

STATE OF ALASKA

THE 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 Revenue Requirement of the) ALASKA EXCHANGE CARRIERS ASSOCIA-) TION, INC., To Be Included in) Intrastate Interexchange Access) Charges and To Address Miscel-) laneous Access Charge Issues) Involving Pay Telephone Subsidies) _____))	U-96-49 ORDER NO. 10
In the Matter of the Consideration) of the Access Charge Revenue) Requirement of the MUNICIPALITY) OF ANCHORAGE d/b/a ANCHORAGE) TELEPHONE UTILITY) _____))	U-96-50 ORDER NO. 10
In the Matter of the Consideration) of the Access Charge Revenue) Requirement of ARCTIC SLOPE) TELEPHONE ASSOCIATION COOPERA-) TIVE, INC.) _____))	U-96-51 ORDER NO. 10
In the Matter of the Consideration) of the Access Charge Revenue) Requirement of BRISTOL BAY) TELEPHONE COOPERATIVE, INC.) _____))	U-96-52 ORDER NO. 10
In the Matter of the Consideration) of the Access Charge Revenue) Requirement of BUSH-TELL, INCOR-) PORATED) _____))	U-96-53 ORDER NO. 10

In the Matter of the Consideration)
of the Access Charge Revenue) U-96-61
Requirement of MUKLUK TELEPHONE)
COMPANY, INC.) ORDER NO. 10

In the Matter of the Consideration)
of the Access Charge Revenue) U-96-62
Requirement of NUSHAGAK TELEPHONE)
COOPERATIVE, INC.) ORDER NO. 10

In the Matter of the Consideration)
of the Access Charge Revenue) U-96-63
Requirement of OTZ TELEPHONE COOP-)
ERATIVE, INC.) ORDER NO. 10

In the Matter of the Consideration)
of the Access Charge Revenue) U-96-64
Requirement of SUMMIT TELEPHONE)
& TELEGRAPH COMPANY OF ALASKA,)
INC. d/b/a SUMMIT TELEPHONE)
COMPANY, INC.) ORDER NO. 10

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of the Access Charge Revenue) U-96-65
Requirement of TELEPHONE UTILITIES)
OF ALASKA, INC.) ORDER NO. 10

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Requirement of TELEPHONE UTILITIES)
OF THE NORTHLAND, INC.) ORDER NO. 10

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Requirement of UNITED UTILITIES,)
INC.) ORDER NO. 10

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The Commission further determined that it would resolve any remaining issues in this proceeding based on the pleadings and would not schedule further hearings in this matter.

At issue in this proceeding is a determination of the 1997 access charge revenue requirement of each local exchange carrier (LEC) and average schedule company after the removal of the cost of pay telephone instruments.

U-96-49 - Alaska Exchange Carriers Association, Inc. (AECA)

AECA recommended that the Commission reduce the 1997 access charge revenue requirement and rate per line for all average schedule companies by the same percentage reduction as the intrastate revenue requirement for similar cost companies. AECA asserted that similar cost companies are those companies with less than 5,000 access lines.

The Commission Staff concurred with the methodology proposed by AECA.

AT&T Alascom argued that the percentage applied to average schedule companies should be based on the average of Bush companies with less than 5,000 access lines. AECA opposed AT&T Alascom's recommendation because the term "Bush" companies has no precise meaning and it is unclear which cost companies below 5,000 access lines AT&T Alascom proposed to exclude.

U-96-50 - The Municipality of Anchorage d/b/a Anchorage Telephone Utility a/k/a ATU Telecommunications (ATU)

ATU recommended that the Commission adjust ATU's rate base and expense balances to reflect the removal of costs associated with pay telephones, a reduction of \$380,595. In addition, ATU requested that the Commission consider the impact of other *proforma* adjustments that occurred after the "bright line" date. Specifically, a change in depreciation, a payroll expense increase, a reduction in operator expenses, and an increase in office lease expense.

In a supplemental filing, ATU asserted that if the Commission adopts Staff's recommendation regarding ATU's depreciation study, then the depreciation offset would be roughly comparable to any pay telephone adjustment.

Staff recommended that the Commission accept ATU's proposed adjustment excluding other post "bright line" adjustments. Staff argued that ATU's depreciation study has not yet been considered by the Commission and includes depreciation rates that would not be in effect until 1997. Thus, Staff argued that these adjustments do not meet the principle of synchronized costs and demand.

AT&T Alascom argued that the Federal Communications Commission (FCC) requires that the multi-line business subscriber line charge (SLC) be assessed on pay telephones owned by the

incumbent LECs or pay telephone affiliates. AT&T Alascom further argued that revenues from the SLC are to be used to reduce the interstate carrier common line charge (CCL). AT&T Alascom recommended that the Commission adopt the same approach.

ATU opposed AT&T Alascom's proposal arguing that the Commission cannot mirror federal procedures to lower the intra-state CCL without a state SLC. ATU argued that without a SLC, any reduction in the intrastate CCL rate would be borne by the local ratepayers in violation of Section 276(a)91) of the Telecommunications Act of 1996 (The Act).

At the prehearing conference held in this matter on March 19, 1997, ATU withdrew its proposed depreciation offset.

U-96-51 - Arctic Slope Telephone Association Cooperative (ASTAC)

ASTAC proposed that its 1997 access charge revenue requirement be reduced to \$484,113. The adjustment related to pay telephones equals \$3,300. Staff recommended that the Commission adopt the adjustment proposed by ASTAC.

U-96-52 - Bristol Bay Telephone Cooperative, Inc. (BBTC)

BBTC proposed that its 1997 access charge revenue requirement be reduced to \$352,458. BBTC asserted that the pay telephone adjustment for switched access is \$3,590 and the pay telephone adjustment for special access is \$13. BBTC recommended

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that special access rates remain unmodified. Staff recommended that BBTC's proposed adjustment be adopted.

U-96-53 - Bush-Tell, Incorporated (Bush-Tell)

Bush-Tell requested that its 1997 access charge revenue requirement be reduced to \$747,472. The reduction for pay telephone costs equals \$2,030. Staff recommended that Bush-Tell's adjustment be accepted.

U-96-54 - Copper Valley Telephone Cooperative, Inc. (CVTC)

CVTC proposed that its access charge revenue requirement be reduced to \$1,203,247. The adjustments related to pay telephones equal \$53,533 for switched access and \$98 for special access. CVTC asserted that the adjustment for special access was immaterial. Staff concurred with the adjustment proposed by CVTC.

U-96-55 - Cordova Telephone Cooperative, Inc. (CTCI)

CTCI proposed that its intrastate access charge revenue requirement be reduced by \$4,042. After the reduction for pay telephone costs, CTCI's revenue requirement equals \$276,856. Staff concurred with the pay telephone adjustment proposed by CTCI.

U-96-56 - The City of Fairbanks d/b/a Fairbanks Municipal Utilities System (FMUS)

FMUS proposed a \$30,507 decrease to its access charge revenue requirement. Staff asserted that transferring pay telephone expenses and plant to deregulated accounts changes the factor used to allocate indirect expenses and plant between regulated and non-regulated activities. Staff argued that FMUS should recompute its Part 64 allocations to non-regulated operations using a new factor to reduce General and Administrative (G&A) and other costs affected by the removal of direct pay telephone costs. In reply, FMUS concurred with the adjustments proposed by Staff and requested that its revenue requirement be adjusted by \$35,051 to a total of \$2,299,958,

U-96-57 - GTE Alaska Incorporated (GTE)

GTE proposed that its access charge revenue requirement be reduced by \$40,221. Staff recommended that GTE's allocation to G&A expenses be recomputed using Part 64 methodology. Staff argued that GTE did not correctly allocate its indirect expenses because it used a ratio of pay telephone revenues as the allocator for G&A expenses.

GTE filed a motion to accept its late reply. The reply testimony was submitted one day late and GTE argued that no party

would be prejudiced by the minimal delay. In reply, GTE concurred with Staff's recommendation to adjust its Part 64 allocator.

U-96-58 - Interior Telephone Company (ITC)

ITC proposed a mid-course adjustment to its intrastate access charge revenue requirement in the amount of \$18,650. Staff recommended that ITC's adjustment be accepted.

U-96-59 - Ketchikan Public Utilities (KPU)

KPU asserted that its access charge revenue requirement should be reduced to a total of \$1,042,895. The reduction attributable to pay telephone sets equals \$41,506. Staff proposed that KPU's adjustment be accepted.

U-96-60 - Matanuska Telephone Association, Inc. (MTA)

MTA proposed a *proforma* adjustment in the amount of approximately \$121,637. The underlying documentation for the adjustment was not included so the exact amount of the adjustment was unclear. Staff asserted that transferring pay telephone related expenses and plant from regulated to non-regulated operations changes the factor used to allocate indirect expenses and plant between regulated and non-regulated operations. Therefore, Staff recommended that MTA recompute its Part 64 allocations using a new factor to reduce G&T and other costs affected by the removal of direct pay telephone costs.

In reply, MTA asserted that it did not originally submit an adjustment to its Part 64 allocations because it intended to transfer its pay telephone assets to an affiliate. MTA asserted that it no longer planned to make that transfer and agreed to make the adjustment proposed by Staff.

U-96-61 - Mukluk Telephone Company, Inc. (Mukluk)

Mukluk proposed a mid-course correction to its intra-state access charge revenue requirement in the amount of \$2,003. Staff recommended that the adjustment be accepted.

U-96-62 - Nushagak Telephone Cooperative, Inc.(NTCI)

NTCI proposed a total access charge revenue requirement in the amount of \$7,563. Staff recommended that NTCI's adjustment be adopted.

U-96-63 - OTZ Telephone Cooperative, Inc. (OTZ)

OTZ proposed a pay telephone adjustment in the amount of \$9,617. Staff recommended that OTZ's adjustment be accepted.

U-96-64 - Summit Telephone & Telegraph Company of Alaska d/b/a Summit Telephone Company (Summit)

Summit proposed a reduction in its intrastate access charge revenue requirement in the amount of \$2,342. Staff recommended that Summit's adjustment be adopted.

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U-96-65 - Telephone Utilities of Alaska, Inc. (TUA)

TUA proposed a total access charge revenue requirement in the amount of \$1,526,493, a reduction of \$19,149. Staff asserted that TUA's revenue requirement should be further adjusted to reflect the transfer of pay telephone related expenses from regulated to non-regulated accounts. Staff recommended that TUA recompute its Part 64 allocations. In reply, TUA concurred with the adjustments proposed by Staff.

U-96-66 - Telephone Utilities of the Northland, Inc. (TUNI)

TUNI proposed that its intrastate access charge revenue requirement be reduced by \$74,532 to reflect the removal of pay telephone costs. Staff recommended that TUNI's revenue requirement be further adjusted to reflect the transfer of pay telephone expenses from regulated to non-regulated operations. In reply, TUNI did not disagree with the adjustments proposed by Staff.

U-96-67 - United Utilities, Inc. (UUI)

UUI proposed an adjustment of \$22,477 to its intrastate access charge revenue requirement. Staff concurred with UUI's proposed adjustment.

U-96-68 - Yukon Telephone Company, Inc. (YTC)

YTC proposed that its 1997 access charge revenue requirement be reduced by approximately \$4,034. Staff recommended that YTC's adjustment be accepted.

U-96-71 - Bettles Telephone, Inc. (BTI)

BTI proposed a reduction of \$1,209 in its intrastate access charge revenue requirement. Staff noted that BTI did not include any adjustment to its G&A expenses to reflect the transfer of pay telephone activities from regulated to non-regulated operations. However, given the immateriality of such an adjustment, Staff recommended that BTI's adjustment be accepted as filed.

Discussion

The Commission has determined that the 1997 access charge revenue requirements of all LEC's and average schedule companies must be modified by April 15, 1997, to comply with the FCC directives regarding the removal of pay telephone costs from access charge revenue requirements. By Order U-96-49(7)², dated January 21, 1997, the Commission, among other things, determined that it would release its decision in bench order at the earliest

²That Order was issued as a joint decision in Dockets U-96-49 through U-96-68 and U-96-71.

possible date. All parties were telephonically notified of the Commission's decision on April 8, 1997.

The Commission has reviewed AECA's filing and has determined that AECA's overall proposal is acceptable and should be adopted. The Commission has further determined that the average schedule formula should be adjusted to reflect the change observed by typical small cost telephone companies when complying with the requirement for removal of the pay telephone costs.

The Commission notes that the only contested issue regarding AECA's proposal was whether the Average Schedule Formula should be adjusted based on all cost companies under 5,000 or only the "Bush" companies under 5,000 lines. The Commission has determined that it cannot accept AT&T Alascom's proposal to use "Bush" companies under 5,000 because AT&T Alascom failed to define the term "Bush". In addition, AT&T Alascom failed to explain why only "Bush" companies should be included in calculating this adjustment, and how, if adopted, AT&T Alascom's proposal would have made a material impact. Thus, the Commission has determined that all companies under 5,000 lines should be considered when adjusting the formula proposed by AECA.

The Commission has further determined that ATU's proposed adjustment, excluding other post "bright line" adjustments, should be adopted. By Order U-96-50(6), dated December 26, 1996, the

Commission, among other things, upheld the "bright line" rule that expenses must be included by July 15 in order to be included in a utility's annual access charge filing. The Commission has determined that excluding the post "bright line" adjustments to payroll expense, operator expense, and office lease expense meet the principle of synchronized costs and demand.

The Commission has further determined that AT&T Alascom's proposal to reduce the intrastate CCL should be rejected. As noted by ATU, Alaska does not have a state SLC to offset a reduction in the intrastate CCL rate.

The Commission has further determined that the 1997 access charge revenue requirement of ASTAC, BBTC, Bush-Tell, CVTC, Cordova, ITC, KPU, Mukluk, NCTI, OTZ, Summit, UUI, YTC, and Bettles, should be adopted as filed.

The Commission has further determined that the 1997 access charge revenue requirement of FMUS, GTE, MTA, TUA, and TUNI must be recomputed in accordance with Staff's recommendation regarding Part 64 allocations.

AECA is required to file a mid-course correction to its access charge rates by April 11, 1997. The Commission has further determined that revised access charge rates must be placed in effect by April 15, 1997.

Finally, the Commission notes that it may reverse or modify any decision reached in these proceedings depending on the outcome of the pending and potential future appeals of the FCC's pay telephone orders.

ORDER

THE COMMISSION FURTHER ORDERS:

1. The access charge rates of local exchange carriers' operating in Alaska must be modified as more fully described in the body of this Order.

2. By 4 p.m., April 11, 1997, the Alaska Exchange Carriers Association, Inc., shall file a tariff revision to effect the mid-course adjustments to the several access charge revenue requirements as approved by this Order.

3. By 4 p.m. April 11, 1997, the Alaska Exchange Carriers Association, Inc., shall file a mid-course adjustment to the access charge revenue requirement of the average-schedule companies.

DATED AND EFFECTIVE at Anchorage, Alaska, this 9th day of April, 1997.

BY DIRECTION OF THE COMMISSION
(Commissioners Tim Cook, and
James M. Posey, not participating.)

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