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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas, Secretary  
Federal Communications Commission  
1919 M Street, N. W., Room 222  
Washington, D. C. 20554

Re: CCDocket No. 98-4  
Ex Parte Presentation

Dear Ms. Salas:

This letter is to advise that on this date the undersigned and Mr. Steve Hamlen, President and Chief Executive Officer of United Utilities, Inc. ("United") met with Anita Wallgren of Commissioner Ness' Office; Melissa Newman and Eric Bash of the Common Carrier Bureau staff; and Donnajean Ward of the International Bureau staff to discuss GCI's Petition for Preemption. The points expressed during the meetings are set forth in United's previously filed Opposition which is a matter of record in this proceeding. In addition, United pointed out that GCI's DAMA technology is not interoperable with AT&T's DAMA system, a factor which should also be considered in determining upon an appropriate successor policy to the current prohibition on duplicative MTS earth stations. United's representatives further noted that the Alaska Public Utilities Commission was taking comments in its market structure proceeding, which proceeding is expected to address, among other issues, the implications for carrier of last resort policies that will follow an abolition of the facilities restriction. A copy of United's comments in the APUC market structure docket is supplied for inclusion in the instant FCC proceeding.

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Ms. Magalie Roman Salas

June 15, 1998

Page 2

An original and one copy of this letter is supplied for inclusion in the docket.

Sincerely,

A handwritten signature in black ink, appearing to read "William K. Keane". The signature is fluid and cursive, with a long horizontal stroke at the end.

William K. Keane

cc (w/o enc.): Anita Wallgren  
Melissa Newman  
Eric Bash  
Donnajean Ward

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STATE OF ALASKA  
ALASKA PUBLIC UTILITIES COMMISSION

Before Commissioners:

Sam Cotten, Chairman  
Alyce A. Hanley  
Dwight D. Ornquist  
Tim Cook  
James M. Posey

In the Matter of the Consideration )  
of the Reform of Intrastate Inter- )  
exchange Telecommunications Market )  
Structure and Regulations in Alaska )  
\_\_\_\_\_ )

R-98-1

UNICOM, INC.,  
COMMENTS AND PROPOSED REGULATIONS  
SUBMITTED IN REPLY TO ORDER NUMBER 1

Unicom, Inc.  
5450 A Street  
Anchorage, Alaska 99518  
907-561-1764

1 EXECUTIVE SUMMARY

2 Unicom, Inc. (Unicom) submits herein its initial comments and proposed regulations in  
3 response to Order No. I (the Order). Most, if not all, of the interexchange market issues in the  
4 Order are not new to Alaska. Many of these issues, including a provision that would require  
5 AT&T Alascom to offer its services for resale at wholesale rates and to provide unbundled  
6 network elements, were raised before the Commission in a formal complaint by Unicom against  
7 AT&T Alascom (Dockets U-96-31 and U-96-81).<sup>1</sup> Unicom appreciates the Commission's  
8 interest in addressing these issues and is hopeful that the Commission can now address them in  
9 a timely fashion. Unicom has drafted regulations (Exhibit 1- Resale Regulations and Exhibit 2-  
10 IXC Facility Wholesale Tariff and Compulsory Dispute Resolution Regulations) that provide  
11 for a market place that will foster competition in the long distance market.

12 The long distance market in Alaska is now dominated by two facilities based carriers -  
13 AT&T Alascom and GCI, Inc. Both carriers now discourage competitive entry by not offering  
14 services for resale at wholesale rates and by not offering access to unbundled network elements.  
15 GCI now has 45% of the total Alaskan long distance market and 55% of the business market.  
16 GCI's share of the state long distance market is believed to be 30% and growing. Most of the  
17 balance of the long distance market in Alaska now belongs to AT&T Alascom. GCI and AT&T  
18 Alascom are clearly dominant/significant players. Accordingly, Unicom is recommending that  
19 both carriers be subjected to the same regulatory treatment - treatment that provides meaningful  
20 resale opportunities and treatment that provides unbundled access to the facilities and services  
21

23  
24 <sup>1</sup> The Commission transferred to this proceeding all of the issues pending in the complaint. Two of these issues, (1) compulsory dispute resolution process and, (2) waiver of penalties during presubscription balloting, was not addressed in the Order. These issues are addressed in this filing.

1 of both carriers. Unicom's proposal contains the following:

2 1. Adopting a model for resale that mirrors the actual workings of the competitive resale  
3 market in the lower 48 states. The model provides for a baseline discount from retail rates with  
4 additional graduated or "progressive" discounts based on volume and term commitments.  
5 Discounts would be set using an avoided cost approach with the minimum baseline discount set  
6 at twenty five percent (25%), except for optional calling plans. For optional calling plans, a  
7 minimum baseline discount of fifteen percent (15%) is recommended. In addition, the  
8 dominant/significant carriers would be required to provide access to resellers to back office  
9 functions. The back office functions include, as a minimum, electronic access to Call Detail  
10 Records, daily account activation/deactivation, and on-line Order/Entry Interfaces.

11 2. Unbundling of facility wholesale tariffs so that competitors pay only for those  
12 network elements they need so that rational decisions can be made regarding market entry.

13 The lack of a "Compulsory Dispute Resolution Process" has severely hampered ATU-  
14 LD's and Unicom's efforts to compete in the long distance market. Unicom's proposal  
15 provides a compulsory process whereby disputes can be handled by the Commission in a  
16 fashion similar to the compulsory arbitration process that CLECs have under the  
17 Telecommunications Act of 1996. While Unicom believes that a compulsory dispute resolution  
18 process is necessary, we do not believe that it is "competitively neutral", or fair, that only the  
19 dominant/significant carriers should be able to resolve disputes within defined time lines.

20 Regarding the restriction on duplicative message toll satellite earth stations in bush  
21 villages, Unicom is recommending the following:

1           1. That Staff conduct an independent analysis of GCI's Bush Demonstration Project and  
2 notice the analysis for public comment. It is also recommended that the analysis address why  
3 GCI elects to resell AT&T Alascom's services at locations where GCI now has its own  
4 facilities.

5           2. Encouraging carriers to cooperate via joint ownership arrangements to provide  
6 quality services via a single facility when it is clear that there are insufficient incremental  
7 revenues to warrant a single facility, much less duplicative facilities.

8           3. Should the Commission determine that removal of the facility restriction is in the  
9 public interest, and that removal of the restriction does not jeopardize universal service, the  
10 Commission should, prior to removing the restriction, provide for: (a) resale of the  
11 dominant/significant carriers' services at wholesale rates, and (b) access to unbundled network  
12 elements. These provisions will facilitate rational decision making by competitors in making  
13 market entry decisions. Competitors, for the first time, will be able to pursue entry via resale,  
14 access to unbundled network elements, or construction of facilities.

15           Unicom is also recommending that the Commission waive penalties during equal access  
16 balloting. This will prevent anti-competitive behavior by the incumbents locking customers up  
17 prior to the balloting process and will provide consumers with the ability to choose. Carriers  
18 marketing long distance services in locations that have not been balloted should be required to  
19 waive penalties during the balloting process. Consumers will then not have to pay a penalty for  
20 selecting another provider.

21           When noticing tariff filings to the public, Unicom is recommending that these filings no  
22 longer be published in the newspapers. A more efficient and economical approach would be to  
23 post the filings on a WEB site and to offer a subscription service where individuals could be on

1 a mailing list for the tariff filings.

2 Unicom also recommends that the Commission schedule a hearing soon so that the  
3 issues in this proceeding can be resolved so that competitors can be afforded "meaningful"  
4 options for competing in the long distance market.

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1 I. Removal of Barriers to Entry and Rate Issues<sup>1</sup>

2  
3 a. Facilities Restrictions: Questions and Answers

4 Following are questions raised in the Order and Unicom, Inc.'s response.

5 Q. Is it economically in the best interest of the public to allow duplicative facilities in high-  
6 cost, low-density areas of the State?

7 A. First, the facilities restriction only applies to facilities that provide public switched  
8 message toll services. As the Commission is aware, not only does GCI have satellite earth stations  
9 at its 50 bush demonstration sites, it also has private satellite earth stations in almost every other  
10 bush location that now delivers Internet services to schools and libraries. At the present time only  
11 GCI is able to use these private facilities.

12 Second, the Commission has said the following regarding the duplication of facilities in bush  
13 villages for the delivery of public switched toll services:

14 "To the extent that these higher costs (in rural locations where duplicative facilities  
15 are prohibited) would eventually be recovered through rates, universal service and  
reasonably affordable rates would be at considerable risks."<sup>2</sup>

16 To date, the Commission has not received sufficient information to change this conclusion.

17 When the Commission approved GCI's demonstration project, it clearly wanted to reconsider its  
18 prior finding:

19 "The Commission intends to use the information gathered from GCI and AT&T  
20 Alascom during this demonstration project as the basis for evaluating the long-  
21 term viability of facilities-based interexchange competition in rural Alaska. After  
the Commission has the data available, it will be better able to evaluate if and how  
its regulations on competition in telecommunications in Alaska should be  
22 modified."<sup>3</sup>

23  
24 <sup>1</sup> The Commission is addressing "Barriers to Entry" in another proceeding, R-97-12. These  
25 barriers include prohibitions on bush LECs from marketing long distance services (i.e. a separate  
affiliate and other restrictions apply) and prohibition on bundling long distance and local services  
in-region and out-of region (UUI Reply Comments, R-97-12, Feb. 17, 1998).

26 <sup>2</sup> APUC -- 10 APUC, 1.3 AAC 52.355 - pages 410 - 413.

27 <sup>3</sup> APUC Docket U-95-38, Order 9, page 32.

1 Both GCI and AT&T Alascom have been submitting periodic reports to the Commission on  
2 duplicative DAMA satellite earth stations that both carriers have at the demonstration sites. To  
3 Unicom's knowledge, Staff has not prepared an analysis of these reports for public comment.  
4 Unicom is recommending that such an analysis be prepared and released for public comment. The  
5 Commission, in its reply to GCI's FCC petition, stated the following:

6 "The provisions of 3 AAC 52.355 remain necessary under Section 253(b) until  
7 appropriate universal service and public safety concerns can otherwise be addressed.  
8 The APUC must make this analysis and determine how best to address 3 AAC  
9 52.355 (emphasis added)." (APUC FCC Comments, cc: 98-4, page 7)

9 Unicom believes that Staff's report would show, among other things, that there is clearly  
10 no need, based upon the available traffic, to duplicate public switched message toll facilities in bush  
11 villages.<sup>4 5</sup> If this is the case, the troubling question is why would a carrier want to  
12 duplicate, and not jointly use, a single facility?<sup>6</sup> And if the carrier does construct a duplicative  
13 facility, who is going to pay for it and how will universal service be affected? The Commission  
14 should not be misled by pronouncements that shareholders are willing to pay for these costs  
15 without imposing the costs on customers and thereby unfavorably impacting universal service.

16 United Utilities, Inc. has suggested that the Commission consider an innovative approach --  
17 one which maximizes the universal service protections which are at the heart of the existing policy  
18 while allowing for entry as sought by GCI:

19 "... the Commission should consider opening a dialogue with all parties and the FCC

20

21 <sup>4</sup> "GCI asserted that it is able to resell AT&T Alascom's offerings to provide service in  
22 areas where GCI does not have facilities . . ." (U-96-31, Order 6, page 17).

23 <sup>5</sup> "Under existing rules competitors can still serve statewide through lease of facilities and  
24 resale, possibly more profitably than if they were to build their own facilities" (APUC FCC  
25 Comments, cc: 98-4, page 11).

26 <sup>6</sup> What is also troubling is why GCI has elected, in some cases, not to use its own facilities  
27 and has instead elected to resell AT&T Alascom's CustomNet retail offering. Staff should initiate  
28 a discovery request to GCI on this matter, conduct its own investigation, and include the results in  
the proposed Staff report that should be made available for public comment. The Commission  
should conduct its own independent evaluation to gain a thorough understanding of why GCI  
resells CustomNet instead of using its own facilities.

28

1 on a revision to the existing earth station policy under which any carrier properly  
2 certificated by the Commission would be eligible for a pro rata ownership share in  
3 the existing earth station with AT&T Alascom, or United/AT&T Alascom in the case  
4 of the communities where those two parties are jointly licensed for the ownership and  
5 operation of the earth station. . . . A policy like this would accomplish several  
6 objectives:

7 **First.** It would be "competitively neutral". Any certified carrier would be eligible for  
8 ownership.

9 **Second.** The proposal would be otherwise consistent with the Telecom Act. Besides  
10 being competitively neutral, the policy would pass muster as necessary to preserve  
11 and advance universal service, protect the public safety and welfare, ensure the  
12 continued quality of telecommunications services, and safeguard the rights of  
13 consumers within the meaning of Section 253(b).

14 Moreover, [s]tate authority with respect to universal service is specifically preserved  
15 under new section 254(b). A State may adopt any measure with respect to universal  
16 service that is not inconsistent with the Commission's rules. . . . A State may  
17 adopt additional requirements with respect to universal service in that State, so long  
18 as those additional requirements do not rely upon or burden Federal universal service  
19 support mechanisms.

20 . . . In this respect nothing has changed since the FCC adopted the policy against  
21 multiple MTS earth stations in the Bush over 20 years ago. RCA Global  
22 Communications, 56 FCC 2d 660 (1975).

23 **Third.** Commissioner Ness stressed the need for "creative ways" of dealing with the  
24 issues facing Alaska in its implementation of the Telcom Act. She has urged "the  
25 companies [to] find [] a way of working together" to provide service and mentioned  
26 the possible use on non-duplicative facilities and unbundled network elements in  
27 those facilities (emphasis added).<sup>7</sup> United's proposal is such a solution -- indeed, it  
28 is merely a late '90s update of the joint ownership which the FCC itself decided upon  
in 1984" (Brief of United Utilities, Inc., R-97-1, Sept. 30, 1997).

GCI's response to UUI's proposal was:

" . . . It sounds like it would be the local company, AT&T and GCI in every location  
with the local company probably changing from location to location. That does not  
sound like a workable alternative.<sup>8</sup> There are decisions that have to be made  
regarding this and it would be a tremendous dispute. Having said that, there are other  
joint ownership arrangements which, I think, could be feasible if arranged between  
the parties. I don't think it could be a regulatory solution. I mean you could  
encourage people to talk, which we have done, but there are joint ownership  
arrangements that could conceivably work (emphasis added)." (Transcript, page 150,

<sup>7</sup> Encouraging the use of existing facilities via resale, unbundled network elements, and possible joint ownership arrangements is precisely the approach that Unicom is recommending.

<sup>8</sup> GCI too easily disregards the advantages of working cooperatively with bush LECs.

1 Oral Argument, R-97-1, October 6, 1997, Mr. Jackson's reply to question posed by  
2 Commissioner Ornquist)

3 Q. Will lifting the 3 AAC 52.355 restriction (either in part or in whole) harm universal  
4 service?

5 A. As recommended above, Staff should prepare an analysis for public comment of GCI's  
6 Bush Demonstration Project. It is premature to conclude that the Commission's prior finding that  
7 universal service will be harmed should be reversed. Sufficient information has not yet been made  
8 available.

9 Q. What limitations or conditions, if any, should be placed on duplicative construction to  
10 protect universal service and the public interest?

11 A. Currently, neither AT&T Alascom nor GCI provide services for resale at wholesale rates  
12 nor do they provide unbundled access to bush satellite earth station facilities. Without access to  
13 these services, other carriers are left with having to resell AT&T Alascom's/GCI's retail offerings  
14 or purchase bundled services and install duplicative/unnecessary facilities. AT&T Alascom and  
15 GCI should be required to offer services for resale at wholesale rates and to provide access to  
16 unbundled network elements whether or not the facilities restriction is removed. In the event the  
17 Commission should find that the duplication of facilities is in the public interest and will not harm  
18 universal service, the Commission should ensure that large/dominant carriers offer services for  
19 resale at wholesale rates and unbundled network elements prior to permitting them to duplicate  
20 facilities. If this is done, then other carriers can make rational decisions whether to resale, purchase  
21 unbundled elements, or to construct facilities. This is not possible today.

22 Q. Should the Commission apply quality of service and safety standards on construction  
23 and facilities operation?

24 A. Quality of service and safety standards should apply equally to all carriers.  
25  
26  
27  
28

1 II. IXC Facilities Modernization

2 The Order seeks comments on “what regulatory policies it needs to change to increase  
3 the deployment of new technology and rate of investment in rural Alaska”. AT&T Alascom,  
4 GCI, and Unicom’s affiliate, United Utilities, Inc., have recently made significant investments  
5 in DAMA technology and satellite facilities to deliver message toll, private line, and Internet  
6 access in the bush. Unicom believes the primary challenge at this time is to maximize the use  
7 of these facilities by local residents. This can be done by encouraging competing providers to  
8 deliver services using the existing satellite earth station facilities to deliver services via resale  
9 and the use of unbundled network elements. Carriers will likely upgrade or replace facilities to  
10 accommodate future changes that may occur in the market place. Considering the low  
11 population densities, low incomes, and high cost of bush service, this approach is preferable to  
12 one that promotes uneconomic provisioning of duplicative facilities and assured financial  
13 failure.

14  
15 III. Wholesale Rates

16 The Order asks a number of questions addressing the need to amend 3 AAC 52.375 as it  
17 relates to the provision of wholesale services. Following are questions posed in the Order and  
18 Unicom’s response. Unicom’s responses to this set of questions assumes that the questions are  
19 directed to wholesale rate provisions for the use of an IXC’s facilities. Unicom will, following  
20 this set of questions and answers, address the resale of IXC services at wholesale rates.

21 a. IXC Wholesale Facility Tariff: Questions and Answers

22 Q. How should the wholesale rates of any IXC be structured (e.g., extent of unbundling,  
23 necessary rate elements, extent of geographic rate averaging)?

24 A. Unicom has drafted regulations (Exhibit 2) that would require large/dominant  
25 carriers that have twenty-five (25%), or more, of the state interexchange long distance market  
26 (currently AT&T Alascom and GCI) to unbundle wholesale tariffs into discrete network  
27

1 elements. This would permit Unicom, and other carriers, to combine network elements with  
 2 network elements owned or leased by the carrier to provide a complete network to offer services  
 3 to end-users. In unbundling the networks, the different technologies being deployed (i.e.,  
 4 DAMA), need to be accommodated.<sup>9</sup> The following chart lists the basic unbundled network  
 5 elements needed and sorts them according to whether they need to be made available under the  
 6 switched or dedicated portion of the tariff. Individual rate elements would then be used to  
 7 further identify the type and quality of service being offered.

| LIST OF ELEMENTS                        | SWITCHED:           |                 |           |
|---|---------------------|-----------------|-----------|
|   | STANDARD TECHNOLOGY | DAMA TECHNOLOGY | DEDICATED |
| 1. Terrestrial transport                | √                   | √               | √         |
| 2. Earth station facilities             | √                   | √               | √         |
| 3. DAMA network control                 |                     | √               |           |
| 4. Dedicated transponder facilities     | √                   |                 | √         |
| 5. Transponder facilities on assignment |                     | √               |           |
| 6. Tandem switching                     | √                   | √               |           |
| 7. Call detail recording                | √                   | √               |           |
| 8. Operator services                    | √                   | √               |           |
| 9. Directory assistance                 | √                   | √               |           |

20 As noted above, there are two different types of service - switched and dedicated. Furthermore,  
 21 there are two categories of switched service: standard switched service and DAMA switched  
 22 service. A discussion of the three network service configurations follows:

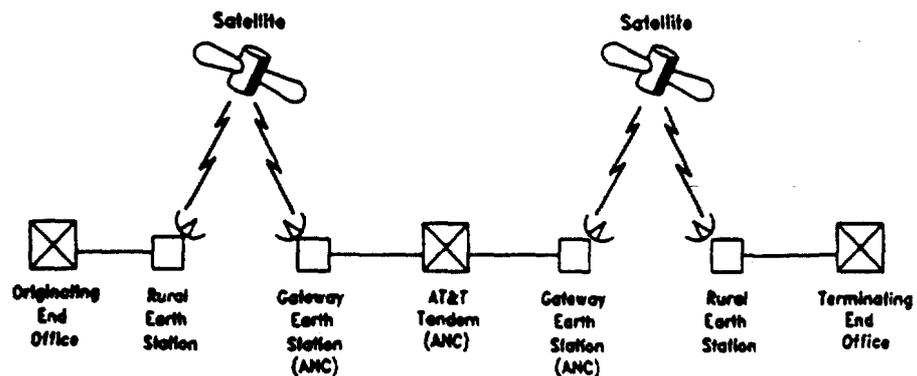
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24 <sup>9</sup> "For example, the existing AT&T Alascom wholesale facilities tariff contains a charge  
 25 for each 'leg' of a call into or from AT&T Alascom's switching center. For a call from Willow to  
 26 Barrow, the wholesale tariff has a charge for the leg from Willow to Anchorage and a separate  
 27 charge for the leg from Anchorage to Barrow. The rate levels that are included for each leg of the  
 wholesale tariff are too high in view of enormous retail rate reductions in the past five years. . . .  
 Calls over the DAMA facilities do not pass through a switching center and do not have two 'legs'  
 " (U-96-31 & U-96-81, Comments of GCI, April 1, 1997).

1 a. Standard Switched Network. Under the standard switched technology network, a  
2 typical AT&T Alascom call between two rural Alaska locations is delivered by the originating  
3 LEC to the AT&T Alascom network at an AT&T Alascom earth station. Each earth station has  
4 an assigned number of satellite transponder circuits which are dedicated for use between that  
5 station and the earth station serving the tandem. The call is transmitted via satellite using one of  
6 the dedicated transponder circuits to an AT&T Alascom earth station near the AT&T Alascom  
7 tandem switch. The call is then recorded and switched at the AT&T tandem and sent back  
8 through the AT&T Alascom earth station for transmission by satellite through a dedicated  
9 transponder circuit to the AT&T Alascom earth station near the terminating LEC switch. The  
10 call is transmitted through interconnecting facilities to the terminating LEC, which switches the  
11 call to the appropriate end-user party. This network configuration is shown in Diagram #1  
12 below:

13  
14 Diagram #1

15 Routing of an AT&T Alascom Retail Customer Call

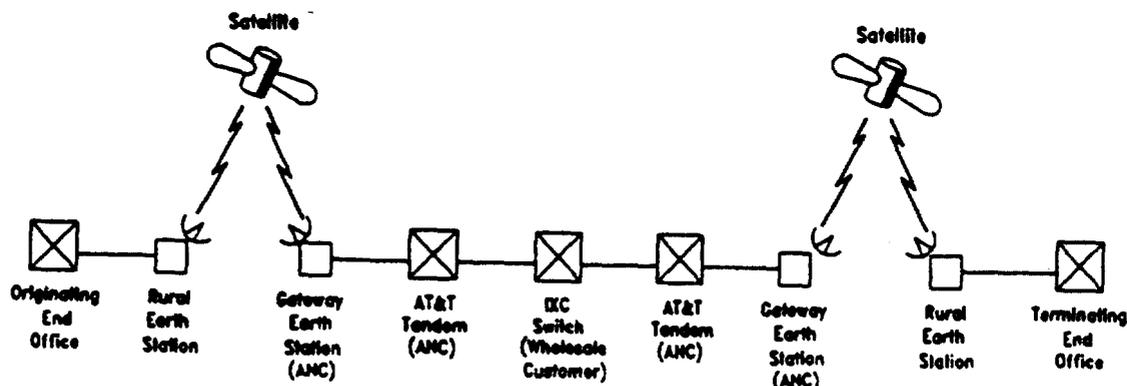


23 Under the AT&T Alascom wholesale facilities tariff, an extra step must be added to the  
24 standard switched network configuration. By tariff, these calls must travel from the AT&T  
25 Alascom tandem switch to the interconnecting carrier's switch, where recording and switching  
26 take place, before the call is returned to the AT&T Alascom tandem switch for completion

1 through the network for termination. This scenario, including the IXC facilities wholesale  
2 service customer's switch, is depicted in Diagram #2 below:

3 Diagram #2

4 Routing of a Switched Wholesale Service Customer Call



12 When a call is made between locations served by two different AT&T Alascom tandems, an  
13 additional terrestrial transport facility is required to carry the traffic between the tandem  
14 switches. This service is generally provided by land-based facilities.

15 b. DAMA Switched Network. When AT&T Alascom's switched wholesale service  
16 tariff was developed, switched service using DAMA technology was not available.

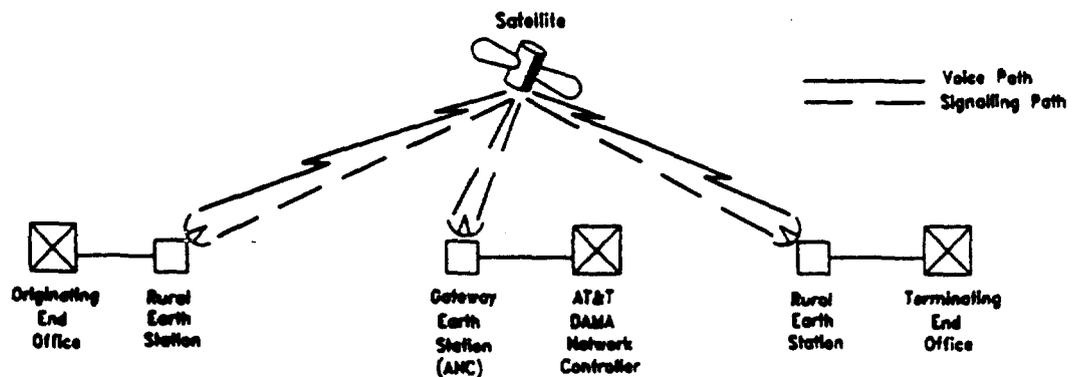
17 Consequently, this technology is not reflected in either the pricing or the terms and conditions  
18 of the current tariff.

19 Use of DAMA technology improves service to rural Alaskan communities. The DAMA  
20 system can perform the tandem switching function through the DAMA network controller,  
21 which allows calls to pass directly from the originating remote earth station to a second remote  
22 earth station at the destination, thus reducing both the number of hops and the number of duplex  
23 transponder channels involved in each call. In addition, the transponder space is used far more  
24 efficiently. Rather than being dedicated at all times, even if not in actual use, those channels are  
25 assigned on demand by the network controller to carry specific calls for the duration of the call  
26 and then are available for reassignment between other locations to carry other calls.

27  
28

1 Under the DAMA system, a call originating at a rural Alaskan community is  
 2 interconnected to the earth station at that site. At the earth station, a signaling message  
 3 containing the originating and terminating numbers is sent over a control circuit through the  
 4 satellite to the DAMA network controller. The DAMA controller processes this message and  
 5 sends control signals to both the originating and terminating earth stations, assigning a  
 6 transponder circuit and alerting both locations to use that circuit to complete the call. The call  
 7 is then set up directly between the two earth stations via the satellite transponder, and the  
 8 terminating end of the call is interconnected to the LEC's terrestrial network for termination.  
 9 Recording of the call is done by the network controller. When either party ends the call, control  
 10 signals are sent to the network controller to terminate the call and release the transponder circuit  
 11 for use by another call. The routing of an AT&T Alascom customer call using DAMA  
 12 technology is described in Diagram #3 below:

13 Diagram #3  
 14 Routing of Calls Using DAMA Technology

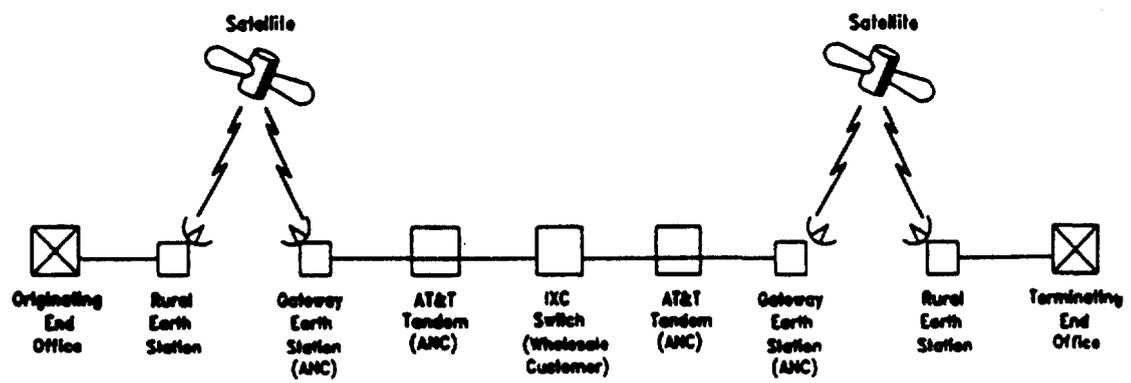


22 A comparison of Diagram #3 with Diagram #2 shows the significant difference in  
 23 facilities required to complete a call using DAMA technology. If the network is properly  
 24 unbundled so that competing carriers can use the technology to provide service, the DAMA  
 25 controller replaces two AT&T Alascom tandem switching facilities as well as the competing  
 26 carrier's tandem switching function and in addition eliminates a satellite hop. Service quality  
 27

1 improvements come from the reduction in delay resulting from the reduced number of satellite  
2 hops and also from the use of digital rather than analog transmission.

3 b. Standard Dedicated Network. The dedicated section of the AT&T Alascom  
4 wholesale service tariff offers voice grade circuits between the interconnection with the LEC  
5 and one of the three AT&T Alascom tandem switch locations in Alaska. The tariff could be  
6 used to provide dedicated trunks for switched traffic for a competing IXC, bypassing the AT&T  
7 Alascom tandem switching function. (The circuit would pass through the AT&T Alascom  
8 tandem switch location but would not need to be switched there.) Presumably the tariff could  
9 also be used as the basis for a dedicated voice grade private line offering. The network  
10 configuration for the use of a dedicated trunk for switched voice service would be similar to  
11 Diagram #2, except that a circuit would merely pass through the tandem switch location without  
12 any switching function taking place. Use of the dedicated wholesale tariff for provisioning  
13 voice grade private line service for a purchasing IXC, would result in a network configuration  
14 as shown in Diagram #4 below:

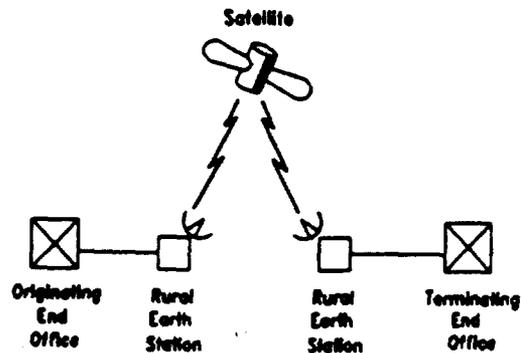
15  
16 Diagram #4  
17 Private Line Network Configuration Under Dedicated  
18 Wholesale Offering



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25 AT&T Alascom's retail private line offering (see Diagram #5 below) is considerably  
26 less complicated than the configuration shown in Diagram #4 above, since the AT&T Alascom

1 dedicated offering would not have to be switched at the tandem switching location but could  
2 instead be provisioned directly from the originating earth station to the terminating earth station.  
3 The configuration of the AT&T Alascom system is depicted in Diagram #5 below:

4 Diagram #5  
5 AT&T Alascom's Network Configuration For  
6 Dedicated Private Line Service



13 c. Need for Unbundled Network Elements. AT&T Alascom and GCI together now  
14 hold a position in the Alaska intrastate telecommunications network similar to the Bell  
15 Operating Company's ("BOCs") hold in the intraLATA networks in other states. AT&T  
16 Alascom owns facilities in every location and GCI owns facilities (i.e. message toll and private  
17 facilities) in nearly every location. In Alaska, because of low customer densities and the need  
18 for satellite transmission for access to much of the state, particularly in rural areas, the  
19 economics of building a physical network are considerably more daunting than they are  
20 elsewhere.

21 Unicom desires to compete with AT&T Alascom and other IXCs in the interexchange  
22 market in Alaska, including many of the state's rural areas where rates generally fall under  
23 category 3 in the AT&T Alascom wholesale service tariff. Unicom's strategy for providing  
24 competitive service includes plans to build facilities for competing where it is economically  
25 feasible to do so. That feasibility, however, depends on the unbundling of the wholesale  
26 facilities tariffs of the carriers, AT&T Alascom and GCI, that now have facilities. This will

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1 allow Unicom, and other carriers, to pay only for facilities and services that are actually used  
2 and to interconnect with existing facilities for those network elements where it is feasible to use  
3 them.

4 Unicom offers the following brief discussion of each of the proposed unbundled elements from  
5 the chart at p. 6.

6 (1) Terrestrial Transport. In some areas of the state, AT&T Alascom and GCI  
7 own terrestrial transport facilities (cable or microwave) connecting nearby LEC end offices to a  
8 central location where the satellite earth station is located. Competing carriers may be  
9 economically able to build competitive facilities in some areas. When competing carriers can  
10 build and use their own facilities, they must not be obliged to buy and pay for the facilities of  
11 other carriers.

12 (2) Earth Station Facilities. Earth stations are a key element in rural locations for  
13 providing satellite communications with other communities. While the facilities restriction now  
14 prohibits the duplication of public switched message toll satellite earth stations in some  
15 locations, competitors cannot now acquire the use of an individual satellite earth station,  
16 whether or not the location is subject to the facilities restriction. They must purchase bundled  
17 end to end service.

18 (3) DAMA Network Control Facilities Including Tandem Switching Equivalent  
19 Functions. These facilities are at the heart of the DAMA system and control the connecting of  
20 earth stations to each other through satellite circuits selected by the network controller. At this  
21 time, Unicom does not anticipate having a sufficiently broad physical network to justify owning  
22 its own DAMA network control facilities. This element needs to be unbundled so that  
23 competitors can interconnect its own earth stations to each other and to earth stations owned by  
24 AT&T Alascom or GCI. Also, this may encourage AT&T Alascom and GCI to work together  
25 to integrate DAMA systems to eliminate the double satellite hops that now occur for calls that  
26 need to be routed via both an AT&T Alascom and GCI DAMA system.

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1                   (4) Dedicated Transponder Facilities. Dedicated transponder facilities provide  
2 the satellite circuits through which message traffic passes on the way from one earth station to  
3 another, using the current switched and dedicated facilities wholesale tariff. With the limited  
4 transponder space and the high cost of a full transponder (when compared to anticipated traffic  
5 volumes), competitors need unbundled access to AT&T Alascom's, and GCI's transponder  
6 capabilities so that they can transport traffic between their own and other earth station facilities  
7 when using the technology currently represented in the tariff.

8                   (5) Transponder Facilities on Assignment. In DAMA network configurations,  
9 transponder circuits are assigned only for the duration of each individual call and are then  
10 terminated by the DAMA network controller. During the call, the transponder circuits provide  
11 the satellite connection between the earth stations participating in the call. As with dedicated  
12 transponder facilities, competitors need unbundled access to AT&T Alascom's and GCI's  
13 transponder circuit facilities in DAMA configured networks, so they can utilize those facilities  
14 to connect their earth stations and those of other carriers who may be involved in completing a  
15 call.

16                   (6) Tandem Switching Functions. Although Unicom ultimately contemplates  
17 building tandem switching facilities in some locations to handle portions of its traffic, Unicom  
18 and others, will need to rely on AT&T Alascom's and GCI's tandem switching capabilities.  
19 Competitors need this element unbundled so they are not forced to pay for this function when  
20 they are providing their own tandem switching capabilities. In some cases, competitors may  
21 need this element unbundled so that they can purchase the full tandem switching capability to  
22 avoid having to place their own switches in locations where they are not otherwise needed.

23                   (7) Call Detail Recording Functions. Critical to any toll service offering is the  
24 capacity to render approved customer billing for that service. Such a bill requires access to  
25 recorded information regarding the origination, duration, and termination of the call. Access to  
26 call detail records is needed as an unbundled rate element and as a service for pure resellers.

1 The data required for toll billing purposes is reflected in the telecommunications industry  
2 standard Exchange Message Record ("EMR"), also referred to as Exchange Message Interface  
3 ("EMI") records, as documented in Bellcore Practice BR 010-200-010.<sup>10</sup> The Bellcore manual  
4 is used as the definitive industry standard for the exchange of message detail records among all  
5 telecommunications providers. Carriers would likely prefer to be able to dial in and download  
6 the call detail records. The preferred cycle for electronic delivery is not feasible, the preferred  
7 cycle for the delivery of data on tape or diskette would be weekly, again within three working  
8 days of cut-off.<sup>11</sup>

9 (8) Operator Services. Operator services should be unbundled so that  
10 competitors can provide these services to their customers at a reasonable cost.

11 (9) Directory Assistance. Competitors need to be able to purchase unbundled  
12 directory assistance services so they can provide the services to customers without the expense  
13 of setting up and maintaining their own directory assistance facilities.

14 Q. What requirements, if any, should be placed on wholesale services?

15 A. A facility based carrier should be required to offer the use of its facilities to other  
16 carriers. Interexchange carriers that have twenty-five percent (25%), or greater, of the state  
17 interexchange market should be required to file unbundled tariffs, as described above, and  
18 reflected in the draft regulations (Exhibit 1).<sup>12</sup> Requiring carriers with less than twenty-five  
19 percent (25%) of the state interexchange market to file unbundled tariffs would likely  
20 discourage competition and be a barrier for smaller carriers that do not have the resources to  
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22 <sup>10</sup> The publication consists of more than 1200 pages. Because of its length and complexity,  
23 Unicom is not providing a full copy with this filing but is attaching a general overview from the  
24 Bellcore manual. See Exhibit 3.

25 <sup>11</sup> AT&T Alascom's "Billing Edge" used with its CustomNet Tariff is inappropriate for  
26 resellers and competitors. Billing Edge does not identify all services i.e. WATTS and terminating  
27 traffic.

28 <sup>12</sup> AT&T Alascom has approximately 70%, and GCI has approximately 30%, of the market  
share of intrastate access minutes in Alaska.

1 offer unbundled services.

2 b. Resale of IXC Services at Wholesale Rates: Questions and Answers.

3 Q. Those advocating that the Commission set wholesale rates at a discount from retail  
4 rates should also address how such a proposal could be implemented and the details involved.

5 A. Unicom has employed the services of GVNW to draft regulations (Exhibit 1) that  
6 would provide for the resale of IXC services at wholesale rates. Dave Lewis, Vice President  
7 and Midwest Regional Manager for GVNW, who prepared the draft regulations, provides  
8 ongoing consulting work for a consortium of over 100 companies that now resell long distance  
9 services in the lower 48 states. His resume is attached - Exhibit 4.

10 Unicom encourages the Commission to take a close look at how long distances services  
11 are offered by facilities based carriers for resale in the lower 48 states. The long distance  
12 market in Alaska is significantly different than the lower 48 states. In Alaska, there are only  
13 two significant facility based carriers with one of the carriers, AT&T Alascom now having in  
14 excess of fifty percent (50%) of the intrastate market. The other carrier's market share, GCI,  
15 has been growing steadily to where it is now approximately thirty percent (30%) of the state  
16 interexchange market. In addition, GCI has forty five (45%) of the total long distance market  
17 (fifty-five percent [55%] of business long distance) and most of the Alaska cable TV market.<sup>13</sup>  
18 The low population densities, high cost of facilities in rural Alaska, and the inability of resellers  
19 to obtain services from AT&T Alascom and GCI for resale at wholesale rates make it essential  
20 that the Commission prescribe regulations for resale. Unicom encourages the Commission to  
21 replicate, via prescriptive mechanisms, provisions for resale that emulate the conditions for  
22 resale that exist in the lower 48 states.

23 In the lower 48 states, according to AT&T, the resale market for 1996 was expected to  
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<sup>13</sup> Salomon Brothers September 16, 1997 Report, GCI, Inc. - Dominating Alaskan Communications.

1 exceed \$5.6 billion, of which AT&T's market share was expected to be 20.3%.<sup>14</sup> In other  
2 words, nearly 80% of the resale market was being served by the multiple, alternative facilities  
3 based IXCs other than AT&T who collectively serve the lower forty eight states. AT&T  
4 Alascom and GCI clearly do not offer resale opportunities that would allow for such a resale  
5 market in Alaska. By not offering resale at wholesale rates, the two dominant carriers  
6 effectively discriminate in favor of their own retail operations and discourage competitive entry  
7 via resellers. Given the limitations on facilities and facility based carriers, effective resale  
8 opportunities are clearly needed to progress towards a more competitive IXC market.  
9 Following is testimony given by AT&T Communications of Illinois representative Lee L.  
10 Selwyn:

11 "Resale of facilities-based services has played a key role in bringing competition  
12 to all segments of the interexchange services (long distance) market, and in  
13 particular has helped to bring the benefits of competition to the small user, "retail"  
14 end of the market.

15 "Conversely, a strong resale marketplace, as has been seen in the interLATA  
16 arena, can deliver the benefits of competition to a broader base of customers - to  
17 small business and residence customers as well as large businesses - on a broader  
18 geographic basis and sooner than pure or even partially facilities-based  
19 competition. By allowing the new entrant to develop a customer base, resale can  
20 support earlier deployment of facilities as well. In short, viable resale mechanisms  
21 are central to achieving true local competition and bringing its benefits to all  
22 consumers in the local telecommunications marketplace."<sup>15</sup>

23  
24 When the FCC reclassified AT&T as a non-dominant carrier, it dismissed concerns  
25 raised by resellers regarding AT&T anti-competitive behavior towards resellers because it  
26 concluded that AT&T could not exercise unilateral market power over the resale industry given  
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30 <sup>14</sup> FCC 95-427, In the Matter of AT&T Corp, to be Reclassified as a Non-Dominant  
31 Carrier, para. 129.

32  
33 <sup>15</sup> AT&T Communications of Illinois, Inc. Petition for a Total Local Exchange Service  
34 Wholesale Tariff from Illinois Bell Telephone Company d/b/a Ameritech Illinois and Central  
35 Telephone Company Pursuant to Section 13-505.5 of the Illinois Public Utilities Act, dated  
36 September 15, 1995.

1 its 20.3% share of the resale market.<sup>16</sup> As Alaska, with only two dominate facility based  
2 carriers, does not have a robust interexchange resale market as does the lower 48 states, the  
3 possibility of anti-competitive behavior towards resellers further necessitates prescriptive  
4 regulation of resale.<sup>17</sup>

5 Q. How Should Wholesale Rates for Resale be Structured?

6 A. The Commission should adopt regulations similar to those proposed by Unicom  
7 (Exhibits 1) requiring that every significant facility based carrier, i.e. facility based carrier that  
8 has twenty-five percent (25%), or greater, of the state interexchange long distance market, offer  
9 all retail services for resale.<sup>18</sup> In addition to direct dial 1-plus, these services include, at a  
10 minimum, operator services; directory assistance; full feature calling card; and 800 services.  
11 The discount rate structures inherent in IXC contracts which are available throughout the lower  
12 48 states include both baseline discounts from IXC retail rates and additional graduated or  
13 "progressive" discounts based on volume (refer to Exhibit 5). Additionally, discounts typically  
14 increase progressively in conjunction with term and volume commitments.

15 Intrastate wholesale offerings in Alaska have been nothing more than retail offerings  
16 from which a reseller can purchase services. Effective resale requires that wholesale offerings  
17 be distinct from their retail counterparts. While wholesale offerings will often be substantially  
18 similar in composition to that offered under retail, they must always be distinguished by lower  
19 wholesale pricing reflecting the avoided costs attendant to a wholesale relationship. Clearly,  
20 when the underlying carrier has optional calling plans or volume discounts available at retail  
21 that result in average rates lower than wholesale rates for comparable call characteristics,

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23 <sup>16</sup> AT&T Reclassification Order, para. 129.

24 <sup>17</sup> AT&T was fined one million dollars by the FCC for discriminating against resellers -  
25 Notice of Apparent Liability For Forfeiture and Order to Show Cause, FCC 94-359, released  
26 January 4, 1995.

27 <sup>18</sup> Unlike the lower 48 states, market forces in Alaska cannot be relied upon to effect the  
28 development of wholesale prices and administrative support systems.

28