we tentatively conclude that rate integration should be implemented on the Alaska-Hawaii route. That is, rates on this route should be integrated into the domestic pattern as are rates for all other domestic message service. We also tentatively conclude that service on the Alaska-Hawaii route should be provided pursuant to the Alaska-contiguous states market policy guideline adopted by the Commission in this proceeding. We invite interested parties to comment on these tentative conclusions.

V. ORDERING CLAUSES

96. ACCORDINGLY, IT IS ORDERED, pursuant to Sections 1, 4 (i) and (j), 201-205, 221, and 410(c) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154 (i) and (j), 201-205, 221, and 410 (c), that interested persons are to file the data requested herein with the Secretary, Federal Communications Commission, on or before February 27, 1989. Comments are to be filed on or before April 13, 1989 and reply comments are to be filed on or before May 15, 1989. Each participating party is to file an original and six (6) copies of their filings with the Secretary, Federal Communications Commission, and mail one (1) copy to each person listed in Appendix B.¹⁰⁴ A copy of each filing is also to be provided to the Commission's contractor for public records duplication, International Transcription Services, Inc., Suite 140, 2100 M St., N.W., Washington, D.C. 20037. Copies of all filings will be available for public inspection in the Commission's public reference room, 1919 M St., N.W. Washington, D.C.

97. IT IS FURTHER ORDERED, that the motion filed by Alascom, Inc., to compel AT&T to file data IS DISMISSED.

98. IT IS FURTHER ORDERED, that the November 30, 1987, motion filed by Alascom, Inc., requesting acceptance of its supplemental data filing IS GRANTED.

99. IT IS FURTHER ORDERED, that the motion for leave to file pleading out of time, filed by General Communication, Incorporated on March 2, 1987, IS GRANTED.

100. IT IS FURTHER ORDERED, that the motion for leave to file, late filed Comments, filed by the State of Alaska on March 5, 1987, IS GRANTED.

FEDERAL COMMUNICATIONS COMMISSION

Donna R. Searcy
Secretary

APPENDIX A

This appendix lists supplemental filings made before this Joint Board that are not individually in the text of the order. This listing does not include *ex parte* filings.

List of Supplemental Filings in CC Docket No. 83-137 since release of NPRM:

Feb 17, 1987	Alascom letter to Alaska congressional delegation responding to letter from Chairman Fowler to delegation
Sept. 10, 1987	Letter submitting GCI's SEC Form 10-Q
Jan 27, 1988	Alascom prefiled direct testimony in Alaska PUC rate case
Jan. 28, 1988	Supplemental comments of Alascom
Feb 9, 1988	AT&T opposition to Jan. 28, 1988 supplemental comments of Alascom

Feb. 22, 1988

AT&T comments on Alascom
Jan. 22, 1988 filing

Mar. 7, 1988

Alascom response to AT&T
comments of Feb. 22, 1988

Mar. 31, 1988

State of Alaska comments on
AT&T's Feb. 22, 1988 com-
ments

Chief Economist

Colorado Public Utilities Commission

1580 Logan Street

Office Level One

Denver, CO. 80203

Michael Korber

Wyoming Public Service Commission

122 W. 25th Street

Cheyenne, WY. 82002

Jim Lanni

Rhode Island Public Utilities Commission

100 Orange Street

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Lorraine Plaga

Alaska Public Utilities Commission

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Allen Roll

North Dakota Public Service Commission

State Capitol Building

Bismark, ND. 58505

Chris Herberger, Staff

House Special Committee on Telecommunications

Alaska State Legislature

House of Representatives

Box V

State Capitol

Juneau, AK. 99811

APPENDIX B

Amended Service List for CC Docket No. 83-1376.

Commissioner E. Bruce Hagen

North Dakota Public Service Commission

State Capitol Building

Bismark, ND. 58505

Chairman Susan M. Knowles

Alaska Public Utilities Commission

420 L. Street

Suite 100

Anchorage, AK. 99501

Chairman William E. Long

Michigan Public Service Commission

Mercantile Building

6545 Mercantile Way

P.O. Box 30221

Lansing, MI. 48910

Commissioner Nels J. Smith

Public Service Commission

The State of Wyoming

Herschler Building

122 W. 25th Street

Cheyenne, WY. 82002

Ronald G. Choura

Michigan Public Service Commission

6545 Mercantile Way

Lansing, MI. 48910

Rowland Curry

Texas Public Utilities Commission

7800 Shoal Creek Blvd.

Suite 400 N

Austin, TX. 78757

Charles D. Gray

National Association of Regulatory Utility

Commissioners

Room 1102

ICC Building

Constitution Avenue and 12th Street, NW

P.O., Box 684

Washington, D.C. 20044

Carl Hunt

APPENDIX C

Parties may obtain copies of the model B spreadsheets from the Federal Communications Commission staff either in hard copy or on diskette. The diskette form of the model runs on Lotus 1-2-3, Version 2.01, software.

For further information call (202) 632-9342. For copies of the model contact Rose Crellin, Policy and Program Planning Division, Common Carrier Bureau, Federal Communications Commission, Washington, D.C. 20554. Copies may be hand delivered or picked up at 1919 M Street, N.W., Rm 544 Washington, D.C. 20554.

FOOTNOTES

¹ Integration of Rates and Services, 50 Fed. Reg. 41714 (Oct. 15, 1985).

² Section 410(c) provides that, prior to Commission action questions concerning the separation of common carrier property and expenses must be referred to a Federal-State Joint Board for preparation of recommendations. The Commission may also refer other common carrier communications issues of mutual state and federal concern to a Joint Board. Thus, development of Joint Board recommendations concerning separations change:

that may be necessary to implement a revised Alaska interstate market structure was required, while referral of the market structure issues was discretionary. 47 U.S.C. §410(c).

³ Pursuant to the Commission's rate integration policy, services between the contiguous states and Alaska, Hawaii, Puerto Rico, and the Virgin Islands (the noncontiguous points) are provided at rates that are equivalent to those prevailing for comparable distances in the contiguous states. Establishment of Domestic Communications Satellite Facilities. 35 FCC 2d 844, *aff'd on recon.*, 38 FCC 2d 665 (1972), *aff'd sub nom.* Network Project v. FCC, 511 F.2d 786 (D.C. Cir. 1975). For an explanation of the development of the Commission's rate integration policy, see *Referral of Questions from General Communication Incorporated v. Alascom, Inc.*, 2 FCC Rcd 6479 (1987).

⁴ Policies Governing the Ownership and Operation of Domestic Satellite Earth Stations in the Bush Communities of Alaska. FCC 86-68 (released Feb. 25, 1986) (*Bush Earth Station Ownership proceeding*).

⁵ Integration of Rates and Services. 2 FCC Rcd 607 (1987) (*Supplemental Notice*).

⁶ Integration of Rates and Services. 31 Fed. Reg. 1756 (May 15, 1986).

⁷ *Id.* at para. 5.

⁸ Alaska filed supplemental data on August 14, 1986 and GCI filed supplemental data on July 7, 1987.

⁹ Parties filing market structure proposals or comments included Alaska, AT&T, Alascom, GCI, ATA, the Municipality of Anchorage, d/b/a Anchorage Telephone Utility (ATU), and the National Telecommunications and Information Administration (NTIA).

¹⁰ Opposition comments were filed by Alaska, Alascom, GCI, AT&T and ATA. The GCI and Alaska opposition comments were filed on March 2 and March 5, respectively, and were accompanied by motions for leave to file comments late. We grant these motions. Reply comments were filed by Alaska, Alascom, GCI, AT&T, ATA, and ATU.

¹¹ On November 30, 1987, Alascom also filed evidentiary materials concerning Alaska intrastate toll rates, along with a motion requesting leave to file this material. AT&T opposed this request, in light of the fact that we are seeking further comment ourselves, and in order to develop a full record, we grant Alascom's motion. Interested persons may file comments on Alascom's submission in connection with their comments in response to this Order.

¹² The interim agreement provides that AT&T and Alascom will jointly provide interstate MTS and WATS service between Alaska and Hawaii at rates that reflect the cost of providing the service. These rates are higher than integrated rates would have been. On December 30, 1987, the Common Carrier Bureau directed AT&T and Alascom to continue providing joint service on the Alaska-Hawaii route pending Commission action on AT&T's Section 214 Application for authority to provide part of this service over facilities obtained from GCI, rather than in conjunction with Alascom. *Integration of Rates and Services*, 3 FCC Rcd 356 (1987).

¹³ Comments were filed by the State of Hawaii (Hawaii), Alaska, AT&T, GCI and Alascom.

¹⁴ Opposition comments were filed by Alaska, AT&T, Alascom, and Hawaii. Reply comments were filed by Hawaii, AT&T, and Alascom.

¹⁵ See *supra* note 4.

¹⁶ *Bush Earth Station Ownership proceeding* at 10 n. 33.

¹⁷ Response of the State of Alaska to Order Requesting Data and Inviting Comments at Section A.

¹⁸ According to data submitted by Alaska, per capita income for state residents in 1985 was 32% higher than the national average. Alaska stated that the cost of living for Anchorage was approximately 39% higher than the national average for the quarter of 1985, and that costs in locations outside Anchorage were 8% higher than in Anchorage. Response of the State of Alaska to Order Requesting Data and Inviting Comments Section G.

¹⁹ See Telephone Subscribership in the U.S., Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, Sept. 8, 1987. Alaska's subscribership rate is below the national average of 92.9%, although four states had low penetration rates.

²⁰ Pacific Telecom, Inc., Alascom's parent, owns several exchange carriers in Alaska.

²¹ The annual intrastate revenue requirement for the Alaska exchange carriers is approximately \$120 million. Of this amount, approximately \$76 million is recovered from local service revenues and approximately \$44 million from Alascom settlements for intrastate toll services. See Data of the Alaska Telephone Association, Volumes I-VII, filed July 15, 1986, also Response of Alascom, Inc. to Federal/State Joint Board Request for Data Relating to the Alaska Market, filed July 1986, (Alascom Data Response) Volume III, Exhibit No. 20.

²² Competitive Common Carrier Services and Facilities, FCC 2d 1191, 1201 n. 33 (1984).

²³ On November 5, 1987, AT&T filed a petition with the Commission requesting a ruling that the present settlement arrangements between AT&T and Alascom constitute an unlawful division of charges under Section 201 of the Communications Act, 47 U.S.C. § 201. Alascom opposed the AT&T petition and Alaska and Hawaii filed comments concerning that petition. AT&T filed reply comments. Alascom also filed a Memorandum of Law concerning AT&T-Alascom Joint Service Arrangement and a White Paper on the AT&T-Alascom Joint Service Agreement with this Joint Board on July 24, 1988.

²⁴ AT&T estimates that the cost of providing Alaska interstate MTS and WATS service will exceed the \$132.1 million in revenues from those services by approximately \$97 million in 1990. AT&T states that the cost of providing Alaska interstate MTS service is \$229.3 million, comprised of: (1) Alaska exchange access--\$51.4 million; (2) Alascom settlements--\$115 million; AT&T contiguous states' distribution--\$30.2 million; and contiguous states' access--\$32.7 million. AT&T Comment Attachment A.

Alascom criticizes AT&T's use of a fully distributed cost methodology in developing this estimate, and argues that incremental cost of providing Alaska services is substantially less than the amount claimed by AT&T. In particular, Alascom asserts that AT&T has overstated the cost of exchange access billing by about \$40 million because only the incremental cost caused by Alaska traffic should be considered. It notes that traffic increases do not change the interstate access costs caused with non-traffic-sensitive plant or cause proportional increases in the access costs for traffic-sensitive plant. Since AT&T pays the overwhelming majority of access costs, any additional traffic produces only a minor incremental increase in AT&T's access costs. Additionally, Alascom argues that AT&T's own network costs for the distribution of Alaska traffic are as great as AT&T states because much of this calling takes place in AT&T's off-peak periods, with incremental costs approaching zero for AT&T's own facilities. Alascom Comments at 31-32.

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Alaska contends that AT&T's revenue shortfall in the Alaska market is a natural consequence of rate integration and is balanced by AT&T's provision of service at averaged rates in its low cost markets.

²³ MTS and WATS Market Structure and Amendment of Part 67 (New Part 36) of the Commission's Rules and Establishment of a Federal-State Joint Board, CC Docket Nos. 73-72, 80-286 and 80-297, 2 FCC Rcd 2639 (1987).

²⁴ Alascom Data Response, Volume I, page 31-36.

²⁵ See *Integration of Rates and Services*, 2 FCC Rcd. 2347 (1987), *aff'd sub nom.* General Communication Incorporated v. FCC, No. 87-1112 (D.C. Cir. Dec. 10, 1987).

²⁶ See GCI Update of Response to FCC Order Requesting Data and Inviting Comments filed July 7, 1987 (GCI Data Update) at 11.5.1-5.

²⁷ *Id.* at 11.5.1.

²⁸ See GCI Response to FCC Order Requesting Data and Inviting Comments filed July 15, 1986; GCI Data Update.

²⁹ The agreement is part of a settlement of GCI's claims against AT&T in an antitrust suit filed by GCI against Alascom and AT&T, *General Communication Incorporated v. Alascom, Inc.*, CB4-523 (W.D. Wash., filed Apr. 24, 1984) GCI and AT&T filed a joint motion with the Commission on March 20, 1985, requesting that the Commission approve the agreement and substitute its terms for the interim relief that the Commission had previously granted GCI pending resolution of this proceeding, *Integration of Rates and Services*, FCC 84-512 (released Dec. 11, 1984) (*GCI Order*), *appeal dismissed sub nom.* American Telephone & Telegraph Co. v. FCC, 84-1005 (D.C. Cir. May 14, 1985). The Commission granted this request and accepted the Carrier Lease Agreement portion of the AT&T-GCI settlement agreement, *Integration of Rates and Services*, FCC 85-235 (released May 1, 1985). The Commission decision was subsequently vacated and remanded, *Alascom, Inc. v. FCC*, No. 85-1279 (D.C. Cir. Jan. 27, 1987). In response to the Court's decision, the Commission vacated that order, as well as the *GCI Order* *Integration of Rates and Services*, 2 FCC Rcd 2396 (1987). Alascom subsequently filed a motion with the Court requesting that it direct the Commission to void the Carrier Lease Agreement. The Court rejected Alascom's motion, finding that the Court had not ruled on the lawfulness of the agreement, *Alascom, Inc. v. FCC*, No. 85-1279 (D.C. Cir. June 9, 1987). GCI's antitrust suit against Alascom and Alascom's counterclaim against GCI and AT&T were resolved in a settlement agreement in *GCI v. Alascom, Inc.*, CB4-523 (W.D. Wash., May 10, 1988). On May 24, 1988, Alascom, in furtherance of this settlement agreement, filed a letter withdrawing its opposition to the terms and conditions of the Carrier Lease Agreement, and indicating that it is not opposed to continuation and termination of the agreement according to the terms adopted on March 20, 1985.

³⁰ GCI is entitled to receive 696 circuits beginning April 1, 1988, 720 circuits beginning October 1, 1988, 576 circuits beginning on the 1989 anniversary date of the Carrier Lease Agreement, 384 circuits beginning on the 1990 anniversary date, and 192 circuits beginning on the 1991 anniversary date. The agreement expires on the 1992 anniversary date.

³¹ However, the Commission noted that alternative means of implementing rate integration might exist.

³² See *infra* paras. 38-40.

³³ See *infra* paras. 41-42.

³⁴ See *infra* paras. 47-49.

³⁵ See *infra* paras. 50-51.

³⁶ Under the existing arrangements, rate integration applies only to interstate MTS and WATS. AT&T and Alascom also provide interstate private line services at rates based on the own costs. The Alaska interstate private line market structure, accordingly, not the primary focus of this proceeding, MTS and WATS Market Structure Inquiry (Phase II), 92 FCC 2d 836-37 (1982).

³⁷ As discussed in a subsequent section of this Order, we are making comment on the need for a cost adjustment mechanism for Alaska. Whether or not such a mechanism is adopted, we believe that interstate MTS and WATS rates for service to and from Alaska, including bush locations, should be fully integrated into AT&T's domestic rate pattern. We are not persuaded that this would unduly burden AT&T. As Alascom and Alas observe, the above-average cost (as estimated by AT&T) associated with serving Alaska today represents roughly the same portion of AT&T's interstate revenue that it did prior to AT&T divestiture. AT&T has not provided sufficient evidence that it has been significantly harmed in any way by nationwide rate averaging. Nor has a case been made that AT&T's competitiveness in the market has been materially affected by its support to Alaska. Finally, as has been stated by Alaska, Alascom, AT&T is fully compensated for the losses it experiences in the Alaska market through the rate averaging process.

³⁸ MTS and WATS Market Structure, 81 FCC 2d 177 (1950).

³⁹ MTS and WATS Market Structure Inquiry, 92 FCC 2d 178 (1982).

⁴⁰ Subsequent to the Commission's decision authorizing competitive entry, GCI, a new entrant in the interstate Alascom telecommunication market, filed a petition with the Commission seeking interim relief to address what it believed to be anti-competitive biases in the existing market structure. December 11, 1984, the Commission granted GCI's petition providing it with interim relief pending resolution of the issue in this proceeding concerning the Alaska market structure, *supra* note 31.

⁴¹ The question of intrastate toll competition is not before us in this proceeding, and our endorsement of an open entry policy for the provision of interstate service does not imply an open entry policy should or should not be adopted for provision of intrastate services in Alaska. That is, of course, an issue for the Alaska PUC. However, we invite interested parties to comment on the effects, if any, that a decision by the Alaska PUC to open the intrastate market to competitive entry would have on the interstate market structures under consideration in this Joint Board.

⁴² See our discussion of the need for a carrier of last resort, *infra* paras. 29-30.

⁴³ Section 1 of the Communications Act states that the mission was created:

(for the purpose of regulating . . . communication by wire and radio so as to make available, so far as possible to all the people of the United States a rapid, efficient, nationwide and worldwide wire and radio communication service with adequate facilities at reasonable charges . . .)

⁴⁴ 47 U.S.C. § 151.

⁴⁵ See Amendment of Part 67 of the Commission's Decision and Order, 96 FCC 2d 781 (1984), modified, MTS and WATS Market Structure and Amendment of Part 67 of the Commission's Rules, Decision and Order, CC Docket No. 80-286, 50 Fed. Reg. 939 (1985), *recon. denied*, FC

released Jan. 30 1986), further modified, 2 FCC Rcd 2953 (1987). This program permits an additional interstate assignment of local loop costs in excess of specified levels. It is designed to permit high cost telephone companies to keep local rates lower than they otherwise would be.

⁴⁷ See MTS and WATS Market Structure and Amendment of Part 67 of the Commission's Rules, Decision and Order, CC Docket Nos. 78-72 and 80-286, 50 Fed. Reg. 939 (1985), *recon. denied*, FCC 86-56 (released Jan. 30, 1986), *modified*, 31 Fed. Reg. 1371 (1986), *further modified*, 2 FCC Rcd 2953 (1987).

⁴⁸ See, e.g., MTS and WATS Market Structure, 93 FCC 2d 241, 266-67 (1979).

⁴⁹ Alacom Comments at 8-9.

⁵⁰ Alaska Reply Comments at 5-6.

⁵¹ AT&T provides interstate service throughout the contiguous states. Competitive IXC services are also available to most subscribers in the contiguous states. Intrastate interexchange service is provided by the Bell Operating Companies, AT&T and a number of competitive carriers pursuant to state authorizations.

⁵² See *supra* para. 18.

⁵³ AT&T would accomplish this by creating two Alacom study areas for separations purposes. See AT&T Comments at 27-28.

⁵⁴ See, e.g., Alacom Further Comments at 18-19.

⁵⁵ AT&T supports its contention that additional costs could be allocated to the intrastate jurisdiction by applying intrastate toll rates from other states to Alacom's intrastate traffic volumes. AT&T concludes that application of these charges would increase revenues. See AT&T Comments at 20 and Attachment C. We do not find this argument convincing. First, AT&T fails to account for differences in intrastate calling patterns. These patterns vary widely, and intrastate toll rates that may be reasonable in light of the traffic patterns within a particular state, may not produce reasonable results when applied to intrastate traffic in a state with different calling patterns. Second, variations in the division of intrastate costs between toll and local exchange services could significantly affect the validity of this analysis. While Alaska local exchange rates do not appear to be above average in urban areas, they are substantially higher in rural areas. We emphasize that this Joint Board must consider the overall level of the Alaska intrastate cost allocation, not specific intrastate tariff rates.

⁵⁶ See MTS and WATS Market Structure and Amendment of Part 67 of the Commission's Rules, Decision and Order, CC Docket Nos. 78-72 and 80-286, 50 Fed. Reg. 439 (1985), *recon. denied*, FCC 86-56 (released Jan. 30, 1986), MTS and WATS Market Structure and Amendment of Part 67 (New Part 36) of the Commission's Rules, 2 FCC Rcd 2639 (1987).

⁵⁷ See MTS and WATS Market Structure and Amendment of Part 67 (New Part 36) of the Commission's Rules, 2 FCC Rcd 2639 (1987).

⁵⁸ See MTS and WATS Market Structure and Amendment of Part 67 of the Commission's Rules, Memorandum, Opinion and Order on Reconsideration and Supplemental Notice of Proposed Rule Making, CC Docket Nos. 78-72 and 80-286, 2 FCC Rcd 3349 (1987), Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, CC Docket No. 80-286, 2 FCC Rcd 6333 (1987).

⁵⁹ The Federal-State Joint Board in CC Docket No. 80-286 recently expressed similar concerns in recommending that the allocator for Category 423 circuit equipment be frozen at 1985 levels for all IXCs, in large measure, to avoid a substantial increase in Alacom's intrastate revenue requirement. See

Amendment of Part 67 of the Commission's Rules, Recommended Decision and Order, 2 FCC Rcd 2551, 2564-65 (1987). This recommendation was subsequently adopted by the Commission. See MTS and WATS Market Structure and Amendment of Part 67 (New Part 36) of the Commission's Rules, 2 FCC Rcd 2639 (1987).

⁶⁰ Our current findings should not be construed as support or opposition to future decisions made by other Joint Boards regarding separations issues.

⁶¹ 47 U.S.C. § 151.

⁶² AT&T Reply Comments at 9.

⁶³ On November 3, 1987, AT&T filed a Section 214 Application with the Commission, seeking authority to serve Alaska using GCI facilities. See File No. W-P-C-6136. Alacom filed a petition to deny or in the alternative, to hold the AT&T application in abeyance until the issues in this docket are decided. The States of Alaska and Hawaii filed comments on AT&T's application. AT&T opposed the Alacom petition to deny. Alacom filed a reply to the AT&T opposition. On November 21, 1988, the Commission released an order granting AT&T's application, conditioned on the outcome of the market structure inquiry of this docket. American Telephone & Telegraph Company, DA-1774.

⁶⁴ See AT&T Comments at Attachment A. See *supra* note 24 for a brief discussion of the derivation of this estimate.

⁶⁵ AT&T states that the remaining \$18 million in support for Alaska service can be reduced through competition and more efficient network design. AT&T Comments at 26-27.

⁶⁶ AT&T Reply Comments at 9.

⁶⁷ See *supra* para. 50.

⁶⁸ See Alacom Further Comments at 26-27, and Alacom Reply Comments at 10-11.

⁶⁹ Alacom Reply Comments at 12.

⁷⁰ Alacom Comments at 10, 29-30.

⁷¹ The Alacom intrastate toll rate structure is currently under investigation by the Alaska Public Utilities Commission (Docket U-87-25). One of the primary issues regarding Alacom's proposed rate design is the allocation of revenue requirement per MTS mileage band.

⁷² While Alacom initially opposed the continuation of the Carrier Lease Agreement in its comments, it has subsequently withdrawn its opposition. See *supra* note 31.

⁷³ See Alacom Comments at 37-38 and GCI Data Response.

⁷⁴ GCI states that interstate traffic bound for rural Alaska is transmitted by satellite from the contiguous states to an Alacom entry earth station, and then, in most cases, retransmitted by satellite to its final destination. GCI argues that it would be more rational to route these calls directly between the originating or terminating telephone company office and an AT&T switch in the contiguous states. See GCI Comments at 7, and GCI Reply Comments at 21.

⁷⁵ Alacom questions the function, feasibility, cost estimates and system reliability of the proposed GCI network and states that the risk to lifeline services in the event of GCI failure do not justify acceptance of the plan. Alacom Opposition Comments at 38-42 and Attachment F.

⁷⁶ GCI's proposed network would consist of four classes of new earth stations and a small number of microwave spurs located in Alaska. GCI's Seattle gateway earth station would be expanded and a network management center would be added. GCI's network would provide direct connection between each Alaska Class V end office and AT&T's 4 ESS in Seattle. GCI comments at 20-21 and Appendix b.

⁹⁸ *Id.* at 21.

⁹⁹ The Carrier Lease Agreement is scheduled to expire by its own terms in 1992.

¹⁰⁰ GCI Reply Comments at 9.

¹⁰¹ GCI Comments at 19.

¹⁰² GCI Reply Comments at 3.

¹⁰³ Alaska's comments on this subject are discussed in more detail in the section concerning the objectives of this proceeding. See *supra* para. 21.

¹⁰⁴ See Alaska Comments at 29; Alascom Comments at 16-18.

¹⁰⁵ Alaska Reply Comments at 16. An AT&T POP in Alaska could increase the intrastate cost allocation by, in large measure, eliminating the effect of distance as a factor in application of the separations procedures.

¹⁰⁶ The Ozark Plan for revised jurisdictional separations procedures was adopted by the Commission in 1970, and included allocation factors that, in many cases, increased the allocation of exchange company costs to the interstate jurisdiction. See Separations Procedures, 26 FCC 2d 247 (1970).

¹⁰⁷ Elimination of relative state and interstate average length of haul as a factor in separations would substantially increase Alascom's intrastate cost allocation.

¹⁰⁸ These subsidy mechanisms could lead to uneconomic facility duplication by encouraging competitive entry by carriers based on the subsidy mechanism rather than a competitive marketplace analysis.

¹⁰⁹ See *infra* paras. 82-83.

¹¹⁰ ATU also raises separations arguments, contending that the Ozark separations procedures should be applied to Alaska for an additional five years since those procedures were not implemented in Alaska until five years after the procedures became effective in the contiguous states. See ATU Reply Comments at 5. However adoption of this proposal, by itself, would not prevent significant shifts in jurisdictional cost allocations if major changes in the Alaska market structure were implemented. Accordingly, this proposal would not adequately address our revenue requirement neutrality concerns.

¹¹¹ Although equal access ballooning has already taken place in many urban areas in Alaska, the restructuring of the Alaska market would create a new service environment. Thus, Plan A proposes a new round of ballooning to select an interexchange carrier for Alaska residents.

¹¹² For example, the useful life of the Aurora and Telstar satellites is expected to end in the early 1990's.

¹¹³ For example, parties are to provide an estimate of any changes in costs of service which may result due to implementation of either plan. Where it is not possible to fully quantify these changes, parties are requested to approximate the range of improvement and/or detriment.

¹¹⁴ See *supra* para. 43 and 45.

¹¹⁵ As stated previously, Alascom will be expected to file a formal cost allocation proposal if cost allocation rules are necessary to implement the market structure adopted.

¹¹⁶ See *supra* note 31.

¹¹⁷ See *supra* note 6.

¹¹⁸ For this purpose, Alascom may use its Form 41 report and GCI may use its 10-K report filed with the Securities and Exchange Commission.

¹¹⁹ See GCI and Alascom Responses to Order Requesting Data and Inviting Comments, filed July 15, 1986. See also Integration of Rates and Services, FCC 86J-2 (released May 6, 1986).

¹²⁰ See Order Inviting Comments and Request for Data, 27 Docket 86-297, FCC 86J-4, released July 15, 1986. We will analyze data using a computer model of the B Separation Manual to determine the existence and extent of any revenue requirement shifts. Separations data for 1987 is to be submitted on the Part 31-Part 07 Conformity Spreadsheet (Version 1.0B) and the 1988 data is to be supplied on the Part 32B B Manual Conformity Spreadsheet (Version 1.05). See Appendix C for information on how to obtain these spreadsheets.

¹²¹ On December 24, 1986, Alascom filed a motion asking the Joint Board to require that AT&T file data on the cost of providing interstate and intrastate interLATA telecommunication service to remote locations in the contiguous states to allow comparison of these data with the cost of service to rural remote areas in Alaska. ATA filed in support of Alascom's motion. AT&T opposed Alascom's motion, asserting that the data requested by Alascom is irrelevant to this proceeding and that such data is not available to AT&T because most of the variation in the cost of service in the contiguous states involves access service provided by the exchange carriers. In light of our tentative conclusion, discussed in a previous section of the Order, that the continuation of full Alaska rate integration and the avoidance of revenue requirement shifts between the jurisdictions should be among our objectives in this proceeding, we believe that this information is not necessary at this time. In development of our recommendations. Thus, we dismiss Alascom's motion, without prejudice.

¹²² See *supra* para. 6.

¹²³ AT&T Comments at 20, n.2.

¹²⁴ Integration of Rates and Services, 62 FCC 2d 693 (1976).

¹²⁵ Overnight mail or courier service must be used for delivery of filings to the the Joint Board Commissioner and a member located in Alaska.

ATTACHMENT 11

FOR FURTHER INFORMATION CONTACT:
Andrew M. Duchovny, Assistant
Regional Counsel, U.S. Environmental
Protection Agency, 841 Chestnut
Building, Philadelphia, PA 19107. (215)
597-8252.

Dated: June 21, 1993.
William T. Wisniewski,
Acting Regional Administrator, U.S.
Environmental Protection Agency, Region III.
[FR Doc. 93-15522 Filed 6-30-93; 8:45 am]
BILLING CODE 6560-50-01

FEDERAL COMMUNICATIONS COMMISSION

Public Information Collection Requirement Submitted to Office of Management and Budget for Review

June 28, 1993.

The Federal Communications
Commission has submitted the
following information collection
requirement to OMB for review and
clearance under the Paperwork
Reduction Act of 1980 (44 U.S.C. 3507).

Copies of this submission may be
purchased from the Commission's copy
contractor, International Transcription
Service, Inc., 2100 M Street, NW., suite
140, Washington, DC 20037. (202) 857-
3800. For further information on this
submission contact Judy Boley, Federal
Communications Commission, (202)
632-0276. Persons wishing to comment
on this information collection should
contact Jonas Neihardt, Office of
Management and Budget, room 3235
NEOB, Washington, DC 20503, (202)
395-4814.

OMB Number: 3060-0130

Title: Private Fixed, Mobile and
Radiolocation Services
Supplementary Information to FCC
Form 574

Form Number: FCC Form 574-B

Action: Extension of a currently
approved collection

Respondents: Individuals or
households, state or local
governments, non-profit institutions
and businesses or other for-profit
(including small businesses)

Frequency of Response: On occasion
reporting requirement

Estimated Annual Burden: 300
responses; 1 hour average burden per
response; 300 hours total annual
burden

Needs and Uses: FCC Rules require the
applicants operating on frequencies
below 27.5 MHz file the FCC Form
574-B in conjunction with the FCC
Form 574. This additional data will
enable the FCC to comply with treaty
agreements. The FCC Licensing

Division will collect and maintain the
data. Treaty personnel will report the
data as required.

Federal Communications Commission.
William F. Caten,
Acting Secretary.
[FR Doc. 93-15601 Filed 6-30-93; 8:45 am]
BILLING CODE 6712-01-01

[DA 93-755; CC Docket No. 93-1376]

Alaska Federal-State Joint Board to Convene a Hearing in Anchorage Alaska on Thursday, July 1, 1993

June 23, 1993.

The Alaska Federal-State Joint Board
in CC Docket 93-1376 will convene a
hearing on Thursday, July 1, 1993, at
9:30 a.m. in Anchorage, Alaska (1:30
p.m. a.d.t.). The hearing will be held to
receive testimony from the citizens of
Alaska and other interested persons on
the following:

(1) The Tentative Recommendation
and Order Inviting Comments, FCC 93]-
1, released by the Federal-State Joint
Board on May 17, 1993;

(2) The implementation plan filed by
Alascom, Inc. on June 7, 1993;

(3) The American Telephone and
Telegraph Company (AT&T) response
filed on June 7, 1993; and

(4) The AT&T Petition to Terminate
the Joint Services Agreement (AT&T
Customer Benefit Plan) filed March 31,
1993.

FCC Chairman Quello and FCC
Commissioners Duggan and Barrett will
participate by means of videoconference
facilities in Washington, DC. State
Commissioners Susan Knowles
(Alaska), Dean J. "Joe" Miller (Idaho),
Bruce Hagen (North Dakota), and David
Rolka (Pennsylvania) will also
participate in the hearing.

The hearing will convene at the video
conferencing facilities at 1049 W. 5th
Ave., Anchorage, Alaska. Persons
wishing to testify either in person or via
audio links within the State of Alaska
should contact Lorraine Kenyon, Alaska
Public Utilities Commission, at (907)
276-6222. Space at the Anchorage
videoconference facilities is limited.
Members of the public interested in
listening to the meeting may do so at the
Alaska Public Utilities Commission,
Public Hearing Room, Third Floor, 1016
W. 6th Avenue, Anchorage, Alaska. In
Washington, DC, the public may listen
to the meeting at the FCC, room 856,
1919 M Street, NW. Additional
information concerning this hearing
may be obtained from Lorraine Kenyon,
Alaska Public Utilities Commission, at
(907) 276-6222 or from Rose Crellin,

Common Carrier Bureau, FCC, at (202)
632-1292.

Interested persons may also provide
written testimony or other comments
until July 12, 1993. An original and five
copies should be filed with the
Secretary, Federal Communications
Commission, 1919 M Street, NW.,
Washington, DC 20554. Additional
copies should be sent to the following:
three copies to Peggy Reitzel, Common
Carrier Bureau, Federal
Communications Commission, 1919 M
Street, NW., Washington, DC 20554; and
one copy to ITS, Inc. the Commission's
contractor for public records
duplication, 2100 M Street, NW., Suite
140, Washington, DC 20037, (202) 857-
3800. Comments will be available for
inspection and photoduplication in
room 239, 1919 M Street, NW.,
Washington, DC 20554, 9 a.m. to 4:30
p.m. Monday-Friday. Copies may
additionally be obtained from ITS, Inc.

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. Choua,
c/o Michigan Public Service
Commission, 6545 Mercantile Way, P.O.
Box 30221, Lansing, Michigan, 48910;
and Rowland Curry, Texas Public
Service Commission, 7800 Shoal Creek
Blvd. Suite 400N, Austin, Texas 78757.

Federal Communications Commission.
William F. Caten,
Acting Secretary.
[FR Doc. 93-15736 Filed 6-30-93; 8:45 am]
BILLING CODE 6712-01-01

Applications for Consolidated Proceeding

1. The Commission has before it the
following mutually exclusive
applications for a new FM station:

CERTIFICATE OF SERVICE

I, Barbara Frank, a secretary in the law offices of Koteen & Naftalin, hereby certify that true copies of the foregoing "COMMENTS OF ALASCOM, INC." have been served upon the following by first-class United States mail, postage prepaid, this 12th day of July, 1993:

*Chairman James H. Quello
Federal Communications Commission
1919 M Street, N.W. - Room 802
Washington, D.C. 20554

*Commissioner Andrew C. Barrett
Federal Communications Commission
1919 M Street, N.W. - Room 826
Washington, D.C. 20554

*Commissioner Ervin S. Duggan
Federal Communications Commission
1919 M Street, N.W. - Room 832
Washington, D.C. 20554

**Commissioner Susan M. Knowles
Alaska Public Utilities Com.
1016 West 6th Avenue
Suite 400
Anchorage, AK 99501

**Commissioner Bruce Hagen
N. Dakota Public Service Com.
State Capitol Building
Bismark, ND 58505

**Commissioner Dean J. Miller
Idaho Public Utilities Commission
472 West Washington
Boise, ID 83702

***Commissioner David Rolka
Pennsylvania Public Utilities
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Harrisburg, PA 17105

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/s/ Barbara Frank
Barbara Frank

- * Served by Hand Deliver
- ** Served by Federal Express
- *** Served by UPS Overnight