

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
2252 SCOMM 88: HOUSE TELECOMMUNICATIONS TASK FORCE, 1993 803

SUMMARY

Alaska, which covers 591,000 square miles, is two and one-half times larger than the next largest state, and larger than 21 states combined. Its population, about 500,000, is the smallest of the 50 states. Alaska's population density is the lowest of any state, less than one person per square mile, compared with 5 persons per square mile in Wyoming, the next least densely populated state, and 67 persons per square mile in the United States as a whole.

Almost half of all Alaskans live in Anchorage. Only two other communities, Fairbanks and Juneau, have more than 10,000 residents. Seventy-seven percent of all communities in Alaska have populations of 500 or less, and about one-third have fewer than 100 residents.

Alaska's population growth rate from 1980 to 1985 was five times greater than the national average. Most of the state's population increase, however, resulted from in-migration, not new births. In-migration has been subject to dramatic fluctuations.

Alaska's geography is unique. Alaska is only 2.5 miles from Russia, 663 miles from Seattle, the closest large city in the continental United States, and only 800 miles from the North Pole. It is the site of the tallest mountain in North America and 17 of the 20 highest peaks in the United States, and contains a glacier larger than Rhode Island. A significant part of its land is covered by ice fields or permanently

frozen. Ten percent of the world's volcanoes are located in Alaska; one erupted this year.

The six distinctive climate zones in Alaska are all characterized by weather extremes. In one, it rains or snows about 200 inches annually. In another, 100-plus mile winds are common. Other climate zones feature coastal flooding, a record snowfall of 62 inches in 24 hours, temperatures as low as 80° below zero, and no sun two months each year.

Although Alaska's communities are separated by vast distances, there are less than 9,000 miles of "highways" in the state, only a quarter of which are paved. There are six times as many miles of paved road in Los Angeles County as in all Alaska. Most communities in the state, including Juneau, its capital, cannot be reached by road. Alaskans must rely on planes and boats, methods of transportation that are costly, time-consuming, and frequently impossible due to weather or other conditions.

Historically, education levels in the state had been low for many groups. Alaska is committed to redressing this situation and to providing an education in such a way so that children are not forced to leave their homes to get it, as many have been in the past. This is an expensive undertaking. Alaska relies heavily on telecommunications to deliver educational services at the primary, secondary and college levels. In the many, remote, small Alaskan communities, even minimal cost efficiency in providing educational services is difficult. The diversity of the communities and the distance between them, which make any standardization complex, and growth

of the school-age population have compounded the problem. As a result, expenditures on public education have been high.

Alaska's climate and geography bring with them special health and public safety challenges. The state suffers the highest rate for death by accident in the nation, as well as high rates of alcoholism, suicide (50% higher than the national average) and infant mortality. With relatively few doctors serving such a large area, the state must rely to a large extent on emergency medical technicians in rural communities, linked by telecommunications to professional medical assistance. Telecommunications are also particularly vital to public safety in the state.

Alaska's economic history, both as a territory and as a state, is one of boom and bust. The overwhelming majority of the State's revenues presently come from oil and gas. Between the fiscal years 1980 and 1985, petroleum accounted for 83-90% of all of the State's Unrestricted Revenues. With Alaskan North Slope crude oil now selling at prices two-thirds lower than in 1981, the state has entered a deep bust cycle. Even prior to the dramatic decline in oil prices that began in late 1985, the State had projected a 59% decline in daily oil production between 1985 and 1998, and an oil and gas employment decline of 10-30% between fiscal years 1986 and 1987 alone. Given the projected decline in oil production in the state, even if oil prices were to go up, state revenues will not increase correspondingly.

During the 1980's, other Alaskan industries, such as lumber, mining, construction and some elements of the fishing industry, also suffered declines, those in lumber and housing construction being particularly severe. The state's economy has benefitted, however, from tourism, which has been strong. The economy is heavily dependent on federal, state and local government employment and expenditures. Nearly 30% of all workers in the state in 1983 were employed by federal (excluding military), state or local government.

From 1980 to 1985, the unemployment rate in Alaska exceeded the national average by about one-third. Further, Alaska's unemployment rate is increasing. It was 11.4% in April, 1986, up from 10.7% in April, 1985. In many areas of the state, unemployment is much higher, and higher still among some groups, particularly Native Americans.

While Alaska's per capita personal income was the highest of any state in 1985, its cost of living was even higher. In the last quarter of 1985, for example, the cost of living in the state exceeded the national average by about 50%. As a result, Alaskans' real per capita income, adjusted to take account of the higher cost of living in Alaska, was below the national average.

There are substantial differences in income and cost of living among Alaska's 23 census areas. Twelve census areas, which include almost one-third of the state's population, have had real per capita personal income more than 15% below the national average.

Dollar per capita personal income in Alaska is increasing at only about a quarter of the national rate. Even prior to the recent acceleration in the oil bust, growth in personal income in Alaska was projected to be zero in 1985, and to decrease significantly in 1986.

The historic pattern of boom-bust in Alaska, and the State's heavy dependence on petroleum-based revenues, have required the State to devise extraordinary means to provide a measure of economic stability for its residents. These include investment, tax incentives, loan programs and creation of the Permanent Fund, a constitutionally-based fund to provide revenue to replace non-renewable and declining oil revenues. Nonetheless, over the next two or three fiscal years, a 50% decline in the State's Unrestricted Revenues was projected, and the Alaska legislature has begun making deep cuts in appropriations. Because of additional revenue shortfalls caused by the continuing decline in the price of oil, the State of Alaska is, at the time of this submission, contemplating further drastic budget cuts and other measures to deal with the situation.

Telecommunications services provided by the State include video (instructional and entertainment), microwave, emergency, medical, legislative and instructional teleconferencing, and two-way radio. The State does not provide telephone service. Each State department contracts for its own telecommunications equipment and services.

SECTION A
DEMOGRAPHIC INFORMATION

The demographics of the State of Alaska start with the State's size and its relationship to the State's population. Alaska encompasses an area of 591,004 square miles, one-fifth of the total land area of the continental United States and more than the combined land areas of the three next largest states (Texas, California and Montana).¹ If superimposed on the lower 48 states, Alaska would stretch across the nation:²



The United States Bureau of the Census estimates the population of the State as of July 1, 1984, to be 500,000 people, fewer

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- ¹ United States Department of Commerce, Bureau of the Census, Statistical Abstract of the United States 1986 (1985) at 194 ("Statistical Abstract").
 - ² Alaska Statewide Health Coordinating Council, State Health Plan for Alaska (1984) at 2-2.

than in any other state or the District of Columbia.— As of the same date, the Alaska Department of Labor, which compiles population data for the State, estimates the State's population to be 523,048.^{1/} Alaska's residents comprise 0.2 percent of the total United States population of 236,158,000.^{2/}

Alaska's population density is one person per square mile, the sparsest of any state.^{3/} If the population of Anchorage, Alaska's largest community, is excluded, Alaska has an average density of less than one person for every two square miles.^{4/} Wyoming, the state with the next least density, has five persons per square mile. The average density in the United States is 67 people per square mile.^{5/}

Unlike other States, Alaska is not divided into counties. Substate governmental units known as "organized boroughs" are the closest equivalent to counties. There are 12 such boroughs. They possess many of the powers common to local governments (e.g.,

^{1/} Statistical Abstract at 12. The most recent federal estimate of the State's population is 516,000 as of July 1, 1985, smaller than the population estimates for all states except Wyoming. United States Department of Commerce, Report on 1985 State Per Capita Personal Income (May 6, 1986, Table 4) ("Commerce Report").

^{2/} State of Alaska, Department of Labor, Alaska Population Overview (1985) at 63 ("Population Overview"). This is the Department of Labor's most recent published estimate.

^{3/} Statistical Abstract at 12 (July 1, 1984 estimate).

^{4/} Id.

^{5/} Population Overview at 63; Statistical Abstract at 12.

^{6/} Statistical Abstract at 12.

taxation, public safety and zoning). They cover, however, less than one third of the land area of Alaska. The remainder of the state is collectively known as the "unorganized borough." No governmental bodies exist in this vast area outside of local cities and rural school districts; governmental functions for the unorganized borough are handled by State government. The development of internal political boundaries in Alaska is an ongoing process.¹⁷

Local governmental powers are also exercised by 146 legally incorporated "cities" (so designated without regard to size) across the state. Although each borough contains one or more incorporated cities, not all incorporated cities are within one of the twelve organized boroughs.¹⁸

In addition, there are approximately 150 small, unincorporated communities, which have no local governmental powers. The Census Bureau and the Department of Labor label these communities as "census designated places" (CDP's) for purposes of compiling demographic data. A few other concentrations of population, such as Eielson Air Force Base outside Fairbanks or College at the edge of Fairbanks, are also counted as CDP's.

Attachment A-1 lists the Alaska Department of Labor's 1984 and 1983 population estimates and the 1980 U.S. Census figures for

¹⁷ State of Alaska, Department of Education, Division of State Libraries, Alaska Blue Book 1985 (1985) at 155-56 ("Blue Book"); State of Alaska, Department of Labor, Alaska Planning Information (1985) at 3 ("Planning Information"). Indeed, the twelfth borough was established this year.

¹⁸ Id.

each community in the state in alphabetical order. Attachment A-2 provides these estimates and figures for each community in order of population size. These attachments identify the twenty largest communities and their populations as of July 1, 1984 as follows:

1.	Anchorage City	243,829
2.	Fairbanks City	27,103
3.	Juneau City	23,729
4.	Eielson AFB (CDP)	7,837
5.	Ketchikan City	7,633
6.	Sitka City	7,611
7.	Kenai City	6,072
8.	Kodiak City	6,069
9.	College (CDP)	4,498
10.	Valdez City	3,687
11.	Bethel City	3,681
12.	Soldotna City	3,538
13.	Wasilla City	3,459
14.	Homer City	3,373
15.	Nome City	3,184
16.	Adak Station (CDP)	3,169
17.	Petersburg City	3,137
18.	Barrow City	2,943
19.	Palmer City	2,772
20.	Kodiak Station (CDP)	2,420

Attachments A-1 and A-2 show the uneven population distribution of Alaska. Almost half of all Alaskans (47%) reside in one city, Anchorage. Another 10% reside in the only other cities with populations larger than 10,000, Fairbanks and Juneau. The remaining 43%, some 200,000 people, are scattered across the state among nearly 300 smaller communities.^{1/} Only five other communities have as many as 5,000 and residents. There is, therefore, great variation in the living patterns of Alaskans, depending on where and in what size community they live, and such other factors as income, history, or ethnic origin. For example, one recent study

^{1/} Id. at 63.

found that while only 7% of households in Anchorage live off the land to obtain all or part of their food, 63% to 93% of households in rural areas rely in whole or in part on subsistence activities.^{12/}

The distribution of Alaska's population by community size is as follows:^{13/}

<u>Population of Community</u>	<u>Number of Communities</u>
More than 100,000	1
50,000 - 100,000	0
10,000 - 50,000	2
5,000 - 10,000	5
2,500 - 5,000	11
1,000 - 2,500	17
500 - 1,000	32
100 - 500	138
Less than 100	90

The Census Bureau and the Department of Labor currently divide Alaska into 23 "census areas" for collecting demographic and labor market information, which are based in part on political boundaries (i.e., the boundaries of the organized boroughs). Those census areas are grouped into six regions: Anchorage/Matanuska/Susitna, Gulf Coast, Interior, Northern, Southeast, and Southwest. Half of Alaska's population, 50.3%, is located within

^{12/} The McDowell Group and Alaska Attitudes, Inc., Alaska Geographic Differential Study (1985), Vol. I at 11. The Study measured these activities by asking respondents, "Do you or anyone in your household hunt, fish or pick berries or greens for subsistence?" The Study concluded, "Districts with low population, low employment and high unemployment are those in which subsistence is an important factor. The degree of dependency and the spending in support of subsistence are surprisingly high in the most rural districts." Id. at 197-200.

^{13/} Population Overview at 49-51, 63-69.

the region with the smallest land area, Anchorage/Matanuska/Susitna region. The remaining 49.7% is spread among the other five regions. Attachment A-3 is a map identifying each census area. Attachment A-4 shows the diffusion of population among the six regions.

U.S. Census Bureau data show that Alaska's population declined during the period from 1900 to 1930, then grew rapidly until the late 1970's. At that time the population leveled off for several years, then resumed its growth in the 1980's:^{14/}

<u>Year</u>	<u>Alaska Population</u>
1900	64,000
1910	64,000
1920	55,000
1930	59,000
1940	73,000
1950	129,000
1960	226,000
1970	303,000
1977	403,000
1978	405,000
1979	403,000
1980	402,000
1981	416,000
1982	444,000
1983	481,000
1984	500,000
1985	516,000

Although Alaska's population growth continues, it is slowing down.^{15/} While the average annual rate of growth for the period

^{14/} Statistical Abstract at 12; United States Department of the Interior, ANCSA 1985 Study (1984 Draft) at E-5 ("ANCSA Study"); Commerce Report.

^{15/} The State of Alaska Department of Labor estimates the State's population to have increased as follows: 461,000 as of July 1, 1982; 495,000 as of July 1, 1983; and 523,000 as of July 1, 1984. These figures also indicate a slowdown in the rate of growth. Population Overview at 39.

between the 1980 census and July 1, 1983 was 6.2%, the rate of growth slipped to 4.0% for the year July 1, 1983 to July 1, 1984, and to 3.2% for the year July 1, 1984 to July 1, 1985.^{16/} Alaska's average annual rate of growth for the period 1980-1985 of 5.1% compares to an average annual rate of growth for the United States population over the same period of 1.0 percent.^{17/}

Alaska's growth rates reflect its small population base. Between 1980 and 1984, while Alaska's population growth rate was the highest of the 50 states, 19 states added a greater number of people.^{18/} 57% of the total increase in Alaska's population occurred within one city, Anchorage. 64% occurred in the three largest cities (Anchorage, Fairbanks and Juneau). 90% occurred in five of the 23 census areas: Anchorage, Fairbanks-North Star, Juneau, Matanuska-Susitna, and Kenai Peninsula.^{19/} Attachment A-5 provides demographic data for each census area over the period 1970-1984.

Alaska's growth historically has been dependent on migration from other states. This pattern has continued. Most of Alaska's growth in the 1980's has been due to in-migration. Three-quarters of the growth from 1980 to 1983 was due to in-migration.^{20/}

^{16/} Commerce Report.

^{17/} Statistical Abstract at 7; Commerce Report.

^{18/} Statistical Abstract at 13.

^{19/} Population Overview at 4.

^{20/} Planning Information at 5.

Attachment A-5 demonstrates the substantial impact of in-migration on population change in each census area during this period. Between July 1, 1983 and July 1, 1984, Alaska added 28,000 people, almost two thirds of whom immigrated from other states.^{11/}

The Department of Labor states, "Migration is the most unstable component in Alaska's population change, often changing dramatically from one year to the next."^{12/} Fluctuations in net migration are shown in Attachment A-6. During the oil pipeline construction period of 1974-76, migration to Alaska increased sharply, giving Alaska its fastest rate of growth in decades. When construction ceased, however, so many more people left Alaska than moved in that, from 1978 to 1980, despite non-migratory population increase, Alaska experienced a net loss in total population.

Alaska's population, while aging like that of the rest of the United States, remains relatively young. The median age of Alaskans increased from 26.1 years in 1980 to 27.5 years in 1984. During the same period the median age of all Americans increased from 30.0 to 31.1 years. As of July 1, 1984, 11% of Alaskans were under 5 years old, compared to 7.7% of all Americans. 21% of Alaskans were of elementary and secondary school age (5-17 years old), compared to 18.8% of all Americans.^{13/} There are, therefore, two adult Alaskans (18 or over) for every Alaskan child. In

^{11/} Population Overview at 3.

^{12/} Id. at 12.

^{13/} Id. at 3.

the United States as a whole, there are three adults for every child.

In 1984 there were approximately 22,600 military personnel in the State and 26,800 military dependents, making the population of military and dependents in Alaska approximately 9.5% of the total population.^{24/}

The distribution of Alaskans by race is as follows:^{25/}

<u>Race</u>	<u>1980 Census</u>	<u>1984 (Est.)</u>
White	77.1%	76.1%
Native Alaskan (American Indian/Eskimo/ Aleut)	16.0%	14.4%
Black	3.3%	4.1%
Asian/Pacific Islander/Other	3.6%	5.4%

The term "Native Alaskan," often used to refer to the State's original settlers, masks the significant differences in ethnic origin, language and culture among native groups. Alaska's original settlers dispersed across the vast Alaskan land mass, living in distinct, geographically separated climatic regions, evolving into multiple groups, each with its own territory, language and culture.^{26/} The Alaska Native Language Center of the University

^{24/} Id. at 4.

^{25/} Id. at 17. (Categories are specified by U.S. Census Bureau.)

^{26/} Alaska Geographic, Alaska's Native People (1985) at 15-31 ("Native People"); ANCSA Study at I-10 and I-11.

of Alaska identifies 20 separate languages among natives in the State.^{17/}

Even the usual division of natives into Aleuts, Eskimos and Indians understates the number of distinct and distinctive groups. The Aleuts inhabit the chain of islands extending from southwestern Alaska 1,000 miles across the northern Pacific Ocean. While of common origin, there are several different Aleut dialects, in different locations.^{18/}

Eskimos inhabit lands from Bristol Bay in the southwest, up Alaska's entire west coast, and across its northern coast into Canada. The Eskimos were originally coastal people who fished and hunted marine mammals, but some lived inland, hunting caribou, and evolved their own separate cultures. Two principal Eskimo subgroups, Yupiks and Inupiat, share common origins, but have evolved languages so different that they cannot communicate with each other in their mother tongues. In addition, the southern coast is inhabited by three groups, the Koniag, Sugpiaq, and Chugach, which are related to Eskimos by language and physical type, but have independent cultures.^{19/}

Alaskan Indians are comprised of numerous subgroups. The Athabascan Indians, scattered across Alaska's interior regions, use 11 different languages, grouped into two language families,

^{17/} Attachment A-7 shows the distribution of native languages across Alaska.

^{18/} Native People at 33.

^{19/} ANCSA Study at I-10; Native People at 18-21.

Eyak and Athabascan (see Attachment A-7), and have different cultures. Unlike the Eskimos, who turned to the sea for subsistence and who developed trading, the Athabascans were once exclusively hunters and gatherers who roamed the land in search of food. While trading between Indians and Eskimos existed, rivalries and territorial disputes sometimes led to conflict. Three separate groups of Indians, the Tlingits, Haidas and Tsimshians, settled along the coasts and islands of the southeastern panhandle. While ethnically similar to the Athabascans, these groups lived in a completely different habitat, one conducive to fishing and coastal trade, and evolved separate languages.^{10/}

The 1980 census reported a total of 64,103 native Alaskans (53% Eskimos, 34% Indians and 13% Aleuts).^{11/} While in 1930 natives comprised more than half of Alaska's total population, natives as a percentage of all Alaskans have since been declining:^{12/}

<u>Year</u>	<u>Natives as Percent of Total</u>
1930	50.6%
1940	44.8%
1950	26.3%
1960	19.0%
1970	16.9%
1980	16.0%

While the native population grew at an average annual rate of 2.4 percent from 1970 to 1980, double the national average, Alaska's

^{10/} ANCSA Study at I-11 and I-12; Native People at 24-28.

^{11/} Blue Book at 230.

^{12/} ANCSA Study at E-5.

non-native population grew at the rate of 3.1 percent. The growth in the native population resulted, however, from natural increase, while in-migration contributed heavily to the increase in the non-native population.^{11/}

Attachment A-8 identifies the distribution of Alaska's population by race among census areas as of 1980. Whites are most heavily concentrated in the larger communities, while native Alaskans are dispersed across the State. The most remote areas of the State have the highest percentage of native Alaskans. For example, while the Anchorage census area was 86% white and 5% native, the Kobuk census area, in the northern region, was 14% white and 85% native. (See Attachment A-8.) 72% of native Alaskans live in areas categorized as rural by the U.S. Census Bureau, compared to 24% of non-natives.^{14/} 51% of native Alaskans live in 147 communities which were 75% native or more. On average, these communities were 90% native. All but three of them had populations of less than 1,000. Excluding these three communities, Alaska's predominantly native communities had an average population of 214.^{15/}

^{11/} Id. at IV-3.

^{14/} Id. at E-7, E-8.

^{15/} Population Overview at 49.

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

In the Matter of)
)
Integration of Rates and Services for) CC Docket No. 83-1376
the Provision of Communications by) RM 4436
Authorized Common Carriers Between)
the Contiguous States and Alaska,)
Hawaii, Puerto Rico and the Virgin)
Islands)

To: The Federal-State Joint Board

DATA RESPONSE OF THE STATE OF ALASKA
TO THE SUPPLEMENTAL ORDER INVITING COMMENTS

(The State of Alaska, by its attorneys, hereby submits data in
response to the Supplemental Order Inviting Comments
("Supplemental Order") released by the Federal-State Joint Board
on January 3, 1989.

The Joint Board requested the State "to update previously
provided information that relates to the issues discussed" in the
Supplemental Order.¹ While the State believes that all the data
it submitted in 1986 "relate to the issues" covered in the
Supplemental Order, it is limiting this response in an effort not
to burden the Joint Board or its staff. Most of the data about
the State submitted in 1986 remain valid. The State, therefore,
has focused this response on updating data specifically discussed
in the Supplemental Order and reporting other recent data that

¹ Supplemental Order ¶ 86.

relate to the issues discussed in the Supplemental Order.² The State hopes that the Joint Board and its staff will find this data response useful, and even entertaining.

SUMMARY

The fundamental points about Alaska remain unchanged. Alaska remains both the largest state in the nation and the state with the lowest population density. Three-quarters of Alaska's communities continue to have fewer than 500 residents. Alaska's terrain and climate remain harsh. Transportation remains limited. Public health and safety, unemployment and the provision of adequate education remain difficult challenges. The State's unemployment rate, for example, is now approximately twice the national average.

The economy of the State has been rocked by the sharp decline in oil prices. In contrast to the rest of the nation, per capita income in Alaska has been declining. Nonetheless, Alaska continues to have a cost of living that is among the highest in the nation. Despite the need for public service funds, the State has been forced to slash drastically its public spending.

² As it did in its prior data response, the State generally relies on public information, almost all of which is published by federal or state authorities. No special studies have been undertaken. The data presented are the most recent available, either from 1988, or, if necessary, from earlier years. Some of the state reports from which data are taken are so recent that they are still in draft form.

The data are presented in a manner that allows this response to be read in connection with the 1986 data response. References in the headings are to the sections of the 1986 data response to which the new data relate.

Demographic Information (Section A)

The population of Alaska has decreased from approximately 532,000 in 1986 to approximately 525,000 in 1987.³ Alaska continues to have by far the lowest population density in the United States, averaging less than one person per square mile.⁴

The State's population continues largely to be dependent on migration from other states. In the early 1980s, the State's population grew primarily as a result of in-migration.⁵ In 1987, the population decrease was a result of out-migration. Therefore, it is not surprising that the population decrease was centered in Anchorage and Juneau, two communities that had previously experienced substantial in-migration. Population levels in the rest of the State generally were stable or showed small growth.⁶

Almost half of the State's population lives in Anchorage, and only two other communities (Fairbanks and Juneau) have more than

³ U.S. Department of Commerce, Regional Difference in Per Capita Personal Income Continue to Widen in 1987, Table 4 (August 18, 1988). Attachment 1. The State's own estimates show a greater population decrease, from approximately 547,600 in 1986, to approximately 537,800 in 1987. State of Alaska, Department of Labor, Alaska Population Overview, draft copy of 1986 and Provisional 1987 Estimates ("Population Overview"), Table 3.2 (December 1988). Attachment 2.

⁴ Alaska covers 591,004 square miles. See Response of the State of Alaska to Order Requesting Data and Inviting Comments ("1986 Alaska Data Response"), Section A, p. 1 (July 15, 1986). Wyoming, the next least densely populated state, averages 5 persons per square mile. The United States as a whole averages approximately 67 persons per square mile. Id.

⁵ See id., Section A, p. 7.

⁶ Population Overview, Table 3.2. Attachment 2.

10,000 residents.⁷ In 1987, 75 percent of Alaska's communities had a population of 500 or less (77 percent in 1985); 20 percent had a population of 100 or less (33 percent in 1985). Some communities have disappeared altogether.⁸

Climate (Section C)⁹

Alaska remains a land of extreme weather and climate conditions. Alaska's recent record high barometric pressure and resulting record low temperatures illustrate the population's dependence on telecommunications. Record low temperatures of 86 degrees below zero were reported near McGrath,¹⁰ and temperatures of 70 degrees below zero were recorded at Yukon Creek.¹¹ Wind chill factors were calculated at 100 degrees below zero.¹² Fairbanks experienced 40 below zero temperatures lasting over two weeks.

The low temperatures grounded aircraft, leaving many of Alaska's villages without regular food and mail deliveries.¹³ At temperatures of 40 below, propane gas freezes into unburnable liquid, metal cracks, machines stop working, motor oil freezes,

⁷ Population Overview, Table 5.2. Attachment 3.

⁸ Id.

⁹ No update is needed for Section B (Geography). For the convenience of the Joint Board and its staff, however, a map of the State is attached. Attachment 4.

¹⁰ Washington Post, January 29, 1989, at A12, col. 1.

¹¹ Washington Post, January 31, 1989 at A3, col. 4.

¹² Id., col. 1.

¹³ Anchorage Daily News, January 28, 1989, at A8, col. 3.

tires freeze into blocks, and exhaust fumes from engines crystallize into tiny particles.¹⁴

During the crisis, telecommunications served a vital and life saving role. Governor Cowper set up a 24 hour-a-day toll free number to the state emergency services agency for citizens in distress.¹⁵ State officials also relied on telecommunications to keep track of isolated villages in case emergency fuel or food supplies needed to be delivered by special aircraft.¹⁶

The cold weather forced the temporary closure of the oil export facility at Valdez and resulted in a 65 percent reduction in the flow of oil through the trans-Alaska oil pipeline.¹⁷ The one day closure of the Valdez facility cost the State treasury \$3.08 million in lost oil taxes and royalties.¹⁸

Transportation (Section D)

The vastness of the State is difficult to comprehend. Alaska is larger than 21 states combined, and is two and one-half times larger than the next largest state.¹⁹ The State stretches approximately 2,400 miles from east to west and approximately 1,420 miles from north to south.²⁰ If superimposed over the

¹⁴ Anchorage Daily News, January 29, 1989, at D1, col. 2.

¹⁵ Anchorage Daily News, January 28, 1989, at B2.

¹⁶ See AP News Summary, February 1, 1989.

¹⁷ AP News Summary, January 31, 1989.

¹⁸ Id.

¹⁹ See 1986 Alaska Data Response, Section B, p. 1.

²⁰ State of Alaska, Department of Education, Division of State Libraries, Alaska Blue Book 1987, pp. 326-27 (1987).

continental United States, Alaska would stretch from coast-to-coast and from Canada to Mexico.



Despite this vast size, Alaska transportation remains limited. Most communities, including Juneau, cannot be reached by road. In 1987, there were only 12,081 miles in the State's highway system,²¹ less than one-sixth the number of miles of paved road in Los Angeles County alone.

Moreover, maintenance of existing roads has suffered due to decreased funding resulting from the downturn in oil revenues. The State's road maintenance budget fell 27 percent in fiscal year 1987, compared to fiscal year 1984.²² While expected to increase in fiscal year 1989, funding is still estimated at 20 percent

²¹ Letter from R.B. Lind, Director, Alaska Department of Transportation, Division of Plans, Programs and Budget, to S. Moreno, U.S. Department of Transportation (June 14, 1988).

²² C. Kleeschultz, Alaska Transportation Recap 1988, Alaska Public Affairs Journal, Vol. 4, No. 3, p. 19 (Fall 1989).

below needed levels.²³ It is estimated that \$976 million worth of upgrading is needed just for interstate highways.²⁴ Funding for improving Alaska's road system, however, will have to compete with other budget priorities. Alaskans must still rely on other means of transportation (such as air, rail or water) that are expensive or frequently unavailable (due to weather). Telecommunications, therefore, must often take the place of transportation.

Education (Section E)

Historically, education levels in the State have been low for many groups. The State has been committed to redressing this situation and to providing education in a manner that does not force children to live away from home. The diversity of the Alaskan population also makes education an important and expensive undertaking.

For these and other reasons, Alaska leads the nation in the per capita expenditure for public elementary and secondary education, spending about double the U.S. average. During the 1986-87 school year, Alaska spent more than \$6,000 on each student enrolled in the 32 incorporated districts and more than \$11,000 per pupil in the 23 Regional Education Attendance Areas.²⁵ The

23 Id.

24 Id.

25 State of Alaska, Department of Education, Facts & Figures About Education in Alaska 1988, p. 15 (1988). Attachment 6. The U.S. average was less than \$4,000 per student in 1986-87 (\$156,000,000,000 divided by 39,712,000 pupils). See U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States ("Statistical Abstract"), Tables No. 189, 190, pp. 118-19 (1988).

higher per pupil cost in the Regional Education Attendance Area reflects the limited economies of scale and higher costs of delivering education in Alaska's more remote regions.²⁶

Alaska also continues to incur a drastically higher cost per resident for public primary and secondary education due to its relatively large school-age population, higher cost of delivering education services, and small overall population to absorb fixed costs.²⁷ During the 1986-87 school year, the cost for public primary and secondary education amounted to \$1,289 per resident,²⁸ about twice the national average.²⁹

Health and Safety (Section F)

Alaska's harsh climate and geography continue to present special health and safety challenges. Alaska continues to rank first in the nation in deaths from accidents. The accident mortality rate for white Alaskans is twice the U.S. average.³⁰

²⁶ See 1986 Alaska Data Response, Section E, pp. 7-8.

²⁷ Approximately 20.2 percent of the population were of elementary and secondary school age (5-17) compared to 18.8 percent nationwide. Alaska Blue Book 1987, p. 270. The number of identified migrant students alone increased 56 percent from the 1986-87 school year to the 1987-88 school year. Facts & Figures About Education in Alaska 1988, p. 13.

²⁸ Population Overview, Table 3.2; Facts & Figures About Education in Alaska 1988, p. 15. Attachments 2 and 6.

²⁹ The national average is approximately \$640 (\$156,000,000,000 divided by 243,915,000). See Population Overview, Table 3.1; Statistical Abstract, Table No. 190, p. 119.

³⁰ State of Alaska, Department of Health and Social Services, Alaska Vital Statistics 1985 Annual Report ("Vital Statistics"), p. 28 (1988).

Alaskan natives incur an accident mortality rate approximately five times the national average.³¹

Since 1983, Alaska's suicide rate has jumped 21.6 percent.³² In 1985, the suicide rate in Alaska was 21.9 per 100,000 people, almost 50 percent above the national average of 12.0.³³ While only 1.4 percent of all deaths nationwide were from suicide, 5.7 percent of all deaths in Alaska resulted from suicide.³⁴ Alaskan native males between the ages of 20 and 24 have a suicide rate 14 times the national average.³⁵

In light of such statistics, it is not surprising that health care expenditures in Alaska exceed the national average. In 1986 the per capita expenditure was \$2,700 per resident, 40 percent above the national average.³⁶ Telecommunications also continues to play a critical role in connecting Alaskans to medical assistance and public safety care.

31 Id.

32 Id. at p. 122. Attachment 7. See also 1986 Alaska Data Response, Section F, p. 5.

33 Vital Statistics, p. 122. Attachment 7.

34 Id.

35 Alaska Federation of Natives, The AFN Report on the Status of Alaska Natives: A Call for Action ("AFN Report"), p. 9 (January 1989).

36 State of Alaska, Governor's Interim Commission on Health Care, The Best of Care - The Challenge of Providing Health Care to Alaskans, p. 1 (September 1988).

Economic Environment (Section G)

Alaska's economy remains one of boom and bust. Today's economy is heavily dependent on oil and gas. For example, approximately 85 percent of the State's unrestricted general fund revenue is petroleum-based.³⁷ Oil prices have not rebounded significantly from their precipitous drop in the middle of this decade. Alaskan oil prices peaked in 1981, when Alaska North Slope oil delivered to the West Coast sold for \$31.43 per barrel. In 1987, that price had dropped to \$13.38 per barrel, a decrease of approximately 57 percent.³⁸

As a result, employment in the state has dropped significantly. Employment peaked in 1985 when, on the average, 225,075 Alaskans held jobs in the State each month. That figure dropped by almost 10 percent, to 208,841, in 1987.³⁹ Total wages paid fell by a slightly greater percentage, from approximately \$6,434 million in 1985 to approximately \$5,779 million in 1987.⁴⁰

Almost every sector of the economy has been negatively affected. The greatest downturn has been in the construction industry. From 1983 to 1987, employment in this industry was down over 50 percent and wages were down by almost 60 percent.⁴¹ The

³⁷ See Section H, infra.

³⁸ State of Alaska, Department of Commerce and Economic Development, Division of Business Development, Alaska Economy, Performance Report 1987 ("Alaska Economy 1987"), Table 14 (December 1988). Attachment 8.

³⁹ Id., Table 2. Attachment 9.

⁴⁰ Id.

⁴¹ Id., Tables 3 and 4. Attachments 10 & 11.

mining (including oil and gas), utilities (including transportation and communications), wholesale trade, retail trade, financial and real estate, and services sectors have each seen reductions in average employment in both 1986 and 1987, ranging from 3 to 15 percent.⁴² Wages paid in those industries have fallen by up to 20 percent.⁴³ Tourism and federal government employment, however, appear stable.

The downturn could have been much worse. In part, some of the consequences of falling oil prices have been restrained in the near term by the fact that the volume of Alaskan oil brought to market has increased significantly. Since 1981, oil production has increased by approximately 25 percent.⁴⁴ This trend of increasing extraction of a depletable resource cannot continue forever. In fact, the State anticipates oil production to fall in 1989.

Unemployment in Alaska continues at a rate significantly higher than the national average, notwithstanding net out-migration from Alaska's urbanized areas to other states. In November 1988, the most recent month for which data are available, the unemployment rate in Alaska was 9.0 percent, almost twice the national average of 5.2 percent.⁴⁵ Only one other State

⁴² Id., Table 3. Attachment 10.

⁴³ Id., Table 4. Attachment 11.

⁴⁴ Alaska Economy 1987, Table 15.

⁴⁵ U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics (February 1989). Attachment 12.

(Louisiana) had a higher unemployment rate.⁴⁶ Unemployment is particularly severe in rural western Alaska. In June 1988, when unemployment for Alaska as a whole was 8.7 percent, unemployment rates in western Alaska were computed at up to 16.6 percent.⁴⁷

These data likely understate unemployment in Alaska, particularly in rural areas, because they exclude anyone who has not sought employment during the relevant portion of the survey period. Most economists believe that Alaska's rural locations have proportionally more of these discouraged workers.⁴⁸ One study, for example, shows that 58 percent of the potential native Alaskan work force in western Alaska have been forced to stop seeking work because no jobs are available in the villages where they live and they lack the education and skills to compete for jobs elsewhere.⁴⁹

Per capita income in Alaska is also down. From 1985 to 1987, per capita income in Alaska decreased by approximately 3 percent, from \$18,726 to \$18,230.⁵⁰ Per capita income decreased in that period only in one other state (Wyoming), where it declined by

46 Id.

47 AFN Report, Figure 10. Attachment 13.

48 State of Alaska, Department of Labor, Alaska Economic Trends, p. 21 (December 1988).

49 AFN Report, p. 31.

50 U.S. Department of Commerce, Bureau of Economic Analysis, Regional Differences in Per Capita Income, Table 2. Attachment 1.

approximately 1 percent.⁵¹ By comparison, per capita income nationwide increased by about 11 percent in those two years.⁵²

In 1985, Alaska had the highest per capita income of any state in the nation, about 32 percent higher than the national average.⁵³ In 1987, per capita income was higher in three other states and the District of Columbia.⁵⁴ Per capita income in Alaska was only 18 percent greater than the national average in 1987.⁵⁵

Although incomes in Alaska have been declining, there has been no change in Alaska's status as a most expensive place to live. The higher cost of living in Alaska continues to more than offset higher per capita income. Quarterly surveys of the American Chamber of Commerce Researchers Association ("ACCRA") continue to show that the cost of living in urbanized locations in Alaska is approximately 30 percent greater than in the nation as a whole.⁵⁶ Of the 263 urban areas listed by ACCRA in its Third Quarter 1988 survey, Juneau is the third most expensive in which to live (after Boston and San Francisco) and Fairbanks is the

51 Id.

52 Id.

53 See Supplemental Order at n.18.

54 U.S. Department of Commerce, Bureau of Economic Analysis, Regional Differences in Per Capita Income, Tables 2 & 3. Attachment 1.

55 Id.

56 American Chamber of Commerce Researchers Association, Cost of Living Index (Third Quarter, 1988). Attachment 14.

fifth most expensive.⁵⁷ For such essentials as groceries and health care, these Alaskan locations are by far the most expensive in the nation.⁵⁸

As expensive as they are, these larger communities continue to be among Alaska's least expensive places to live. The State has not updated the 1985 Alaska Geographic Differential Study, which compared the cost of living in different parts of the State. There is, however, no question that its findings remain valid. For example, more recent data compiled by the U.S. Department of Agriculture and the University of Alaska indicate that the cost of food at home for a week for a family of four with elementary school children is 70 to 75 percent greater in Nome than in Alaska's largest communities.⁵⁹ Similar cost differentials exist for other goods and services, including electricity and heating oil.⁶⁰

Rural locations in Alaska continue to be not only among the most expensive places in the United States to live, but also among the poorest. Per capita personal income in 11 of Alaska's 23

⁵⁷ Id. Neither New York City nor Anchorage is listed in this survey, the most recent one completed by ACCRA. The ACCRA index is designed to reflect geographic differences in a "mid-management" standard of living. Id., at p. i. It, therefore, places great weight on home ownership costs. Id. Excluding that category, Juneau and Fairbanks are the most expensive cities in the nation for which data are reported.

⁵⁸ Id.

⁵⁹ Alaska Blue Book 1987, p. 279.

⁶⁰ AFN Report, pp. 34-35.

census areas was below the national average in 1986.⁶¹ In rural western Alaska, per capita income in 1986 was only 65 percent of national levels.⁶² In the Wade-Hampton section of western Alaska, per capita income was 59 percent of the national average. Income levels were only slightly higher in Bethel (76 percent) and Yukon (81 percent).⁶³ According to the Alaska Geographic Differential Study, the cost of living in these areas is between 26 and 39 percent greater than the cost of living in Anchorage. Given that the cost of living in Anchorage and other urbanized areas of Alaska is approximately 30 to 40 percent greater than the national average, and the cost of living in these locations is 26 to 39 percent greater than Anchorage, actual purchasing power (or per capita income adjusted for cost of living) in these rural locations is only about a third of the national average.⁶⁴

State of Alaska Revenues and Expenditures (Section H)

The State's revenues have dropped almost as precipitously as the price of oil. The State's total unrestricted general fund⁶⁵

⁶¹ U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. Attachment 15.

⁶² AFN Report, p. 34.

⁶³ U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. Attachment 15.

⁶⁴ In Wade-Hampton, for example, the cost of living is approximately 76 percent greater than the national average ($1.4 \times 1.26 = 1.76$). Because per capita income is only 59 percent of the national average, average purchasing power is about one-third of that of the average American ($.59/1.76 = 0.33$).

⁶⁵ As explained in the 1986 Alaska Data Response, unrestricted general fund revenues form the vast majority of the State's income and include virtually all state tax revenues.

[Footnote continued on next page]

receipts peaked in fiscal year 1982 at \$4,108.4 million.⁶⁶ In fiscal year 1987, unrestricted general fund receipts fell to \$1,799.4 million, a reduction of 56 percent.⁶⁷ Unrestricted general fund receipts amounted to \$2,306 million in fiscal year 1988,⁶⁸ but are expected to decline in fiscal years 1989 and 1990 and beyond.⁶⁹

State revenues continue to be petroleum related. In fiscal year 1988, approximately 85 percent of unrestricted general fund revenues were petroleum based.⁷⁰

The unprecedented drop in revenues has forced the State to make unprecedented expenditure cuts as well. Most of these cuts occurred in fiscal years 1986 and 1987. The State has recently summarized its just completed fiscal year as follows:

FY 1988 was not as traumatic as FY 87, which saw almost 1000 positions in state government eliminated or unfilled as a result of the sharp decline in oil revenues and the steep decline of the state's economy. The reduction of almost 2 billion general fund dollars from the state appropriations level of FY 85 to the levels of FY 87 and FY 88 created dramatic dislocation in the state economy and has severely strained the

[Footnote continued from previous page]

Restricted general fund revenues come mostly from the federal government and may be used only for specific programs. Special fund revenues are received into statutorily created funds and mostly consist of loan programs and the Alaska Permanent Fund. See 1986 Alaska Data Response, Section H, p. 4.

⁶⁶ Alaska Economy 1987, Table 30. Attachment 16.

⁶⁷ Id.

⁶⁸ Id.

⁶⁹ Id. at p. 36.

⁷⁰ Id., Table 30. Attachment 16.

resources of local governments across the state. Both the Governor and a majority of the Legislators agreed on a spending plan for FY 89 that is comparable to the last two years in order to avoid further shocks to the Alaskan economy.⁷¹

If the State's projection of declining revenues in the future proves accurate, further expenditure cuts will be necessary. These cuts would be felt not only by those who receive state services, but also those who receive services provided by municipalities, because state revenues distributed through revenue sharing are an important source of funds for Alaskan municipalities.⁷²

The State of Alaska as Provider and Consumer
of Telecommunications Services (Section I)

Telecommunications continues to be of great importance in the State, as the use of telecommunications networks in the recent cold weather emergency demonstrates.⁷³ The significant expenditure reductions mandated by the State's budget crises, however, have had an impact on the State's ability to provide telecommunications services to the public.

⁷¹ State of Alaska, Office of the Governor, Division of Policy, Performance Report, Fiscal Year 1988, p. 8 (December 1988).

⁷² Alaska Economy 1987, p. 37.

⁷³ See Section C, supra.

The Learn/Alaska Network had to be consolidated with the Rural Alaska Television Network at the end of fiscal year 1986. Learn/Alaska had been used to provide instructional and educational television programming to approximately 240 Alaska communities through satellite-fed low power television transmitters, on an almost 24 hour per day basis. Learn/Alaska Network programming is now provided 2 to 5 hours per day, mostly on a recorded basis.

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February 27, 1989

5-20-92

Before the
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Washington, D.C. 20554

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MAY 20 1992

Federal Communications Commission
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

REPLY COMMENTS OF THE STATE OF ALASKA

The State of Alaska ("the State" or "Alaska") hereby submits these reply comments addressing comments filed by others on April 20, 1992 in this docket.

In its April 20, 1992 comments, the State indicated that it opposes approval of the Master Agreement between American Telephone & Telegraph Company ("AT&T"), Alascom, Inc., and Telephone Utilities of Alaska ("TUA"). The State remains opposed to adoption of that agreement in its current form. It is the State's position that the Master Agreement is contrary to the public interest and the policy objectives that the Joint Board has identified in this docket: universal service, rate integration, jurisdictional revenue requirement neutrality, market based competitive entry, and increased efficiency.

The State's objection to the Master Agreement centers on the transfer of virtually all of the assets used by Alascom to provide interexchange telecommunications services to TUA, its corporate

affiliate. Among other things, that asset shift would cause significant and improper jurisdictional cost shifts and unacceptable upward pressures on a variety of intrastate service rates, at a time when rates should be decreasing. As demonstrated in the State's initial comments, intrastate toll revenue requirements would increase by at least \$22 million a year in 1998 (and presumably thereafter). This amount translates into cost increases of approximately \$88 per access line per year. Moreover, Alaska intrastate rates are not now inordinately low, making the unfairness of such a shift even greater. Further, revenue requirements for TUA's local exchange customers would increase by at least \$870,000 a year, or approximately \$35 per access line. Local private line costs would also increase significantly.

The State acknowledges the concern that the asset shift and resulting inclusion of assets that are presently used for interexchange purposes into the National Exchange Carrier Association, Inc. ("NECA") cost pooling mechanism skews the competitive marketplace. See, e.g., Petition to Deny, Opposition and Comments of General Communication, Incorporated at 5-6 (April 20, 1992). The State does not object, however, to that portion of the Master Agreement that calls for the termination of the joint services arrangement between AT&T and Alascom.

As a general matter, the State notes that the only parties submitting comments in support of the Master Agreement are its

signatories. As a result, the State does not believe that the Joint Board, Commission, and their staffs require a lengthy pleading which reiterates the State's position or summarizes the comments of the other parties. Thus, in these reply comments, the State will raise briefly only a few points.

1. **AT&T Cannot Deviate From Geographically Averaged Rates and Rate Integration Regardless of Whether the Master Agreement is Approved.**

AT&T, in its comments, appears to threaten to discontinue rate integration and geographic rate averaging unless the Master Agreement is approved. It states that the new TUA (that is, the TUA which exists after the transfer to it of virtually all of Alascom's interexchange telecommunications assets) must be allowed to participate in NECA, as the Master Agreement provides.

"[D]enial of TUA's right to participate in NECA would have the effect of de-averaging access costs for Alaska, which could imperil AT&T's ability to continue to offer full rate integration for Alaska MTS/WATS service." Comments of AT&T at 14 (April 20, 1992).

Of course, access costs are de-averaged in many locations in the country, yet AT&T continues to charge geographically averaged rates in those locations. Geographic rate averaging is a rate structure which promotes and protects the public interest because it furthers the statutory goal of universal service. The Commission is strongly committed to it, as is the Congress. As the State of Hawaii notes, the Commission has pledged to suspend and investigate any tariff that de-averages rates for MTS, WATS or

800 services. See, e.g., Policy and Rules Concerning Rates for Dominant Carriers, 4 FCC Rcd. 2873, 3133 (1989). See also Comments of the State of Hawaii at 6 & n.10 (April 20, 1992).¹

Denying Alaskans the benefits of geographic rate averaging while providing those benefits to other Americans would violate not only the Commission's rate integration rules and decisions, but also the non-discrimination provisions of the Communications Act. See MTS and WATS Market Structure, 81 FCC 2d 177, 192 (1980); Integration of Rates and Services, Supplemental Order Inviting Comments, CC Docket No. 83-1376, 4 FCC Rcd. 395, 398 (Jt. Board, 1989). AT&T's litigation tactics notwithstanding, geographic rate de-averaging, particularly for Alaska only, is not only contrary to long standing and well accepted notions of the public interest, but also illegal. In our judgment, it cannot be allowed.²

¹ The State agrees with and endorses the views of the State of Hawaii that rate integration properly applies to private line service as well as MTS and WATS services.

² AT&T also states that adoption of the Master Agreement is necessary to resolve a "continuing dispute" concerning whether Alascom should separate its Central Office Equipment Category 4.23 costs as if it were a local exchange carrier. AT&T Comments at 12-13. Of course, this issue is not "continuing", but was resolved definitively by a sister Joint Board and the full Commission five years ago in CC Docket No. 80-286. MTS and WATS Market Structure and Amendment of Part 67 (New Part 36) of the Commission's Rules, 2 FCC Rcd. 2639 (1987). The Master Agreement seeks to negate this well-founded decision. AT&T may not be pleased with the resolution in that proceeding of the issue of Alascom's separations, but it is inaccurate for it to say that the issue has not already been resolved.

2. The Contention That the Master Agreement Creates a Market Structure in Alaska That is Like the Market Structure in the Lower 48 States is Inaccurate.

AT&T and Alascom both contend that the Master Agreement merely brings to Alaska the telecommunications market structure that already exists in the Lower 48 states. Comments of AT&T at 5, 10; Comments of Alascom, Inc. at 4, 7 (April 20, 1992). That contention, however, is inaccurate.

In its comments, NECA notes several significant differences between the market structure that would be created by the Master Agreement and the market structure that exists in the Lower 48 states. First, the average length of haul for TUA's "local transport service" would be over 140 miles, more than ten times the average length of haul for local transport in the Lower 48. Comments of the National Exchange Carrier Association, Inc. at 5 & n.9 (April 20, 1992). Moreover, the assets that would be used by to provide this "local transport service" would also be unique, in that the system includes an extensive satellite and earth station network. No other NECA member employs such a network to provide local transport service. Id. at 3 & n.3.

Sprint Communications Company, L.P. also notes that the TUA to be created by the Master Agreement is a far different creature than local exchange companies in the Lower 48 states. As it concludes, TUA would be far more like an interexchange intermediary between a local exchange carrier ("LEC") and

interstate interexchange carriers than it would an LEC itself.

Comments of Sprint Communications Company at 3 (April 20, 1992).

The contention that the market structure to be created by the Master Agreement is like the market structure in the Lower 48 is not only wrong, but misses the point. The task facing the Joint Board and the Commission is to identify the market structure for the Alaska interstate communications services that maximizes the public interest. The Joint Board has identified the policy objectives in this proceeding. Replication of the Lower 48 market structure is not one of those objectives and is not a public interest goal in and of itself.

3. The Joint Board and Commission Should Not Approve a New Service Arrangement That Creates Unknown and Unintended Jurisdictional Cost Shifts.

The jurisdictional cost shifts created by the proposed transactions may be much greater than the already large and unacceptable amounts forecast in the Joint Petition to Approve the Master Agreement. The Joint Board and Commission should not approve an agreement that creates unknown and unintended jurisdictional cost shifts.

First, some of the assumptions and interpretations of the Commission's rules that underlie the separations analysis in the Joint Petition have been questioned by the State and other commenters. If those assumptions and interpretations are not correct, the jurisdictional cost shifts will be much greater than forecast. The State thus reiterates its request that the Joint Board and Commission analyze the separations studies and data

presented by Alascom and determine whether the assumptions and interpretations made by Alascom are correct. If not, the Joint Board and Commission should indicate where those assumptions and interpretations are not correct so that the parties can determine more accurately the size of the jurisdictional cost shift that would result. As the State has already indicated, however, even the jurisdictional cost shift that is proposed is contrary to the public interest and is unacceptable to the State.

Second, if the Master Agreement is approved, new service arrangements will be created in Alaska. For example, AT&T will have points of presence in Alaska for the first time. Under these new service arrangements, interstate traffic may be handled differently than it has been in the past. If the Master Agreement is approved, the relative interstate use of some assets that Alascom currently uses for both interstate and intrastate communications will likely decrease. Any such relative decrease in interstate use will increase the jurisdictional cost shifts created by approval of the Master Agreement. The Joint Board and Commission, therefore, should recognize that approval of the Master Agreement will create future jurisdictional cost shifts that cannot presently be quantified with precision.

* * *

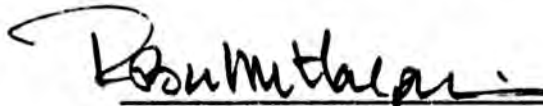
The State cannot support approval of the Master Agreement because, as is explained in the State's April 20, 1992 comments, that agreement is inconsistent with the policy objectives set forth in the Joint Board's Supplemental Order Inviting Comments.

As the State has said, the issues before the Joint Board and Commission in this proceeding are difficult. The State has been willing and continues to be willing to consider new approaches to resolve these difficult issues -- as long as those approaches are consistent with the objectives set forth in the Joint Board's Supplemental Order. To that end, the State has been meeting, and will continue to meet, with various parties to explore new approaches. If, as a result of these efforts, new approaches which would maximize the public interest are developed, the State will bring those approaches to the attention of the Joint Board, the Commission, and the parties.

Dated: May 20, 1992

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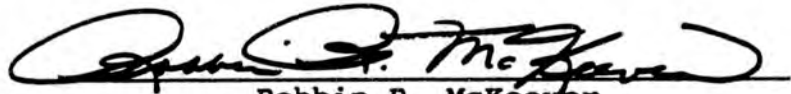
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing "Reply Comments of the State of Alaska" was served by first-class, U.S. mail, postage prepaid this 20th day of May, 1992 upon the parties listed on the attached Service List.



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Assistant Deputy Under Secretary
of Defense C3
Office of the Assistant Secretary
of Defense
Pentagon
Room 3E160
Washington, D.C. 20301

Paul J. Berman
Covington & Burling
1201 Pennsylvania Avenue, N.W.
Washington, D.C. 20044

Commissioner Nels J. Smith
Public Service Commission
The State of Wyoming
Herschler Building
122 W 25th Street
Cheyenne, WY 82002

Cheryl Tritt
Chief, Common Carrier Bureau
1919 M Street, N.W.
Washington, D.C. 20554

Claudia Pabo
Common Carrier Bureau
Federal Communications
Commission
1919 M Street, N.W.
Room 544
Washington, D.C. 20554

Fred Sistarenik
N.Y. Public Service Commission
Three Empire Plaza
Albany, NY 12223

Donald J. Elardo
MCI Telecommunications Corporation
1801 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Leon M. Kestenbaum
H. Richard Juhnke
Sprint Communications Company L.P.
1850 M Street, N.W., 11th Floor
Washington, D.C. 20036

Alan Y. Naftalin
Charles R. Naftalin
Koteen & Naftalin
1150 Connecticut Avenue, N.W.
Suite 1000
Washington, D.C. 20036
Counsel for Alascom, Inc.

Commissioner David Rolka
Pennsylvania Public Utilities
Commission
P.O. Box 3265
Harrisburg, PA 17105

5-26-92

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ROBERT M. HALPERIN
(202) 624-2543

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SUITE 1560

4675 MACARTHUR COURT

NEWPORT BEACH, CALIFORNIA 92660-1851

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44-71-936-3036

FACSIMILE 44-71-936-3036

May 26, 1992

BY HAND DELIVERY

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

EX PARTE LETTER

RECEIVED

MAY 26 1992

Federal Communications Commission
Office of the Secretary

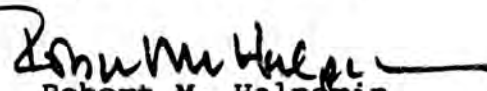
Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on May 8, 1992, John W. Katz, Director, State-Federal Relations and Special Counsel to the Governor and Mark K. Dinneen, Associate Director for Commerce, Finance and Transportation, Office of the Governor of the State of Alaska, held a telephone conference with Commissioner Susan M. Knowles of the Alaska Public Utilities Commission to discuss the State of Alaska's position with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376, Rm 4436, and related proceedings. The discussion involved matters covered in the State's previously filed pleadings.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,


Robert M. Halperin

cc: Susan M. Knowles

bcc: Linda K. Smith
John W. Katz

6-4-92

CROWELL & MORING
1001 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20004-2595

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ROBERT M. HALPERIN
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FACSIMILE 44-71-936-3035

June 4, 1992

BY HAND DELIVERY

EX PARTE LETTER

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

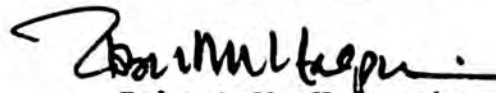
Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on June 3, 1992, Linda K. Smith, Counsel for the State of Alaska, held a telephone conference with Commissioner Bruce Hagen of the North Dakota Public Service Commission to discuss the State of Alaska's position with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376, Rm 4436, and related proceedings. The discussion involved matters covered in the State's previously filed pleadings.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,


Robert M. Halperin

cc: Bruce Hagen

bcc: Linda K. Smith
John W. Katz

6-18-92

CROWELL & MORING

1001 PENNSYLVANIA AVENUE, N.W.

WASHINGTON, D.C. 20004-2595

(202) 624-2500

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W. U. I. (DOMESTIC) 89-2448

LINDA K. SMITH
OF COUNSEL
(202) 624-2710

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4875 MACARTHUR COURT

NEWPORT BEACH, CALIFORNIA 92660-1851

(714) 263-8400

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44-71-936-3036

FACSIMILE 44-71-936-3035

June 18, 1992

EX PARTE LETTER

BY HAND DELIVERY

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

RECEIVED

JUN 18 1992

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on June 15, 1992, Linda K. Smith, Counsel for the State of Alaska, held a telephone conference with Commissioner Dean Joe Miller of the Idaho Public Service Commission to discuss the State of Alaska's position with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376, Rm 4436, and related proceedings. The discussion involved matters covered in the State's previously filed pleadings.

If there are any questions in connection with this matter, please contact undersigned counsel.

Very truly yours,

Linda K. Smith

Linda K. Smith

cc: The Honorable Dean Joe Miller

CROWELL & MORING
1001 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20004-2595

(202) 624-2500

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FACSIMILE (RAPICOM): 202-628-5116

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LINDA K. SMITH
OF COUNSEL
(202) 624-2710

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44-71-936-3038

FACSIMILE 44-71-936-3035

June 18, 1992

EX PARTE LETTER

BY HAND DELIVERY

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

RECEIVED

JUN 18 1992

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on June 15, 1992, Linda K. Smith, Counsel for the State of Alaska, held a telephone conference with Kenneth C. Robinson, Senior Legal Advisor, Office of Chairman Alfred C. Sikes, to discuss the State of Alaska's position with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376, Rm 4436, and related proceedings. The discussion involved matters covered in the State's previously filed pleadings.

If there are any questions in connection with this matter, please contact undersigned counsel.

Very truly yours,

Linda K. Smith

Linda K. Smith

cc: Kenneth C. Robinson, Esq.

7-28-92

CROWELL & MORING
1001 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20004-2595
(202) 624-2500
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FACSIMILE 44-71-936-3035

July 28, 1992

BY HAND DELIVERY

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

EX PARTE LETTER

RECEIVED

JUL 29 1992

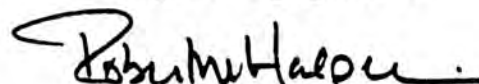
Federal Communications Commission
Office of the Secretary

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on July 26, 1992, Linda K. Smith, Counsel for the State of Alaska, met with, and on July 28, 1992, had a telephone conference with, Commissioner Susan M. Knowles of the Alaska Public Utilities Commission to discuss the State of Alaska's position with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376, and related proceedings. The discussion involved matters covered in the State's previously filed pleadings.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,


Robert M. Halperin

cc: Commissioner Susan M. Knowles

bcc: Linda K. Smith
John W. Katz

CROWELL & MORING

1001 PENNSYLVANIA AVENUE, N.W.

WASHINGTON, D.C. 20004-2595

(202) 624-2500

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W. U. I. (DOMESTIC) 89-2448

ROBERT M. HALPERIN
(202) 624-2543

July 28, 1992

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FACSIMILE 44-71-938-3038

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EX PARTE LETTER

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

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JUL 29 1992

Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

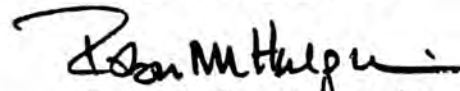
Federal Communications Commission
Office of the Secretary

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on July 26, 1992, Linda K. Smith, Counsel for the State of Alaska, met with Commissioner Bruce Hagen of the North Dakota Public Service Commission to discuss the State of Alaska's position with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376, and related proceedings. The discussion involved matters covered in the State's previously filed pleadings.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,


Robert M. Halperin

cc: Commissioner Bruce Hagen

bcc: Linda K. Smith
John W. Katz

CROWELL & MORING
1001 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20004-2595
(202) 624-2500
CABLE: CROMOR
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(202) 624-2543

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4875 MACARTHUR COURT
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FACSIMILE (714) 263-8414
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44-71-938-3038
FACSIMILE 44-71-938-3038

July 28, 1992

BY HAND DELIVERY

EX PARTE LETTER

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

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Federal Communications Commission
Office of the Secretary

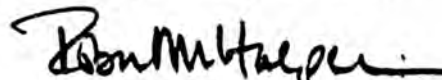
Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on July 27, 1992, Linda K. Smith, Counsel for the State of Alaska, met with Ms. Cheryl Tritt and Mr. James Spurlock of the Common Carrier Bureau of the Federal Communications Commission to discuss the State of Alaska's position with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376, and related proceedings. The discussion involved matters covered in the State's previously filed pleadings.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,


Robert M. Halperin

cc: Ms. Cheryl Tritt
Mr. James Spurlock

bcc: Linda K. Smith
John W. Katz

CROWELL & MORING

1001 PENNSYLVANIA AVENUE, N.W.

WASHINGTON, D.C. 20004-2595

(202) 624-2500

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W. U. I. (DOMESTIC) 89-2448

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4875 MACARTHUR COURT

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44-71-936-3036

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ROBERT M. HALPERIN
(202) 624-2543

July 28, 1992

BY HAND DELIVERY

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

EX PARTE LETTER

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JUL 29 1992

Federal Communications Commission
Office of the Secretary

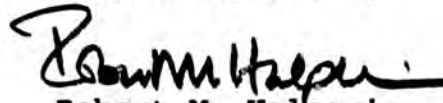
Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on July 25, 1992, Linda K. Smith, Counsel for the State of Alaska, met with Commissioner Dean J. Miller and Ms. Eilleen Brenner of the Idaho Public Utilities Commission to discuss the State of Alaska's position with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376, and related proceedings. The discussion involved matters covered in the State's previously filed pleadings.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,


Robert M. Halperin

cc: Commissioner Dean J. Miller
Ms. Eilleen Brenner

bcc: Linda K. Smith
John W. Katz

CROWELL & MORING

1001 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20004-2595

(202) 624-2500

CABLE: CROMOR

FACSIMILE (RAPICOM): 202-626-5118

W. U. I. (INTERNATIONAL) 84344

W. U. I. (DOMESTIC) 89-2448

ROBERT M. HALPERIN
(202) 624-2543

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4875 MACARTHUR COURT
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44-71-936-3036

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July 28, 1992

BY HAND DELIVERY

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

EX PARTE LETTER

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JUL 29 1992

Federal Communications Commission
Office of the Secretary

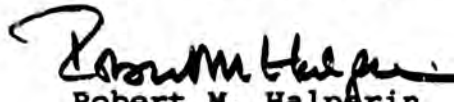
Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on July 25, 1992, Linda K. Smith, Counsel for the State of Alaska, met with Mr. Ronald G. Choura of the Michigan Public Service Commission to discuss the State of Alaska's position with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376, and related proceedings. The discussion involved matters covered in the State's previously filed pleadings.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,


Robert M. Halperin

cc: Mr. Ronald G. Choura

bcc: Linda K. Smith
John W. Katz

CROWELL & MORING

1001 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20004-2595

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W. U. I. (DOMESTIC) 89-2448

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FACSIMILE 44-71-936-3035

July 28, 1992

BY HAND DELIVERY

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

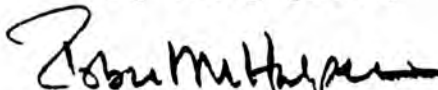
Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on July 25, 1992, Linda K. Smith, Counsel for the State of Alaska, met with Ms. Lorraine Kenyon of the Alaska Public Utilities Commission to discuss the State of Alaska's position with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376, and related proceedings. The discussion involved matters covered in the State's previously filed pleadings.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,


Robert M. Halperin

cc: Ms. Lorraine Kenyon

EX PARTE LETTER

RECEIVED

JUL 29 1992

Federal Communications Commission
Office of the Secretary

bcc: Linda K. Smith
John W. Katz

CROWELL & MORING
1001 PENNSYLVANIA AVENUE, N.W.
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NEWPORT BEACH, CALIFORNIA 92660-1851
(714) 283-8400
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LONDON EC4Y 1LL
44-71-936-3036
FACSIMILE 44-71-936-3036

July 28, 1992

BY HAND DELIVERY

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

EX PARTE LETTER

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Federal Communications Commission
Office of the Secretary

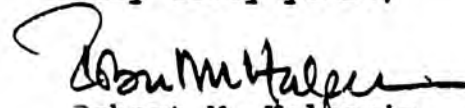
Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on July 27, 1992, Linda K. Smith, Counsel for the State of Alaska, met with Ms. Debra Kriete of the Pennsylvania Public Utilities Commission to discuss the State of Alaska's position with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376, and related proceedings. The discussion involved matters covered in the State's previously filed pleadings.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,


Robert M. Halperin

cc: Ms. Debra Kriete

bcc: Linda K. Smith
John W. Katz

8-28-92

CROWELL & MORING
1001 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20004-2595

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W. U. I. (DOMESTIC) 89-2448

AUG 28 '92

FEDERAL RESERVE BANK
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SUITE 1200

2010 MAIN STREET

IRVINE, CALIFORNIA 92714-7217

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LONDON EC4Y 1LL

44-71-936-3035

FACSIMILE 44-71-936-3035

ROBERT M. HALPERIN
(202) 624-2543

August 28, 1992

BY HAND DELIVERY

EX PARTE LETTER

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

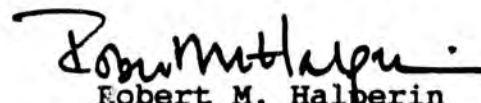
Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on August 27, 1992, Robert M. Halperin, Counsel for the State of Alaska, and Karl Korsmo, the State's consultant, held a telephone conference with Ms. Lorraine Kenyon of the Alaska Public Utilities Commission staff and Mr. Ronald G. Choura of the Michigan Public Service Commission staff to discuss the Briefing Paper submitted to the Federal-State Board by Overland Consulting, Inc.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,


Robert M. Halperin

cc: Ms. Lorraine Kenyon
Mr. Ronald G. Choura

CROWELL & MORING
1001 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20004-2595
(202) 624-2500
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W. U. I. (INTERNATIONAL) 64344
W. U. I. (DOMESTIC) 89-2448

ROBERT M. HALPERIN
(202) 624-2543

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LONDON EC4Y 1LL
44-71-936-3036
FACSIMILE 44-71-936-3035

August 28, 1992

BY HAND DELIVERY

EX PARTE LETTER

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on August 27, 1992, Robert M. Halperin, Counsel for the State of Alaska, and Karl Korsmo, the State's consultant, held a telephone conference with Ms. Lorraine Kenyon of the Alaska Public Utilities Commission staff and Mr. Ronald G. Choura of the Michigan Public Service Commission staff to discuss the Briefing Paper submitted to the Federal-State Board by Overland Consulting, Inc.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,


Robert M. Halperin

cc: Ms. Lorraine Kenyon
Mr. Ronald G. Choura

bcc: Karl Korsmo
Linda K. Smith
John W. Katz

8-31-92

CROWELL & MORING

1001 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20004-2595

(202) 624-2500

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LINDA K. SMITH
OF COUNSEL
(202) 624-2710

August 31, 1992

EX PARTE LETTER

BY HAND DELIVERY

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on August 28, 1992, Linda K. Smith, counsel for the State of Alaska, held a telephone conference with Commissioner Dean Joe Miller of the Idaho Public Service Commission to discuss the State of Alaska's position with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376, RM 4436, and related proceedings. The discussion involved matters covered in the State's previously filed pleadings.

If there are any questions in connection with this matter, please contact undersigned counsel.

Very truly yours,

Linda K. Smith (cm)

Linda K. Smith

cc: The Honorable Dean Joe Miller

9-15-92

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September 15, 1992

BY HAND DELIVERY

EX PARTE LETTER

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

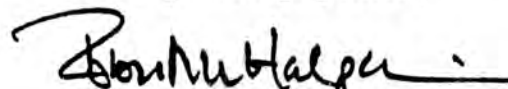
Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Ms. Searcy:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that the State of Alaska sent a letter today to the State Commissioners on the Federal State Joint Board in this docket. A copy of that letter is attached.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,


Robert M. Halperin

Enclosure

TER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
WASHINGTON, D.C.

September 15, 1992

Commissioner Susan M. Knowles
Alaska Public Utilities Commission
1016 West Sixth Avenue
Suite 100
Anchorage, AK 99501

Commissioner E. Bruce Hagen
North Dakota Public Service Commission
State Capitol Building
Bismark, ND 58505

Commissioner Dean Joe Miller
Idaho Public Utilities Commission
Statehouse
Boise, ID 83720

Chairman David W. Rolka
Pennsylvania Public Utilities Commission
104 North Office Building
Commonwealth and North Streets
Harrisburg, PA 17105-1376

Re: CC Docket No. 83-1376

To the State Members of the Federal State Joint Board:

This letter is written to clarify the facts with respect to certain recent developments in this proceeding.

On September 11, 1992, Pacific Telecom, Inc. (PTI) wrote to you requesting a delay in responding to your Memorandum of Understanding of August 4, 1992. PTI stated that its request was predicated on "discussions with the State of Alaska" (State) regarding possible solutions to the concerns the State has expressed to the Federal Communications Commission (FCC) and the Federal State Joint Board regarding the Master Agreement between

Commissioner Susan M. Knowles
Commissioner E. Bruce Hagen
Commissioner Dean Joe Miller
Chairman David W. Rolka
September 15, 1992
Page 2

PTI and American Telephone and Telegraph Company. The State had no advance notice of PTI's letter.

In light of PTI's letter to you and to correct misunderstandings that have been created by it, the State is providing you and is filing with the FCC copies of the most recent correspondence between PTI and the State that summarizes the discussions between them. The State has not agreed to endorse the proposals set forth in this correspondence and the State is not now endorsing them. In fact, the State believes the proposals are not presently adequate to address the concerns expressed in our prior pleadings. Moreover, these proposals were not aimed at solving all problems various commenters have raised with respect to the Master Agreement.

As the State has told PTI and others, we would not be a party to any proposed resolution of the issues in this docket without first circulating that solution for public comment and discussion. The State believes that input from the other parties to the FCC proceeding would be helpful in determining whether these or other proposals would resolve the public policy concerns the State expressed in its Comments and Reply Comments to the FCC on the Master Agreement.

We encourage all participants to continue to seek solutions to the difficult issues presented in this proceeding. I hope this letter is helpful to you in clarifying the current situation.

Sincerely,



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

Enclosures

cc: Donna R. Searcy (for ex parte files)

ALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
WASHINGTON, D. C.

August 25, 1992

Donn T. Wonnell
Vice President, Regulatory Affairs
Pacific Telecom, Inc.
805 Broadway
P.O. Box 9901
Vancouver, WA 98668-8901

Re: Stipulations for FCC CC Docket No. 83-1376

Dear Donn:

As you know, Pacific Telecom, Inc. (PTI), on behalf of itself and its subsidiaries Alascom, Inc. and Telephone Utilities of Alaska (TUA), and the State of Alaska have been engaged in discussions over the past few weeks concerning whether the Master Agreement between PTI and American Telephone and Telegraph Company (AT&T) should be approved by the Federal Communications Commission (FCC). In these discussions, PTI and the State have sought to develop alternatives which would satisfy the State's concerns that the Master Agreement, as presently structured, is not in the public interest.

These discussions have led PTI to propose two stipulations which would be submitted to the FCC. The first stipulation would require AT&T to continue to lease switching facilities from PTI subsidiaries for at least ten years. This stipulation is intended to solve the concerns expressed by the State and others that any abandonment by AT&T of those switching facilities would cause increases in intrastate revenue requirements beyond those identified to date. PTI, AT&T and the State would be parties to this stipulation.

The second stipulation involves the proposal by PTI to the Alaska Public Utilities Commission (APUC) of an intrastate price cap plan for TUA modeled after the FCC's price cap plan for local exchange carriers. The purpose of this stipulation is to eliminate the connection between increased intrastate revenue requirements arising out of the Master Agreement and increases in intrastate rates. PTI and the State would be parties to this stipulation.

Mr. Donn T. Wonnell
August 25, 1992
Page 2

The State sincerely appreciates PTI's willingness to discuss these matters and to seek solutions to the concerns expressed by the State in its comments and reply comments to the FCC. We have agreed to consider these stipulations carefully and to respond to them. We recognize that the State members of the Federal-State Joint Board have asked PTI and AT&T to respond by September 1, 1992 to a Memorandum of Understanding suggesting that changes be made in the Master Agreement. We are, therefore, expediting our consideration of the most recent version of the stipulations and associated documents (which were provided to us on August 12, 1992) and are providing you this response as quickly as possible.

We believe that the stipulations PTI has proposed offer promise, but they are not acceptable to the State in their present versions. To accelerate matters, we are not taking the time necessary to provide a word-edited version of these stipulations, but rather are responding with a description of changes necessary if the State is to be a signatory to them.

The stipulation with AT&T should be modified to add the following points:

Carrier of Last Resort. The Joint Board has previously found that designation of a carrier of last resort in Alaska would be in the public interest. We recognize that the Master Agreement provides some protections in this regard, but those protections are not wholly adequate. If PTI, AT&T and the State are to enter into a stipulation in this matter, this issue must be addressed.

PTI should explicitly accept designation of TUA as a carrier of last resort for intrastate toll and private line services and for interstate and intrastate access (transport) services. It should provide these services to all communities of 25 or more persons requesting any interexchange service. AT&T should explicitly accept designation as a carrier of last resort for interstate toll and private line services and provide such services to all communities to which TUA has an obligation to provide access (transport) services. All interstate services, of course, would need to be provided at rate integrated rates.

NECA Participation. Our comments to the FCC, the Memorandum of Understanding, and the Overland Consulting report to the Joint Board all identify problems with long-run participation by TUA in the NECA cost pools. The Master Agreement calls for such participation for ten years. We believe that NECA cost pool participation with respect to assets being transferred from Alascom to TUA, if allowed, should be limited to five years. This change in the Master Agreement would promote the Joint Board's objectives of efficiency and market-based competition.