

July 1, 2010

Docket R-08-03

On June 21, 2010, the Rural Coalition, GCI Communication Corp. d/b/a General Communication Inc., and d/b/a GCI and Alascom, Inc. d/b/a AT&T Alaska filed a Petition for Public Hearing providing proposed changes in regulations for consideration in Dockets R-08-03 and R-09-03 (June Proposal). The Commission Staff requests the presenters of the June Proposal to provide an overview of the proposal at the July 7-8, 2010, hearing as well as a response to the following questions concerning the proposal.

1) Monetary Impact.

Estimate the amounts of Network Access Fees (NAF), CCL Support, and COLR Support required under the June Proposal for at least the following cases:

- a) Near term;
- b) Long term (considering estimated market loss and NAF changes);
- c) If the Commission required a COLR in each study area.

Note: A corrected Staff COLR/CCL Model with updated data is available on the Commission's website. This model has not been adjusted to reflect the June Proposal.

2. Treatment of Unregulated Costs – 3 AAC 48.277(a)(2)

As explained at public meeting, the purpose of this provision was to ensure that costs associated with non-regulated activities, such as broadband, cable television service over copper, fiber or cable, were not considered part of the plain old telephone (POTS) plant. How does the proposed change, which removes the Order R-08-03(6) language from the provision, ensure that POTS service will be the only service that the AUSF supports?

2) CCL Support

How often could a company submit a new revenue requirement study to update its CCL Support level?

3) CCL Rate Cap

- a) Under the proposal, what CCL rate cap applies to a study area, given there appear to be subtly different rate cap provisions?
 - Manual Section 104(b): The CCL rate cap is based on the last approved CCL revenue requirement of the ILEC, or a CLEC COLR's first approved CCL revenue requirement.
 - 3 AAC 53.345(b) and (g): A COLR may increase its rate cap under certain conditions.
- b) Once a CCL rate cap for the market or for a carrier is set, can either be changed under existing Manual Section 116?
- c) In regards to 3 AAC 53.345(b) and (g):
 - i. What is the intended purpose of each section?
 - ii. Are both sections needed given their similarity?

- iii. Provide an example of how these provisions would work.
 - iv. Which companies would qualify for an increase to their CCL rate cap under (b) and (g)?
 - v. Is the “NAF limit” in each section the NAF limit after phase in (\$5.75) or is it the NAF limit in effect at the time of filing?
 - vi. Are sections (b) and (g) consistent with Manual Section 109(h) which states a company’s NAF cannot exceed the CCL rate cap established under CASB, or would Section 109(h) require change?
- d) If interexchange carriers no longer pay CCL fees, then should Manual Section 104(a) change since it refers to billing of CCL fees to interexchange carriers? If so, what changes are needed?

4) COLR Support

- a) In 3 AAC 53.345(c), it states that in study areas that do not include any competitive local exchange market, the ILEC is the COLR unless modified by Commission order and without the need to file a petition. Why would this not be areas which are designated by the Commission as competitive local exchange markets? What is the effect of this change as compared to the language the commission originally proposed? Which markets would be affected?
- b) The proposal appears to have subtly different eligibility standards for COLR support depending upon the section. Would both of the below eligibility standards apply for COLR support?
 - 3 AAC 53.345(a): A carrier must be a COLR and not participate in the AECA pool to be eligible for COLR support;
 - 3 AAC 53.345(f): A carrier must have a CCL rate cap greater than the NAF established in Section 109 of the AllACM to be eligible for support.
- c) Under what conditions (if any) could the Commission reduce an eligible COLR’s support below the level calculated by the COLR support formula of 3 AAC 53.345(a)?
- d) Would a carrier’s federal universal service support affect its COLR support?
- e) How often could a company file a new revenue requirement study to adjust its COLR support levels?
- f) In 3 AAC 53.345(f), does the “NAF established by Section 109” mean the NAF in effect at the time of filing or the maximum NAF listed in Section 109?

5) COLR Designation and Obligations

Under Section 3 AAC 53.265(b) of the proposal, there would be no COLR in a study area not served by a rural telephone company or where a rural company’s rural exemption has been relinquished or terminated under 47 USC 251(f)(1)(A) as of January 1, 2005.

- a) What does this mean in terms of individual local exchange companies in Alaska? Please provide a listing of each local telephone company and how it will be affected by this change.
- b) What is the significance of the January 1, 2005 date?

- c) Why is no local COLR necessary in the study areas identified in response to (a)?
- d) Under the proposal, what recourse would be available to the Commission if it later found customers were unable to get needed services in an area with no COLR?
- e) In Section 3 AAC 53.265(g), what does “discrete portion” mean?
- f) In Section 3 AAC 53.265(q) should reference to (n) be replaced with (n)(2) to conform with the structure of the June Proposal?

6) Pass Through

- a) If the Commission accepts the June Proposal, what commitments, if any will GCI and AT&T Alaska make to reduce long distance rates?
- b) Compared to the proposal of Order R-08-03(6), proposed Section 3 AAC 52.372(b) allows greater flexibility in how a carrier demonstrates it has complied with the requirement to reduce long distance rates. The proposal also substitutes a penalty provision (3 AAC 52.372(e)) for the previous language that would allow the Commission to reinstate payment of CCL fees by IXCs.
 - i. Does this proposal place the burden of proof on the Commission to show lack of compliance, rather than on the IXC to show compliance with the rate reduction requirement? If so, why is that appropriate?
 - ii. Why is this change in the public interest?
 - iii. How can the Commission ensure that a carrier is not unreasonably delaying implementing rate increases under this proposal?
- c) Why did the filers replace “passed through access charge savings” with “reduced intrastate long distance rates” in proposed 3 AAC 52.372(b)?
- d) How would the Commission determine if “reasonable progress” was made toward reducing long distance rates to interstate levels as the term is used in proposed 3 AAC 52.372(b)?

7) Miscellaneous

- a) When could this proposal be implemented?
- b) From the filers’ perspective, provide a general idea of what aspects of the June Proposal are most critical for inclusion should the Commission adopt only part of the proposal.

Abbreviations:

AECA: Alaska Exchange Carriers Association, Inc.
 CCL : Carrier Common Line
 CLEC: Competitive Local Exchange Carrier
 COLR: Carrier of Last Resort
 ILEC: Incumbent Local Exchange Carrier
 Manual: Alaska Intrastate Interexchange Access Charge Manual
 NAF: Network Access Fee
 USF: Universal Service Fund