DATED AND EFFECTIVE at Anchorage, Alaska, this 6th day of September, 1990.

DISSENTING STATEMENT OF COMMISSIONER SOKOLOV, WITH WHOM COMMISSIONER O'TIERNEY CONCURS. WITH RESPECT TO THE INCLUSION OF TIME-OF-DAY AND DISTANCE FACTORS IN THE ACCESS CHARGES WEIGHTING SCHEME

[1] I respectfully disagree with my colleagues in adopting an access charge weighting scheme that includes distance and time-of-day weighting.

Before the Commission is the challenge of developing a scheme that will preserve universal service and at the same time foster a competitive environment governed by market forces. To achieve this, the regulator must strike a delicate balance between imposing constraints on telephone companies that are sufficiently restrictive so as not to jeopardize universal service yet sufficiently relaxed to permit market forces to work as freely as possible. Once competition begins, undesirable market repercussions may well occur; and the regulator must stand ready to make adjustments quickly before much damage is done. To be able to react quickly, it is essential that regulatory mechanisms be kept as simple as possible.

If competitors are allowed to operate without any constraints whatsoever, it is highly probable that service to rural communities would decline. Utility resources and management attention would be directed to areas where there is the greatest potential for profits; i.e., the urban areas. I thus fully support an access charge weighting scheme that encourages service to small rural communities. This would require two or, at most, three different weightings. Beyond this, if additional factors are added to the weighting scheme, the point of diminishing returns is quickly reached.

The addition of distance and time-of-day factors to the weighting scheme has several disadvantages. One, a complex weighting scheme will make it more difficult to make necessary adjustments. Should the market react unexpectedly, how easy will it be to identify the variable that will need adjusting? If the 72 different weightings that were discussed at the hearings were adopted, it may just take too long to fine tune them to achieve the desired market equilibrium. Furthermore, should it be desirable to use three levels of weightings to differentiate between high and low-density routes, the number of different weightings might jump to 108!

Second, while major carriers may submit the required data with reasonable precision, smaller carriers and resellers may not. As the number of carriers increases, so do the sets of 72 different demand data. Verification of all this data may become an overwhelming auditing task.

Third, the Alaskan market is very limited in size, and it is important to allow as many competitors into the market as possible to minimize oligopolistic behavior. It is, therefore, important to reduce to an absolute minimum the barriers for market entry. The weighting mechanism that was adopted requires long distance carriers to submit demand data that, according to MCI, is much more detailed than that required by any of the other state commissions. I am concerned that some potential competitors may choose not to enter the Alaskan market so as not to set a precedent for submitting detailed demand data to state commissions.

Fourth, regulations that prevent the market from finding its own natural level should be kept to an absolute minimum. While it is critical that a mechanism exist to preserve universal service, it is much more debatable whether other cross-subsidies should be encouraged in an open market. In the long run, customers do find alternatives if rates are substantially above costs. To confirm this, one need to look no further than the growth of the State network in recent years. The threat of bypass may be not as severe as touted by Alascom; nevertheless, it does exist, and it is likely to increase in the future because of new technologies and competition from noncommon carrier providers. Once customers are lost to bypass, it is almost impossible to bring them back onto the network.

Only time will tell if a weighting scheme alone will suffice to achieve the desired objective of preserving universal service. Perhaps, additional regulatory constraints will have to be

tried to counteract market reactions that may threaten universal service. However, the decision has been made to have a competitive intrastate long distance market, and for it to develop successfully and offer customers more diverse and less costly services, regulatory intrusion should be kept to a minimum.

DATED at Anchorage, Alaska, this 6th day of September, 1990.

Peter Sokolov
Chairman
Daniel Patrick O'Tierney
Commissioner

DISSENTING STATEMENT OF COMMISSIONER SOKOLOV WITH RESPECT TO EXCLUSION OF NONDOMINANT CARRIERS FROM QUALITY-OF-SERVICE STANDARDS

[ii] I find it inconsistent that nondominant carriers would be required to file tariffs with the Commission without simultaneously giving customers some assurance that a reasonable level of quality will be provided for the filed rates. After competition is introduced, it is quite likely that competitors will devote most of their attention to the quality of service they furnish in areas where competitive pressures are highest while neglecting service quality where such pressures are absent. The surveillance levels in the Commission's service standards are minimums and should be easily met by all reliable IXC's. If service standards were adopted, they would assure that customers throughout the State, who will be paying non-discriminatory average rates, would not be discriminated against as to the quality of service they receive.

DATED at Anchorage, Alaska, this 6th day of September, 1990.

Peter Sokolov
Chairman

DISSENTING STATEMENT OF COMMISSIONERS KNOWLES AND FOSTER WITH RESPECT TO THE TECHNICAL DEMONSTRATION PROJECT

[iii] We respectfully dissent from that part of the Order which finds it appropriate for an interexchange carrier (IXC), upon application and approval, to construct facilities on an experimental basis in a maximum of 10 communities in addition to those where facilities-based competition is allowed.

A technical demonstration project for the most remote areas of Alaska may well be a good idea, but there is little, if any, basis in the record to support or to oppose it much less to define its scope. Such an experiment should be the subject of comments and full evaluation before it is determined to be appropriate and applications are solicited. While the Order requires Commission approval of proposals, it does not appear to contemplate substantive review of the concept during the application process. If that it is not the case, then it clearly would be preferable to have considered the merits and demerits of a technical demonstration project before addressing these points in the context of an individual application.

In addition, it is premature, if not unnecessary, to invite IXCs to expand their facilities construction at this stage in the development of the intrastate interexchange marketplace. The list of locations where duplicate facilities can be built has been significantly expanded by this Order so that over 90 percent of the state's access lines can be served by competitive facilities-based IXCs. This list also includes a sufficient number of places with low traffic levels to allow for installation of, and actual experience with, new technology. (Tr., June 8, 1990, pp. 83-84.) This operational history is an essential prerequisite to assessing the desirability and focus of any technical demonstration project. Such experience will also allow the Commission to direct any experiment so as to insure that the resulting data not only benefits the private interests of an IXC but also provides information useful to assessing the public interest of expanding the list of locations where facilities-based competition is permitted.

Lastly, with all of the other pressing issues facing the Commission in implementing intrastate interexchange competition in early 1991, it is counterproductive to be distracted by consideration or approval of an experiment for a much more speculative part of this telephone service

at this time.

DATED at Anchorage, Alaska, this 6th day of September, 1990.

Susan M. Knowles
Commissioner
Mark A. Foster
Commissioner

DISSENTING STATEMENT OF COMMISSIONER FOSTER WITH RESPECT TO THE WAIVER OF QUALITY OF SERVICE STANDARDS FOR NONDOMINANT CARRIERS

[iv] It is particularly ironic that in an effort to promote the goal of universal service, there is a waiver of minimum quality of service standards for nondominant carriers.

An argument presented in favor of waiving the quality of service standards is that consumers should have a choice. If the quality of service standards are only waived for nondominant carriers, the customers will still have the choice to take the basic service offered by the dominant carrier. The issue is whether this apparent consumer choice can be a meaningful one when balanced against the benefits of a minimum standard.

To waive this standard in the market invites the evolution of a "cheap" market, wherein consumers may be faced with taking a chance on the promises of a nondominant carrier in exchange for a lesser price. In order for consumers to have a meaningful choice, they must be able to obtain full and accurate information about the price and quality of competing services. A host of barriers inhibit consumer access to full and accurate information including lack of information, misleading information, and nonstandard information. Further, the information required to make an accurate comparison with current data may be difficult to find, complex to understand, and present a hurdle to many consumers. Thus, the opportunity to make an informed choice may be rather limited. To counter this and provide consumers with a choice, the Commission will explore efforts to facilitate price comparisons between carriers by publishing rates in a comparable format. But with the quality of service standards waived for some firms, these price comparisons will no longer be sufficient for a meaningful comparison. Thus, an additional level of complexity is introduced to those seeking basic MTS service. Hence, many consumers may simply have to gamble on the advertised benefits of a low-priced service, rather than being able to make a clear choice ahead of time.

If consumers find those promises exaggerated or just plain confusing, they will find little relief. It will not be available under the current regulations. The consumers will be told they have a choice, if they want better service they can purchase it from someone else.

Finally, with the elimination of a minimum quality of service standard for nondominant carriers, the market can be infused with product differentiation that substitutes for price competition and interferes with the benefits of competition for consumers. This result is directly counter to the proper operation of competitive markets, which assumes that the services offered are the same. The result of product differentiation is to convert a single market with multiple sellers into multiple markets with single sellers where each seller can seek out and set an equilibrium price as though the seller was serving an isolated market. Especially in the interexchange MTS market where rates are based on a variety of factors, including time of day, duration of call, and distance of call, there is a reasonable expectation of a high degree of differentiation. These services are made even more complex by the increasing assortment of packages and bundles offered by carriers. With the additional complexity of quality of service standards waived for nondominant carriers the seller has an additional opportunity to differentiate the market and charge a premium price.

To the extent possible, the market for basic in-state toll calling should be encouraged to have a basic quality standard to encourage direct price competition for the service.

With the ability of the market to provide a basic quality of service at a reasonable price, why should basic in-state toll service be compromised by adding additional differentiation of the service? The goal should be to give everyone access to a modern, efficient, basic quality universal service. When balanced against the

possible benefits of offering customers a potential choice of lesser quality MTS, a minimum standard which encourages direct competition and ensures reliable dial tone seems more appropriate.

DATED at Anchorage, Alaska, this 6th day of September, 1990.

Mark A. Foster
Commissioner

DISSENTING STATEMENT OF COMMISSIONER MAY, WITH WHOM COMMISSIONER O'TIERNEY JOINS, WITH RESPECT TO LIMIT ON CONSTRUCTION OF DUPLICATE FACILITIES

[v] Although I firmly support the overall framework that the Commission has established to regulate the transition to a more competitive intrastate interexchange market structure, I respectfully dissent with regard to the constraints placed upon the construction of duplicate transmission facilities. For two reasons, I believe that the Commission should not limit the locations where duplicate transmission facilities may be constructed.

First, I do not believe that the record reflects enough accurate and current evidence regarding the inverse relationship between costs per channel and number of channels to justify prohibiting facilities based competition below a specific number of channels. Given the legislative preference expressed in CSSB 206 for facilities-based competition, the Commission should not place limits on the construction of duplicate facilities without more compelling evidence of risk to universal service or other injury to the public.

Second, even if the cost curve for costs per channel does begin to rise steeply at some definite number of channels, I believe that competing carriers should still be given the opportunity to construct duplicate facilities in all locations, because the primary risk of constructing duplicate facilities will be borne by interexchange carriers and not by ratepayers. Once a duplicate facility has been built at a particular location, that cost, at least in theory, becomes a sunk cost and is no longer relevant to pricing strategy on that route. In a competitive market, so long as a carrier recovers its marginal costs, it makes sense to offer service even if sunk costs are not recovered. Ratepayers on those routes ought to benefit from this tendency of market forces to drive prices to marginal costs. While I do not expect actual market behavior to always mimic economic theory, there is sufficient predictive value from theory that I can not completely ignore it.

To the maximum extent possible consistent with its obligation to maintain just and reasonable rates, the Commission should let carriers entering the market decide where and how they will compete and to what extent they will mix profitable and unprofitable routes as they attempt to provide the most attractive total package to ratepayers and investors alike. A carrier may decide to offer service through duplicate facilities even on some unprofitable routes based on marketing considerations, competitive strategy, corporate culture or any number of other reasons logical to entrepreneurs and investors but alien to the minds of regulators. In a competitive or emerging competitive market, entering carriers should be free to make those decisions and to bear the attendant risks. The Commission should not, and indeed ultimately cannot, insulate carriers from the effects of such decisions.

Given the legislature's determination that competition in the intrastate interexchange market is in the public interest, the Commission should let the leaven of competition do its work, rewarding efficient carriers who make good investment decisions and penalizing inefficient carriers who make poor investment decisions. I believe that allowing entering carriers more freedom in their investment decisions would lead to a greater array of choices for consumers without posing undue risks to ratepayers. The freedom to construct duplicate facilities is a part of this environment. In the long run, ratepayers will benefit most where the stimulus of competition is most encouraged.

DATED at Anchorage, Alaska, this 6th day of September, 1990.

Donald F. May
Commissioner
Daniel Patrick O'Tierney
Commissioner

SEPARATE STATEMENT OF COMMISSIONER FOSTER WITH RESPECT TO EFFECTIVE COMPETITION IN THE ALASKAN MARKET

Effective Competition

[vi] There has been a great deal of testimony supporting the notion that "market forces" rather than regulation should be allowed to determine the prices and services offered. The task before the Commission is not to choose between these extremes of economic abstraction, but rather to fashion a market structure that encourages the development of healthy market forces and acknowledges the possibility of market failures.

To economically deregulate the intrastate toll market presumes that market forces will emerge to bring about the efficiencies theoretically possible in a competitive market and that they will be sustained. However, based on the interstate market experience, it is also possible that there may be market failures where the inherent market incentives do not materialize to drive the market price and service toward its most economically efficient within the context of the *entire Alaskan market*. The Legislature and the Commission have effectively defined the Alaskan Message Telephone Service (MTS) market as a statewide market by identifying universal service as a primary goal and stating that the benefits of competition should be shared by all consumers of the state.

For the new market structure to achieve the broad policy goals set by legislation, it must achieve *effective* competition. Effective competition implies, among other things, that prices are driven toward cost.

It is difficult to imagine a market with only GCI and Alascom where effective competition is sustained in view of recent history at the interstate level where the challenger with roughly half of the MTS market has priced its service just under the umbrella set by the incumbent. This "market behavior" does not resemble effective competition as much as it does a shared monopoly.

In a market with declining costs, where firms become more efficient through prudent employment or new technology and operational improvements, effective competition may not be emerging if prices merely follow the leader. On the other hand, to the extent that rates track the underlying declining costs of this industry, the benefits of a competitive market structure will begin to emerge.

New Technology and the Alaskan Market

When analyzing the Alaskan market it becomes clear that a great many intrastate routes have not achieved volume levels that would appreciably diminish the economies of scale of the underlying transmission facilities. Furthermore, across the range of transmission densities present in the Alaskan market, there are a number of crossover points where technologies displace one another as most efficient. For example, though the projected cost curves for C-band appear to be competitive with recent FDMA cost curves at the low-density end of the market, at higher densities the costs for C-band decline toward $5,900 a channel, while FDMA costs eventually decline toward $1,500 a channel. Thus, the overall market may still exhibit economies of scale.

If facilities duplication is permitted, it is likely that a new firm will build facilities if it feels it can take advantage of recent technological advances and deploy those advances in specific "volume niches" where they are more efficient than the existing system.

Despite the risks, the potential challenger will be attracted by the profits of the monopolist and the hope that it can take over the dominant position, or at least establish a profitable coexistence of joint market exploitation of monopoly profits.

The challenger will be eager to spread its fixed costs by engaging in aggressive activity to gain as much market share as possible. GCI has indicated it needs at least one third of the intrastate traffic to make its combined intra and interstate network viable. GCI's representation

that it will require a third of the intrastate traffic to make its system viable is indicative of the fact that it is facing a declining cost technology. Unless GCI gets enough traffic, it cannot justify the cost of building the system. Thus it will try to increase volume far enough down the cost curve to get to a point where it is viable. This suggests that it may not be viable for a third facilities-based carrier to enter. Further, with additional market share GCI can increase its own profitability and strategically leave Alascom with reduced market share and higher costs. The key equilibrium point for the MTS market will be when GCI and Alascom have market shares which essentially mirror their respective interstate market shares of roughly 50 percent each. At this point, the question becomes whether GCI or Alascom is willing to aggressively pursue additional cuts in prices to garner market share or seek other ways to increase profitability.

The two firms may continue to cut prices in the scramble to capture market share, with the possibility that substantial losses may ensue if rates are cut to below costs. To the extent that the firms engage in aggressive price cutting and the risks are borne primarily by shareholders, through asset write-offs for example, there are benefits for the consumers in the state. However, the price cutting could result in the decimation of the rivals and the potential for a merger of surviving firms. This potential market churning has the potential outcome of substantially higher costs being borne by the ratepayers as the survivors try and recoup.

On the other hand, the firms may tacitly decide to compete for market share primarily in the areas where the market is expanding and settle for a split of the overall MTS market similar to what has been achieved at the interstate level. In the interstate market, it appears the challenger has basically set its prices just under the umbrella of the incumbent firm, establishing a profitable coexistence. If this umbrella pricing behavior remains a feature in the market and presuming one firm is more efficient than the other, the more efficient firm captures part of the monopoly profits and distributes them to shareholders. Meanwhile, the ratepayers do not share in the benefits of the so-called competitive marketplace.

Thus, the Commission is faced with attempting to design a market structure that steers a narrow path between oligopoly, ruinous competition, and the development of a healthy competitive market. For the market to have sufficient numbers of service providers to stimulate and maintain competitive behavior aimed at keeping prices near cost, an attractive wholesale rate is critical to allow for a resale market niche to develop. At the onset, the Commission would be prudent to closely monitor the relationship between the wholesale rate of Alascom and the wholesale contracts that may emerge on the nondominant side. If a resale market is slow to develop, the Commission should explore requiring all facilities-based firms to file a wholesale tariff for approval based on an appropriate marginal cost methodology. This could be one avenue of encouraging a market and implementing the statutory requirement that "a telephone company may not prohibit or restrict the resale of telecommunications service." It is interesting to note in an annual report of the Council of Economic Advisors to President Reagan that the sale of the underlying transmission capacity at an appropriate marginal cost is a suggested method of "deregulating" and assisting the development of competitive markets.

Particularly in markets as thin as Alaska, it makes sense to sell capacity at marginal costs rather than building additional excess capacity in a system. GCI indicated one of the benefits of building its network was redundancy. A question the Commission has to ask itself is what level of redundancy is appropriate and who is going to pay for it. Currently, GCI is authorized to build duplicate facilities in communities with as few as 20 channels and less than 500 access lines. To allow any further duplication of facilities without examining the full potential for the resale of underlying transmission capacity seems less than cautious.

Over the next few years a number of new facilities will be deployed by both Alascom and GCI. They will both have ample opportunity to demonstrate their abilities, technical and otherwise, in close proximity to one another. Based on this close comparison the Commission will

be better positioned to determine what additional refinements to the market structure are required to stimulate competitive forces and limit market failures.

DATED at Anchorage, Alaska, this 6th day of September, 1990.

Mark A. Foster
Commissioner

APPENDIX "A"

3 AAC 52 is amended by adding new sections to read:

[Publisher: Please add the following sections to 3 AAC 52 as Article 4, renumber existing Articles 4 (Electric Utilities), 5 (Criteria for Determination of Power . . .), and 6 (Cable Television Joint Use . . .) to become Articles 5, 6, and 7, respectively, and make these changes to the Article list for 3 AAC 52.]

ARTICLE 4.

CRITERIA FOR INTRASTATE INTEREXCHANGE TELEPHONE COMPETITION

Section

350. Applicability, purpose, finding, and waiver
355. Scope of competition
360. Certificates of public convenience and necessity
363. Determination of dominant status
365. Discontinuance, suspension, or abandonment of service by nondominant carrier
370. Retail rates
375. Wholesale service and rates
380. Reporting, verification, and auditing requirements
385. Standards of service
390. Miscellaneous
399. Definitions

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

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

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

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

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

Authority:	AS 42.05.141(b)	AS 42.05.381
	AS 42.05.151(a)	AS 42.05.401
	AS 42.05.221	AS 42.05.711(d)
	AS 42.05.241	AS 42.05.720(4)(B)
	AS 42.05.311	AS 42.05.800
	AS 42.05.321	AS 42.05.810
	AS 42.05.361	AS 42.05.860
	AS 42.05.371	AS 42.05.995

3 AAC 52.355. SCOPE OF COMPETITION. (a) The extent to which interexchange carriers may construct facilities for use in the origination and termination of intrastate interexchange telephone service is specified as follows:

(1) All interexchange carriers are permitted to construct facilities and use those facilities in the provision of intrastate interexchange telephone service in the locations of Adak, Anchorage, Barrow, Bethel, Chugiak, Cordova, Deadhorse, Delta Junction, Dillingham, Eagle River, Eielson Air Force Base, Fairbanks, Ft. Greeley, Ft. Wainwright, Glennallen, Haines, Healy, Homer, Juneau, Kenai, Ketchikan, King Salmon, Kodiak, Kotzebue, Nome, North Pole, Palmer, Petersburg, Seward, Sitka, Soldotna, Talkeetna, Unalaska, Valdez, Wasilla, Willow, and Wrangell. A location served by a remote unit from one of the foregoing locations at the

effective date of (a)(1) of section is also considered a part of that location.

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

(3) Notwithstanding (1) and (2) of this subsection, the commission will, in its discretion, reclassify any location in the state based on a determination that traffic density and other relevant factors require reclassification.

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

Authority:	AS 42.05.141(b)	AS 42.05.381
	AS 42.05.151(a)	AS 42.05.401
	AS 42.05.221	AS 42.05.711(d)
	AS 42.05.241	AS 42.05.720(4)(B)
	AS 42.05.311	AS 42.05.800
	AS 42.05.321	AS 42.05.810
	AS 42.05.361	AS 42.05.860
	AS 42.05.371	AS 42.05.995

3 AAC 52.360. CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY. (a) An entity proposing to provide intrastate interexchange telephone service must file an application for a certificate of public convenience and necessity that includes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(12) for new businesses, copies of the most recent year's balance sheet and income statement for the principal owners of the business;

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

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

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

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

(17) a description of all agreements or

negotiations with other utilities for joint use and interconnection of facilities;

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

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

(20) a tariff of rates and services; and

(21) a signed verification that all of the information provided in the application is true, accurate, and complete.

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

(c) An entity proposing to provide intrastate interexchange telephone service and any authorized nondominant carrier must also file, at least six months before any construction or installation begins, plans for all facilities that will be used to provide interstate interexchange telephone service in locations where only the incumbent carrier is permitted to construct facilities for the provision of intrastate interexchange telephone service, along with data demonstrating that the facilities are cost effective and fully justified on the basis of the proposed interstate interexchange telephone service alone. An entity proposing to provide intrastate interexchange telephone service or an authorized nondominant carrier that constructs or installs facilities to provide interstate interexchange telephone service without providing that information and justification will be denied, permanently, a certificate of public convenience and necessity to provide facilities-based intrastate interexchange telephone service to the location where facilities for interstate interexchange telephone service were installed, even if the location is subsequently classified as a location where all interexchange carriers are permitted to construct facilities.

(d) Except as provided in (c) of this section, a certificate of public convenience and necessity will be issued, within 90 days of the date of filing a complete application, to an entity that proposes to provide intrastate interexchange telephone service under 3 AAC 52.350 — 3 AAC 52.399 and that is found by the commission to be fit, willing, and able to provide the proposed service.

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

Authority:	AS 42.05.141(b)	AS 42.05.381
	AS 42.05.151(a)	AS 42.05.401
	AS 42.05.221	AS 42.05.711(d)
	AS 42.05.241	AS 42.05.720(4)(B)
	AS 42.05.311	AS 42.05.800
	AS 42.05.321	AS 42.05.810
	AS 42.05.361	AS 42.05.860
	AS 42.05.371	AS 42.05.995

3 AAC 52.363 DETERMINATION OF DOMINANT STATUS. (a) Upon petition or on its own motion, the commission will, in its discretion, determine whether an interexchange carrier has market power and, as appropriate, designate or change the designation of the interexchange carrier as dominant or nondominant.

(b) Until changed under (a) of this section, the incumbent carrier is a dominant carrier; and all other interexchange carriers are nondominant carriers.

Authority:	AS 42.05.141(b)	AS 42.05.711(d)
	AS 42.05.151(a)	AS 42.05.720(4)(B)
	AS 42.05.221	AS 42.05.800
	AS 42.05.241	AS 42.05.810
	AS 42.05.261	AS 42.05.860
	AS 42.05.271	AS 42.05.995

3 AAC 52.365. DISCONTINUANCE, SUSPENSION, OR ABANDONMENT OF SERVICE BY NONDOMINANT CARRIER. (a) A nondominant carrier may discontinue, suspend, or abandon intrastate, interexchange telephone service at the end of the 30-day notice period required by (b) of this section

unless the commission finds that continuance of the service is required for the public convenience and necessity.

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

Authority:	AS 42.05.141(b)	AS 42.05.711(d)
	AS 42.05.151(a)	AS 42.05.720(4)(B)
	AS 42.05.221	AS 42.05.800
	AS 42.05.241	AS 42.05.810
	AS 42.05.261	AS 42.05.860
	AS 42.05.271	AS 42.05.995

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

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

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

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

Authority:	AS 42.05.141(b)	AS 42.05.381
	AS 42.05.151(a)	AS 42.05.401
	AS 42.05.221	AS 42.05.431
	AS 42.05.241	AS 42.05.711(d)
	AS 42.05.311	AS 42.05.720(4)(B)
	AS 42.05.321	AS 42.05.800
	AS 42.05.361	AS 42.05.810
	AS 42.05.371	AS 42.05.860
		AS 42.05.995

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

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

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

(d) Notwithstanding (c) of this section, the commission will disapprove and require modification of wholesale rates of a nondominant carrier that are not just and reasonable or

that grant an unreasonable preference or advantage to any customer or subject a customer to an unreasonable prejudice or disadvantage.

(e) The wholesale rates for services for resale are not required to be averaged geographically. (Eff. _/_/_, Register _)

Authority:	AS 42.05.141(b)	AS 42.05.381
	AS 42.05.151(a)	AS 42.05.401
	AS 42.05.221	AS 42.05.431
	AS 42.05.241	AS 42.05.711(d)
	AS 42.05.311	AS 42.05.720(4)(B)
	AS 42.05.321	AS 42.05.800
	AS 42.05.361	AS 42.05.810
	AS 42.05.371	AS 42.05.860
		AS 42.05.995

3 AAC 52.380. REPORTING, VERIFICATION, AND AUDITING REQUIREMENTS. (a) An interexchange carrier shall submit data necessary for the calculation of access charges in accordance with 3 AAC 48.440, the Alaska Intrastate Interexchange Access Charge Manual, and the effective access charge tariff, including, not less than 10 days after the end of each calendar month, the following data for the preceding calendar month:

(1) access minutes sold at retail (including switched access minutes on private lines) by mileage band, time of day, and high density or low density status, as defined in the Alaska Intrastate Interexchange Access Charge Manual;

(2) nonswitched private lines sold at retail, including originating and terminating locations of each private line;

(3) access minutes sold for resale (including switched access minutes on private lines), by purchaser, mileage band, time of day, and high density or low density status;

(4) nonswitched private lines sold for resale, by purchaser and originating and terminating location;

(5) access minutes purchased for resale (including switched access minutes on private lines), by seller, mileage band, time of day, and high density or low density status; and

(6) nonswitched private lines purchased for resale, by seller and originating and terminating location.

(b) An interexchange carrier shall retain for a period of three years the records, including billing tapes, from which the data specified in (a) of this section is obtained.

(c) All information submitted by an interexchange carrier under (a) of this section is available for public inspection.

(d) An interexchange carrier may petition the commission to authorize an independent audit of the information provided by another interexchange carrier under (a) of this section. The interexchange carrier requesting an audit shall pay for the cost of the audit. If the commission determines based on the audit that the information provided by the audited interexchange carrier is inaccurate by a margin exceeding 2 percent or by a margin that resulted in an underpayment of access charges by an amount exceeding $200,000 on an annual basis, the audited interexchange carrier shall reimburse the cost of the audit and shall be subject to civil penalties in accordance with AS 42.05.571 — 42.05.621. In addition to the foregoing, an interexchange carrier that is determined to have underpaid access charges is required to correct that underpayment in accordance with the tariff of the Alaska Exchange Carriers Association. (Eff._/_/_, Register _)

Authority:	AS 42.05.141(b)	AS 42.05.401
	AS 42.05.151(a)	AS 42.05.431
	AS 42.05.221	AS 42.05.720(4)(B)
	AS 42.05.241	AS 42.05.800
	AS 42.05.311	AS 42.05.810
	AS 42.05.321	AS 42.05.830)
	AS 42.05.361	AS 42.05.850
	AS 42.05.371	AS 42.05.860
	AS 42.05.381	AS 42.05.995

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

(b) Traffic initially routed over the facilities

of one interexchange carrier that is blocked due to busy circuits may not be automatically rerouted to the facilities of another interexchange carrier without the written agreement of the other carrier. (Eff. _/_/_, Register _)

Authority:	AS 42.05.141(b)	AS 42.05.381
	AS 42.05.151(a)	AS 42.05.401
	AS 42.05.221	AS 42.05.431
	AS 42.05.241	AS 42.05.711(d)
	AS 42.05.311	AS 42.05.720(4)(B)
	AS 42.05.321	AS 42.05.800
	AS 42.05.361	AS 42.05.810
	AS 42.05.371	AS 42.05.860
		AS 42.05.995

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

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

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

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

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

Authority:	AS 42.05.141(b)	AS 42.05.371
	AS 42.05.151(a)	AS 42.05.381
	AS 42.05.221	AS 42.05.401
	AS 42.05.241	AS 42.05.411
	AS 42.05.311	AS 42.05.431
	AS 42.05.321	AS 42.05.451
	AS 42.05.361	AS 42.05.711(d)
		AS 42.05.720(4)(B)

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

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

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

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

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

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

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

(7) "nondominant carrier" means any interexchange carrier other than a dominant carrier.(Eff. _/_/_, Register _)

Authority:	AS 42.05.141(b)
	AS 42.05.151(a)
	AS 42.05.720(4)(B)
	AS 42.05.995

PROPOSED AMENDMENTS TO THE ALASKA INTRASTATE INTEREXCHANGE ACCESS CHARGE MANUAL

Section 003 should be amended by adding a subsection (g), to read:

(g) The Association tariff must include weights to be applied to each interexchange carrier's access minutes.

Section 105(c) should be amended to read:

(c) "Proportionate market share" shall be *based on each interexchange carrier's weighted access minutes for the month, determined as follows:*

(1) the access minutes of each interexchange carrier shall be weighted based on the weights in the Association tariff;

(2) once weighted, each interexchange carrier's weighted access minutes in all categories and mileage bands are summed, and the individual summations for all interexchange carriers are totaled; and

(3) each interexchange carrier's summed weighted access minutes is divided by the totaled weighted access minutes for all interexchange carriers [DETERMINED BY DIVIDING EACH INTEREXCHANGE CARRIER'S ACCESS MINUTES FOR THE MONTH BY TOTAL ACCESS MINUTES FOR ALL INTEREXCHANGE CARRIERS FOR THAT MONTH].

Section 105 should be amended by adding a subsection (e), to read:

(e) In the determination of proportionate market share under (c) of this section, each interexchange carrier's access minutes will include the following surrogate access minutes:

(1) for nonswitched private lines, 1000 minutes per month per voice-equivalent private line circuit; and

(2) for nonswitched T-1 private lines of 24 voice-equivalent channels, 500 minutes per month per voice equivalent channel.

Section 200 should be added, to read as follows:

200. DETERMINATION OF WEIGHTS. For the purpose of determining proportionate market share, access minutes shall be weighted based on

(1) calling distance;

(2) time of day; and

(3) high density or low density status.

The applicable weights shall be determined either in conjunction with the annual access charge tariff filing or in a separate proceeding convened for that purpose.

Section 800 should be amended to add the following definitions:

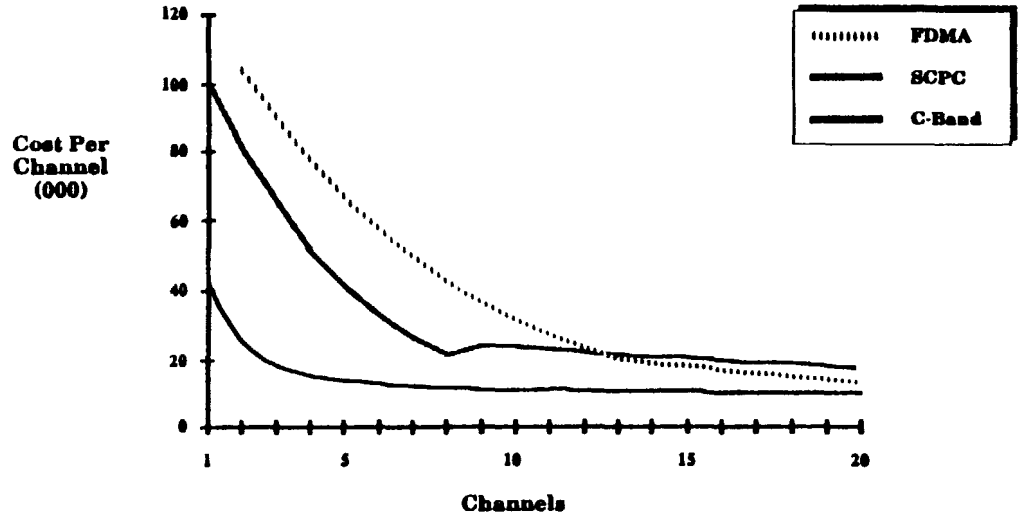
"high density locations" means Anchorage, Chugiak, Eagle River, Fairbanks, Homer, Juneau, Kenai, North Pole, Palmer, Seward, Soldotna, Wasilla, and Willow;

"high density minutes" means actual or surrogate minutes that both originate and terminate in locations defined as high density;

"low density minutes" means actual or surrogate access minutes that either originate or terminate in a location that is not defined as high density.

In these amendments, italics shows words being added. Words typed in capital letters and enclosed in brackets are being deleted from the current version of the Manual.

GCI C-Band Digital Satellite Technology and Alascom FDMA and SCPC Satellite Technologies Average Annual Cost Per Channel



SOURCES:

- C-Band Digital Satellite Transmission Costs Provided by GCI
- Alascom FDMA and SCPC Satellite Transmission Costs from Schedule 1 Economic Costs of Long Distance Telecommunications Service in Alaska Prepared by Ben Johnson Associates

Schedule 1
Page 1 of 3

Annual Transmission Costs Per Channel

Figure 1–1. Annual Transmission Costs Per Channel - SCPC

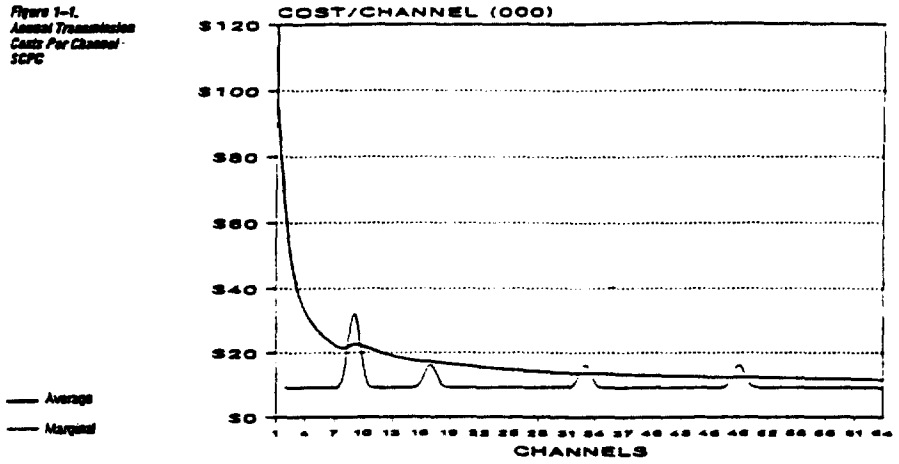
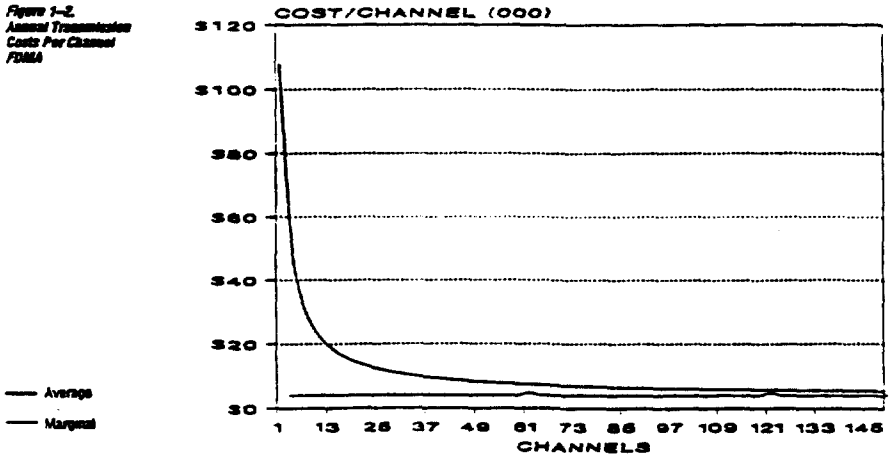


Figure 1–2. Annual Transmission Costs Per Channel FDMA



Order R-90-1(6)
APPENDIX "C"
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FOOTNOTES

[1]The locations where facilities-based competition will be permitted is the same as the list of locations proposed by BJA during the hearing and approved by the Commission at public meeting. However, as was discussed at public meeting, there was some confusion regarding the areas included in certain "locations," and the Commission has modified the list of locations and added language to resolve that problem. See, *infra*, p. 413.

[2]BJA report, p. 17.

[3]Alascom will be required to obtain approval of any changes in its mileage bands.

[4]A voice-equivalent channel is an analog signal of a 4kHz bandwidth or a digital signal of a 32 Kb/s rate.

[5]On July 20, 1990, the Commission received a letter from TUA/TUNI detailing the tests it has performed to reconfigure three switches to allow for 2-PIC dialing and the positive results of those tests.

Re GTE Alaska Inc.

U-90-44
Order No. 5

Alaska Public Utilities Commission
September 7, 1990

PETITION for extension of time for submitting prefiled testimony of an expert witness; denied.

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1. PROCEDURE, § 16 — Production of evidence — Submission of prefiled testimony — Extension of time — Factors.

[ALASKA] An interexchange telephone carrier was not granted an extension of time for submitting prefiled testimony of an expert witness relative to rate-of-return issues, where the testimony was irrelevant anyway as the matter to which it pertained had already been settled.
p. 437.

2. TELEPHONES, § 14 — Compensation — Access charges — Rate-of-return issues.

[ALASKA] Because it had already been determined that the system of access charges payable by interexchange telephone carriers to local carriers as compensation for the use of local facilities would be carrier-specific and nonuniform rather than based on averaged, pooled revenues, there was no need to further examine individual rates of return for revenue requirement purposes.
p. 438.

Before Commissioners:

Peter Sokolov, Chairman
Susan M. Knowles
Daniel Patrick O'Tierney
Mark A. Foster
Donald F. May

BY THE COMMISSION:

Introduction

On August 31, 1990, GTE ALASKA INCORPORATED (GTE) filed a request for an extension of time until September 28, 1990, to submit the prefiled direct testimony of a technical witness on the issue of rate of return. In its request GTE reviewed various Orders and Letter Orders in which the Commission has addressed the issue of the rate of return for development of access charges, and GTE stated that it needs to preserve its rights to obtain a determination of the rate of return which it will be allowed for its access services.

Discussion

[1] The Commission has determined that GTE's request should be denied. The rate of return which will be allowed in the computation of access charges, including charges for both switched access and special access, has already been established by the Commission as 11 percent. Therefore, the testimony which GTE wishes to submit is not relevant. Additionally, the schedule for the consideration of the revenue requirements of both GTE and other local exchange companies (LECs) will not accommodate an extension of time such as requested by GTE.

The Alaska Intrastate Interexchange

CERTIFICATE OF SERVICE

I, Loren B. Costantino, a legal assistant in the law offices of Lukas, Nace, Gutierrez & Sachs Chartered, do hereby certify that I have on this 27th day of February, 1998, sent by U.S. Mail, copies of the foregoing COMMENTS to the following:

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Commissioner Harold Furchtgott-Roth*
Federal Communications Commission
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Commissioner Michael Powell*
Federal Communications Commission
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