

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2255 SCOMM 88: HOUSE TELECOMMUNICATIONS TASK FORCE, 1993 805A

The Joint Board has requested comments on the two proposals presently before it: the Tentative Recommendation and the AT&T Consumer Benefit Plan. Both proposals have merit, but neither proposal should be recommended to the Federal Communications Commission without certain changes.

The Joint Board's Tentative Recommendation

The Joint Board's Tentative Recommendation has many attractive features. It provides for an orderly transition from the joint services arrangement to a new era of competition and efficiency. It seeks to recognize the investments Alascom has made in reliance of the joint services arrangement and provides for accelerated cost recovery of those investments in the remaining term of the joint services arrangement.

The Joint Board's proposal, however, creates jurisdictional cost shifts, placing significant upward pressures on intrastate rates. The State has long opposed such a development on behalf of its citizens. Also, the Joint Board's proposal does not seem likely to stimulate quickly the delivery of new and improved telecommunications services to Alaska.

In its June 28, 1993 comments, the State suggested that the Tentative Recommendation would be improved by two adjustments: (1) not changing the "frozen allocator" which applies to interexchange circuit equipment and applying accelerated cost recovery solely to Alascom's interstate MTS/WATS assets (thus reducing Alascom's interstate costs and removing the necessity for the Alaska Fund) and (2) removing the requirement that Alascom

geographically average rates for its carrier services.¹ The State continues to believe those adjustments would be in the public interest.

Based on its review of the other comments filed and discussions with Alaska carriers and others, the State believes that the Tentative Recommendation would be further improved if the transition period during which AT&T must place its traffic on Alascom's network were shortened. AT&T will not have the incentive to invest in new technology and deliver the new services it has offered in its proposal until it is free to handle its Alaska traffic in the manner it finds most efficient. Although a transition period regarding termination of the joint services arrangement is necessary, shortening that transition would appear useful.

The State suggests that the four year transition period following termination of the joint services arrangement (during which AT&T can decrease its placement of traffic on Alascom's network) be reduced to two years. AT&T would then be free to satisfy its requirements in Alaska through the most cost effective network arrangements possible in five years rather than seven years. Thus, Alascom would continue to carry all of AT&T's traffic for three years and a great deal of AT&T's traffic for an additional two years. Given the accelerated cost recovery, Alascom should have a cost structure that would allow it to

¹ AT&T's suggestion in this regard that a separate study area be established for Alascom's services to the Alaska Bush appears to have merit.

compete effectively to handle AT&T's traffic at that time.

AT&T's Consumer Benefit Plan

AT&T's Consumer Benefit Plan has several attractive features as well. It promises significant new investment in Alaskan telecommunications. It would not appear to create jurisdictional cost shifts to the same extent as the Joint Board's proposal. It promises reduced and capped intrastate rates. AT&T has also committed itself, on the record, to assume Alascom's rural service obligations, if necessary. AT&T's plan is far less complex than the Joint Board's proposal and involves less regulatory intervention.

The Consumer Benefit Plan, however, also has significant deficiencies. First, the AT&T plan does not provide for an orderly transition to a new market structure and it does not adequately recognize the investments Alascom has made in reliance of the joint services arrangement or provide for cost recovery of those investments.

Second, it is incomplete. AT&T has not submitted a complete and comprehensive Section 214 application to the FCC and it has not submitted any application to the Alaska Public Utilities Commission for approval of the intrastate aspects of its plan. The information AT&T has filed with the Joint Board is lacking in detail.

To cure these deficiencies, the State suggests that the Joint Board not recommend approval of AT&T's plan unless the following changes to that plan are made or conditions satisfied:

First, AT&T would have to agree to purchase transport services for its traffic from Alascom for three years. During that time, Alascom would be permitted to accelerate the cost recovery of its interstate MTS/WATS assets in an amount to be determined by the Joint Board.²

Second, AT&T would have to submit a complete Section 214 application to the FCC to supplement the application now on file no later than September 15, 1993.

Third, AT&T would have to submit a complete application to the Alaska Public Utilities Commission no later than September 15, 1993.

Fourth, approval of those applications would need to be obtained before the joint services arrangement would actually be terminated. (In this regard, it is expected that the Joint Board would recommend approval of those applications if they satisfy applicable statutory and regulatory requirements.)

Conclusion

The world in which we live is not perfect and there is no perfect solution to the issues facing the Joint Board. The difficulty of the issues presented, however, does not justify delay in resolving them. Although the State of Alaska sees merit in both proposals, it believes that the Joint Board's Tentative Recommendation and AT&T's Consumer Benefit Plan would be

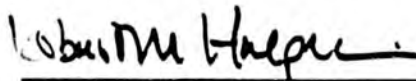
²

In this regard, the State notes that the State Members of the Joint Board have previously suggested accelerated cost recovery of \$150 million over a three year period and that Alascom has suggested that \$220 million over that period would be more appropriate. See Response to Request for Implementation Plan of Alascom, Inc. (June 7, 1993).

significantly improved by the changes and conditions suggested in these comments.

Respectfully submitted,

THE STATE OF ALASKA



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July 12, 1993

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 12th day of July, 1993 upon the parties listed on the attached Service List.


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July 22, 1993

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EX PARTE LETTER

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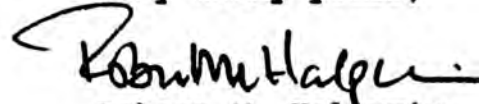
Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Mr. Carton:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that Robert M. Halperin, Counsel for the State of Alaska had a telephone conversation on July 21, 1993 with Lorraine Kenyon of the Alaska Public Utilities Commission. The conversation related to the State of Alaska's position as set forth in its pleadings with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376.

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

Very truly yours,


Robert M. Halperin

cc: Lorraine Kenyon

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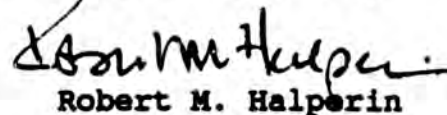
Re: Integration of Rates and Services
CC Docket No. 83-1376, RM 4436

Dear Mr. Carton:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that Robert M. Halperin, Counsel for the State of Alaska had a telephone conversation on July 23, 1993 with Commissioner Susan M. Knowles of the Alaska Public Utilities Commission and Commissioner Dean J. Miller of the Idaho Public Utilities Commission. The conversation related to the State of Alaska's position as set forth in its pleadings with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376.

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
Commissioner Dean J. Miller

7-27-93

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

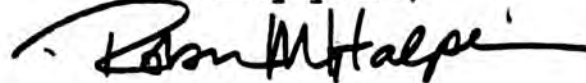
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Mr. Caton:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that on July 26, 1993, John W. Katz, Director, State/Federal Relations and Special Counsel to the Governor of the State of Alaska had a telephone conversation with Commissioner Susan M. Knowles of the Alaska Public Utilities Commission. The conversation related to the State of Alaska's position as set forth in its pleadings with respect to the Alaska Joint Board Proceeding, CC Docket No. 83-1376.

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