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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners: G. Nanette Thompson, Chair
Bernie Smith
Patricia M. DeMarco
Will Abbott
James S. Strandberg

In the Matter of the Application by ALEC)
ACQUISITION SUB CORP. for Authority To) U-98-140
Acquire a Controlling Interest in TELEPHONE)
UTILITIES OF ALASKA, INC., Holder of) ORDER NO. 10
Certificate of Public Convenience and Necessity)
No. 251)

In the Matter of the Application by ALEC)
ACQUISITION SUB CORP. for Authority To) U-98-141
Acquire a Controlling Interest in PTI)
COMMUNICATIONS OF ALASKA, INC., Holder)
of Certificate of Public Convenience and) ORDER NO. 10
Necessity No. 117)

In the Matter of the Application by ALEC)
ACQUISITION SUB CORP. for Authority To) U-98-142
Acquire a Controlling Interest in TELEPHONE)
UTILITIES OF THE NORTHLAND, INC., Holder)
of Certificate of Public Convenience and) ORDER NO. 10
Necessity No. 359)

In the Matter of the Application Filed by ALASKA)
COMMUNICATIONS SYSTEM, INC., for) U-98-173
Authority To Acquire a Controlling Interest in the)
MUNICIPALITY OF ANCHORAGE d/b/a) ORDER NO. 12
ANCHORAGE TELEPHONE UTILITY a/k/a)
ATU TELECOMMUNICATIONS, Holder of)
Certificates of Public Convenience and)
Necessity Nos. 120 and 513 Authorizing the)
Provision of Telecommunications Public Utility)
and Public Pay Telephone Service)

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In the Matter of the Application Filed by ALASKA
COMMUNICATIONS SYSTEM, INC., for
Authority To Acquire a Controlling Interest in
ATU LONG DISTANCE, INC., Holder of
Certificate of Public Convenience and Necessity
No. 476

U-98-174
ORDER NO 10

**ORDER APPROVING COST ALLOCATION MANUAL;
ESTABLISHING FILING DATES; APPROVING TARIFF AND TARIFF
SHEETS; ALLOCATING COSTS; AND
CLOSING DOCKETS**

BY THE COMMISSION:

Background

By Order U-98-140(7)/U-98-141(7)/U-98-142(7) dated April 19, 1999, the Commission approved the applications filed by ALEC Acquisition Sub Corp. (ALEC),¹ to acquire a controlling interest in TELEPHONE UTILITIES OF ALASKA, INC. (TUA);² PTI COMMUNICATIONS OF ALASKA, INC. (PTI);³ and TELEPHONE UTILITIES OF THE NORTHLAND, INC. (TUNI),⁴ subject to the conditions and filing requirements.

¹ALEC is the predecessor to Alaska Communications Systems Holdings which owns 100 percent of the shares of ALASKA COMMUNICATIONS SYSTEMS (ACS).

²By Order U-00-40(1), dated July 5, 2000, the business name of this utility has been changed to ACS OF ALASKA, INC. d/b/a ALASKA COMMUNICATIONS SYSTEMS, ACS LOCAL SERVICE, and ACS (ACS-AK). For purposes of this Order, however, the original case caption and acronym will be used to avoid confusion.

³By Order U-00-37(1), dated July 5, 2000, the business name of this utility has been changed to ACS OF FAIRBANKS, INC. d/b/a ALASKA COMMUNICATIONS SYSTEMS, ACS LOCAL SERVICE, and ACS (ACS-F). For purposes of this Order, however, the original case caption and acronym will be used to avoid confusion.

⁴By Order U-00-39(1), dated July 5, 2000, the business name of this utility has been changed to ACS OF THE NORTHLAND, INC. d/b/a ALASKA COMMUNICATIONS SYSTEMS, ACS LOCAL SERVICE, and ACS (ACS-N). For purposes of this Order, however, the original case caption and acronym will be used to avoid confusion.

1 ALEC was required, among other things, to file formal adoption notices for the PTI,
2 TUA, and TUNI tariffs, and to prepare new title pages for each tariff. ALEC was also
3 required to file a cost allocation manual (CAM) based on Federal Communications
4 Commission (FCC) Part 64 principles [47 C.F.R. § 64] in order to allocate appropriately
5 common costs to those actually causing the costs. On May 14, 1999, ALEC filed the
6 adoption notice and title pages for each of its tariffs. On October 6, 1999, ALEC filed a
7 CAM as required by Order U-98-140(7)/U-98-141(7)/U-98-142(7).

8 By Order U-98-173(7)/U-98-174(7) dated April 9, 1999, the Commission
9 approved the application by ACS to acquire a controlling interest in the
10 MUNICIPALITY OF ANCHORAGE d/b/a ANCHORAGE TELEPHONE UTILITY a/k/a
11 ATU (ATU)⁵ and ATU LONG DISTANCE, INC. (ATU-LD),⁶ subject to conditions and
12 filing requirements. ACS was required, among other things, to file a CAM and an
13 adoption notice of ATU's tariff followed by a new tariff in its own name. On
14 January 31, 2000, ACS filed a revised adoption notice and revised tariff.

15 By Orders U-98-140(9)/U-98-141(9)/U-98-142(9), dated
16 February 22, 2000, and U-98-173(10)/U-98-174(9), also dated February 22, 2000, the
17 Commission, among other things, required ALEC and ACS to file a revised CAM or a
18 statement of explanation as to why the CAM does not need to comply with
19 47 C.F.R. 64.901(b)(4). On April 7, 2000, ALEC/ACS timely filed a revised CAM.
20

21 ⁵By Order U-00-38(1), dated July 5, 2000, the business name of this utility has
22 been changed to ACS OF ANCHORAGE, INC. d/b/a ALASKA COMMUNICATIONS
23 SYSTEMS, ACS LONG DISTANCE, and ACS (ACS-AN). For purposes of this Order,
24 however, the original case caption and acronym will be used to avoid confusion.

25 ⁶By Order U-00-36(1), dated July 5, 2000, the business name of this utility has
26 been changed to ACS LONG DISTANCE d/b/a ALASKA COMMUNICATIONS
SYSTEMS, ACS LONG DISTANCE, and ACS (ACS-LD). For purposes of this Order,
however, the original case caption and acronym will be used to avoid confusion.

1 By Order U-98-173(11)⁷ dated April 5, 2000, the Commission approved
2 the adoption notice and required ACS to make corrections to the tariff filed on
3 January 31, 2000. On May 5, 2000, ACS timely filed its revised tariff.

4 On June 12, 2000, the Public Advocacy Section (PAS) filed its report
5 concerning the disposition of the CAM in each proceeding. In its report, the PAS
6 concludes that the CAM does comply with 47 C.F.R. § 64 and Orders
7 U-98-140(9)/U-98-141(9)/U-98-142(9) and U-98-173(10)/U-98-174(9) and
8 recommends that the Commission approve the CAM filed on April 7, 2000.

9 The Commission Staff (Staff) reviewed the tariff filed on May 5, 2000,
10 and on June 23, 2000, submitted its analysis and recommendation (Report) thereon.
11 Staff recommended the tariff sheets be approved. A copy of Staff's Report for Docket
12 U-98-173 is attached to this Order as an Appendix.

13
14 Discussion

15 Based on its review of the record in this proceeding, the Commission
16 concurs with the PAS and Staff. The Commission will approve the CAM filed on
17 April 7, 2000, subject to the condition delineated in the stipulation accepted by Order
18 U-98-173(7)/U-98-174(7) and the condition established by Order
19 U-98-140(7)/U-98-141(7)/U-98-142(7). Those conditions are:

20 ACS shall retain an independent certified public accounting (CPA) firm to
21 audit compliance with ACS's CAM on an annual basis and provide the
22 results of that audit to the Commission;⁸

23 ALEC shall retain an independent CPA firm to audit compliance with
24 ALEC's CAM on an annual basis and provide the results of that audit to the
25 Commission;⁹

26

⁷The order issued on April 5, 2000 incorrectly uses order number 10 throughout.
Order U-98-173(10) was issued on February 22, 2000.

⁸See Order U-98-173(7)/U-98-174(7), at p. 7.

1 The Commission believes it is appropriate to clarify Orders
2 U-98-140(7)/U-98-141(7)/U-98-142(7) and U-98-173(7)/U-98-174(7) to indicate the
3 audit of the CAM should be filed concurrently with the annual report for each utility
4 starting with the 2001 annual report.

5 The Commission will approve ACS's tariff and the tariff sheets as
6 recommended by Staff. The Commission will also approve the adoption notice and
7 Tariff Sheet Nos. "Title" for PTI, TUA, and TUNI as filed on May 14, 1999.

8 The only procedural matter remaining in Dockets U-98-140, U-98-141,
9 U-98-142, U-98-173, and U-98-174 is for ACS and ALEC to file revenue-requirement,
10 cost-of-service, and rate-design studies (Studies) no later than six months after a full
11 calendar year of operations. Separate dockets will be opened to receive the Studies
12 from ACS,¹⁰ PTI, TUA and TUNI or any motions prior to the Studies being filed.

13 With the above actions, the only matter remaining before the
14 Commission in this proceeding is the allocation of costs in accordance with the
15 provisions of AS 42.05.651 and 3 AAC 48.157. The costs for court reporting fees
16 directly assigned to Dockets U-98-140, U-98-141, and U-98-142 are \$1,140.51,
17 \$1,140.51, and \$1,140.52, respectively. The costs for court reporting fees directly
18 assigned to Dockets U-98-173 and U-98-174 are \$ 585.36 and \$ 686.37, respectively.
19 Total costs directly assigned to Dockets U-98-140, U-98-141, and U-98-142 are
20 \$1,986.59, \$1,986.63, and \$1,986.66, respectively. Total costs directly assigned to
21 Dockets U-98-173 and U-98-174 are \$ 568.00 and \$ 568.01, respectively.

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24 (. . . continued)

⁹See Order U-98-140(7)/U-98-141(7)/U-98-142(7), at p. 21.

¹⁰ATU-LD is not required to file the studies.

1 The parties to the proceedings are PTI; TUA; TUNI; ATU; ATU-LD; ALASCOM, INC.
2 d/b/a AT&T ALASCOM, INC. (AT&T Alascom); MATANUSKA TELEPHONE
3 ASSOCIATION, INC. (MTA);¹¹ GCI COMMUNICATION CORP. d/b/a GENERAL
4 COMMUNICATION, INC., and d/b/a GCI (GCI); and the PAS.

5 In allocating costs, the Commission must consider the regulatory cost
6 charges (RCCs) paid by the utilities under AS 42.05.254 and may consider other
7 factors and mitigating circumstances. ACS, ATU, ATU-LD, AT&T Alascom, MTA and
8 GCI all pay RCCs; and the PAS is a entity of the Commission. Therefore, the
9 Commission will assume these costs.

10 With this cost allocation and the requirement for filing the studies in
11 subsequent dockets, all outstanding substantive and procedural matters have been
12 disposed of. Dockets U-98-140, U-98-141, U-98-142, U-98-173, and U-98-174 should
13 be closed.

14 ORDER

15 THE COMMISSION FURTHER ORDERS:

16 1. The cost allocation manual prepared by Alaska Communications
17 Systems Holdings, Inc. and filed on April 7, 2000, is approved subject to the condition
18 delineated in the stipulation accepted by Order U-98-173(7)/U-98-174(7) and the
19 condition established by Order U-98-140(7)/U-98-141(7)/U-98-142(7).

20 2. The audit of the cost allocation manual, as required by Orders
21 U-98-140(7)/U-98-141(7)/U-98-142(7) and U-98-173(7)/U-98-174(7), shall be filed
22 concurrently with each utility's annual report beginning in 2001.

23
24 ¹¹AT&T Alascom and MTA were excused from further participation in the
25 proceeding by Order U-98-140(6)/U-98-141(6)/U-98-142(6)/U-98-173(5)/U-98-174(5)
26 dated March 22, 1999.

1 3. The adoption notice and tariff Sheet No. "Title" filed on
2 May 14, 1999, into Docket U-98-140, by Telephone Utilities of Alaska, Inc., is
3 approved.¹²

4 4. The adoption notice and Sheet No. "Title" filed on May 14, 1999,
5 into Docket U-98-141 by PTI Communications of Alaska, Inc., is approved.¹³

6 5. The adoption notice and Sheet No. "Title" filed on May 14, 1999,
7 into Docket U-98-142 by Telephone Utilities of the Northland, Inc.; is approved.¹⁴

8 6. Tariff Sheet Nos. "Title," 1 to 12, 1-1 to 1-40, 2-1 to 2-25, 3-1 to
9 3-12, 4-1 to 4-55, 5-1 to 5-59, 6-1 to 6-30, 7-1 to 7-7, 7-9, 8-1 to 8-4 and 9-5 to 9-7
10 filed on May 5, 2000, into Docket U-98-173, by the Municipality of Anchorage d/b/a
11 Anchorage Telephone Utility a/k/a ATU, are approved.¹⁵

12 7. Tariff Sheet Nos. 3-13 to 3-13.1, filed on April 19, 2000, into
13 TA407-120 by the Municipality of Anchorage d/b/a Anchorage Telephone Utility a/k/a
14 ATU, are approved.

15 8. Tariff Sheet Nos. 7-8, filed on May 22, 2000, into TA408-120 by the
16 Municipality of Anchorage d/b/a Anchorage Telephone Utility a/k/a ATU, are approved.

17 9. Tariff Sheet Nos.9-1 to 9-4, filed on May 5, 2000, into TA409-120
18 by the Municipality of Anchorage d/b/a Anchorage Telephone Utility a/k/a ATU, are
19 approved.

20 10. The total costs of \$3,421.54, attributable to Dockets U-98-140,
21 U-98-141, and U-98-142, shall be borne by the Commission.

22 ¹²Validated copies of the approved tariff sheets will be returned under a
23 separate cover letter.

24 ¹³See n. 12.

25 ¹⁴See n. 12.

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11. The total costs of \$3,709.07, attributable to Dockets U-98-173 and U-98-174, shall be borne by the Commission.

12. Docket U-98-140 is closed.

13. Docket U-98-141 is closed

14. Docket U-98-142 is closed

15. Docket U-98-173 is closed

16. Docket U-98-174 is closed.

DATED AND EFFECTIVE at Anchorage, Alaska, this 15th day of August, 2000.

BY DIRECTION OF THE COMMISSION

(S E A L)

(. . . continued)

¹⁵See n. 12.

STATE OF ALASKA
The Regulatory Commission of Alaska
1016 West Sixth Avenue, Suite 400
Anchorage, Alaska 99501

M E M O R A N D U M

TO: Commissioners: DATE: June 23, 2000
G. Nanette Thompson, Chairman
Bernie Smith
Patricia M. DeMarco
Will Abbott
James S. Strandberg

FROM: Paul C. Morrison, P.E., Chief Utility Engineer

Subject: U-98-173, In the Matter of the Application For Transfer of Certificates of Public Convenience and Necessity Nos. 120 and 513 to Operate as a Telecommunication Public Utility and Private Pay Telephone Service from the MUNICIPALITY OF ANCHORAGE d/b/a ANCHORAGE TELEPHONE UTILITY a/k/a ATU to ALASKA COMMUNICATIONS SYSTEMS, INC. - Staff Recommendation.

Statement of Case

Before the Commission is a new tariff filed by Alaska Communications Systems, Inc. (ACS) in compliance with Order U-98-173(11)¹ dated April 5, 2000.

Recommendation

The Commission Staff (Staff) recommends that:

- 1) With the correction of the order number inserted at the bottom of each sheet by Staff, the following "Original" tariff sheets should be approved effective the date of the Commission's order.

<u>Tariff Sheet No.</u>	<u>Filed</u>	<u>Filing*</u>
Title	5/5/00	U-98-173
1 to 12	5/5/00	U-98-173
1-1 to 1-40	5/5/00	U-98-173
2-1 to 2-25	5/5/00	U-98-173
3-1 to 3-12	5/5/00	U-98-173
3-13 to 3-13.1	4/19/00	TA407-120
4-1 to 4-55	5/5/00	U-98-173
5-1 to 5-59	5/5/00	U-98-173

¹ The order issued on April 5, 2000 incorrectly uses order number 10 throughout. Order U-98-173(10) was issued on February 22, 2000.

6-1 to 6-30	5/5/00	U-98-173
7-1 to 7-7	5/5/00	U-98-173
7-8	5/22/00	TA408-120
7-9	5/5/00	U-98-173
8-1 to 8-4	5/5/00	U-98-173
9-1 to 9-4	5/5/00	TA409-120
9-5 to 9-7	5/5/00	U-98-173

* Refers to the original filing location. All validated tariff sheets should be marked as original with U-98-173(Order #) as the approving action.

Procedural History

By Order U-98-173(7)/U-98-174(7) dated April 9, 1999, the Commission approved the application by ACS to transfer Certificates of Public Convenience and Necessity (Certificate) No. 120 from Municipality of Anchorage d/b/a Anchorage Telephone Utility a/k/a ATU (ATU) to ACS. Certificate No. 120 authorized ATU to provide telecommunication local exchange public utility service. As a condition of approval ACS was required to file an adoption notice of ATU's tariff followed up with a new tariff in its own name. On January 31, 2000, ACS filed a revised adoption notice and revised tariff.

By Order U-98-173(11) the Commission approved the adoption notice and required ASC to make corrections to the tariff filed on January 31, 2000. On May 5, 2000, ASC timely filed its revised tariff.

Issues

- 1) Whether the tariff as filed should be approved.

Analysis/Conclusion

Staff has reviewed the revised tariff against the revisions directed by the Commission in Order U-98-173(11) and recommends that it be approved. When validating the tariff sheets, the effective order reference should be changed to reflect the order the Commission issues approving the tariff sheets. ACS also has a number of revised tariff sheets that were filed and approved in tariff advice letters subsequent to the filing of the tariff. As indicated above, Staff recommends these supplemental sheets be approved as "Original" sheets by the same order that approves the tariff sheets and with the same effective date as the Commission's order. At this time there are no outstanding tariff sheets awaiting approval so any TA's ACS files should include revisions to the ACS tariff.

By the stipulation accepted in Order U-98-173(7)/U-98-174(7), ACS is required to file a revenue-requirement, cost-of-service, and rate-design studies no later than six months after a full calendar year of operations. Unless the Commission opens a new docket to address these filings, docket U-98-173 must remain open until these filings are made.