

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2247 SCOMM 88: HOUSE TELECOMMUNICATIONS TASK FORCE, 1993

798

IV. CONCLUSION

Adoption of any of the proposed separations procedure changes could have a devastating effect on the attainment and maintenance of universal service in Alaska. For all the reasons set forth above, the State urges that the Joint Board not recommend changes in current procedures that increase intrastate allocations unless steps are taken to insure that universal service in Alaska, as well as elsewhere, is not impaired.

Respectfully submitted,

THE STATE OF ALASKA
HAROLD M. BROWN
ATTORNEY GENERAL

By: Linda K. Smith
Linda K. Smith

By: Robert M. Halperin
Robert M. Halperin

CROWELL & MORING
1100 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 452-5800

Its Attorneys

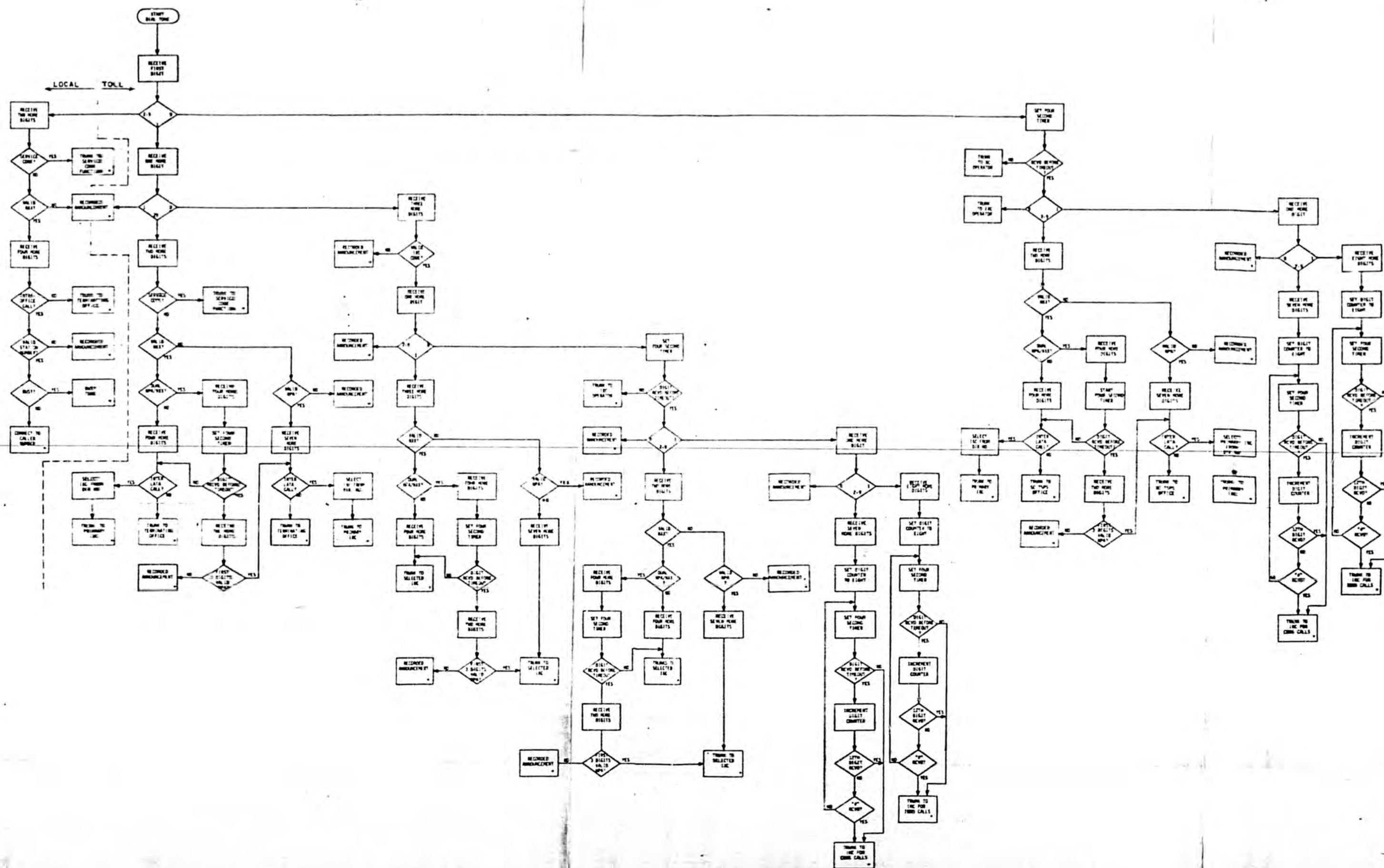
October 29, 1986

ATTACHMENT A

Category 6 Data For
Sixteen Alaska Exchange Carriers

	Matanuska Telephone Association	Ketchikan Public Utilities	Interior Telephone Company	General Telephone Co of Alaska	United Utilities	Yukon Telephone Company	Bristol Bay Telephone Cooperative	Bush- Tel
CAT 6 TS Investment, M1	3,555,613	1,375,422	1,233,675	1,709,907	2,018,042	183,973	203,664	322,084
CAT 6 TS Investment, M1	5,432,795	1,979,265	902,718	1,824,121	1,471,471	122,281	343,769	295,133
CAT 6 TOT Investment, A7	9,088,408	3,354,687	2,136,393	3,534,028	3,489,513	306,254	547,433	617,217
CAT 6 TS Revenue Req, Q1	1,297,743	652,912	979,785	672,506	1,280,202	148,982	160,589	170,446
CAT 6 NTS Revenue Req, T1	1,928,642	939,558	716,938	717,427	933,469	99,022	169,788	156,185
CAT 6 TOT Revenue Req, L1	3,226,385	1,592,470	1,696,723	1,389,933	2,213,671	248,004	270,377	326,631
Total Subscriber Loops, X	22,336	5,159	1,927	11,196	2,595	377	800	434
SPF, Z	.445800	.658399	.850001	.582886	.320671	.850000	.850000	.487900
Weighted DEMs, AA2	.175063	.262816	.340563	.247080	.093317	.201000	.303400	.078400
SLU, AA3	.115200	.182500	.322450	.162737	.070148	.198700	.288900	.076700
Adj Weighted DEMs, BB2	.175018	.262795	.366134	.229027	.093317	.153900	.303400	.089900
Adj SLU, BB3	.115200	.182500	.322450	.162737	.070148	.152200	.288900	.088000
Plan 6A								
IS TS Revenue Req, FF1	227,187	171,596	333,679	166,163	119,465	29,945	30,519	13,333
IS NTS Revenue Req, GG1	859,789	618,604	609,398	418,178	299,336	84,169	144,320	6,203
IS TOTAL Revenue Req, EE1	1,086,975	790,200	943,077	584,341	418,801	114,114	174,839	89,566
IS Rev Req per Loop per mo	4.06	12.76	40.78	4.35	13.45	25.22	18.21	17.20
Plan 6B								
IS TS Revenue Req, FF2	227,187	171,596	333,679	166,163	119,465	29,945	30,519	13,363
IS NTS Revenue Req, GG2	222,180	171,469	231,177	116,752	65,481	15,071	49,052	13,744
IS TOTAL Revenue Req, EE2	449,366	343,065	564,855	282,915	184,946	45,017	79,570	27,107
Rev Req shift to state per Loop per mo	2.38	7.22	16.36	2.24	7.51	15.27	9.92	11.99
Plan 6C								
IS TOTAL Rev Req, EE3	564,675	418,493	621,228	318,332	206,573	38,168	82,032	29,364
Rev Req shift to state per Loop per mo	1.95	6.00	13.92	1.98	6.82	16.79	9.67	11.56
Plan 6D								
IS TOTAL Rev Req, EE4	371,680	290,626	547,108	226,194	155,285	37,746	97,525	28,744
Rev Req shift to state per Loop per mo	2.67	8.07	17.12	2.67	8.46	16.88	8.05	11.68
Plan 6E								
IS TOTAL Revenue Req, EE5	564,490	418,501	746,948	362,610	304,147	52,031	97,525	44,095
Rev Req shift to state per Loop per mo	1.95	6.00	8.48	1.65	3.68	13.72	8.05	8.73

	Cordova Telephone Cooperative	Artic Slope Telephone Association	Otz Telephone Cooperative	Mukluk Telephone Company	Copper Valley Telephone Cooperative	Glacier State Telephone Company	Sitka Telephone Company	Juneau Douglas Tel Co
CAT 6 TS Investment, M1	204,706	504,171	738,770	583,317	800,246	4,056,296	2,991,165	1,360,373
CAT 6 NTS Investment, M1	614,117	319,363	360,260	314,117	1,020,123	6,185,161	3,444,893	3,790,444
CAT 6 TOT Investment, A7	818,823	823,534	1,099,030	897,498	1,820,369	10,241,457	6,436,058	5,150,817
CAT 6 TS Revenue Req, Q1	74,452	272,252	447,842	271,328	277,526	2,968,239	1,436,773	1,035,861
CAT 6 NTS Revenue Req, T1	223,354	172,456	218,390	146,098	353,778	4,526,060	1,654,716	2,886,249
CAT 6 TOT Revenue Req, L1	297,806	444,708	666,232	417,426	631,304	7,494,299	3,091,489	3,922,110
Total Subscriber Loops, X	1,261	1,564	1,336	529	2,917	22,459	6,054	13,850
SPF, Z	.840000	.850000	.371200	.457400	.644300	.687700	.850000	.648500
Weighted DEMs, AA2	.296000	.188100	.107900	.116400	.206000	.164800	.238776	.269133
SLU, AA3	.201600	.327700	.084000	.099400	.173000	.269194	.180608	.193300
Adj Weighted DEMs, BB2	.329500	.188100	.125200	.125100	.229200	.269194	.238776	.269133
Adj SLU, BB3	.224400	.327700	.097500	.106900	.192500	.164800	.180608	.193300
Plan 6A								
IS TS Revenue Req, FF1	22,038	51,211	48,322	31,583	57,170	489,166	343,067	278,784
IS NTS Revenue Req, GG1	187,617	146,588	81,066	66,825	227,939	3,112,571	1,406,500	1,871,732
IS TOTAL Revenue Req, EE1	209,655	197,798	129,389	98,408	285,110	3,601,737	1,749,576	2,150,517
IS Rev Req per Loop per mo	13.86	10.54	8.07	15.50	8.15	13.36	24.08	12.94
Plan 6B								
IS TS Revenue Req, FF2	22,038	51,211	48,322	31,583	57,170	489,166	343,067	278,784
IS NTS Revenue Req, GG2	50,121	56,514	21,293	15,618	68,102	745,895	298,855	557,912
IS TOTAL Revenue Req, EE2	72,158	107,724	69,615	47,200	125,273	1,235,060	641,922	836,696
Rev Req shift to state per Loop per mo	9.09	4.80	3.73	8.07	4.57	8.78	15.25	7.91
Plan 6C								
IS TOTAL Rev Req, EE3	98,127	83,650	83,412	52,220	144,695	2,017,420	738,173	1,055,569
Rev Req shift to state per Loop per mo	7.37	6.08	2.87	7.28	4.01	5.88	13.92	6.59
Plan 6D								
IS TOTAL Rev Req, EE4	66,828	145,731	64,958	44,623	121,526	1,235,060	558,348	758,144
Rev Req shift to state per Loop per mo	9.44	2.77	4.02	8.47	4.67	8.78	16.40	8.38
Plan 6E								
IS TOTAL Revenue Req, EE5	113,226	183,220	105,598	63,031	192,485	1,884,849	117,252	1,579,407
Rev Req shift to state per Loop per mo	6.37	.78	1.48	5.57	2.65	6.37	22.47	3.44



ATTACHMENT B

KEY

Local: Call within the same exchange. Requires seven digits to complete.

Toll: Interexchange call. Requires more than seven digits to complete.

CDOS: Customer Dialed Operator Service.

IDDD: International Direct Distance Dialing.

INC: International Carrier.

IXC: Interexchange Carrier.

NPA: Numbering Plan Area (area code).

NXX: Office Prefix. (N must be a digit between 2 and 9, inclusive. X may be any digit.)

TSPS: Traffic Service Position System (cordless operator board).

XC: Exchange Carrier.

CERTIFICATE OF SERVICE

I, Steven J. Gorosh, hereby certify that on this 28th day of November, 1986, I caused copies of the foregoing "Comments of the State of Alaska" to be hand-delivered or sent by first-class mail, postage prepaid, to the following:

* Chairman Mark S. Fowler
Federal Communications Commission
Room 814
1919 M Street, N.W.
Washington, D.C. 20554

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

* Commissioner Dennis R. Patrick
Federal Communications Commission
Room 844
1919 M Street, N.W.
Washington, D.C. 20554

Chairman Edward F. Burke
Rhode Island Public
Utilities Commission
100 Orange Street
Providence, RI 02903

Chairman Bruce Hagan
North Dakota Public Service
Commission
State Capitol Building
Bismark, ND 58505

Commissioner Edythe S. Miller
Colorado Public Utilities
Commission
1580 Logan Street
Office Level Two
Denver, CO 80203

Chairman Marvin R. Weatherly
Alaska Public Utilities
Commission
Suite 100
420 L Street
Anchorage, AK 995p

Ronald G. Choura
Michigan Public Service
Commission
6545 Mercantile Way
Lansing, MI 48910

Rowland Curry
Texas Public Utilities
Commission
Suite 400 N
7800 Shoal Creek Blvd.
Austin, TX 78757

Timothy J. Devlin
Auditing and Financial
Analysis Department
Florida Public Utilities
Commission
101 E. Gaines Street
Tallahassee, FL 32301

Gary A. Evenson, Director
Communications Bureau
Utility Rates Division
Public Service Commission
P.O. Box 7854
Madison, WI 53707

Karen Lee Hochstein
NARUC
Room 1102
ICC Building
Constitution Avenue, N.W.
P.O. Box 684
Washington, D.C. 20044

Carl Hunt
Chief Economist
Colorado Public Utilities
Commission
1580 Logan Street
Office Level One
Denver, CO 80203

Jim Lanni
Rhode Island Public
Utilities Commission
100 Orange Street
Providence, RI 02903

Heikki Leesment
New Jersey Board of Public
Utilities
1100 Raymond Boulevard
Newark, NJ 07102

Lorraine Plaga
Alaska Public Utilities
Commission
Suite 100
420 L Street
Anchorage, AK 99501

Paul Popenoe, Jr.
California Public Utilities
Commission
350 McAllister Street
San Francisco, CA 94102

Len Schlosser
North Dakota Public Service
Commission
State Capitol Building
Bismark, ND 58505

Guy Twombly
242 State Street
Augusta, ME 04333

Chris Herberger
House Special Committee on
Telecommunications
Alaska State Legislature
State Capitol
Juneau, AK 99811

John W. Pettit, Esq.
Neal M. Goldberg, Esq.
Hamel & Park
888 16th Street, N.W.
Washington, D.C. 20006
Counsel for General Communications, Inc.

Nathan Friends, Esq.
AT&T
Suite 1000, 1120 20th Street, N.W.
Washington, D.C. 20036

Alan Y. Naftalin, Esq.
Margot Smiley Humphrey, Esq.
Koteen & Naftalin
1150 Connecticut Avenue, N.W.
Washington, D.C. 20036
Counsel for Alascom, Inc.

Linda A. Townsend, Esq.
Chief Counsel
U.S. Department of Commerce
National Telecommunications &
Information Administration
14th & Constitution Avenue, N.W.
Room H-4717
Washington, D.C. 20230

Judith A. Maynes, Esq.
Robert B. Stechart, Esq.
Richard F. Hope, Esq.
AT&T
295 North Maple Avenue
Basking Ridge, NJ 07920

John Curry, Esq.
Department of Justice
Special Regulated Industries Section
Antitrust Division
Safeway 500
Washington, D.C. 20530

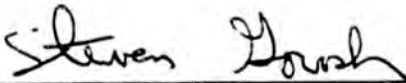
Joseph R. Fogarty, Esq.
Weil, Gotshal & Manges
Suite 700
1615 L Street, N.W.
Washington, D.C. 20036
Counsel for Alaska Telephone Association

Michael L. Glaser, Esq.
Francis E. Fletcher, Jr., Esq.
Gardner, Carton & Douglas
Suite 1050
1875 Eye Street, N.W.
Washington, D.C. 20006
Counsel for Anchorage Telephone Utility

Joseph M. Kittner, Esq.
Lawrence J. Movshin, Esq.
William K. Keane, Esq.
McKenna, Wilkinson & Kittner
1150 17th Street, N.W.
Washington, D.C. 20036
Counsel for United Utilities, Inc.

* Albert Halprin, Esq.
Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

* Douglas L. Sloten, Esq.
Common Carrier Bureau
Federal Communications Commission
Room 544
1919 M Street, N.W.
Washington, D.C. 20554



Steven J. Gorosh

* Hand Delivered

2-27-87

RECORD COPY

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

RECEIVED

FEB 27 1987

FCC
Office of the Secretary

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 Island)

CC Docket No. 83-1376

RM 4436

To: The Federal-State Joint Board

FURTHER COMMENTS OF
THE STATE OF ALASKA

I. INTRODUCTION

The State of Alaska (Alaska or the State) hereby submits further comments in the above-captioned proceeding. The December 2, 1986 round of initial comments shows that all parties recognize the need to ensure universal service for Alaska and that provision of telecommunications service is critical to the State.

II. FOSTERING AND MAINTAINING UNIVERSAL SERVICE SHOULD
CONTINUE TO BE THE LODESTAR FOR THIS PROCEEDING.

In its initial comments, the State stressed the reliance Alaskans place on telecommunications to help overcome the vast distances, harsh climate, and limited transportation alternatives

which characterize the State. Other parties also voiced this concern, and stressed the importance of universal service for Alaska.^{1/} The State highlighted the fact that universal service in the State continues to be difficult to achieve: the telephone penetration level has recently been as low as 83.5% (in July 1986), which was lower than all other states except Mississippi.^{2/} The State concluded that given the telephone penetration level in Alaska

it is particularly important that this Joint Board not retreat from the longtime commitment to rate integration, impose changes in separations procedures or devise mechanisms which would either undermine the realization of universal service for Alaska or prevent provision of service to all areas of Alaska.^{3/}

^{1/} See, e.g., Comments of Alascom, Inc. at 6-10 (Alascom Comments); Comments of the Anchorage Telephone Utility at 2-4 (ATU Comments); Comments of the Alaska Telephone Association at 6-11 (ATA Comments); Comments of General Communication, Inc. at 16 (GCI Comments); Comments of the National Telecommunications and Information Administration at 5 (NTIA Comments). See also Comments and Proposal of American Telephone and Telegraph Company at 14 (AT&T Comments).

^{2/} Comments of the State of Alaska at 11 (Alaska Comments). The most recent survey of "Telephone Subscribership in the U.S." shows Alaska telephone penetration for November, 1986 at 87.3 percent. Because of the State's small population and the small sample size, the statistical variation for Alaska in this survey is 5 percent. Industry Analysis Division, Common Carrier Bureau, "Telephone Subscribership in the U.S." at Table 2 (released January 12, 1987) (Report). Even this Report, however, shows that in Alaska both telephone penetration in households and telephone availability other than in households remain very substantially below national averages (by 5.1 and 4.8 percent, respectively). *Id.* at Tables 1 and 2.

^{3/} Alaska Comments at 11.

As the State discussed in its initial comments, elasticity studies presented to the CC Docket No. 78-72 Joint Board suggest that telephone subscribership levels are more elastic in areas in which such levels are already relatively low.^{4/} Two recent studies provide additional evidence that increases in monthly telephone rates could cause significant declines in telephone penetration levels.

A study by the Idaho Public Utilities Committee concludes that each \$1.00 increase in monthly residential telephone rates in Idaho sparks a 0.4 percent decline in telephone penetration assuming other factors are held constant. Idaho Public Utilities Commission, "The Demand for Basic Residential Telephone Service in Idaho" at 8 (undated) (IPUC Study). Accordingly, a \$5.00 increase per month would lower the Idaho telephone penetration level 2.28 percent, and a \$20.00 monthly increase would spark a decline of 9.18 percent.^{5/}

A study prepared for the Consumer Advocate Division of the West Virginia Public Service Commission concludes that a \$5.00 per month increase in residential rates in West Virginia would lead to a 4 percent decrease in telephone penetration. A \$10.00 per month increase would cause 12 percent of West Virginian customers to cancel service and, as monthly increases approach \$20, 27 percent would give up service. Chilton Research Services, "Residential Customers' Attitudes Toward Telephone Services in West Virginia",

^{4/} See Alaska Comments at 26 & n.45.

^{5/} IPUC Study at 8-9.

Prepared for The Consumer Advocate Division, State of West Virginia Public Service Commission at 3, 26 (October 28, 1986) (West Virginia Study). This study confirms the findings of studies submitted to the FCC that customers with the lowest incomes are most likely to cancel service in response to rate increases.^{6/}

These studies, of course, were not done in Alaska. Both Idaho and West Virginia, however, are, like Alaska, primarily rural. Both have higher telephone penetration levels than Alaska. Thus, the effects of rate increases on universal service may be greater in Alaska than the effects these studies indicate for Idaho and West Virginia. Together, these studies suggest the Joint Board must proceed with great caution, particularly in addressing proposals to change separations policies, which could create as much as \$26 to \$28 per access line per month increases in Alaska telephone rates.^{7/}

III. WITH IMPLEMENTATION OF THE FINAL STEP OF RATE
INTEGRATION, ALASKA SHOULD BE TREATED AS PART OF
THE NATIONALLY AVERAGED RATE STRUCTURE.

On December 31, 1986, the Commission granted the Emergency Petition for Relief of Alascom, Inc. (Alascom) and ordered implementation of the final step of rate integration and termination of the \$1.25 million monthly transitional supplement paid to Alascom

^{6/} West Virginia Study at 28.

^{7/} See Alaska Comments at 27 n.47.

by AT&T.^{8/} After fifteen years' transition, implementation of the final step of rate integration now allows Alaskans to enjoy the same geographically averaged interstate rates enjoyed by residents of all other states. Full rate integration should be maintained.^{9/}

Now that it has been fully instituted, Alaska rate integration should be accommodated in the same manner it is in other states. Rates for MTS/WATS service to and from Alaska should be part of the nationally averaged rate structure. Costs of service to and from Alaska should be treated as are those of other states, because the national rate structure is designed to generate revenue needed to recoup costs of providing service to and from all parts of the country. Shortfalls on so-called high cost routes are recouped by providing service on so-called low-cost routes.^{10/}

^{8/} Memorandum Opinion and Order, CC Docket No. 83-1376, FCC 86-602 at 2, 16 (released January 2, 1987) (January 2 Order).

^{9/} Whatever steps the Commission might take in connection with the U.S. Court of Appeals recent decision in Alascom, Inc. v. Federal Communications Commission (Case No. 85-1279 (January 27, 1987)), it should not tamper with the final step of rate integration. To undo that step would mean interstate rates, just lowered, would be forced back up, creating rate churn and inequity for Alaska consumers. This would be particularly unjust given that the final step of rate integration was accompanied by termination of the \$15 million annual transitional supplement. Because of that termination, Alascom has filed a request to the Alaska PUC for authority to institute certain new charges designed to increase intra-state revenues. See n.24, *infra*. Changes to full rate integration would require, at the least, corresponding changes with respect to reinstitution of the transitional supplement.

^{10/} See Alaska Comments at 12-19.

In this connection, the data requested by Alascom, Inc. in its Motion to Obtain Required Information (filed December 24, 1986) may well prove instructive.

IV. SEPARATIONS CHANGES THAT SHIFT COSTS TO THE
INTRASTATE JURISDICTION WOULD UNDERMINE UNIVERSAL
SERVICE.

In its January 2 Order terminating the supplement paid to Alascom, the Commission recognized that it was "inequitable to place at risk the intrastate communications that are essential to many subscribers in the remote areas of Alaska."^{11/} The Commission concluded that, chiefly because of the decreased cost of capital and the treatment of the now terminated supplement as cost-free capital by the Alaska Public Utilities Commission (APUC), upward pressures on intrastate rates had abated, "if not disappeared completely."^{12/}

The State believes that the Commission has misread the status of pressures on intrastate rates. These pressures have not "disappeared completely." Although the cost of capital may have decreased, there remain significant factors that contribute to upward pressure on intrastate rates, including, for example, the need to complete the development of Alaska's telephone system. This and other factors creating upward pressures on intrastate rates are conspicuously absent from the Commission's analysis.

Perhaps even more conspicuous, however, is the failure by the Commission to acknowledge that the greatest pressure on intrastate rates could come from the myriad of separations proposals the Joint Board in CC Docket No. 80-286 is now considering. These

^{11/} January 2 Order at ¶ 14.

^{12/} Id. at ¶ 34.

proposals, if adopted, would increase dramatically the costs to be recovered from the intrastate jurisdiction, and accordingly, create enormous upward pressures on intrastate rates. As the State noted in its December 2 Comments, the Category 8 separations procedures changes proposed by AT&T could cause an extraordinary shift -- \$42 million -- to the Alaska intrastate jurisdiction.^{13/} Given the small number of access lines in the State -- approximately 250,000 -- a shift of \$42 million would increase the intrastate revenue requirement by approximately \$167.50 per access line per year, or \$14 per line per month.^{14/} Combined with other cost recovery changes, intrastate revenue requirements could increase by up to \$28 per line per month.^{15/}

Increases in Alaskan intrastate revenue requirements of these magnitudes are inconsistent with universal service.^{16/} According to data submitted by Alascom and ATA, rural (and other) Alaskans already pay more for phone service than comparable customers in

^{13/} Alaska Comments at 24.

^{14/} Id. at 25 n.42.

^{15/} Id. at 27 n.47.

These figures would be reduced by \$3 per line per month if the Commission is correct in its assumption, enunciated in its January 2 Order, that the impact of that decision would require only a \$6 million per year intrastate rate increase. January 2 Order at ¶ 34. See also ATA Comments at 26, 36.

^{16/} Were the IPUC Study results to be applicable in Alaska, a \$40 per month increase could lead to a decline in service of over 18 percent (reducing Alaskan penetration levels to about 70 percent). Were West Virginia Study results applicable, an even greater decline in service would be suggested.

the lower 48.^{17/} Merely stating the magnitude of these shifts and resulting revenue requirements, however, understates the special hardships that rate increases would pose for low income residents of the State, whom, the Idaho, West Virginia and other studies show, are apt to suffer the greatest decline in service.^{18/}

In light of these facts and the facts set forth in the State's Comments, separations changes must not be instituted which would harm universal service. As the State has urged, companies with high Category 6 costs should receive cost support analogous to the support provided for high NTS local loop costs, or comparable support. With respect to Category 8 costs, Alaska should be treated like other states, which requires adoption of "make-whole" policies to assure that Alaskans, like other Americans, face no massive jurisdictional revenue shifts.^{19/}

AT&T has suggested that if separations shifts would harm universal service in Alaska, then the State should subsidize telephone service so as to minimize that harm.^{20/} This argument is both theoretically and factually unsound. If adopted, it would

^{17/} ATA Comments at 16-17, 26 & Attachment C; Alascom Comments at 10-11.

^{18/} In order to preserve and prevent declines in universal service, the Commission could closely monitor the status of Alaska telecommunications service. This monitoring would assist it in assessing the impact of termination of the supplement, any separations changes adopted, or any other changes in provision of service.

^{19/} Reply Comments of the State of Alaska, CC Docket No. 80-286 at 18-21, 26-27 (October 29, 1986). See also Alaska Comments at 20-29.

^{20/} AT&T Comments at 31-32.

discriminate against Alaska by requiring it, and no other state, to subsidize telephone service to keep rates at affordable levels. Viewed in this way, the proposal is the antithesis of rate integration. Further, as AT&T itself emphasized in its Opposition to Alascom's Motion to Obtain Required Information, Alascom's toll network is the functional equivalent of local loops in the lower 48.^{21/} In the lower 48, high local loop costs are supported by the high cost fund. In Alaska, support from a similar source must be found for its functional equivalent.^{22/}

In its Order extending time for filing these comments, the Commission recognized that parties should have an opportunity to comment in this proceeding on actions taken by the CC Docket No. 80-286 Joint Board on separations issues.^{23/} On February 13, 1987, the Commission announced that the February meeting at which that Joint Board was to have arrived at a recommendation on those issues was being postponed until March. The State suggests that the Commission either postpone the final round of comments in this proceeding or announce that supplemental comments may be filed

^{21/} AT&T Opposition at 3.

^{22/} In this connection, it should be noted that, in significant part because of the precipitous drop in oil revenues described in its Comments, the State budget for Fiscal Year 1987 is now estimated to be \$875 million in the red. The State, therefore, is being forced to retrench. The Governor, in fact, has proposed a Fiscal Year 1988 budget that represents a 27 percent cut in spending from Fiscal Year 1987 levels. Annual Budget Message By The Honorable Steve Cowper, Governor of the State of Alaska (January 28, 1987).

^{23/} Memorandum Opinion and Order, CC Docket No. 83-1376, FCC 1558 at 1.

thirty days after the CC Docket 80-286 Joint Board's recommendations on Central Office Equipment Categories 6 and 8 separations are released.^{24/} Resolution of collateral matters, such as Alascom's motion concerning immediate implementation of the Court of Appeals order in Alascom, Inc. v. Federal Communications Commission, may also require the filing of supplemental comments.

V. CONCLUSION

The State suggests that the points raised in these comments and the principles outlined in its initial comments be used to

^{24/} Some comments in this proceeding have addressed the issue of transition periods for implementation of new separations rules. Given that the existence, nature and scope of any changes in separations rules has yet to be decided, it would appear that such comments are premature. Any transition period must be calibrated to be sufficiently long to take into account the relationship between any enacted separations changes and the need to maintain universal service.

Alascom suggests four methods of increasing intrastate revenues. Id. at 42-43. To respond to the need for increased intrastate revenues in light of the termination of the supplement Alascom, on January 22, 1987, filed a request with the APUC to institute directory and operator assistance rates, and related measures. Presumably, those methods would, therefore, not be available to support intrastate revenue increases required by other separations changes.

protect and enhance universal service for Alaska.

Respectfully submitted,

THE STATE OF ALASKA
Grace Schaible
Attorney General

By: Linda K. Smith
Linda K. Smith
Robert M. Halperin
Steven J. Gorosh

CROWELL & MORING
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2505
(202) 624-2500

Its Attorneys

Of Counsel:

John W. Katz
Director of State/Federal Relations

Martha A. Fox
Special Assistant Attorney General

February 27, 1987

CERTIFICATE OF SERVICE

I, Jena Talarico, hereby certify that on this 27th day of February, 1987, I caused copies of the foregoing "Further Comments of the State of Alaska" to be hand-delivered or sent by first-class mail, postage prepaid, to the following:

* Chairman Mark S. Fowler
Federal Communications Commission
Room 814
1919 M Street, N.W.
Washington, D.C. 20554

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

* Commissioner Dennis R. Patrick
Federal Communications Commission
Room 844
1919 M Street, N.W.
Washington, D.C. 20554

Chairman Edward F. Burke
Rhode Island Public
Utilities Commission
100 Orange Street
Providence, RI 02903

Chairman Bruce Hagan
North Dakota Public Service
Commission
State Capitol Building
Bismark, ND 58505

Commissioner Edythe S. Miller
Colorado Public Utilities
Commission
1580 Logan Street
Office Level Two
Denver, CO 80203

Chairman Marvin R. Weatherly
Alaska Public Utilities
Commission
Suite 100
420 L Street
Anchorage, AK 995p

Ronald G. Choura
Michigan Public Service
Commission
6545 Mercantile Way
Lansing, MI 48910

Rowland Curry
Texas Public Utilities
Commission
Suite 400 N
7800 Shoal Creek Blvd.
Austin, TX 78757

Timothy J. Devlin
Auditing and Financial
Analysis Department
Florida Public Utilities
Commission
101 E. Gaines Street
Tallahassee, FL 32301

Gary A. Evenson, Director
Communications Bureau
Utility Rates Division
Public Service Commission
P.O. Box 7854
Madison, WI 53707

Karen Lee Hochstein
NARUC
Room 1102
ICC Building
Constitution Avenue, N.W.
P.O. Box 684
Washington, D.C. 20044

Carl Hunt
Chief Economist
Colorado Public Utilities
Commission
1580 Logan Street
Office Level One
Denver, CO 80203

Jim Lanni
Rhode Island Public
Utilities Commission
100 Orange Street
Providence, RI 02903

Heikki Leesment
New Jersey Board of Public
Utilities
1100 Raymond Boulevard
Newark, NJ 07102

Lorraine Plaga
Alaska Public Utilities
Commission
Suite 100
420 L Street
Anchorage, AK 99501

Paul Popenoe, Jr.
California Public Utilities
Commission
350 McAllister Street
San Francisco, CA 94102

Len Schlosser
North Dakota Public Service
Commission
State Capitol Building
Bismark, ND 58505

Guy Twombly
242 State Street
Augusta, ME 04333

Chris Herberger
House Special Committee on
Telecommunications
Alaska State Legislature
State Capitol
Juneau, AK 99811

John W. Pettit, Esq.
Neal M. Goldberg, Esq.
Hamel & Park
888 16th Street, N.W.
Washington, D.C. 20006
Counsel for General Communications, Inc.

B. H. Walling, Jr., Esq.
AT&T
Suite 1000, 1120 20th Street, N.W.
Washington, D.C. 20036

Alan Y. Naftalin, Esq.
Margot Smiley Humphrey, Esq.
Koteen & Naftalin
1150 Connecticut Avenue, N.W.
Washington, D.C. 20036
Counsel for Alascom, Inc.

Linda A. Townsend, Esq.
Chief Counsel
U.S. Department of Commerce
National Telecommunications &
Information Administration
14th & Constitution Avenue, N.W.
Room H-4717
Washington, D.C. 20230

Judith A. Maynes, Esq.
Robert B. Stechart, Esq.
Richard F. Hope, Esq.
AT&T
295 North Maple Avenue
Basking Ridge, NJ 07920

John Curry, Esq.
Department of Justice
Special Regulated Industries Section
Antitrust Division
Safeway 500
Washington, D.C. 20530

Joseph R. Fogarty, Esq.
Weil, Gotshal & Manges
Suite 700
1615 L Street, N.W.
Washington, D.C. 20036
Counsel for Alaska Telephone Association

Michael L. Glaser, Esq.
Francis E. Fletcher, Jr., Esq.
Gardner, Carton & Douglas
Suite 1050
1875 Eye Street, N.W.
Washington, D.C. 20006
Counsel for Anchorage Telephone Utility

William K. Keane, Esq.
Wilner & Scheiner
1200 New Hampshire Avenue, N.W.
Suite 300
Washington, D.C. 20036
Counsel for United Utilities, Inc.

- * Albert Halprin, Esq.
Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554
- * Douglas L. Slotten, Esq.
Common Carrier Bureau
Federal Communications Commission
Room 544
1919 M Street, N.W.
Washington, D.C. 20554

Jena K. Talarico
Jena Talarico

* Hand Delivered

3-5-87

FILE COPY

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

In the Matter of

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

CC Docket No. 83-1376
RM ~~4485~~ **RECEIVED**

MAR - 5 1987

FCC
OFFICE OF THE SECRETARY

To: The Commission

**MOTION FOR LEAVE TO FILE
LATE-FILED COMMENTS**

The State of Alaska (Alaska or the State), by its attorneys, hereby requests leave to file the attached "Comments of the State of Alaska in Connection with the Motion of Alascom, Inc. for Immediate Implementation of the Order of the United States Court of Appeals for the District of Columbia."

The Motion which the State's Comments addresses was filed February 6, 1987. Related pleadings were filed February 17, 1987 (Response of American Telephone & Telegraph Company to Motion of Alascom, Inc. and Opposition of General Communication, Incorporated) and March 2, 1987 (Reply of Alascom, Inc. to Responses

to the Motion for Immediate Implementation of the Order of the United States Court of Appeals for the District of Columbia). The State wishes, having had the opportunity to review these pleadings and to analyze them from a public interest perspective, to file these comments. It asks that this motion be granted, because it will not delay the proceeding and because it believes its Comments will be useful in this matter.

Respectfully submitted,

THE STATE OF ALASKA
Grace Berg Schaible
Attorney General

By: Linda K. Smith
Linda K. Smith
Robert M. Halperin
Steven J. Gorosh

CROWELL & MORING
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2505
(202) 624-2500

Its Attorneys

OF COUNSEL:

John W. Katz
Director, State/Federal
Relations and Special
Counsel to the Governor

Martha A. Fox
Special Assistant to
Attorney General

March 5, 1987

CERTIFICATE OF SERVICE

I, Jacqui Farrell, hereby certify that on this 5th day of March, 1987, I caused copies of the foregoing "Motion for Leave to File Late-Filed Comments" for the State of Alaska to be hand-delivered or sent by first-class mail, postage prepaid, to the following:

* Chairman Mark S. Fowler
Federal Communications Commission
Room 814
1919 M Street, N.W.
Washington, D.C. 20554

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

* Commissioner Dennis R. Patrick
Federal Communications Commission
Room 844
1919 M Street, N.W.
Washington, D.C. 20554

Chairman Edward F. Burke
Rhode Island Public
Utilities Commission
100 Orange Street
Providence, RI 02903

Chairman Bruce Hagan
North Dakota Public Service
Commission
State Capitol Building
Bismark, ND 58505

Commissioner Edythe S. Miller
Colorado Public Utilities
Commission
1580 Logan Street
Office Level Two
Denver, CO 80203

Chairman Marvin R. Weatherly
Alaska Public Utilities
Commission
Suite 100
420 L Street
Anchorage, AK 995p

Ronald G. Choura
Michigan Public Service
Commission
6545 Mercantile Way
Lansing, MI 48910

Rowland Curry
Texas Public Utilities
Commission
Suite 400 N
7800 Shoal Creek Blvd.
Austin, TX 78757

Timothy J. Devlin
Auditing and Financial
Analysis Department
Florida Public Utilities
Commission
101 E. Gaines Street
Tallahassee, FL 32301

Gary A. Evenson, Director
Communications Bureau
Utility Rates Division
Public Service Commission
P.O. Box 7854
Madison, WI 53707

Karen Lee Hochstein
NARUC
Room 1102
ICC Building
Constitution Avenue, N.W.
P.O. Box 684
Washington, D.C. 20044

Carl Hunt
Chief Economist
Colorado Public Utilities
Commission
1580 Logan Street
Office Level One
Denver, CO 80203

Jim Lanni
Rhode Island Public
Utilities Commission
100 Orange Street
Providence, RI 02903

Heikki Leesment
New Jersey Board of Public
Utilities
1100 Raymond Boulevard
Newark, NJ 07102

Lorraine Plaga
Alaska Public Utilities
Commission
Suite 100
420 L Street
Anchorage, AK 99501

Paul Popenoe, Jr.
California Public Utilities
Commission
350 McAllister Street
San Francisco, CA 94102

Len Schlosser
North Dakota Public Service
Commission
State Capitol Building
Bismark, ND 58505

Guy Twombly
242 State Street
Augusta, ME 04333

Chris Herberger
House Special Committee on
Telecommunications
Alaska State Legislature
State Capitol
Juneau, AK 99811

* John W. Pettit, Esq.
Neal M. Goldberg, Esq.
Hamel & Park
888 16th Street, N.W.
Washington, D.C. 20006
Counsel for General Communications, Inc.

* B. H. Walling, Jr., Esq.
AT&T
Suite 1000, 1120 20th Street, N.W.
Washington, D.C. 20036

* Alan Y. Naftalin, Esq.
Margot Smiley Humphrey, Esq.
Koteen & Naftalin
1150 Connecticut Avenue, N.W.
Washington, D.C. 20036
Counsel for Alascom, Inc.

Linda A. Townsend, Esq.
Chief Counsel
U.S. Department of Commerce
National Telecommunications &
Information Administration
14th & Constitution Avenue, N.W.
Room H-4717
Washington, D.C. 20230

Judith A. Maynes, Esq.
Robert B. Stechart, Esq.
Richard F. Hope, Esq.
AT&T
295 North Maple Avenue
Basking Ridge, NJ 07920

John Curry, Esq.
Department of Justice
Special Regulated Industries Section
Antitrust Division
Safeway 500
Washington, D.C. 20530

* Joseph R. Fogarty, Esq.
Weil, Gotshal & Manges
Suite 700
1615 L Street, N.W.
Washington, D.C. 20036
Counsel for Alaska Telephone Association

* Michael L. Glaser, Esq.
Francis E. Fletcher, Jr., Esq.
Gardner, Carton & Douglas
Suite 1050
1875 Eye Street, N.W.
Washington, D.C. 20006
Counsel for Anchorage Telephone Utility

* William K. Keane, Esq.
Wilner & Scheiner
1200 New Hampshire Avenue, N.W.
Suite 300
Washington, D.C. 20036
Counsel for United Utilities, Inc.

* Albert Halprin, Esq.
Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

* Douglas L. Slotten, Esq.
Common Carrier Bureau
Federal Communications Commission
Room 544
1919 M Street, N.W.
Washington, D.C. 20554


Jacquie Farrell

* Hand Delivered

3-5-87

FILE COPY

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

In the Matter of

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

CC Docket No. 83-1376
RM 4436

RECEIVED

MAR - 5 1987

FCC
OFFICE OF THE SECRETARY

To: The Commission

**COMMENTS OF
THE STATE OF ALASKA
IN CONNECTION WITH THE MOTION OF
ALASCOM, INC. FOR IMMEDIATE
IMPLEMENTATION OF THE ORDER
OF THE UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA**

The State of Alaska (Alaska or the State), by its attorneys, hereby files Comments in connection with the "Motion of Alascom, Inc. for Immediate Implementation of the Order of the United States Court of Appeals for the District of Columbia," filed February 6, 1987.^{1/} In its Motion, Alascom asks the Commission

^{1/} These Comments are accompanied by a separate Motion for Leave to File Late-Filed Comments.

immediately to take certain actions to carry out the January 27, 1987 Order of the United States Court of Appeals for the District of Columbia Circuit in Alascom, Inc. v. FCC et al. (Case No. 85-1279) (January 27 Order).^{2/}

At the time the Commission was first considering the AT&T/GCI arrangements which led to the decision at issue in the January 27th Order,^{3/} the State said that it was not taking a position in support of or in opposition to those arrangements and pointed out that the arrangements raised complex and important public interest questions. Comments of the State of Alaska at 2 (filed April 5, 1985) (State of Alaska April 5 Comments). The State noted that the information needed to answer these questions was not in the administrative record and urged that such information be obtained to permit evaluation of the impact of the arrangements on some seven factors identified by the Commission in other phases of this proceeding as important to the public interest. Id. at 2, 4-6. The State also said at that time, and throughout this proceeding, that it "is of the greatest importance to all Alaskans that affordable, universal telephone service be available to them." Id. at 2. The State repeated this view in its brief to the Court of Appeals. See generally Brief of Intervenor The State of Alaska, Case No. 85-1279 (filed

^{2/} On February 4, 1987, the court issued a further order directing that issuance of mandate be withheld until seven days after disposition of any timely petition for rehearing.

^{3/} Memorandum Opinion and Order, FCC 85-235 (released May 1, 1985) (May 1 Order).

January 24, 1986). That goal continues to be of paramount importance.

Accordingly, in connection with the Alascom Motion, the State urges that at the appropriate time the Commission engage in the type of reasoned, fact-based decision making the State has previously supported. The Commission has available to it data submitted to the Joint Board by the parties in July 1986,^{4/} as well as additional and supplemental data submitted since that time. The Commission should also obtain further information bearing on the relevant issues here. The criteria cited by the Commission as determinative of the public interest should be applied to this administrative record and a decision made based on the record and analysis of it.

Further, as the State has repeatedly noted, availability of affordable, universal service to all Alaskans is of greatest importance. Interstate service is presently being provided to and from Alaska by two Alaska carriers (as well as by AT&T). Change in this situation would have complex and serious impacts on Alaskan telephone subscribers. Service disruption is not in the public interest. To avoid disruptions in Alaskan telephone service, the State urges that the Commission not take any action which would impair the provision of such telephone service to Alaskans by these carriers while the Commission is engaging in the process outlined above. If, on the basis of the administrative

^{4/} The Joint Board had not been convened when the Commission issued its May 1 decision.

record, the Commission finds that (1) any applicable legal standards are not violated; (2) there is financial hardship or other significant considerations relevant to the public interest; and (3) that as a result of such considerations, service would be disrupted during the pendency of the Joint Board proceeding, appropriate action should be taken by the Commission to protect and preserve affordable, universal service.

Respectfully submitted,

THE STATE OF ALASKA
Grace Berg Schaible
Attorney General

By: Linda K. Smith

Linda K. Smith
Robert M. Halperin
Steven J. Gorosh

CROWELL & MORING
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2505
(202) 624-2500

Its Attorneys

OF COUNSEL:

John W. Katz
Director, State/Federal
Relations and Special
Counsel to the Governor

Martha A. Fox
Special Assistant to
Attorney General

March 5, 1987

CERTIFICATE OF SERVICE

I, Jacqui Farrell, hereby certify that on this 5th day of March, 1987, I caused copies of the foregoing "Comments of the State of Alaska in Connection with the Motion of Alascom, Inc. for Immediate Implementation of the Order of the United States Court of Appeals for the District of Columbia" to be hand-delivered or sent by first-class mail, postage prepaid, to the following:

* Chairman Mark S. Fowler
Federal Communications Commission
Room 814
1919 M Street, N.W.
Washington, D.C. 20554

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

* Commissioner Dennis R. Patrick
Federal Communications Commission
Room 844
1919 M Street, N.W.
Washington, D.C. 20554

Chairman Edward F. Burke
Rhode Island Public
Utilities Commission
100 Orange Street
Providence, RI 02903

Chairman Bruce Hagan
North Dakota Public Service
Commission
State Capitol Building
Bismark, ND 58505

Commissioner Edythe S. Miller
Colorado Public Utilities
Commission
1580 Logan Street
Office Level Two
Denver, CO 80203

Chairman Marvin R. Weatherly
Alaska Public Utilities
Commission
Suite 100
420 L Street
Anchorage, AK 995p

Ronald G. Choura
Michigan Public Service
Commission
6545 Mercantile Way
Lansing, MI 48910

Rowland Curry
Texas Public Utilities
Commission
Suite 400 N
7800 Shoal Creek Blvd.
Austin, TX 78757

Timothy J. Devlin
Auditing and Financial
Analysis Department
Florida Public Utilities
Commission
101 E. Gaines Street
Tallahassee, FL 32301

Gary A. Evenson, Director
Communications Bureau
Utility Rates Division
Public Service Commission
P.O. Box 7854
Madison, WI 53707

Karen Lee Hochstein
NARUC
Room 1102
ICC Building
Constitution Avenue, N.W.
P.O. Box 684
Washington, D.C. 20044

Carl Hunt
Chief Economist
Colorado Public Utilities
Commission
1580 Logan Street
Office Level One
Denver, CO 80203

Jim Lanni
Rhode Island Public
Utilities Commission
100 Orange Street
Providence, RI 02903

Heikki Leesment
New Jersey Board of Public
Utilities
1100 Raymond Boulevard
Newark, NJ 07102

Lorraine Plaga
Alaska Public Utilities
Commission
Suite 100
420 L Street
Anchorage, AK 99501

Paul Popenoe, Jr.
California Public Utilities
Commission
350 McAllister Street
San Francisco, CA 94102

Len Schlosser
North Dakota Public Service
Commission
State Capitol Building
Bismark, ND 58505

Guy Twombly
242 State Street
Augusta, ME 04333

Chris Herberger
House Special Committee on
Telecommunications
Alaska State Legislature
State Capitol
Juneau, AK 99811

* John W. Pettit, Esq.
Neal M. Goldberg, Esq.
Hamel & Park
888 16th Street, N.W.
Washington, D.C. 20006
Counsel for General Communications, Inc.

* B. H. Walling, Jr., Esq.
AT&T
Suite 1000, 1120 20th Street, N.W.
Washington, D.C. 20036

* Alan Y. Naftalin, Esq.
Margot Smiley Humphrey, Esq.
Koteen & Naftalin
1150 Connecticut Avenue, N.W.
Washington, D.C. 20036
Counsel for Alascom, Inc.

Linda A. Townsend, Esq.
Chief Counsel
U.S. Department of Commerce
National Telecommunications &
Information Administration
14th & Constitution Avenue, N.W.
Room H-4717
Washington, D.C. 20230

Judith A. Maynes, Esq.
Robert B. Stechart, Esq.
Richard F. Hope, Esq.
AT&T
295 North Maple Avenue
Basking Ridge, NJ 07920

John Curry, Esq.
Department of Justice
Special Regulated Industries Section
Antitrust Division
Safeway 500
Washington, D.C. 20530

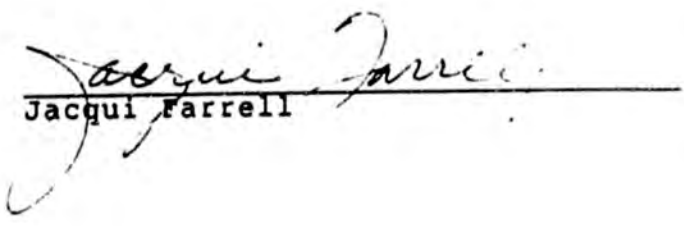
* Joseph R. Fogarty, Esq.
Weil, Gotshal & Manges
Suite 700
1615 L Street, N.W.
Washington, D.C. 20036
Counsel for Alaska Telephone Association

* Michael L. Glaser, Esq.
Francis E. Fletcher, Jr., Esq.
Gardner, Carton & Douglas
Suite 1050
1875 Eye Street, N.W.
Washington, D.C. 20006
Counsel for Anchorage Telephone Utility

* William K. Keane, Esq.
Wilner & Scheiner
1200 New Hampshire Avenue, N.W.
Suite 300
Washington, D.C. 20036
Counsel for United Utilities, Inc.

* Albert Halprin, Esq.
Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

* Douglas L. Slotten, Esq.
Common Carrier Bureau
Federal Communications Commission
Room 544
1919 M Street, N.W.
Washington, D.C. 20554


Jacqui Farrell

* Hand Delivered

RECEIVED

MAR 10 '87

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

OFFICE OF THE SECRETARY

FILE

In the Matter of

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

CC Docket No. 83-1376
RM 4436

To: The Joint Board

COMMENTS OF
THE STATE OF ALASKA

The State of Alaska (Alaska or the State), by its attorneys,
hereby submits comments in connection with the Supplemental Notice
of Proposed Rulemaking (Supplemental Notice)^{1/} in the above-

^{1/} 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; Integration of Rates and Services for the
Provision of Communications by Authorized Common Carriers
between the United States Mainland and the Offshore Points of
Hawaii, Alaska and Puerto Rico/Virgin Islands, et al., FCC
86-600, CC Docket No. 83-1376; RM 4436 (released January 9,
1987).

captioned proceeding and the comments filed in response to the Supplemental Notice.

As the Commission and the Joint Board well know, the State has long advocated institution of full rate integration for Alaska. With respect to Alaska-Hawaii routes, the State believes the Commission long ago settled the question of whether those routes should be rate integrated and determined that they should be.

In 1976, the Commission issued an opinion responding to a request for a declaratory ruling "on the question of whether MTS service among the following points should be regarded as interstate:

- (a) Mainland - Puerto Rico/Virgin Islands
- (b) Puerto Rico - Virgin Islands
- (c) Puerto Rico/Virgin Islands - Alaska
- (d) Puerto Rico/Virgin Islands - Hawaii

. . . [and] whether service between the points specified in b-d above, even if interstate, is encompassed within rate integration as a matter of policy."^{2/} The Commission concluded that such service was interstate and that "the public interest would be best served by integrating the rates for service to the off-shore states."^{3/} The Commission further held that: "It follows from

^{2/} Memorandum Opinion, Integration of Rates and Services for the Provision of Communications by Authorized Common Carriers between the United States Mainland and Hawaii, Alaska and Puerto Rico/Virgin Islands, 62 FCC 2d 693, 693-4 (1976).

^{3/} Id. at 694-95.

our conclusions herein that the rates for interstate services between Hawaii and Alaska should also be integrated into Mainland rate patterns by the relevant carriers as soon as practicable."^{4/}

The Commission's directive -- that rate integration applied to and among offshore points -- including Alaska and Hawaii -- has been repeated in later decisions.^{5/} Thus it has been abundantly clear for more than a decade that rate integration applies to Alaska-Hawaii routes (as well as to other off-shore points).

The State agrees with its sister State of Hawaii that "there is absolutely no basis for treating services between Alaska and Hawaii any differently from services between Alaska and the 'lower 48' states."^{6/} To do otherwise would be to reverse the determination already made that rate integration applies to and between off-shore points. Accordingly, the State believes rate integration should apply to Alaska-Hawaii and other off-shore

^{4/} Id. at 695, n. 7.

^{5/} See, e.g., AT&T Co., Long Lines Department, 66 FCC 2d 3, 57, n. 70. ~~See also, Rate Integration, 62 FCC 2d 693 (1976),~~ wherein we held our rate and service integration requirement applies between and among Puerto Rico, the U.S. Virgin Islands, Alaska, Hawaii and the U.S. Mainland." (emphasis in original); Common Carrier Separation Procedures, 72 FCC 2d 715, 717 (1979) ("... the carriers are also required to integrate rates between other off-shore points, i.e. Alaska and Hawaii. 62 FCC 2d 693 (1976).")

^{6/} Comments of the State of Hawaii at 5 (filed February 10, 1987).

points, as it does to Alaska-Lower 48 service. The State believes this approach will promote universal, affordable service.

Respectfully submitted,

THE STATE OF ALASKA
Grace Berg Schaible
Attorney General

By: Linda K. Smith
Linda K. Smith
Robert M. Halperin
Steven J. Gorosh

CROWELL & MORING
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2505
(202) 624-2500

Its Attorneys

OF COUNSEL:

John W. Katz
Director, State/Federal
Relations and Special
Counsel to the Governor

Martha A. Fox
Special Assistant
Attorney General

March 10, 1987

CERTIFICATE OF SERVICE

I, Donna L. Petruska, hereby certify that on this 10th day of March, 1987, I caused copies of the foregoing "Comments of the State of Alaska" to be hand-delivered or sent by first-class mail, postage prepaid, to the following:

* Chairman Mark S. Fowler
Federal Communications Commission
Room 814
1919 M Street, N.W.
Washington, D.C. 20554

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

* Commissioner Dennis R. Patrick
Federal Communications Commission
Room 844
1919 M Street, N.W.
Washington, D.C. 20554

Chairman Edward F. Burke
Rhode Island Public
Utilities Commission
100 Orange Street
Providence, RI 02903

Chairman Bruce Hagan
North Dakota Public Service
Commission
State Capitol Building
Bismark, ND 58505

Commissioner Edythe S. Miller
Colorado Public Utilities
Commission
1580 Logan Street
Office Level Two
Denver, CO 80203

Chairman Marvin R. Weatherly
Alaska Public Utilities
Commission
Suite 100
420 L Street
Anchorage, AK 99501

Ronald G. Choura
Michigan Public Service
Commission
6545 Mercantile Way
Lansing, MI 48910

Rowland Curry
Texas Public Utilities
Commission
Suite 400 N
7800 Shoal Creek Blvd.
Austin, TX 78757

Timothy J. Devlin
Auditing and Financial
Analysis Department
Florida Public Utilities
Commission
101 E. Gaines Street
Tallahassee, FL 32301

Gary A. Evenson, Director
Communications Bureau
Utility Rates Division
Public Service Commission
P.O. Box 7854
Madison, WI 53707

Karen Lee Hochstein
NARUC
Room 1102
ICC Building
Constitution Avenue, N.W.
P.O. Box 684
Washington, D.C. 20044

Carl Hunt
Chief Economist
Colorado Public Utilities
Commission
1580 Logan Street
Office Level One
Denver, CO 80203

Jim Lanni
Rhode Island Public
Utilities Commission
100 Orange Street
Providence, RI 02903

Heikki Leesment
New Jersey Board of Public
Utilities
1100 Raymond Boulevard
Newark, NJ 07102

Lorraine Plaga
Alaska Public Utilities
Commission
Suite 100
420 L Street
Anchorage, AK 99501

Paul Popenoe, Jr.
California Public Utilities
Commission
350 McAllister Street
San Francisco, CA 94102

Len Schlosser
North Dakota Public Service
Commission
State Capitol Building
Bismark, ND 58505

Guy Twombly
242 State Street
Augusta, ME 04333

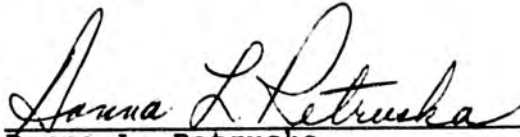
Chris Herberger
House Special Committee on
Telecommunications
Alaska State Legislature
State Capitol
Juneau, AK 99811

* John W. Pettit, Esq.
Neal M. Goldberg, Esq.
Hamel & Park
888 16th Street, N.W.
Washington, D.C. 20006
Counsel for General Communications, Inc.

* B. H. Walling, Jr., Esq.
AT&T
Suite 1000, 1120 20th Street, N.W.
Washington, D.C. 20036

- * Alan Y. Naftalin, Esq.
Margot Smiley Humphrey, Esq.
Koteen & Naftalin
1150 Connecticut Avenue, N.W.
Washington, D.C. 20036
Counsel for Alascom, Inc.
- Linda A. Townsend, Esq.
Chief Counsel
U.S. Department of Commerce
National Telecommunications &
Information Administration
14th & Constitution Avenue, N.W.
Room H-4717
Washington, D.C. 20230
- Judith A. Maynes, Esq.
Robert B. Stechart, Esq.
Richard F. Hope, Esq.
AT&T
295 North Maple Avenue
Basking Ridge, NJ 07920
- John Curry, Esq.
Department of Justice
Special Regulated Industries Section
Antitrust Division
Safeway 500
Washington, D.C. 20530
- * Joseph R. Fogarty, Esq.
Weil, Gotshal & Manges
Suite 700
1615 L Street, N.W.
Washington, D.C. 20036
Counsel for Alaska Telephone Association
- * Michael L. Glaser, Esq.
Francis E. Fletcher, Jr., Esq.
Gardner, Carton & Douglas
Suite 1050
1875 Eye Street, N.W.
Washington, D.C. 20006
Counsel for Anchorage Telephone Utility
- * William K. Keane, Esq.
Wilner & Scheiner
1200 New Hampshire Avenue, N.W.
Suite 300
Washington, D.C. 20036
Counsel for United Utilities, Inc.

- * Albert Halprin, Esq.
Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554
- * Douglas L. Sloten, Esq.
Common Carrier Bureau
Federal Communications Commission
Room 544
1919 M Street, N.W.
Washington, D.C. 20554


Donna L. Petruska

* Hand Delivered

3-27-87

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

RECORD COPY

RECEIVED

MAR 27 1987

FCC
OFFICE OF THE SECRETARY

In the Matter of

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

CC Docket No. 83-1376

RM 4436

To: The Federal-State Joint Board

REPLY COMMENTS OF THE STATE OF ALASKA

THE STATE OF ALASKA
Grace Berg Schaible
Attorney General

Linda K. Smith
Robert M. Halperin
Steven J. Gorosh

CROWELL & MORING
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2505

Its Attorneys

Of Counsel:

John W. Katz
Director of State/Federal Relations
and Special Counsel to the Governor

Martha A. Fox
Special Assistant Attorney General

March 27, 1987

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	ii
I. THE CRITICAL IMPORTANCE OF TELECOMMUNICATIONS SERVICES TO AND THE DIFFICULTY OF ACHIEVING UNIVERSAL SERVICE IN ALASKA ARE UNCONTROVERTED	1
II. THE JOINT BOARD SHOULD RECOMMEND MEASURES THAT WILL ALLOW ALL ALASKANS TO OBTAIN TELECOMMUNICATIONS SERVICES AT AFFORDABLE RATES AND THAT WILL PROMOTE INTEGRATION OF ALASKA INTO THE NATION	4
A. Universal Service Requires A Carrier Of Last Resort	5
B. Integration Of Alaska Into The Nation Requires That Costs Of Providing Interstate Service For Alaska Be Treated In The Same Manner As Are Costs Of Providing Such Service Elsewhere In The United States	7
III. FUNDAMENTAL ELEMENTS OF AT&T'S PROPOSAL TO ALTER THE EXISTING MARKET STRUCTURE WOULD FRUSTRATE UNIVERSAL SERVICE AND INTEGRATION OF ALASKA INTO THE NATION	10
IV. CONCLUSION	16

SUMMARY

The Communications Act establishes as national telecommunications policy the promotion of service on a nation-wide basis to as many people as possible. Universal service must, therefore, be the fundamental goal in this proceeding.

The Joint Board has had presented to it extensive data, comments and proposals, as well as further comments. In these three sets of submissions, no party has disputed that Alaska's geography, demographics and other characteristics make telecommunications services critically important to, and universal service particularly difficult to achieve, in Alaska. In light of these facts and fundamental national telecommunications policies, the Joint Board should recommend, and the Commission adopt, measures that will (1) maximize universal service by allowing all Alaskans to obtain telecommunications services at affordable rates, and (2) promote integration of Alaska into the rest of the United States.

To foster universal service in Alaska, it is necessary to acknowledge the existence of and need for a carrier of last resort for the provision of Alaska interstate and intrastate services. Changes in the market structure through which interstate services are provided can have significant effects on the provision of intrastate services. These effects would frustrate the achievement of universal service.

As the State has maintained in its previously filed comments, integration of Alaska into the rest of the Nation is an important

national goal and can be accomplished, in significant part, by treating the costs of providing telecommunications services to and from Alaska in the same manner as are the costs of providing such services in other parts of the United States.

The State believes any proposal that would frustrate, rather than promote, the goals of universal service and integration of Alaska into the rest of the Nation should not be recommended by the Joint Board.

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

In the Matter of)
)
)

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

CC Docket No. 83-1376

RM 4436

To: The Federal-State Joint Board

REPLY COMMENTS OF THE STATE OF ALASKA

The State of Alaska (Alaska or the State), by its attorneys and pursuant to the Joint Board's Order Requesting Data and Inviting Comments in this proceeding, hereby submits its reply comments.

- I. THE CRITICAL IMPORTANCE OF TELECOMMUNICATIONS SERVICES TO AND THE DIFFICULTY OF ACHIEVING UNIVERSAL SERVICE IN ALASKA ARE UNCONTROVERTED.

In its July 15, 1986 response to the Joint Board's data request, Alaska submitted data concerning the State and its citizens.^{1/} Information concerning demographics, geography, climate,

^{1/} Response of the State of Alaska to Order Requesting Data and Inviting Comments (July 15, 1986) (Data Response).

transportation, education, public safety and health, economics, state revenues and expenditures, and the State's provision and consumption of telecommunications services was provided. Other parties provided similar or related information.

It is worth noting again some of the essential facts established.^{2/} The combination of Alaska's vast size and its small population makes the State's population density one-fifth that of the state with the next lowest population density (Wyoming) and one-sixty-seventh that of the United States as a whole.^{3/} Alaska has almost 300 communities. All but three contain fewer than 10,000 people, and over 200 communities have fewer than 500 people.^{4/} These settlements are dispersed throughout Alaska's 591,004 square miles, an area equal to 20 percent of the continental United States.^{5/}

This sparse and geographically dispersed population faces an extraordinary harsh climate and difficult terrain.^{6/} Transportation is difficult and roads are extremely limited.^{7/} In such circumstances, telecommunications services are critically important.

^{2/} A summary of the data was provided with the State's Data Response at 1-5. Facts of particular relevance were highlighted in the Comments of the State of Alaska at 5-10 (November 28, 1986) (Alaska Comments).

^{3/} Data Response at 1.

^{4/} Id. at Section A, 4-5.

^{5/} Id. at Section A, 1.

^{6/} Id. at Section C.

^{7/} Id. at Section D.

For example, Alaskans rely on telecommunications to provide emergency medical services and education to citizens in rural areas.^{1/} The State's unusual characteristics can make telecommunications services unusually costly to provide.^{2/}

Despite the extraordinary need for it, telecommunications service is not universally available in Alaska. Telephone penetration in the State has historically been, and continues to be,

^{1/} Id. at Section F, 1-9, Section E, 2.

^{2/} As the Commission has previously stated:

The remote communities in Alaska rely on telecommunications for much of their contact with others. The costs of providing this service to these points is significantly higher than that for other locations given the low population density, the remoteness of many of the communities, and the fixed costs associated with satellite transmission.

Integration of Rates and Services, CC Docket No. 83-1376, FCC 84-616 at 2 (December 11, 1984). See also Integration of Rates and Services, CC Docket No. 83-1376, FCC 84-512 at 7 (December 11, 1984), in which the Commission said:

The State of Alaska has unique geographic and cost characteristics which were a significant factor in the Commission's adoption of rate integration, and may also influence the type of competitive market structure that will be viable in Alaska. In the decision opening the Alaska MTS/WATS market to competition, the Commission noted several of these characteristics, including low, thinly distributed population density . . . adverse climatic and geographic conditions, and remote facility locations leading to high maintenance costs.

among the lowest in the Nation and significantly below national averages.^{10/}

These record facts are uncontroverted. The State asks the Joint Board to keep them in mind as it considers the policies to be applied to Alaska.^{11/}

II. THE JOINT BOARD SHOULD RECOMMEND MEASURES THAT WILL ALLOW ALL ALASKANS TO OBTAIN TELECOMMUNICATIONS SERVICES AT AFFORDABLE RATES AND THAT WILL PROMOTE INTEGRATION OF ALASKA INTO THE NATION.

In the State's view, the record facts outlined above and the fundamental national telecommunications policies of universal service and rate integration require adoption of proposals that will (1) allow all Alaskans to obtain telecommunications services at affordable rates, and (2) promote integration of Alaska into the rest of the Nation.^{12/} In fact, although they may also advance other goals, the relevant interexchange carriers have acknowledged these public interest policies as proper goals in this proceeding. Alascom has advocated rate integration and sought to minimize additional burdens on intrastate ratepayers to promote universal

^{10/} See Further Comments of the State of Alaska at 2 (February 27, 1987); Alaska Comments at 11.

^{11/} If, because of intervening regulatory or legal events, the Joint Board determines that it needs additional data regarding telecommunications service, the State, or other matters, it should immediately request such additional data and ask that they be filed as promptly as possible.

^{12/} See Alaska Comments at 2-4, 12-19 for a discussion of the universal service and rate integration policies.

service.^{13/} AT&T has, at least tacitly, acknowledged the propriety of rate integration by proposing a special fund to support it in rural Alaska.^{14/} GCI has recognized the importance of universal service by its discussion of the need for a support mechanism for rural service and its proposal to freeze cost allocations to promote universal service.^{15/}

A. Universal Service Requires A Carrier Of Last Resort.

Universal service can be promoted by recognizing the existence of and need for a carrier of last resort for interstate and intrastate services. The Commission, in its bush earth stations proceeding, recognized that only one satellite facility can be supported in rural Alaskan areas.^{16/} Alascom has been the carrier obliged to provide service to and from those points.^{17/} At least

^{13/} E.g., Further Comments of Alascom, Inc. at 1-4, 45-47 (February 27, 1987) (Alascom Further Comments).

^{14/} Comments and Proposal of AT&T at 29-36 (December 7, 1986) (AT&T Comments and Proposal).

^{15/} Further Comments of GCI at 6 (March 2, 1987) (GCI Further Comments). See also id. at 26 ("[A]doption of GCI's present proposal would provide a new mechanism through which the Commission could harmonize its policies of universal service through rate integration and competition in the Alaska market.").

^{16/} Policies Governing Ownership and Operation of Domestic Satellite Earth Station in Bush Communities in Alaska, 96 F.C.C.2d 522, 523 (1982); Policies Governing Ownership and Operation of Domestic Satellite Earth Stations in Bush Communities in Alaska, 92 F.C.C.2d 736, 738 & n.12 (1982); RCA Global Communications, Inc., 56 F.C.C.2d 660, 689 (1975).

^{17/} E.g., Alascom Further Comments at 8.

with respect to intrastate services, Alascom's obligation is a function of state regulation and policy.

The State urges the Joint Board to recommend a market structure that allows a carrier of last resort to provide interstate and intrastate services at affordable rates. Changes to the market structure through which interstate services are provided can have significant effects on the provision of intrastate service by, for example, creating stranded investment problems or causing other shifts in jurisdictional cost allocations. If these effects are ignored, it is possible (and perhaps even likely) that many Alaskans would not have access to telecommunications services and thus that universal service would be undermined.

Costs of standard investment could be forced into the intrastate jurisdiction, and onto intrastate ratepayers, creating rates well beyond the level of affordability for all Alaskans, particularly those for whom a carrier of last resort is most needed. This danger exists because there is a single network through which both interstate and intrastate services are provided by the carrier of last resort.^{18/}

Similarly, the Joint Board should critically evaluate any approach that would significantly affect cost allocations for jointly used equipment. As did the Joint Board in CC Docket No.

^{18/} Alascom Further Comments at 17-19 and Attachment A. It has been predicted that intrastate toll rates could as much as triple to cover increased costs if certain market changes were instituted. *Id.* Such rates are already almost twice as high as interstate rates for calls of the same distance. *Id.* at 19 and Attachment B.

80-286,^{13/} this Joint Board should recognize the need to avoid significant intrastate rate increases as a result of separations procedures and rules. ~~Since~~ separations rules for certain types of equipment take into consideration the relative amounts of interstate and intrastate use, market structure changes that would reduce significantly the relative amount of interstate use of Alascom's network could create significant increases in intrastate revenue requirements and thus, intrastate rates. Such market structure changes would frustrate universal service and should not be recommended.

- B. Integration Of Alaska Into The Nation Requires That Costs Of Providing Interstate Service For Alaska Be Treated In The Same Manner As Are Costs Of Providing Such Service Elsewhere In The United States.

Integration of Alaska and other off-shore points into the national telecommunications system has been a fundamental Commission policy for more than fifteen years.^{20/} Recently, the Commission implemented that policy by ordering the final step of rate integration for Mainland U.S.-Alaska routes^{21/} and by asking this

^{13/} See FCC News Release, Report No. DC-863 (March 12, 1987).

^{20/} See Alaska Comments at 12-17 for a discussion of the rate integration policy and relevant Commission decisions.

^{21/} Integration of Rates and Services, Memorandum Opinion and Order, CC Docket No. 83-1376, FCC 86-602 (January 2, 1987).

Joint Board to study rate integration with respect to Alaska-Hawaii routes.^{11/}

The final step of Mainland U.S.-Alaska rate integration should be maintained. Alaskans and those who communicate with them should not be forced to pay higher interstate rates than other Americans. Rate integration continues to be in the public interest for the entire nation.

The Commission's rate integration policy requires that, with respect to interstate rates, Alaska be treated no differently than other states. Both the rates charged for service to and from Alaska and the manner in which those rates are calculated should be no different than they are for other states. As the State has stressed,^{11/} the essence of rate integration is that geographically averaged rates are set at levels necessary to generate sufficient revenue to cover the cost of providing service (including a reasonable rate of return) to all portions of the United States, not each and every portion by itself. The Commission has said its rate integration policy "should be interpreted as implicitly recognizing that a rate structure which averages rates in 48 states and de-averages rates in two states may subject the residents of those two states to an unreasonable prejudice or disadvantage

^{11/} Integration of Rates and Services, Supplemental Notice of Proposed Rulemaking, CC Docket No. 83-1376, FCC 86-600 (January 9, 1987).

^{11/} See Alaska Comments at 14.

within the meaning of Section 202(a) [of the Communications Act]."^{24/}

Alaska is not, and should not be considered, a separate interstate interexchange market.^{25/} Differences between revenues derived from and costs allocated to interstate service to and from Alaska have been, and should continue to be, built into nationally averaged rates established pursuant to the Commission's rate integration policy. They have been, and given the mandates of the Communications Act and Commission policy, must continue to be, treated the same as differences for service to and from other locations which are costly to serve.

Notwithstanding AT&T's protestations to the contrary, it is proper to require carriers charging rate integrated rates to be responsible for the costs of Alaska service. AT&T, for example, 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. To allow AT&T to derive excess profits (i.e., profits above a reasonable rate of return) from serving low cost routes and not use those

^{24/} MTS/WATS Market Structure, 81 F.C.C.2d 177, 192 (1980). The Commission also said: "[A] rate structure which uses different ratemaking methods to determine the rates which different users pay for comparable services is inconsistent with the national policy expressed in Section 202(a)." Id.

^{25/} Competitive Common Carrier Services, 95 F.C.C.2d 554, 574-75 (1983) ("[W]e conclude that there is a single national relevant geographic market (including Alaska . . .) for interstate, domestic, interexchange telecommunications services with no relevant submarkets.").

profits to cover the costs of service on high cost routes would likely raise its rate of return above allowed levels. Such a practice would be contrary to the rate integration policy and would involve de-averaging, in a manner which the Commission has said would violate Section 202(a) of the Communications Act.

III. FUNDAMENTAL ELEMENTS OF AT&T'S PROPOSAL TO ALTER THE EXISTING MARKET STRUCTURE WOULD FRUSTRATE ACHIEVEMENT OF UNIVERSAL SERVICE AND INTEGRATION OF ALASKA INTO THE NATION.

As the Supreme Court noted thirty years ago, competition can promote innovation, efficiency, lower prices, and better products or service.^{26/} Competition, however, is not an end, but a means.^{27/}

AT&T's proposal to change further the existing telecommunications market structure in Alaska is designed to enhance open entry and competition in Alaska interstate services. While open entry and competition may, as the Supreme Court elucidated, result in benefits which promote the public interest, fundamental elements of the AT&T approach appear inconsistent with the primary

^{26/} American reliance on free competition rests on the premise that "unrestrained interaction of competitive forces will yield the best allocation of our economic resources, the lowest prices, the highest quality and the greatest material progress. . . ." Northern Pacific Railway Co. v. United States, 356 U.S. 1, 4 (1958). See also MTS-WATS Market Structure Inquiry, 92 F.C.C.2d 787, 841 (1982).

^{27/} "It is only in a blunt, indiscriminating sense that we speak of competition as an ultimate goal." FCC v. RCA Communications, Inc., 346 U.S. 86, 92 (1953). Further, "encouragement of competition as such has not been considered the single or controlling reliance for safeguarding the public interest." Id. at 93.

public interest goals of fostering universal service and integration of Alaska into the rest of the Nation.

AT&T's approach rests on creation of an "Alaska Rural Fund" of \$39 million to provide "support" for universal service in rural portions of Alaska.^{28/} Support would be allocated from the fund on a route-by-route basis. Both the total amount of the fund and the support allocated to each individual route would be capped and phased-out at some indefinite point in the future. In addition, AT&T seeks, inter alia, to be allowed a point of presence in Alaska.^{29/}

AT&T's approach, while repeated in each of its pleadings, is sketchy and lacking in operational detail. Notwithstanding the absence of detail, the plan is flawed in serious and fundamental respects and thus provides an inadequate and inappropriate solution to the issues before the Joint Board. Universal service and Alaskan integration into the Nation would be hampered, not advanced, by it.

(1) Creation of an Alaska rural fund would be a fundamental and unprecedented departure from, and might well presage the end of, rate integration and national geographically averaged rates. AT&T, in effect, proposes to spin off Alaska, and indeed "rural" Alaska, from the rest of the Nation. The difference between costs and revenues from providing service there would be treated differently than anywhere else in the United States. Ironically,

^{28/} AT&T Comments and Proposal at 29-35.

^{29/} Id. at 26.

if rural Alaska is unusually expensive to serve (an assumption which AT&T has not supported with any comparative data), an area that needs rate integration most would be segregated from the rest of the Nation's telecommunications system. If that were done, analogous treatment for other "high cost" areas, perhaps in rural Western or Southern states, or in costly to serve "rust belt" communities, might follow.

The result of permitting creation of special funds for allegedly costly to serve areas would be the Balkanization of what has been a unified telecommunications system that has served this country well. The current unified system would be replaced by a multi-tiered system in which rates and quality of service would vary geographically. For example, low cost areas would likely be well served either at current rates (which would generate profits above a reasonable rate of return) or perhaps at lower rates. High cost areas would likely be served only at rates higher than those currently charged. Even those rates might not generate revenues sufficient to cover costs and service quality would likely decline. Universal service would no longer be attainable.

(2) Even without regard to the unprecedented nature of what AT&T proposes, and its long-term effects on the Nation's telecommunications system, the support AT&T proposes would not ensure that needed service is provided to all Alaskans. For example, AT&T claims that the difference between costs incurred and

revenues derived from Alaskan interstate service is \$97 million.^{10/} Approximately \$40 million, AT&T claims, is attributable to separations procedures for Category 8 COE.^{11/} Thus, by AT&T's own figures, the remaining difference between cost of providing Alaskan interstate service and the revenues derived is approximately \$57 million.

Even that amount, AT&T admits, might be too small. It was based on the difference between revenues and costs before the final step of rate integration. Alaskan interstate rates are now lower and the revenue shortfall on Alaskan routes may be somewhat higher.^{12/} Thus, even if, in total contravention of the Commission's rate integration policy, there were to be an Alaska rural fund, AT&T's proposed fund could not provide resources needed for service to Alaska to continue.

In addition, AT&T seeks to distinguish between areas within Alaska for purposes of "support." AT&T justifies its \$39 million figure as the amount of "support" necessary for rural Alaska only. The difference between \$57 million and \$39 million (i.e., \$18 million), it says, goes to "support" urban service in Alaska.^{13/} "Urban" Alaska should not be segregated from the rest of the Nation, however, any more than should "rural" Alaska. Each

^{10/} E.g., Further Comments of AT&T at 2, 5, 7 (February 27, 1987) (AT&T Further Comments). This figure excludes the transitional supplement which ceased being paid in January 1987.

^{11/} Id. at 8.

^{12/} Id. at 5 n.*.

^{13/} Id. at 15, 20.

is part of the single interstate interexchange telecommunications market. All areas are entitled to geographic rate averaging without regard to whether they are "urban" or "rural." All areas in the United States are entitled to the benefits of rate integration.

(3) There is no evidentiary support for the assumption underlying AT&T's proposal that the difference between revenues generated by rate integrated rates and costs of serving Alaska will diminish over time. This assumption underlies AT&T's argument that a cap and eventual termination of the fund for rural Alaska and no "support" for urban Alaska are appropriate. Apparently, this assumption is based on AT&T's hopes that economic and population growth in rural Alaska will ultimately allow profitable operations there and that competition and market freedom will spur immediate efficiencies and economies in urban markets. These hopes may or may not prove to be correct, but they are unsupported by the record in this proceeding. AT&T has not pointed to any specific cost savings that will result from the market structure changes it seeks.

Further, even if its hope that rural service costs will decrease proves incorrect, AT&T still proposes (again without support) that its Alaska rural fund be phased-down and eventually terminate.^{14/} This proposal would destroy any hope of universal service in Alaska and is totally unjustifiable.

^{14/} AT&T Comments and Proposal at 35-36, 36 n.**.

(4) AT&T's approach of allocating support to specific routes appears impractical and likely to lead to a regulatory and bureaucratic nightmare. Rate integration makes route specific accountings and allocations irrelevant and unnecessary. No purpose would be served by engaging in such exercises here. The complexities, regulatory lag, and inherent inaccuracies of this approach would make the costs of such a scheme -- even without regard to the expense of its administration, including economic and accounting studies -- vastly outweigh any conceivable benefits.

(5) AT&T's proposal for a point of presence in Alaska also raises universal service concerns. A principal purpose of AT&T's attempt to obtain an Alaskan point of presence is to allow AT&T to interconnect with Alascom in Alaska, thus minimizing the distance over which Alascom handles calls.^{15/} Because distance has been a factor in allocating COE Category 8.23 costs between the interstate and intrastate jurisdictions, creating an AT&T point of presence in Alaska would shift millions of dollars a year in costs to the intrastate jurisdiction.

As noted above, the Joint Board in CC Docket No. 80-286 has recommended that the relative allocation of interexchange carrier COE Category 8.23 costs be frozen at 1985 percentages. Until that Joint Board decision is released and the Commission itself acts, the specific effects AT&T's proposed Alaskan point of presence would have on universal service can not be determined with

^{15/} Response to Data Request of AT&T at 15-17 (July 15, 1986).

certainty. It should be noted, however, that the Joint Board recommended freezing interexchange carrier allocation percentages at 1985 levels. It did not recommend continuing to apply a distance sensitive allocation formula to new study period data, which could result in new, different allocation percentages. Thus, if the Joint Board's recommendation is adopted, it appears that Category 8.23 separations will be frozen at 1985 percentages regardless of whether AT&T is allowed a point of presence in Alaska. In any event, the State would have serious concerns if this Joint Board were to permit an AT&T point of presence in Alaska, particularly if such a development would create significant increases in intrastate revenue requirements or other effects which would endanger universal service.

IV. CONCLUSION

The State requests that the Joint Board carefully consider all the evidence in the record and recommend to the Commission a market structure that promotes universal service by allowing all

Alaskans to obtain telecommunications services at affordable rates
and that integrates Alaska into the rest of the Nation.

Respectfully submitted,

THE STATE OF ALASKA
Grace Berg Schaible
Attorney General

By:

Linda K. Smith

Linda K. Smith
Robert M. Halperin
Steven J. Gorosh

CROWELL & MORING
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2505
(202) 624-2500

Its Attorneys

Of Counsel:

John W. Katz
Director of State/Federal Relations and
Special Counsel to the Governor

Martha A. Fox
Special Assistant Attorney General

March 27, 1987

CERTIFICATE OF SERVICE

I, Jena K. Talarico, hereby certify that on this 27th day of March, 1987, I caused copies of the foregoing "Reply Comments of the State of Alaska" to be hand-delivered or sent by first-class mail, postage prepaid, to the following:

* Chairman Mark S. Fowler
Federal Communications Commission
Room 814
1919 M Street, N.W.
Washington, D.C. 20554

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

* Commissioner Dennis R. Patrick
Federal Communications Commission
Room 844
1919 M Street, N.W.
Washington, D.C. 20554

Chairman Edward F. Burke
Rhode Island Public
Utilities Commission
100 Orange Street
Providence, RI 02903

Chairman Bruce Hagan
North Dakota Public Service
Commission
State Capitol Building
Bismark, ND 58505

Commissioner Edythe S. Miller
Colorado Public Utilities
Commission
1580 Logan Street
Office Level Two
Denver, CO 80203

Chairman Marvin R. Weatherly
Alaska Public Utilities
Commission
Suite 100
420 L Street
Anchorage, AK 99501

Ronald G. Choura
Michigan Public Service
Commission
6545 Mercantile Way
Lansing, MI 48910

Rowland Curry
Texas Public Utilities
Commission
Suite 400 N
7800 Shoal Creek Blvd.
Austin, TX 78757

Timothy J. Devlin
Auditing and Financial
Analysis Department
Florida Public Utilities
Commission
101 E. Gaines Street
Tallahassee, FL 32301

Gary A. Evenson, Director
Communications Bureau
Utility Rates Division
Public Service Commission
P.O. Box 7854
Madison, WI 53707

Karen Lee Hochstein
NARUC
Room 1102
ICC Building
Constitution Avenue, N.W.
P.O. Box 684
Washington, D.C. 20044

Carl Hunt
Chief Economist
Colorado Public Utilities
Commission
1580 Logan Street
Office Level One
Denver, CO 80203

Jim Lanni
Rhode Island Public
Utilities Commission
100 Orange Street
Providence, RI 02903

Heikki Leesment
New Jersey Board of Public
Utilities
1100 Raymond Boulevard
Newark, NJ 07102

Lorraine Plaga
Alaska Public Utilities
Commission
Suite 100
420 L Street
Anchorage, AK 99501

Paul Popenoe, Jr.
California Public Utilities
Commission
350 McAllister Street
San Francisco, CA 94102

Len Schlosser
North Dakota Public Service
Commission
State Capitol Building
Bismark, ND 58505

Guy Twombly
242 State Street
Augusta, ME 04333

Chris Herberger
House Special Committee on
Telecommunications
Alaska State Legislature
State Capitol
Juneau, AK 99811

* John W. Pettit, Esq.
Neal M. Goldberg, Esq..
Hamel & Park
888 16th Street, N.W.
Washington, D.C. 20006
Counsel for General Communications, Inc.

* B. H. Walling, Jr., Esq.
AT&T
Suite 1000, 1120 20th Street, N.W.
Washington, D.C. 20036

* Alan Y. Naftalin, Esq.
Margot Smiley Humphrey, Esq.
Koteen & Naftalin
1150 Connecticut Avenue, N.W.
Washington, D.C. 20036
Counsel for Alascom, Inc.

Linda A. Townsend, Esq.
Chief Counsel
U.S. Department of Commerce
National Telecommunications &
Information Administration
14th & Constitution Avenue, N.W.
Room H-4717
Washington, D.C. 20230

Judith A. Maynes, Esq.
Robert B. Stechart, Esq.
Richard F. Hope, Esq.
AT&T
295 North Maple Avenue
Basking Ridge, NJ 07920

John Curry, Esq.
Department of Justice
Special Regulated Industries Section
Antitrust Division
Safeway 500
Washington, D.C. 20530

* Joseph R. Fogarty, Esq.
Weil, Gotshal & Manges
Suite 700
1615 L Street, N.W.
Washington, D.C. 20036
Counsel for Alaska Telephone Association

* Michael L. Glaser, Esq.
Francis E. Fletcher, Jr., Esq.
Gardner, Carton & Douglas
Suite 1050
1875 Eye Street, N.W.
Washington, D.C. 20006
Counsel for Anchorage Telephone Utility

* William K. Keane, Esq.
Wilner & Scheiner
1200 New Hampshire Avenue, N.W.
Suite 300
Washington, D.C. 20036
Counsel for United Utilities, Inc.

- * Albert Halprin, Esq.
Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554
- * Douglas L. Slotten, Esq.
Common Carrier Bureau
Federal Communications Commission
Room 544
1919 M Street, N.W.
Washington, D.C. 20554

Jena K. Talarico
Jena K. Talarico

* Hand Delivered

10-1-87

CROWELL & MORING

1001 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20004-2505

(202) 624-2500

CABLE: CROMOR
TELECOPIER (XEROX): 202-624-5117
TELECOPIER (RAPICOM): 202-624-5118
W. U. I. (INTERNATIONAL): 64344
W. U. I. (DOMESTIC): 88-2448

October 1, 1987

TERRY L. ALBERTSON
RICHARD L. BEIZER
L. GRAEME BELL, III
TIMOTHY M. BIDDLE
ROGER N. BOYD
KENNETH M. BRUNTEL
FREDERICK W. CLAYBROOK, JR.
DANA C. CONTRATTO
ELDON H. CROWELL
JEFFREY J. DAVISON
CALVIN DAVISON
W. JAY DEVECCIO
MARC F. EFRON
CLIFTON S. ELGARTEN
BRIAN C. ELNER
SACHARY D. FASHMAN
VICTOR E. FERRALL, JR.
PHILIP A. FLEMING
DONALD L. FLEXNER
PETER F. GARVIN, III
THOMAS P. GIES
RICHARD M. HALL, JR.
HAROLD J. HELTZER
W. STANFIELD JOHNSON
R. BRUCE KEINER, JR.
KATHRYN KELLY
PATRICK W. LEE
JOHN A. MACLEOD

ANDREW H. HARRIS
HERBERT J. MARTIN
MARK E. MAZD
RICHARD MCILLAN, JR.
THOMAS C. MEANS
FREDERICK MORINO
KENT R. MORRISON
WILLIAM L. NEFF
JOSEPH M. OLIVER, JR.
STEVEN P. QUARLES
PETER J. ROMATOWSKI
GEORGE D. RUTTINGER
JERRY W. RYAN
RICHARD E. SCHWARTZ
VICTOR E. SCHWARTZ
JOHN T. SCOTT, III
DAVID S. SIEGEL
LINDA K. SMITH
WM. RANDOLPH SMITH
FRED S. SOUK
JOHN I. STEWART, JR.
JEAN-PIERRE SWENNEN
JENNIFER N. WATERS
TON WATSON
HOWARD M. WEINMAN
KAREN HASTIE WILLIAMS
PETER S. WORK

OF COUNSEL
MICHAEL J. MULLEN
JAMES J. REGAN

SHAUNA E. ALONGE
J. ERIC ANDRE
RAY M. ARAGON
LAURIE T. BAULIG
ANITA K. BLAIR
JOHN M. BRANT
FLORENCE N. BRIDGES
LINDA S. BRUGGEMAN
NANCY S. BRYSON
BALLY A. BUCKMAN
KATHLEEN J. BYRNES
CECILIA A. CANTRILL
SUSAN E. CHETLIN
M. LISANNE CROWLEY
DIANE V. CUPPE
KEVIN J. DARRIN
MARY DELANO
PAULA J. DESIO
DWIGHT DICKINSON
ROBERT T. ESBERT
TONI M. FINE
KEITH S. FISCHLER
CLINTON L. GARDINER
KEMBLE H. GARRETT
CATHY GEBHARD
ELLEN T. GIANNUZZI
DAVID K. GOLDBAUM
STEVEN J. GOROSH
ALAN W. H. GOURLEY
ROCHELLE M. GUNNER
LORRAINE S. HOLLOWAY
ROBERT M. HALPERIN
CAMERON S. HAMRICK
ROBIN G. HAYUTIN

PAUL W. KALISH
DAVID M. KARNOVSKY
ANN R. KLEE
J. MICHAEL KLIBE
SUZANNE LEVANT
PETER K. LEVINE
ERIC S. LIPSETTS
THOMAS R. LUNDQUIST
CYNTHIA S. MABRY
LIBERTY MANSHIGIAN
CLAYTON S. MARSH
DAVE ADAMS HASSEY
R. TIMOTHY MCCURRY
RAYMOND F. MONROE
ELLEN S. MORAN
BARBARA A. MYERS
MICHAEL D. NEWMAN
WILLIAM P. O'NEILL
KATHLEEN J. RAYNSFORD
PAUL W. REID
DIANE KOSH ROGELL
WILLIAM A. SCHWENNESEN
EILEEN F. SERENE
WARD L. SMITH
DAVID H. SOLOMON
JAYME L. SORBY
BRIAN E. SWEENEY
PETER A. D. TEARE
IRMA TYLER-WOOD
MARK A. WARNQUIST
ALEXANDRA M. WILSON
LUTHER ZEGLER
JONATHAN D. ZISCHKAU

*NOT ADMITTED IN THE DISTRICT OF COLUMBIA

Mr. William J. Tricarico
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: CC Docket No. 83-1376

Dear Mr. Tricarico:

This is to advise you that on September 29, 1987, John W. Katz and Kay E.M. Gouwens of the State of Alaska, and I met with Commissioner Susan Knowles, and on September 30, 1987, Ms. Gouwens, Robert M. Halperin and I met with Douglas Sloten, Claudia Pabo and Rose Crellin of the Joint Board staff. These meetings were held to provide the State of Alaska's views on the issues before the Joint Board, and to respond to questions asked by Commissioner Knowles and the Joint Board staff.

Very truly yours,

Linda K. Smith

Linda K. Smith

cc: Alaska Joint Board Service List