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 Petition by GCI COMMUNICATION CORP. d/b/a GENERAL COMMUNICATION, INC., and d/b/a GCI for Arbitration with PTI COMMUNICATIONS OF ALASKA, INC., under 47 U.S.C. §§ 251 and 252 for the Purpose of Instituting Local Exchange Competition	U-99-141 ORDER NO. 5
In the Matter of the Petition by GCI COMMUNICATION CORP. d/b/a GENERAL COMMUNICATION, INC., and d/b/a GCI for Arbitration with TELEPHONE UTILITIES OF ALASKA, INC., under 47 U.S.C. §§ 251 and 252 for the Purpose of Instituting Local Exchange Competition	U-99-142 ORDER NO. 5
In the Matter of the Petition by GCI COMMUNICATION CORP. d/b/a GENERAL COMMUNICATION, INC., and d/b/a GCI for Arbitration with TELEPHONE UTILITIES OF THE NORTHLAND , INC., under 47 U.S.C. §§ 251 and 252 for the Purpose of Instituting Local Exchange Competition	U-99-143 ORDER NO. 5

ORDER SELECTING FORWARD-LOOKING COST MODEL

BY THE COMMISSION:

Background

On December 8, 1999, GCI COMMUNICATION CORP. d/b/a GENERAL COMMUNICATION INC., d/b/a GENERAL COMMUNICATION, INC., d/b/a GCI (GCI), filed, pursuant to 47 U.S.C. §§ 251 and 252,[1] petitions for arbitration with PTI COMMUNICATIONS OF ALASKA, INC. (PTIC), (Docket U-99-141), TELEPHONE UTILITIES OF ALASKA, INC. (TUA) (Docket U-99-142), and TELEPHONE UTILITIES OF THE NORTHLAND, INC. (TUNI), (Docket U-99-142). In this Order, those utilities will be collectively referred to as "the ACS companies".[2]

By Order U-99-141(1)/U-99-142(1)/U-99-143(1), dated January 27, 2000, (Order No. 1) the Commission directed the parties to file briefs by February 11, 2000, setting out which method or model each party believes should be used to compute forward-looking cost figures for use in developing rates and the reasons in support of using such method or model.

On February 11, 2000, GCI and the ACS companies filed briefs in response to Order No. 1. On February 25, 2000, both parties filed reply briefs.

GCI proposed that the Hatfield model, version HM 5.1, be used to compute forward-looking cost figures for use in developing rates in this arbitration. ACS proposed a cost study methodology created by ACS.

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[1]Sections 251 and 252 were added to the Communications Act of 1934 by the Telecommunications Act of 1966, codified at 47 U.S.C. §§ 151, *et seq.,* hereinafter "the Act".

[2]ACS (Alaska Communications System, Inc.) is the parent company of PTIC, TUA, and TUNI.

On February 24, 2000, the Commission hired Ben Johnson Associates, Inc. (BJA), as a consultant to review the parties' briefs and make a recommendation regarding an appropriate cost model to use in this arbitration proceeding. On March 30, 2000, BJA filed its report (Consultant Report), recommending that the Commission select the Federal Communications Commission (FCC) model to use to compute forward-looking cost figures. On March 24, 2000, GCI and ACS filed their comments on the Consultant Report. Discussion

The Commission has decided that the FCC model recommended by BJA should be used in computing the forward-looking cost figures in this arbitration. The Commission has made this decision based on a number of considerations.

The FCC model, as described by BJA, is familiar to both parties involved in this arbitration and their consultants. It provides a neutral platform and is not subject to attack as being biased in favor of either party.[3]

Selection of the ACS model would place GCI at a time and resource disadvantage, as GCI is not familiar with the model's inner workings. In contrast, the FCC model is publicly available. It has been tested and has been explained by the FCC.

Although the Commission realizes that the output of the FCC model must

[3]BJA, in its report filed March 10, 2000, noted that the HAI model has primarily been funded and supported by interexchange carriers and has a reputation among ILECs as being biased toward excessively low costs. The ACS model was developed by one of the parties to this arbitration.

be converted to produce an unbundled network element output[4], the Commission believes the parties can easily accomplish the conversion. Modifications to the model program should be limited to corrections for unique changes or agreed-upon error corrections.

The Commission has determined that the parties should use the FCC default inputs as a base-line for submissions. These inputs are a neutral representation of national average costs. The parties are free to propose changes or modifications to the default inputs, but all modifications, unless stipulated to by the parties, must be adequately supported with credible evidentiary data.

The Commission believes that the use of actual geocoded customer location is appropriate. This information can be derived from the ACS Martens database. Any disagreements between the parties as to modifications to the model program or input data are to be resolved through arbitration.

ORDER

THE COMMISSION FURTHER ORDERS:

1. The Federal Communications Commission model is to be used to compute forward-looking cost figures for use in developing rates in this arbitration.

2. The Federal Communications Commission default inputs are to be used as a baseline with modifications by the parties in this arbitration.

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[4]The FCC model was designed to produce a universal service output.

3. Disagreements between the parties as to modifications to the model program or input data are to be resolved through the arbitration process.

DATED AND EFFECTIVE at Anchorage, Alaska, this 18th day of April, 2000.

BY DIRECTION OF THE COMMISSION

(S E A L)