STATE OF ALASKA

REGULATORY COMMISSION OF ALASKA

Before Commissioners: G. Nanette Thompson, Chair

Bernie Smith
Patricia M. DeMarco
Will Abbott
James S. Strandberg

REGULATORY COMMISSION OF ALASKA
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P R O C E E D I N G S

Tape 1

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(On record - 8:30 a.m.)

COURT REPORTER: On record, Madam Chair.

CHAIR THOMPSON: Thank you. I want to welcome everyone to the Special Public Meeting of the Regulatory Commission of Alaska on promoting universal telecommunication service in unserved and underserved areas, and to rural health care providers. And I want to recognize on the phone we have Linda Sturle (ph) from the Tanana Chiefs Conference. All of the Commissioners are present this morning. And we also have a special guest, Lt. Governor Fran Ulmer that we'll hear comments from in a moment.

We're here this morning because the Federal Communications Commissioner is interested in insuring that all Americans are connected to the telecommunications network. The FCC has issued a notice of inquiry and asked for comments from states like ours that have communities with lower connection rates than the national average.

The information we have about communities in Alaska that are not connected by the road system is incomplete. We do know that the percentage of households with telecommunications services in some of Alaska's rural areas is less than in the urban areas. What we don't know is why this is true and what we can do to remedy the situation. We're hoping to hear comments today that will help us better understand the issue so we can submit comments to the FCC.

This Commission sees telecommunications services as an important connection for rural Alaska communities that are otherwise remote and isolated. Advanced telecommunications services can bridge great distances and bring health care, educational, economic development opportunities to these communities.

The Regulatory Commission of Alaska will file comments with the FCC by its November 29, 1999, deadline. We'll consider what we hear here today when we prepare our written comments.

Sitting here with us today, this morning, is Lt. Governor Fran Ulmer. She's interested and has been involved with telecommunications issues for some time. She's the chairman of the Telecommunications Information Council, and also serves on the FCC's Local Government Advisory Commission. Lt. Governor?

LT. GOV. ULMER: Thank you. Thank you very much. I'd like to begin this morning by thanking all of you who have come or who are on line to share with us your perspectives on what is happening in the delivery of telecommunications services in Alaska, and particularly in rural Alaska.

As Nan said, the 1996 Communications Act requires that people are -- have available to them telecommunications __services, and I just want to read one sentence out of the Act. It mandates that consumers in all regions of the nation, including low income consumers and those in rural, insular or high cost areas should have access to telecommunications and information services. This is easier to say than it is to do. And as we know, the digital divide in America is very profoundly altering the course of economies and communities not only in Alaska, but in other states, based on their access to not only telephone services, but broad band telecommunication services.

We know that communities that have ready access and affordable access to internet connectivity have opportunities that other people do not have in terms of education, medicine, jobs, training, not to mention just communicating with friends and entertainment. This is an extremely important thing for communities in Alaska as well as it is for communities every place in America. And you are here today to help all of us understand better the services that are available, or perhaps aren't available in Alaska, and help us prepare for a statement not only on the part of the RCA, but on the State of Alaska's comments back to the FCC.

In a few moments, Bob Halperin will be giving us an overview of what it is precisely that the FCC has asked for comments on. Bob Halperin is the Governor's attorney in Washington, D.C. who handles telecommunications filings on behalf of the State of Alaska, and I'm very

pleased that he is here with us in person today to be able to share with us a little bit more about what exactly it is that the FCC is asking for.

I'd also like to interview -- or introduce just a couple of other people. Meredith Sandler -- actually, Bob Halperin, if you could just sort of turn around and look at people so people know who you are? And Meredith Sandler. Meredith works in Governor Knowles' office in Washington, D.C., and also works a lot on communications issues. Paula Scavera is from my office in Juneau. And Lori Kenyon who works for the RCA on this issue.

As was mentioned, I serve on the FCC's Local Government Advisory Commission. It has been in existence almost two years, and the purpose of this advisory group is to provide to the FCC information, perspective so to speak from state and local governments around America. It has provided me an opportunity to give input, and I have appreciated that opportunity. And today again hearing from you will help me do a better job in that capacity as I serve on that advisory committee.

Just one or two other things very quickly before Bob takes over. I think we all have anecdotes that we have heard from time to time about the delivery of telecommunications services in rural areas in Alaska. And I suspect we'll hear more about those today. But just within the last couple of weeks in my office, I have had individuals who have either called me, e-mailed me, or stopped me on the street with just -- and I'm just going to share a couple of them with you.

A retired couple living in the central area of Alaska in a small community wrote that they subsidized their retirement earnings by investing in the stock market, and they want to be able to use the internet to do that, and because their internet service is unpredictable and sometimes cuts off in the middle of a transaction, they lost some money last week. And they wanted to know what I could do about it.

Parents of students who are studying at home in a correspondence study circumstance, and who want to have access to advanced education opportunities by being able to connect to the

internet to do research, can't get internet access at a price that they consider affordable. And so for all practical purposes, those students have opportunities that are not available to them.

A state employee who has retired from his job and moved to a small community in Southeast Alaska, and has started a business and wants to conduct his business via the internet. Because the cost associated with internet connectivity for him are prohibitive, he's going to have to leave the small community that he loves so much and move back to Juneau or Anchorage to be able to conduct his business.

I could go on and on. There are -- there's a danger sometimes in assuming that the whole world looks just like the particular incidents that come your way, but on the other hand, if we don't have a good feeling for what actually is happening, and the extent to which people are experiencing problems, it's very hard for either the RCA, the State of Alaska, or the providers to be able to address the needs of the people we all serve. That's why we're here today. Thank you for joining us. Bob Halperin?

MR. HALPERIN: Thank you very much. I'm delighted to be here.

As the Lieutenant Governor said, in the Telecommunications Act of 1996, Congress for the very first time specifically told the Federal Communications Commission to take steps to make sure that all Americans have access to telephone services, and to advanced telecommunications services such as the internet. The FCC has been working on these issues for many years. It recognizes that people who do not have telephone service are at a severe disadvantage. They can't communicate with others in the event of emergencies. And schools, health care providers, and current or prospective employers find it difficult to reach them. Indeed, the FCC is of the view that new telecommunication services make telephone usage more important than ever.

Nationwide, about 94 percent of all households have telephone service, but in many parts of the country, the number of homes without telephone service is much greater. Telephone usage is not uniform either nationally or in this state. There are some areas in which telephone service is simply unavailable. The FCC calls those areas unserved areas.

There are other areas or population groups in which the percentage of households with telephones is far below national averages For example, only 78 percent of households with annual incomes under $5,000 have telephone service, and only about 47 percent of households on tribal lands nationwide have telephone service. The FCC calls these areas underserved areas.

A few months ago the FCC issued a further notice of proposed rulemaking, asking many questions about what it could do to increase the availability of telephone usage in unserved and underserved areas and population groups, including Native Alaskans.

In this morning's session, we're seeking comments on four basic issues. The first addresses the current availability of telephone service in rural parts of Alaska. To what extent are there areas in the state in which households don't have access to telephone service? Is telephone service in these areas technically and economically feasible? If so, why doesn't such service exist?

To what extent are there areas in the state in which basic telephone service is available, but other services like cellular service or internet service are not available?

Are there areas in the state in which telephone service is available, but the percentage of households taking telephone service is far less than the national average? Where are these areas and why is this occurring? Is it because phone service is too expensive? How expensive is it? Is it because the service is unreliable? Does the size of local calling areas matter? Are there other reasons why telephone service is not so widespread? Are there other technologies like cellular telephone service or other ground based wireless systems that offer a solution in these areas? What about satellite services? Is there anything that the FCC can do to increase the availability of these wireless or satellite systems in these areas?

Second, the FCC is particularly interested in increasing the availability of telephone service in Native villages. What can the FCC do in that regard?

Third, what role should the FCC, the RCA, and tribal authorities play in seeking to increase the availability of telephone service?

Fourth, and finally, the FCC has several programs available to help subsidize telephone service for low income Americans. The LinkUp Program helps pay the cost for installing telephone service, like for deposits that some carriers require. The Lifeline Program subsidizes basic monthly costs of phone service to low-income Americans. The Lifeline Program has both state and federal funding components. Are there changes that should be made to these programs to increase telephone service in Native Alaskan villages?

Those are the subjects for this morning discussion, Lieutenant Governor.

I'd just like to add that comments are due on the FCC's notice of proposed rulemaking on November 29. There will then be an opportunity to file reply -- replies to those comments, and those are due on December 29th.

LT. GOV. ULMER: Thank you very much, Bob.

Let me tell you how we're going to proceed this morning. We are going to take whatever comments you both here in Anchorage and on line might have. We're going to allow everyone ten minutes, and we're going to be fairly rigid about that deadline to make sure that everybody has an opportunity to speak. And if after everyone who wanted to comment has been able to comment, and we still have some time left over, I would like to provide us the opportunity for some dialogue, some exchange, maybe asking Bob some questions. Maybe some of the Commission members being able to ask individuals questions. So you don't have to take your full 10 minutes, but you are allowed 10 minutes.

And I might also note that we are very much -- we're very interested in receiving written comments in addition to the oral presentations today, so if you do have letters, you are free to send them directly to the FCC, but we would very much appreciate them if you would send them to the State of Alaska, because we would like to have it be part of our understanding of not only what's happening in Alaska, but also so that we can follow up with you subsequently. Again, the deadline for the FCC is November 29th, but I think our deadline is what, November 10th or something for comments? November 10th I believe is what our hope for a deadline would be in terms of written comments.

Okay. Now, we have a number of people who have signed up here in Anchorage, and what I'm going to do is take a few people here in Anchorage, and then we're going to switch to folks who are on line, and we'll kind of rotate back and forth between in person and on line. The first person who has signed up to testify here is Steve Hamlen. And I might ask people if they'd just in addition to their name identify if they work for a particular company or are with an organization, or if they're just a consumer, you love consumers. Just identify yourself so that we know who you are. Steve?

MR. HAMLEN: Thank you. Good morning. We have a slide presentation this morning, and if you could give us just a few seconds to get it set up?

LT. GOV. ULMER: Are there any other Commissioner comments at this time, or any process questions? Okay. All right. Great.

UNIDENTIFIED VOICE: These are the slides.

LT. GOV. ULMER: Okay. While Steve is setting up, I might just ask in terms of folks who are on line, I know the Tanana Chiefs Conference, Linda is on line. Do we have other people on line this morning?

MR. SPRINGER: Yeah, Lieutenant Governor, this is Mark Springer at the Distance Delivery Consortium in Bethel.

LT. GOV. ULMER: Thank you, Mark. Anyone else?

MS. WORNER: Yes, this Barbara Worner in Eagle, Alaska. I'm a consumer and a regional school board member.

LT. GOV. ULMER: Great. Anyone else? Okay. We'll get to you shortly.

MR. APATHY: Excuse me?

LT. GOV. ULMER: Yes, go ahead?

MR. APATHY: Yeah, my name's Peter Apathy. I work for the Southeast Regional Health Consortium down in Sitka and Juneau, Alaska.

LT. GOV. ULMER: Okay. Thanks, Peter. Anyone else on line? Great. Thank you very much. Steve, if you're ready, go ahead, please?

MR. HAMLEN: Good morning, thank you. I'm Steve Hamlen, I'm president of United Utilities. And this morning I have with me Wilson Naneng. Wilson is one of our scholarship recipients. We have 51 students that are going to various colleges and trade schools that we support. Wilson is working on a degree in computer sciences at the University of Alaska.

United Utilities.....

LT. GOV. ULMER: Steve, if you could move the mic that's.....

MR. HAMLEN: Am I on the wrong one?

LT. GOV. ULMER: .....on the dias? There. The one that's on there is (indiscernible).....

CHAIR THOMPSON: Actually, Steve, if you'd get.....

MR. HAMLEN: Oh, it's on the.....

CHAIR THOMPSON: .....on the other side of that table? I mean,.....

MR. HAMLEN: Okay. This is (indiscernible).

CHAIR THOMPSON: .....yeah, something like that. Yeah, you just need distance from that mike. Okay. Great.

MR. HAMLEN: Okay. Thank you.

UNIDENTIFIED VOICE: Pick up that one.

MR. HAMLEN: United Utilities has been in business for 21 years. We're the only Native owned telecommunications local exchange carrier in the state, and we've recently completed a major promotion effort for the Lifeline program. We're this morning going to report to you the results of that effort, marketing effort to promote the Lifeline program, and we do have specific proposals for you to consider in advancing household penetration rates, and telephone service in rural Alaska.

Our pre- -- and there's a copy of our presentation, by the way, in front of you.

Our first slide here is our directory cover for next year for the millennium. It's a photograph of a painting portraying our Alaskan Natives efforts to preserve their culture and to further their -- further themselves as we go into the next generation, and the new millennium.

Wilson? United Utilities provides service to 58 villages. The -- those villages are scattered throughout Western Alaska, Northern Alaska. You'll notice the shaded area is where our villages are located. We provide state of the art digital switching facilities. We connect our customers with cable, with wireless, fixed cellular better (ph) system, and there is available in our communities now local exchange service that includes class services, custom calling features, toll blocking. It does not include 911, which I'll talk about later.

The notice for proposed rulemaking, we think that this is -- we appreciate being in here this morning. The FCC's effort's right on target with wanting to advance the goals of the Communications Act in provided service to unserved and underserved areas.

The issues that we've identified this morning to discuss are status of tribal lands, the Lifeline program, and impediments to Universal Service.

Tribal lands. In Alaska we do have tribal lands. We don't have Indian lands as such. Our tribal governments are subject to state and federal law. There is a long standing acceptance of a trust responsibility between the federal/state government and Indian, Native, indigenous people, and we're requesting that the Commission request the FCC to include within its definition of tribal lands the tribal lands in Alaska, specifically the Alaska village statistical areas.

Alaska village statistical areas is recognized in the Alaska Native Claims Settlement Act, and the U.S. Census Bureau.

COURT REPORTER: Excuse me, Mr. Hamlen, I'm sorry, I'm not recording you.

CHAIR THOMPSON: It may be necessary.....

UNIDENTIFIED VOICE: These mics are on speaker mic (indiscernible)..... (Indiscernible conversation)

CHAIR THOMPSON: You know, it.....

MR. HAMLEN: I'll get in.....

CHAIR THOMPSON: .....might help, if you.....

MR. HAMLEN: I'll get in the right place.

CHAIR THOMPSON: .....wouldn't mind sitting down? Would it be possible for you to sit down.....

MR. HAMLEN: .....Sure.

CHAIR THOMPSON: .....and just speak into a regular mic instead of the mic you're using? I think that might make everything easier. Let's try that. And take off your vest mike so we don't get feedback, and then people on line can probably hear you better as well as the recorder.

MR. HAMLEN: Does that work better?

UNIDENTIFIED VOICE: Talk a little bit and.....

CHAIR THOMPSON: Is that recording, Suzi? Can you say something?

LT. GOV. ULMER: If you can talk a little bit, Steve?

MR. HAMLEN: Okay. Does the mic work better now?

CHAIR THOMPSON: Thank you.

MR. HAMLEN: Okay.

CHAIR THOMPSON: Great.

MR. HAMLEN: All right. Thank you. Getting back to the slides, we're requesting that Alaska village statistical areas within the state be included within the FCC's definition of tribal lands. And we would not want to see our tribal lands left out of consideration in advancing Universal Service goals under the FCC's efforts, so please include -- request that the FCC include them. Okay.

Okay. the NPRMs for statistics on population, income statistics, our average village has 339 residents. Median household income is $19,473. The poverty level today is $16,600 for a family of four. The U.S. Census Bureau is in the process of increasing that threshold to $19,500. So most of the households in rural Alaska in the 58 villages that we serve live at or below the national poverty level.

The cost of living for a family of four in Bethel versus Anchorage, I just tossed this in here so that the -- you could have this information. It does cost more to live in rural Alaska, and

particularly in our villages that depend on transportation, high transportation costs to ship in goods and services.

I mentioned in my opening that we had a special promotion. I came before the Commission back in April and informed the Commission of our promotion effort to waive charges to -- connection charges for folks to connect to the -- to receive telephone service, and we went house to house to identify those households that did not have telephone service. Our first effort was in Hooper Bay where we had 42 households that did not have phone service.

If you recall, the Lifeline program in March, the assistance for low income households increased from $5.25 to $10.50 per month. So what we did when the State initiated its own Lifeline program, and we got additional matching monies from the federal government through the FCC, we launched a special promotional effort. And here you'll see the results of that promotional effort. We have 72 percent participation of eligible households, and those eligible households, we're using food stamp households as participants for that measurement. So we went to -- from 23 percent to 72 percent. We gained a total of 868 new participants, and our penetration rate throughout our 58 villages increased by 4.9 percent. One thing to note here, of the Lifeline customers that we have, 64 percent of them take toll blocking. So now we're at 80.7 percent penetration.

The Alaska Lifeline participation recommendations, you'll see here that statewide we have 16,000 households receiving -- participating in the food stamp program, and we have 30 percent participation at this point statewide. United Utilities has 72 percent.

The thing that we would like to recommend is that the LinkUp Program, and this is the federal program that's used to provide support for low income households to receive service, is limited at $30. So if a telecommunications provider wants to have a special promotion, target low income households, the only assistance that's available to hook up a customer today is 30 bucks. So what we're asking is -- up to 30 bucks. So we're asking that the FCC consider increasing that support level to $100 when the carrier voluntarily waives the hook-up cost up to $100. We charge $177.50 if a customer needs to have wiring done inside the house, an

instrument and to be hooked up for the network. There are bits and pieces that need to be put in place to actually hook up a customer, and the total cost will be $177 if there's no inside wiring or instrument, so we think this is a good recommendation. Let's increase it to $100 and help the low income households overcome the large cost of establishing service initial.

Our second recommendation, and if you look carefully at why we have a problem with low household penetration rates in rural Alaska, you'll see that the high cost of placing state toll calls is a major impediment. Our households live below or near the poverty line, and their local areas are limited. And with limited local calling areas, when you have to call for medical help, essential services, state/federal government, conduct business, well, you have to place a toll call. So if you -- for example, those of you who live in Anchorage, if you look at your telephone bill, you'll see that you probably don't place very many toll calls. But when you look at a toll bill from someone living in rural Alaska, you will see a lot of toll call. So the toll calling, the limited local calling areas are an impediment to Universal Service. In fact the NPRM does request comment when the -- if local -- limited local calling areas impact low income households and the affordability of telecommunication service for them.

LT. GOV. ULMER: Steve, if I could ask you to just wrap up in about another minute?

MR. HAMLEN: Okay. I'd asked for half an hour, so maybe I can get some more time later. What I have here then is a recommendation that we increase the assistance to $25 for toll calls for the Lifeline program.

And what I'd like to do is cut it off, and if I have time later on to give the rest of my presentation, I'd like to be able to do that.

LT. GOV. ULMER: Okay. Thank you very much, Steve.

MR. HAMLEN: Okay. Thank you. Okay.

LT. GOV. ULMER: We appreciate your coming this morning, and thank you for your recommendations.

I'm going to take one more person here in Anchorage before we roll out to folks who are on line. Jim Rowe is the next person who has signed up to speak in Anchorage.

MR. ROWE: Thank you. I'm Jim Rowe. I'm the director of the Alaska Telephone Association. I appreciate the opportunity to offer the comments of the Association this morning.

I will ask the indulgence of the Commission. I had prior commitments for this afternoon, and I will not be able to be here for the part of the program that you asked comments for there. If you care not to accept them, I'll certainly give them to you in writing, and I'll keep my comments short.

The Association has looked at this NPRM and it's pretty significant, pretty far -- wide ranging. We have brought just a few issues to you this morning, and I'm going to identify them by paragraph. However, we've also recognized that some of us have different paragraphs on the issues, so they'll be pretty close. When I give them to you in writing, they ought to be close enough to identify in the NPRM.

The first one I've got is paragraphs 14 and 15, which is availability and cost of service, and the average monthly bill in Alaska for telecommunications is high, because in the rural areas, as Mr. Hamlen said, you do have significant toll calls. So the idea of looking at a telephone and affordable rate, it's not comparable to what we would find either in Anchorage or outside area when you look at the basic cost of local telephone service.

Most of the answers I'm addressing here, or comments I'm addressing are not to this Commission, but they are to inquiries that came out of the NPRM, and I hope that this Commission in its filing will take to the FCC.

Paragraph 23 is impediments to increased penetration. They suggest that geographic factors present real challenges to providing service. I think that's great that they figured that out. They also ask if the lack of roads is significant. It's obviously significant. The cost of getting materials and service out to the rural areas where there are no roads is exceptional. And with the contribution by weather-delayed flights, even anticipated costs accelerate.

Paragraph 30 deals with state regulations. The FCC is seeking comment on state actions that might impact deployment. As limited calling areas make service unaffordable because of the necessity of significant toll calling, or at least make the service less attractive, because the

residents must make significant toll calling, the State might consider the value of expanding local calling areas to include what the FCC calls a community of interest.

And the definition of tribal lands in paragraph 53, that should include, as Mr. Hamlen suggested, the Alaska village statistical areas. Many of the challenges of telecommunications identified Outside in tribal lands certainly are the same challenges that are identified here in Alaska in our rural communities.

And the source of the Commission's, the FCC's authority comes from the Universal Service principles of Section 254 of the Act that guarantees rates in rural high cost areas will be comparable to those in urban areas.

Paragraph 86, defining unserved areas. The Commission proposes defining an unserved area as any area in which facilities would need to be deployed in order for its residents to receive each of the services designated for support by the Universal Service support mechanisms. The definition is inappropriate, because it would not include only unpopulated areas within previously designated service areas, but even new subdivisions and urban areas anywhere that infrastructure needed to be deployed. The definition must include clarification that an area defined as unserved is not within a designated service area.

Paragraphs 94 and 95 identifying carriers best able to serve unserved areas. The Commission asks if a consistent national approach is necessary regarding the selection of carriers. Even assuming an error in their definition of unserved area, ATA opposes such a national standard and believes that this decision is most appropriately left with the state commission. The Commission's, the FCC's preferred approach of competitive bidding to identify the carrier best able to serve an unserved area anticipates that the Commission will usurp state authority to designate the carrier, or will impose on state commissions a national standard based on competitive bidding. ATA recommends that the determinations of best able and the methods for applying that designation be left in the hands of the regulatory body closest to the impacted community.

Paragraph 118 is definition of an underserved area. The definition for an underserved area should be based on penetration rate, and the Commission suggests a couple other alternatives. A population density below a certain level is not relevant as underserved pertains to not square miles. The high cost of providing service in an underserved area would likely be a contributing factor to the low penetration rate, but it would not be part of the definition.

Paragraph 119 is expanding LinkUp to include facilities based charges. In high cost areas initial construction costs, line extension charges are prohibitive. Adding line extension costs to the general base rate may be an unsound business decision for the provider, and line extension charges are likely to stop some customers from being able to afford to go on line. ATA favors expanding LinkUp to include facilities based charges, to assist low income residents in remote areas, or access to telecommunications network.

Paragraph 122 is support for intrastate toll calling. The limited local calling area of many Alaskan communities is undoubtedly a contributing factor to low penetration rates. They can't get there for what they see as the local costs. Support for intrastate calling where that call is necessary to contact health and governmental agencies and businesses, as is common in urban areas, would increase the value of telephone service to every resident.

And ATA has one question I guess we offer to this Commission, and we intend to file comments by November 29th with a little clarification on this. The first item under the 1:00 o'clock section of this meeting, you ask for designation of carriers as eligible to receive federal Universal Service support for providing telephone service in high cost areas. We're unclear about this subject heading, because we believe this NPRM refers only to situations where there's no common carrier willing to provide supported service to an unserved community as discussed in paragraphs 73 to 82. In earlier comments, we've addressed some expansion of LinkUp that would likely to (sic) encourage carrier willingness. If we've misunderstood the intended focus of the RCA on this item, perhaps a clarification would help us address it correctly in our further comments.

Thank you for your time.

LT. GOV. ULMER: Thank you very much, Jim. And we'll either have some discussion of your question at the end of the testimony this morning, we'll follow up with you later. Thank you.

MR. ROWE: Thank you very much.

LT. GOV. ULMER: All right. Well, let's switch out on line for a bit, and we have a couple of folks. Linda Sturle from TCC I think was the first person on line this morning. Linda, are you still with us? I guess not. If you come back, we'll join.....

MS. STURLE: Yes, I'm still here,

LT. GOV. ULMER: Oh, okay. Linda, go ahead with your.....

MS STURLE: Oh, actually I have no comment. I'm just listening.

LT. GOV. ULMER: Okay. Very good. Mark Springer from Distance Delivery Consortium.

MR. SPRINGER: Yeah. Thank you, Lieutenant Governor, and board members. I appreciate this opportunity to take part in this public hearing. My name is Mark Springer. I'm the coordinator of the Distance Delivery Consortium in Bethel. The Distance Delivery Consortium is a unique partnership of a number of local school districts and the Health Corporation, Yukon-Kuskokwim Health Corporation, Lower Kuskokwim School District, Lower Yukon School District, the Yupiat Kashenimuit (ph) and St. Mary's School Districts. We have other members, the Kuigpugmiut Community Development Corporation. Bethel Native Corporation is a corporate member. They're very active in high technology, economic development out here in our region. United Utilities, General Communications, GCI and AT&T Alascom are also corporate members. Bethel Broadcasting, Incorporated, is one of our full members also.

The DDC has been in existence for 10 years, and has been a statewide leader in developing distance learning infrastructure in Western Alaska. We've been the recipient of significant federal grant funds from the Rural Electrification Administration, now RUC, which was used among other things to construct audio conferencing bridge facilities that are used by

the University of Alaska, Kuskokwim Campus -- University of Alaska-Fairbanks, Kuskokwim Campus, here in Bethel. We also received grant funding, a PTFP grant from the National Telecommunications and Information Administration to construct the Alaska three digital broadcasting system for educational broadcasting. We've deployed over 150 digital receivers around Alaska so that schools and communities can take advantage of educational broadcasting.

I've lived in Hooper Bay for the last 15 years, so I think I know a little bit about rural telephone. I've worked for United Utilities in my deep dark past, and have been in some very, very small villages that had very, very good telephone service. A couple that come to mind are Lime Village and Telida. Very small villages with state of the art digital switches and, you know, satellite connection, and drop wired every home.

I've also lived in Manley Hot Springs where in the fine Alaska tradition of if we don't have it, let's get it. Telephone service there was deployed by a local guy, and I apologize for not being able to remember his name, but when United Utilities bought the phone plant there, I was about the first guy on the scene, and the phone plant in Manley consisted of an old Stromberg XY switch with one piece of probably 50-pair cable going underneath the runway to the nearest spruce tree where it was then distributed to the entire community by a drop wire.

And I think if you look at the history of the development of telephony in rural Alaska, you know, there are phone companies in this state that got their start by buying telephone equipment from Fairbanks that had gotten thrashed in the flood. And I think everybody in the industry knows those stories, and I'm sure you know those stories, too, Lieutenant Governor.

United Utilities is a little bit different story, and a real outstanding story for Alaskan Native entrepreneurship and the work that they've done deploying local telephone service to the villages is stunning. You know, we've got state of the art digital switching. We now have DAMA earth station facilities, so we've got top rank service in our villages.

The question -- one of the questions that's on the agenda I think though kind of mixes apples and oranges. I'd really hate to see underserved areas mixed up with underpenetrated areas. There's a big difference. There are from my experience, from my personal experience,

there are very, very few literally underserved areas in this state that do not have telephone service available. There are some, and when somebody builds a new subdivision four miles away from the village, yeah, you've got pole line costs. But in the aggregate, just about every community in Alaska with a population of more than 40 people has got a local telephone exchange, and I think that that's important to recognize.

The question of penetration, you have two issues. You have the question of personal choice, do I want a telephone or not, and can I afford a telephone or not? And again UUI's done an exemplary job or taking advantage of the -- taking advantage of the Lifeline program and promoting it and getting an awful lot of people to sign up for telephone.

I'd like to thank you, Lieutenant Governor, for your comments initially, because you've taken a lot different track than everybody that's come after you, and that's the track that I think is really important, and that's the question of advanced telecommunication services into rural Alaska. There have been efforts and some of them have been more successful than others. The Distance Delivery Consortium is the recipient of a NTIA TEAC grant to develop substantial high speed intra, that means inside, intra-village digital connectivity, but due to intense industry opposition to this innovative approach to meeting the needs of our schools, our health corporations, and local governments, both tribal and municipal, NTIA has been cowed into refusing to approve our TEAC grant amendments. And I think it's important to note that DDC members have incumbered over $160,000 for the past three years as match for this grant which would have used public use radio spectrum, and it was set aside by Congress for digital transport to operate wireless modems, because at the time we wanted to do that. When we initially proposed to do that, the best local high speed service was a 33.5 dial up across town, and for the things we wanted to do, to be able to connect our clinics and to connect other USF eligible entities onto bandwidth that was being brought into the schools, to use that local dial-up circuit was unacceptable.

But we have -- you know, we have bandwidth in the schools now, but there's a continuing conflict between the ERAY (ph) program and the SLC -- excuse me, not SLC, the health program that is really putting the breaks on deployment of service to clinics.

But apart from that, I think that there really have to be some consideration on the deployment of advanced telecommunications services, i.e., bandwidth out to rural Alaska. The disparity that exists between the cost of a 56 or a T-1 to you door in Anchorage, and the cost of a 56 or a T-1 to your door in the village is enormous. The only thing that is getting it out to the villages is the USF subsidy, and that does not do the public, people who would like to engage in economic development, because the information economy is really the economic development future of rural Alaska, we have everything we need locally. Now we have ADSL from the Teleco, we've got -- you can go as fast as you want across town. That's no problem. But getting out of town is the problem.

And I really hope that -- I'm sure -- you know, it's not on this agenda, and I apologize for talking about this at this point, but this is the only shot we're going to get right now, but I really think that the RCA should go to the FCC and say, not only do we think that access on underserved land, on Indian lands, is important, and respond to the NPRM, but I really think that you should go to the FCC and ask the FCC to come out with another NPRM addressing broad-band delivery to underserved areas, because we are underserved areas. And in fact you can take the "der" out, because as far as broad band capability is concerned, rural Alaska is unserved.

So thank you very much for your time. I appreciate the opportunity once again to speak to you representing the DDC.

LT. GOV. ULMER: Thank you very much, Mark, for joining us this morning. I'll take one more comment on line before we return here to Anchorage. How about Barbara Worner from Eagle?

MS. WORNER: Good morning. I have to tell you I am not a professional in telecommunications, and I've only seen some very brief announcements, and a very brief agenda,

so hopefully I'll be -- I'm just speaking from my personal experience, and if it's not totally on topic, I apologize.

In Eagle, you know, we have fairly good telephone service. It's fairly expensive for long distance. I use the telephone quite a bit as a school board member. We do most of our regional school board meetings, which take place in Tok, Alaska, by teleconference to save the district money. We do have some, you know, delivery problems, and some little system glitches, but we manage.

As far as internet service, which is, you know, the business -- the area that business is growing so quickly, people in our community are unable to receive good internet service. The only place, and this is thanks to the digital receiver that was installed by GCI at our school, at the school for research purposes, they do have good internet service, but the rest of the community does not. We did try it for a very brief period of time, and it was just too frustrating to click and wait for a picture to appear on the screen. So those are just a couple of basic comments.

My real purpose is, you know, as a parent of someone who lives in a small Bush community, I look around at people I know who live a rural lifestyle with limited economic opportunity for development, and I look at the trends in business today, and see that network marketing is something that could really change the economic development in Bush Alaska. And there are many companies of integrity that could give people that live out here an opportunity to earn money from home without having to be on the road and in the city where they don't really want to be, if they have good quality, and affordable telephone service. And I have a real belief in this, and I would like to share some information with friends of mine who live in rural communities, but I don't, because at this point in time the service is so unaffordable and unreliable that when you're making a telephone call, you're -- you can be disconnected at any time without knowing really why, and just be talking to a dead phone line.

So the reason I'm coming before you is because, you know, legislators in Alaska have looked at the Bush people as not contributing their share, and economic development in the Bush has not been taking place. But I see this as a viable way that people could make their own

destinies, and have different options in life, and I think we need to do something to increase the availability of quality and affordable long distance service, and that's really about all I have to say.

CHAIR THOMPSON: Great. Thank you, Barbara. Could you spell your last name for me, please?

MS. WORNER: Yes. It's W-o-r-n-e-r.

LT. GOV. ULMER: Great. Thanks a lot. Appreciate it. Okay.

MS. WORNER: Thank you.

LT. GOV. ULMER: Coming back to Anchorage, next on the list is Jimmy Jackson.

MR. JACKSON: Thank you, Lieutenant Governor. My name is Jimmy Jackson, and I represent GCI. I appreciate the opportunity to speak to the Lieutenant Governor as well as the Commission this morning.

Just a brief reminder, both for myself, but for everybody, is even I tend to continue to think of GCI as a long distance company, but our perspective is not just as a long distance company, but also as an internet service provider, a backbone provider for the internet as well as a cable TV provider and a local exchange -- competitive local exchange provider.

I may sound disjointed this morning, because I am. I guess I have more sort of disparate thoughts and questions than I really have a laid out presentation for you.

A lot of what has been said before I think bears repeating. As I think you all know, long ago Alaska set the goal of providing telecommunication service to all village with 25 or more people. That goal and that standard has been endorsed by both the FCC and the APUC, and it's something which I believe we accomplished. I agree with the speaker from the DDC that we don't really have communities that are totally unserved. The limited extent where that exists is really more sort of Farmer's Loop out side of Fairbanks than it is Native communities, and, you know, when there's a new subdivision it may exist. But for the most part we've accomplished the goal of providing service to the -- the availability of service to people in Alaska.

By and large, the local exchange rates are good rates. Bettles, I was looking at the chart yesterday, Bettles serves about 150 people for $27. But other than that, the highest rates are around $20 a month for basic local services, and they're often much lower than that, in the $15 range. The Lifeline program subsidizes that 10 or $15 by $10.50 for low income customers. You know, efforts like Mr. Hamlen's to increase that program certainly can help penetration.

So I think the question of why there is a low penetration rate is I think a very important question. Even before that, I'm not sure we have enough information yet about what the penetration rates really are. There's certainly some -- I don't think we have a lot of data about that, and I don't doubt that they're lower than say the national average, but how much lower is probably still a question. And then the question of why is a very big question, given the fact that service is available generally for relatively low rates with the Lifeline program.

I will agree with previous speakers that one of the reasons that penetration is relatively low may well be long distance rates, in-state long distance rates. The average bill for our customers in our 50 rural DAMA sites is about $45 or $50 a month for long distance service. So if you look at that component, compare it to the $10 or $15 for local service, the long distance may well be a part of that.

What can we do about that? Well, we sell long distance service in-state for 14 cents a minute. The in-state access charges are 13 and a half cents a minute. We're obviously not going to be able to lower that 14 cents as long as in-state access charges are 13 and a half cents.

If you think about it, the situation's really almost crazy. The customer picks up the phone in Kiana and calls Kotzebue, sends us 14 cents a minute, we turn around and send 13 and a half of that cents to the AECA so they can send it back to the local exchange carrier. So it's kind of a complex billing and collection arrangement where we're doing the billing and collection for the local phone company. That's certainly something that you have within your control, is to lower those access charges, which may well indeed lead to greater penetration which would rebound to the benefit of the local exchange carriers when they were able to add perhaps 20 percent additional access lines to their local exchange.

To the extent that the issue is internet service, I think that -- I think that may well be another reason for low penetration is the lack of internet service. Historically that would not have been a reason, or -- so perhaps it could be stated differently. Perhaps if internet service were more available in today's world, that the penetration would increase. Again it's an area that I think we don't know the answer of whether or not that's true, but it's certainly something to look at. Providing internet service in the rural villages is certainly going to be a challenge. As was mentioned, there are many places now where there is a very good internet service to the schools, and that is increasing the demand for internet service in the home, and it may not exist in the home. The systems which have been put in at the schools are through the federal USF program for schools and libraries, and it cannot immediately be extended, or at least there are difficulties in immediately extending that system into the homes where you have a system that's dedicated to the schools.

One alternative, perhaps not a long-range alternative, but one alternative would be to waive access charges for long distance calls to an internet service provider. If that were done, then internet service could -- it would still probably have a per minute charge coming from a rural village, but it would certainly be a much less internet service charge. We do that now -- or, I'm sorry, we provide a dial-up internet service which connects to Seattle through an 800 number in some of the villages where we have a DAMA system. It provides the people with an actual interconnection rate of about 24 K and it is at a rate of 10 cents a minute. That's -- it goes to Seattle primarily, because the interstate, it hops to Seattle, so it's an interstate call rather than an intrastate call, which lowers the access charges somewhat. But if the access charges were taken out of that, it would clearly enable us to lower the cost.

The question was raised about satellite service, whether or not it can -- whether or not benefits can be made to buy increase -- have I -- excuse me, Lieutenant Governor, have I run out of time? I.....

LT. GOV. ULMER: No, I think you've got a couple minutes left.

MR. JACKSON: Thank you. I noticed you looking at the clock. Certainly we believe that satellite service can improve the quality of service to rural Alaska. As to why it's not going further, one obvious answer is both the state and the federal prohibition on GCI expanding its satellite service in rural Alaska, that we did get the permission to do the 50 site demonstration. The results of that project have been better service and lower rates to all the citizens in those areas, but we're still prohibited from expanding that system any further. And lifting that prohibition would clearly help.

I think I'll stop there and hopefully we'll have an opportunity -- I think it may be very productive later, if we have time to have a little bit more, you know, discussion as opposed to just presentations.

I'll go back to one point that I meant to mention when I was talking about the access -- or the long distance rates, and whether or not they are a barrier to penetration. Mr. Hamlen's idea of giving Lifeline customers, you know, some $25, some amount of long distance usage to be covered through the Lifeline program is certainly an idea which would probably help that problem. It would only benefit the low income, and certainly there's some problems getting everybody on that program, but that's a very interesting idea.

Thank you.

LT. GOV. ULMER: Okay. Thank you very much, Jimmy, appreciate it. Mark Vasconi of AT&T?

MS. VASCONI: Thank you, Lieutenant Governor, thank you, Commission. My name is Mark Vasconi, and I am AT&T Alascom's Regulatory Affairs Director.

First, before I begin, on behalf of AT&T Alascom, I'd like to thank the RCA for conducting this public hearing which seeks to receive input which assists the Commission in its efforts to respond to the FCC further notice of proposed rulemaking.

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(Tape change)

Tape 2

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As you probably know, AT&T Alascom's principal area of expertise lies in providing long distance toll service in Alaska, and as such these comments pertain only to providing long distance service. The FCC's notice of proposed rulemaking asks many questions regarding service to unserved or underserved areas. To assist in answering these questions AT&T Alascom will focus these comments on providing basic information to the RCA regarding the services we provide to our customers in rural Alaska.

As you know, AT&T Alascom is designated as the long distance carrier of last resort in providing service to rural Alaskans. We take this obligation very seriously and since approximately 1969, AT&T Alascom has provided toll service to every community in Alaska with more than 25 inhabitants. AT&T Alascom presently serves over 200 villages and communities in rural Alaska many of which are extremely remote and sparsely populated. These characteristics combine to make these efforts expensive and difficult to maintain. Many, if not most, of these communities are not connected to a power grid or a road system. Maintenance is often provided by technicians who rely on small aircraft to travel to our remote installations. In certain cases, especially regarding our microwave facilities, AT&T Alascom provides its own power through diesel generators which require expensive refueling and careful adherence to environmental regulations. In all cases, the distances are great, the weather is often harsh, and the construction season is short. In spite of these conditions, AT&T Alascom is unaware of any areas in rural Alaska that are unserved in terms of long distance communications.

To provide long distance service to rural Alaskans, AT&T Alascom owns, operates and maintains over 200 earth stations and related facilities as well as an extensive microwave system along Alaska's road system. We also provide microwave service throughout Southeast Alaska along a route that roughly follows the Alaska Marine Highway. We also operate Aurora II, the geosynchronous satellite that provides service primarily to Bush Alaska. Regarding the satellite, AT&T Alascom has invested to date $44.6 million to launch and install the replacement for Aurora II, which is at least presently called Aurora III. This is scheduled to be launched in

January 2001, and is slated to begin service during the second quarter of 2001 when Aurora II goes dark. AT&T Alascom will spend another $64.8 million on Aurora III in 2000 in preparation for the launch. Once the satellite is launched and in place, maintenance and operating costs for Aurora III will be approximately $8 million per year.

In addition, by January 2001, AT&T Alascom will have completed a program to upgrade with DAMA technology 105 of its earth stations at a cost of $31 million. The DAMA upgrades are designed to avoid the double satellite hop that has hampered long distance service in Bush Alaska in the past. Additionally, also by January 2001, AT&T Alascom is upgrading the remaining 120 earth stations to digital capability at a cost of almost $4 million. In all, by January 2001, the earth station upgrades will cost approximately $35 million, and will substantially improve long distance service in the Bush. These upgrades will improve voice quality, as well as fax and data capabilities. These upgrades will also support a minimum dial-up data speed of 14.4 killobits per second. And in particular instances we've seen rates as high as 28.8.

These projects take time and are very expensive. As these factors demonstrate, AT&T Alascom continues to honor its obligations as carrier of last resort in rural Alaska. As the Commission is aware, however, increased competition in the long distance market, combined with high local exchange carrier access costs and low Bush traffic volumes make meeting the obligation of carrier of last resort increasingly difficult.

This Commission, as well as Alaska's state and federal officials have had major concerns regarding the implementation of the Rural Health Care Program. AT&T Alascom has actively pursued providing service to Rural Health Care Providers under the FCC's program. To date, AT&T Alascom has signed service agreements with eight separate RHCP's who have either submitted, or are in the process of finalizing, the required funding requests. These RHCP's are located in various places around the state and are served using data services such as traditional private line and Frame relay service. Frame relay is often a backbone that is utilized in providing internet service. Service to each of these RHCP's is being provided via a partnership with a local exchange carrier in the communities in which the RHCP's are located. We, like others in the

Alaska Telecom industry as well as the user community, are aware of an unreleased FCC order on questions surrounding eligible carriers. Hopefully, the various shortcomings of the existing RHCP funding process as it applies to Alaska will be resolved by that order.

The FCC is seeking comments on the extent to which limited local calling areas impose barriers to increased penetration in underserved areas. The problem with expanding local service via a process known as extended area service, which expands the local calling area, is at least two-fold. First, there are no clear guidelines and standards governing EAS. While the notion of community of interest typically underlies the establishment of EAS that notion is often ambiguous and difficult to measure. It is often true that the extent of a community of interest is in the eye of the beholder. Residents in a small satellite community may indeed often call a hub community, but residents in the hub location may rarely place a call in the other direction. Second, the benefits of EAS are often unequal. While residents in a satellite community can increase calling to the hub and avoid toll charges, residents of the hub typically do not increase calling to the satellite communities, but incur increased local service charges nonetheless. Third, EAS will remove routes from toll service and this will further reduce traffic and revenues, which will increase the burden on AT&T Alascom as the carrier of last resort. Furthermore, removing areas of toll service could lead to stranded investment and replace routes that are presently served by competing IXCs with routes that are served by a monopoly local exchange carrier.

In closing, AT&T Alascom is continuing to honor its carrier of last resort obligations by maintaining and significantly upgrading its long distance network in rural Alaska. Largely as a result of AT&T Alascom's efforts there are no unserved areas in Alaska with respect to long distance telephone service. Service to rural health care providers is expanding and will benefit from the upgrades that I have mentioned. With it's long history of serving the Bush and its substantial engineering expertise AT&T Alascom remains available to assist the RCA and the State of Alaska in responding to the FCC's notice of proposed rulemaking. Thank you.

LT. GOV. ULMER: Great. Thank you, Mark, very much for joining us. Okay. Moving on back on line to Peter Apathy who is calling, I believe, from Sitka. And could you spell your name.....

MR. APATHY: Yes, I am. Thank you very.....

LT. GOV. ULMER: And if you could spell your last name for us, please?

MR. APATHY: Sure. It's like it sounds. It's A-p-a-t-h-y.

LT. GOV. ULMER: Thank you.

MR. APATHY: And thank you for this opportunity. My name, again, Peter Apathy. I'm a systems analyst here at Search, the Southeast Alaska Regional Health Consortium. And I know we're going to talk a little bit more about rural health care providers later on in the meeting, but this will be brief.

What we do here is we provide health care for Alaska Natives in about 20 Southeast communities, ranging from Haines down to Prince of Wales Island. And currently we have a private wide area network, it's a Frame relay network that we fund ourselves that links five of those 20 communities. And what we'd like to be able to do is extend this to all 20 of the communities just to improve the quality and consistency of the health care that we provide to the Alaska Natives.

And certainly I'd like to echo Mark Springer's comments about bumping up the bandwidth to these communities because with a little bit more bandwidth, and it wouldn't take much, but with a little bit more bandwidth we certainly could start to explore more of the telemed technologies that are already available. Just as an example, we had just horrendous winds here a couple of nights ago and I know that we have a very fine Coast Guard Air station and they sent a helicopter out to pick up some people off the beach and they turned around 'cause it was too windy to go pick them up. The people ended up being fine after the winds died down, but if we've got some people in villages that a lot of time their communication link is the only way we can get to them.

Internet access is not necessarily a problem for us. We purchase a connection to the internet in Juneau and then we use our own area network to get internet access out to the rest of the people in our consortium. We have about 600 employees. But we do use that for kind of an important thing. For example, all our pharmacies use an on line web base or internet base, if you will, for pharmacy drug dosing and interaction application. So we've got all the people that are on line for us, the pharmacists can look up the latest information on drug dosing and interaction (inaudible) the best way for us to get that information out to the villages.

Just once again, just to close we would like to be able to in some way afford to expand our network to the 20 communities that we serve outside of just the five that we have right now. Thank you very much.

LT. GOV. ULMER: Thank you very much, Peter. Is there anyone else on line that has not so far identified themselves who would like to speak at this time?

Okay. Then we will return here to Anchorage. Ron Philemonoff. I apologize if I haven't pronounced that quite correctly. If you'd please come to one of the tables where there is a microphone so that the system can pick you up. Great. Thank you, Ron.

PHILEMONOFF: All right. Thank you. Thank you, Lieutenant Governor. My name is Ron Philemonoff, and I'm the chairman and CEO of the Village Corporation of St. Paul. I'm here to make comments in support of the proposed FCC rulemaking on 96-45.

We all know Alaska is a big state. We're made up of over 220 rural communities out in the Bush. We have no highways tying them together, let alone the super highway that everybody is talking about. The Native people in the communities have been left out of the information super highway for some time now. At one time, 20 years ago, Alaska was considered the leader in satellite communications to rural communities. It's my belief that we've lost this lead and not only have we lost it but we've also lost a vision to provide modern telecommunications services to the people of this great state.

When I was going to high school back in the '70s we had no phone services in my community. We had no television. We had to communicate through a ham radio to a phone

patch. BY the end of the '70s there was finally one phone in the whole community that we had to share. As the gentleman from AT&T said there was an echo and a double hop system and when you spoke into the phone you would hear yourself speaking back to you. It was very disconcerting. By the 1980s the whole village was finally wired to a satellite system through a central phone system in our communities. This vision was a result of Alaska's great effort ensure that all communities had telecommunication services, and insisted that the carriers provide it as part of their license. However, when they built the systems it was done with what I'd say non-state of the art equipment on the ground. We had surplus equipment, old wire that was put in.

Now we move into the 21st Century, there's old surplus equipment which is from the 1970s and beyond trying to communicate with equipment that's 30 years newer. And the systems are outdated and overloaded. The wiring is old. When it rains in St. Paul the phones go off the blink. We can't even get out. The echo effect is still there. Not only is this tough on voice communications but it's even worse when you try to get on the information super highway. The best speed we can get out of St. Paul is 9.6k baud while the rest of America, and, you know, Alaska and Anchorage is getting 56.6 all the way up to 256k. The systems are also overloaded. When the fishing season starts in our community we can't get a call off the island. The only signal we get is that all circuits are busy.

Speaking of cell phones, the cell phone provider out there has me on a waiting list for five years now. I can't even get a cell phone number out there. He will not provide any roaming service so we cannot even bring a phone in and roam.

And speaking of video conference and telemedicine, forget it. With the band width we have out there it'll never happen. We have no hospitals in our community. We have only a clinic with limited service. St. Paul is 800 miles away from the nearest hospital. We have no doctor. Our clinic has no functioning X-ray machine.

Recently my nephew was in an accident with a back injury, again, with no doctor and X-ray he had to lay on a piece of board for three days until he was medivac'd to Anchorage for examination and treatment.

Recently an 18 month old baby had breathing problems. The clinic wasn't sure if he had something blocking his throat or he had some kind of virus. Again, he waited for three or four days and then finally a doctor was dispatched to St. Paul by medivac. Again, this telecommunications problem is causing unnecessary pain and suffering and not to mention thousands of dollars in unneeded expenses to provide services.

Video conferencing is a reality in America, but not in Alaska where it makes the most sense to use such telecommunication. We have television and services in America that most of us take for granted, but in Alaska we've had RAT Net and ARCS which is broadcasting one channel of five parts of Anchorage station. The system works but we have no choice in the programming. The funding from the State is getting cut back every year and may be zeroed out. Direct satellite service is available to most of the state of Alaska, but not all the communities can receive the signal.

The FCC regulates these satellite orbits, why is Alaska not petitioning FCC to ensure that all of Alaska is covered by these satellite footprints? We need to have FCC implement unique solutions to Alaska's communications needs.

The FCC has already laid out the groundwork to meet these unique needs through proposed rulemaking. It is noted by FCC that the term Indian shall include all persons of Indian descent which also includes Eskimos and aboriginal peoples of Alaska.

The term Indian tribe also means Alaska Native tribes, bands and villages and communities in Alaska. Also the FCC notes that the term tribal lands is to generally refer to those areas which are principals of tribal sovereignty and federal support for tribal self-determination shall apply.

Now, I realize that the definition of tribal lands will raise the hair on the backs of some people in the state, but what we're trying to do here is just to address the intent of this rulemaking so as to address the definition to ensure that it meets the needs of the Native people of Alaska. Yes, the courts have ruled that Indian tribes don't have tribal sovereignty power on ANCSA lands, but they did not rule that the principals of tribal sovereignty and federal support for tribal

self-determination don't apply. In many cases the principles of tribal sovereignty and the federal support for tribal self-determination still applies today. We have the Indian Child Welfare Act. We have the Indian Health Service. We have BIA and we have the 638 determination programs that are provided to the Native people of Alaska.

The point I'm making here is not to get hung up on the definition of tribal sovereignty on ANCSA lands, but rather, we are referring only to a narrow definition of the purpose -- for the purpose of implementing FCC's rules to serve Indians and Indian tribes in Alaska. Therefore, I propose that FCC further define tribal lands now strictly for the purpose of providing additional regulations and services such as Universal Service Funds to Alaska Indians and Indian tribes to include the following. It shall include those lands selected by Alaska Native Village Corporations as part of their selections under Alaska Native Claims Settlement Act.

Again, the information highway like all the other highways has passed us by. It is leaving the Native people of Alaska living in remote areas without any service. The Universal Fund is great but it's going into the deep pockets of big companies, but the benefits are not trickling down to the Indians and the Indian tribes of Alaska. By including ANCSA lands in the definition of tribal lands you will have more options to ensure that the intended beneficiaries of the Universal Fund and other FCC programs for Indians are more involved and actually are receiving some of the benefits proposed by FCC.

Thank you.

LT. GOV. ULMER: Thank you very much, Ron, for joining us.

MR. PHILEMONOFF: Thank you.

LT. GOV. ULMER: Would you mind telling us the population of St. Paul and St. George?

MR. PHILEMONOFF: St. Paul is roughly about 700, St. George is roughly about 200.

LT. GOV. ULMER: Okay. And thanks for giving us a little history, too. I do remember those old days.

Okay. Let's see, we have, I think, two people making a presentation at the same time. The Rural Telephone Coalition, David Fauske with Tom Shackle. Are you doing a joint?

MS. KENYON: They said that they need about 10 minutes to set up.

LT. GOV. ULMER: All right. I think we'll take a break while they do the set up, but before we take a break let me just see if anyone else has joined us on line who wishes to speak to the Commission. Anybody else on line?

Okay . Then we'll take about a 10 or 15 minute break and the next folks will go ahead and set up their slide presentation. Thank you very much.

(Off record - 9:50 a.m.)

(On record - 10:10 a.m.)

LT. GOV. ULMER: For those of you who are on line I'd just like to let you know we are beginning again. We're here at the Regulatory Commission of Alaska. We have been listening to folks talk about some of the challenges of providing telecommunication services in Alaska, and some of the desire for additional services. We're going to take four people here in Anchorage, and then I will switch back out to teleconference to see if there are other people on line by then who want to make some comments. So, the next person here in Anchorage is David Fauske.

MR. FAUSKE: Good morning, I'm lurking back here.

LT. GOV. ULMER: Okay.

MR. FAUSKE: Good morning, Lieutenant Governor Ulmer, Chairman Thompson, members of the Commission. I am David Fauske. I'm general manager of the Arctic Slope Telephone Association Co-op, ASTAC. I'm here today in two capacities.
First, I'm speaking from my particular company, ASTAC, and secondly, I'm speaking on behalf of the Rural Coalition.

The Rural Coalition is a group of local exchange companies who serve more than 90 communities and more than 90,000 access lines throughout the rural and remote areas of Alaska. Just to give you a visual impression of the exchanges operated by the Rural Coalition members

you see on the map here identified by color the members of the Coalition. The next slide lists those members, the Alaska Telephone Company, Arctic Slope, Bettles Telephone, Bristol Bay, Bush-Tel, Copper Valley Interior, Ketchikan, Matanuska, Mukluk, North Country, Nushagak, and OTZ. The Rural Coalition provides service to approximately 91,000 access lines in the communities that were illustrated in the previous slide and map. And as you saw from the map spread over the entire length and breadth, top to bottom of Alaska. For the past several years the Rural Coalition has appeared before the Alaska Public Utilities Commission and now before its successor, The Regulatory Commission of Alaska on substantially every proceeding which involves significant issues of telecommunications policy. We welcome the opportunity to participate in this proceeding as well.

I should also point out that the Rural Coalition is contemplating submitting its own comments to the FCC in response to the Universal Service issues discussed in FCC 99-204.

As a preliminary matter let me just briefly describe the Rural Coalition's data gathering initiative. It's apparent to us from paragraph 13 of the FCC order cited that the FCC is seeking an extensive array of data and factual information. Obviously before any comprehensive proposals for improving the deployment of telecommunication services in rural Alaska can be developed it is essential to have the facts, the Alaska facts, at hand which document existing levels of penetration and subscribership. The Rural Coalition and each of its member companies has started the process of collecting population data pertaining to all of the communities we serve and correlating this data with our access line records to estimate and establish penetration levels statewide. We're happy to work constructively with the RCA's staff and the Lieutenant Governor's Office to share the information we will be continuing to generate.

By way of overview, the Rural Coalition will be sponsoring four separate presenters who will address the majority of the issues identified in the Commission's order of October 20th for this public hearing. We have three particular areas we wish to address. First, the need for Universal Service support for internet service. Secondly, the deployment issues of service technologies and service support. And third, the designation of eligible carriers.

On page 2 of the RCA's October 20th notice for this public meeting the Commission acknowledged the need to improve deployment and subscribership not just for local telephone service, but more broadly for other services. As the internet has evolved in just the last few years residents of rural Alaska communities increasingly find that they need access to the wealth of information available on the information super highway. More specifically, what is needed is voice grade access to internet service providers at reasonable rates. That is rates comparable to the Dial-Up access available in Anchorage.

Doug Neal, the general manger of OTZ Telephone in Kotzebue will speak more specifically to this issue and give an illustration, and talk about the kind of support which is required to fully enfranchise rural Alaska particularly in this area.

Other deployment issues are of concern, and in my presentation I will discuss issues pertaining to barriers to increased penetration and access in terms of physical participation in the local and long distance portions of the network within these limited calling areas that are presently the norm in Alaska. The issue is specifically mentioned in FCC -- by the FCC in its order 99-204 subsection 6(c) paragraph 122.

To a considerable extent the last mile of the telecommunications network in rural Alaska is the best mile. Incentives to improve penetration are frequently related to technical problems which arise at the interface between the local loop, the local physical plant and service provided by it and the interexchange carrier facilities. At ASTAC we have coined a technical term for this issue, the boink phenomenon, which I will discuss more in a moment in this presentation.

Illustrated on the screen right now is the telecommunications network. The slide that just preceded this gave you a view of the traditional network or the old network where you had two local exchanges, two villages, two callers, one calling, one receiving the call, the call provided via the local loop through the local central office and then out to the satellite and back down to the other central office and to the receiver. And that was an adequate system for voice calls and faxes, the one we're used to.

What's happened in the interim is that people all over Alaska, urban and rural, have developed a lot more demands and variety of needs illustrated in this slide. A health issues, financial transactions, E commerce, teleconference, distance ed (ph) and so forth. And so as a consequence, in the villages in rural Alaska we have an array of services in demand or needed by residents illustrated by this list, but dependent on the existing network. When we have tried to use the network as it exists to provide these services we discover that there's a rural roadblock. The network is adequate in the interexchange portion of the voice calls and faxes on the public switch network, the Dial-Up network, but not adequate for the new services that people are expecting to use and wishing to use and, in fact, needing to use to maintain a 20th or 21st Century lifestyle.

Let me illustrate this one in one other way. This is are real pictures from a real place in a real exchange in our telephone service area on the North Slope. This is customer premise equipment where a high bandwidth signal using HDSL technology or protocol is being sent from the customer premise over the existing copper telephone wires in the village to the central office where the customer has collocated equipment in our central office and we received that message, that communication, that signal, and we attempt to send it out to the world via the earth station.

What happens? If it's a voice fax call it goes through, that's what the network is good at. The HDSL, the high bandwidth digital subscriber loop call that was just illustrated boinks, it bounces back. It doesn't go anywhere. The interface with the public switch network at the front of the dish is the barrier.

The next slide is an adaptation of an actual physical plant record from our plant department. And what it illustrates and Tom can probably zoom on a section of the community and the lights are probably a little bit too bright here to appreciate this, but each of the polygons of the blocks represent a house or a building or a warehouse, a shop or a store. And they're connected, as you can see, by the little green squiggly lines which represent the drops. And if we go back to an overview of the village in Atkasuk, for instance, you can see that with very few exceptions every single building in the community as illustrated by the red highlighted buildings

now is connected to the telephone system. There's some empty lots over here. There's some water tanks and fuel tanks over here. There's a couple of storage buildings over here. But as you can see in terms of penetration relative to connectivity to the local plant it's nearly universal. And if we quickly step through the other villages on the North Slope in our serving area you'll see that the same is true. The physical plant is everywhere in the community, every building or nearly every building is wired. And in terms of local loop participation in calling and access to the telephone network locally, we have a very, very high level of penetration.

Now, the issue, of course, is whether or not that penetration is realized in terms of actual working telephones in an individual residence. And those factors may be individual choice, economics, multi-family sharing of a home, and a number of other factors which, I think, are critical to the discussion of penetration in rural Alaska.

LT. GOV. ULMER: David, I need to ask you to wrap up.....

MR. FAUSKE: Okay.

LT. GOV. ULMER: .....pretty quickly.

MR. FAUSKE: I'd like to at this point then introduce Mike Garrett.

LT. GOV. ULMER: Mike Garrett is the next person that I have.....

MR. FAUSKE: You have on the list?

LT. GOV. ULMER: .....on my list. Yes. To speak. And Mike, if you could identify yourself, Mike, please.

MR. GARRETT: Hi. Good morning, Lieutenant Governor, Chairman, Commissioners. My name is Mike Garrett and I'm president of Alaska Telephone Company.

LT. GOV. ULMER: Yes, and you do need to speak into the mic.

MR. GARRETT: Thank you very much. Just a little bit of background about me. I've been in the regulatory business since 1984. With Alaska Power and Telephone since 1990. Alaska Telephone Company is a LEC, is a subsidiary of Alaska Power and Telephone and we provide energy and communication services in areas that extend from Southeast to the Interior. And, I guess, arguably we could be considered.....

MS. YETIN: (PH) Excuse me, hello.

MR. GARRETT: Yes.

MS. YETIN: This is Violet Yetin (ph) from Port Graham. And you need to speak into the mic You're getting really broken up. We can't hear anything down here.

MR. GARRETT: Sorry about that. I've got a cold, too, and that doesn't help any.

MS. YETIN: Thank you.

MR. GARRETT: Thank you very much. Arguably, though, we've established quite a few new exchanges since 1990. So in that we are trying to serve the unserved areas of Alaska.

Since 1990 we established exchanges in Meyers Chuck, Whale Pass, Edna Bay, Nockety (ph), those are in the Southeast, and in the Interior at Healy Lake and Chisana. And I guess my presentation is basically geared around those unserved areas and what we've found in the past, and particularly Chisana which was the last exchange that we established. And what we found as you see in our first slide is that it's our opinion that the IXCs are unlikely to provide connectivity to small rural communities to the public switch network without support. And that the USF support should be expanded to underwrite those facilities. And also, if the IXC is unwilling or unable to provide connectivity that the LEC should be allowed to own and operate those facilities.

And so I guess I go into the Chisana story a little bit. Back in '93 to '95 we were requested by the residents of that area to provide local telephone service. And Chisana is about 80 miles southeast of Northway. It's a small community out there that has the National Forest Service. It's a historical gold mining operation. They have some outfitters that are geared out of there. But they had a need for local telephone service. They always had to fly in to Tok or to Northway to make calls, so they'd asked us to provide service out there. And between 1994 and '95 we did feasibility studies and taking surveys of the customers out there, trying to find out what services they need.

And in 1995 Alaska Telephone Company applied for certification to expand our service area. And you can see the docket that it's related to. That docket was approved -- our

application was approved and we started in 1996 to build facilities. And during that process we contacted the IXCs to make sure that we coordinated establishment of facilities outside of that local exchange. During the summer of 1996 we constructed the facilities, and up until that time we thought we were going to have connection, but the IXC refused in August of '96 to connect with us at all, so we still had no way of carrying -- we had a local loop, but we had no way of carrying the traffic outside.

We attempted to negotiate with the interexchange carrier to construct facilities, but at this time the construction season had ended, but it was in the fall of 1996 we sought other alternatives, other providers and providing on our own. And those attempts had failed also. So at that time we filed a complaint with the APUC and we were able at that point in time to negotiate with the IXC to provide service. And in 1997 we had interconnection with the IXC. And it had taken a year from when we had constructed our local loop till the next year that we had had connectivity to the outside world.

And I guess the moral of the story that we are finding is that most rural communities in Alaska have limited calling areas and they need to be connected to the public switch network. And Universal Service for Alaska really requires access to the outside world. And we believe that this outside access necessitates the need for additional Universal Service support so support for IXC facilities is what we're proposing.

On the unserved area portion the FCC order 99-204 stated a geographical area that meets certain statistical benchmarks, a penetration rate below a certain percentage, a population density below a certain level, and cost of providing services. That's what defined an unserved area. And Jack Rhyner in a little later today will be talking a little bit about those issues and what we're proposing.

But some recommendations we're making right now that the RCA should propose to the FCC is -- well, first, we ought to gather information on penetration levels, quality of service and economic demographics, publish that and distribute that information to the industry, and

advocate support for the expansion of support for line extensions. And I believe that's the end of my presentation. I believe Jack Rhyner is the next up.

LT. GOV. ULMER: Great. One question, Mike.....

MR. GARRETT: Yes, ma'am.

LT. GOV. ULMER: .....what's the population of Chisana?

MR. GARRETT: Chisana at the time we were doing our surveys it had around 35, 36 residents.

LT. GOV. ULMER: Okay. Great. Thank you very much.

MR. FAUSKE: Doug Neal is our next presenter, I think, if it's all right to go in that order.

LT. GOV. ULMER: That's fine.

MR. FAUSKE: Okay.

LT. GOV. ULMER: Would you identify yourself, please?

MR. NEAL: Yes. Hi. My name is Doug Neal. I want to thank the Commission for taking the time to have a hearing on this important topic this morning.

I'm the general of OTZ Telephone Cooperative in Kotzebue, Alaska. And I'm also the CEO of the subsidiary company, OTZ Telecom, Inc. OTZ Telephone Cooperative provides local exchange service in the regional hub of Kotzebue, the 10 villages surrounding Kotzebue and the Red Dog Mine. Kotzebue has 1,887 access lines and the outlying villages total 1,145 access lines. None of the outlying villages has over 179 access lines. And we provide cellular and internet service in Kotzebue and long distance through the subsidiary company.

I'm here today to talk about the importance of internet access in rural Alaska as well as the high cost for providing such service. I would suggest ways to improve the availability of internet access in rural Alaska, and in this regard I have two points to make. First, internet access has become a true need for the residents of rural Alaska. My board of directors has made local Dial-up internet access in the villages a priority issue. I know in discussion with other people who work in rural Alaska and throughout my region and other general managers that

there is strong demand in rural Alaska for internet service as well. Second, I believe that Universal Service support is essential to make internet access available for rural Alaskans and that there are specific steps the FCC and RCA should take to reach this result.

First, the importance of internet access. While internet access may have been a luxury in the past it is now a commercial and educational necessity for all to -- who elect to participate in the information society of the 21st Century. The internet is even more important in rural Alaska where, of course, we just don't have the facilities, the transportation facilities, the libraries and other amenities that make dependent upon internet coms or electronic coms and means so much more important. However, internet access is generally prohibitively expensive in Alaska. The primary reason for the expense is the cost of the required satellite circuit which costs approximately $1,500 per month and does not include the cost of interconnecting to OTZ central switches, and it doesn't include the cost of hardware, software or actually providing the service. In larger communities such as Kotzebue these costs are divided among approximately 200 internet users. And even so we still have to charge $45 per month to cover our costs.

However, the communities surrounding Kotzebue are much smaller and so the cost of internet access is even higher. Noatak, for example, has 117 subscriber lines and Shugnak has 80. If one of these communities has 10 internet customers the monthly rate for internet service just to cover the cost of the satellite circuit is 150 bucks per customer for user. This is simply unaffordable particularly in rural Alaska. In short, rural Alaska is different from urban areas and most of the rest of the United States when it comes to internet service. The beauty of internet access, one of the reasons for the rapid proliferation of internet is that through a local call a typical user can dial sites throughout the entire world. This feature of the information super highway normal to most Americans is only a dream for rural Alaskans who must pay high long distance charges to connect to an internet service provider. And not only is the call expensive but typically you end up getting bumped off line just about the time you hit the web site, you get bumped off line, and you have all sorts of other problems. So it's not just the call. It's slow and it's not very effective.

Alaska cannot afford to disenfranchise these rural citizens in this matter. And right now the U.S. criteria has a number of different things that it's covered. And he's putting those up there right now. And there are nine of them, and they include everything from single party line, voice great quality, touch tone dialing, emergency 911, operator services, long distance access, Lifeline link-up program and toll restriction. And my proposed solution is to add affordable voice grade Dial-up access as part of this platform of services that are offered. Supporting such services is consistent with the Telecommunications Act of 1996, and is discussed in more detail of the legal memorandum that the Rural Coalition will be filing within the next 10 days. That memorandum explains in more detail that Universal Service should be defined as evolving a level of telecommunication service based on largely upon actual patterns of uses.

At current growth rates it will not be long before the majority even the great majority of households in America have access to the internet. I believe affordable internet access needs to become part of the Universal Service program. Once the need for internet access has been accepted as an integral part of Universal Service then both the RCA and the FCC should consider appropriate mechanisms to make such services available to rural Americans and rural Alaskans at rates comparable to those enjoyed by citizens in more urban and developed areas. A theme that you'll hear several times is that the small, local calling areas available to rural Alaskans provides less utility and less value than the larger calling areas enjoyed by urban Alaskans. One way to equalize this difference is through Universal Service Funding through internet access. I recommend that the funding be only to provide to make up for the difference in the transportation lay (ph) costs to the internet service provider and that it could be modeled upon the Rural Health Care Services paradigm where Universal Service Funding effectively eliminates distance disadvantage for the rural health care providers.

While other plans may work as well I believe that at this point that a Universal Service Funding model based upon the Rural Health Care model which provides funding to an eligible carrier to offset the high cost of transport links to the internet service provider would solve the problem.

As a final note, I would like to repeat that we'd be glad to work with the Commission and the FCC and anyone else who's looking to get information on all these different and technical problems. And thank you for your attention today.

LT. GOV. ULMER: Great. Thank you very much, Doug.

MR. NEAL: Thank you.

LT. GOV. ULMER: Next person on my list is Jack Rhyner.

MR. RHYNER: Good morning . My name is Jack Rhyner. I'm the president and CEO of TelAlaska, which has two operating companies, Interior Telephone and Mukluk Telephone. And I'm also the representative for Alaska on the Rural Task Force which is advising the Joint Board and the FCC on Universal Service issues in rural areas.

My presentation this morning is on -- go ahead, identifying the uncertified areas, making that list public, having all the LECs take on any areas that are currently uncertified, and streamlining the application process for expanding service areas, and then the issue of assigning any of the areas that are left over.

As the Regulatory Commission of Alaska undertakes to develop comments for the submission to the FCC on issues of what can be done to extend service to unserved areas it should distinguish between the two different kinds of low penetration areas. One, locations which are presently within certified serving areas of rural LECs but are unserved because the people who need service live too remotely to be served economically versus locations which have not been certified by any rural LEC.

Concurrently with urging the FCC to expand Universal Service support to these uncertified areas the RCA should implement some initiatives of its own. The first one of those is the standard that we've always used and the Alaska Public Utilities Commission used before was communities that had at least 25 residents. So we would ask that the RCA reconfirm the existing standard that service will be provided to all communities with at least 25 residents.

Number two, the RCA staff should collaborate with an industry task force to identify any of these non-certified locations in Alaska that meet that population standard.

Third, the rural LECs whose certificated service areas are contiguous to every such uncertified location should be notified of the presence of these locations.

Streamlining the certification process for service area expansion to unserved areas is the next item. Given the FCC's eloquent analysis of the critical need which households have for telecommunication services which is in order 99-204 at paragraph 1 and 2, there should be no need for proof of public convenience and necessity. And I quote. Given the importance of telephone service in modern society it is imperative that the Commission take swift and decisive action to promote the deployment of facilities to unserved and underserved areas. I would say that that is proof enough on the issue of necessity and convenience.

Where the applicant is an established LEC with the demonstrated track record of safe, efficient, and uninterrupted service there should be no need for additional proof of fitness, willingness, and ability.

The notice period and application approval should not exceed 30 days. That would streamline the process considerably.

In a non-competitive environment the RCA should also be receptive to imaginative rate design and cost averaging proposals which would eliminate a rural LECs -- I'm sorry, which would enable a rural LEC to leverage off of its existing customer base and thereby utilizes economies of scope and scale to support thinner markets. A rigid invocation of the cost causer should be the cost payer precept undermines penetration improvements and deprives the public of needed services.

At this point all the willing LECs will have been certified and there will be -- should be no unserved areas. However, if there are residual areas, if no willing LEC comes forward to provide service in unserved areas the Commission should simply assign those areas to whichever LEC they feel is best suited to serve that particular area. This approach is analogous to the RCA's proposal for addressing public interest pay phones. See the draft of 3 AAC 53.760 eliminating bidding as a method of assigning public interest pay phones.

The advantages to what I've suggested here is that it provides us with the ability to get the service to these unserved areas quickly and efficiently. It will likely minimize the impact to USF. While it would be an obvious need for an increase in the total amount of USF support we think it would minimize the impact on the USF fund if it's merely an expansion of the existing LECs USF rather than trying to fund whole new companies to go out and serve in these really small rural areas.

And three, it avoids the need for competitive bidding. Competitive bidding is not a self-evident process as evidenced in the FCC's order. They identify several different competitive bidding models in the order. And the first order of business if you decided to do competitive bidding would be to decide what model of competitive bidding you wanted to use, and then we could all spend a lot of time arguing about whether or not that would work or not once you decided on what the model was. So it's just a time consuming process that doesn't have -- I don't think has the likelihood of succeeding.

And, finally, funding mechanisms to extend service to the unserved areas. First of all, as was mentioned earlier expanding the LinkUp program to cover the traditional line extension policies and charges that the local companies have. Second, would be broadening the scope and magnitude of the Universal Service Fund, support where the unserved areas are not contiguous with the existing service area. And that requires eliminating the current interim cap to the USF fund to allow for the natural fund expansion to provide service in these unserved areas, and that will also require developing a specific mechanism to recover the actual costs of serving the previously unserved areas. And that ends my presentation.

LT. GOV. ULMER: Great. Thank you very much, Jack. I appreciate all of you who have come this morning. I believe we have one other person here in Anchorage who has signed up to testify. Theresa Obermeyer. Okay. She has left.

Let's go back teleconference then and ask if there's anyone who has joined us who has not yet spoken who wishes to speak. Okay. Is there anyone else in Anchorage? If not I'm going to return back to Steve Hamlen who did not complete his presentation and let Steve complete his

presentation. And then, we're going to roll into a more open session of discussion and allow people to kind of ask questions of Bob Halperin, or perhaps Commissioners have questions that they would like to ask some of the presenters. So, Steve, I don't know if you need to have the overview. Seeing that we have all of your overviews in front of us maybe we can skip.....

MR. HAMLEN: Thank you very much for the opportunity to finish. I think I can do it without the slides.

LT. GOV. ULMER: Okay.

MR. HAMLEN: And I can do it in five minutes.

LT. GOV. ULMER: Great. But you just need to speak where there's a microphone so that we can pick you up.

MR. HAMLEN: I tried to fit too much in, Lieutenant Governor, in the first presentation in 10 minutes. I apologize for doing that.

LT. GOV. ULMER: That's okay.

MR. HAMLEN: And again, thank you very much for letting me continue.

The handout if you were to go to the Alaska Lifeline participation recommendations. As the Commission will recall, United Utilities is recommending that the Lifeline program be expanded to include $25 of assistance for state toll calling for low income households. Now, that issue would have to be referred back to the Federal State Joint Board because the Federal State Joint Board according to the Act would have to act on it and make a recommendation to the FCC. So we're recommending that the $25 -- and the $25 is an arbitrary amount, and though it is some assistance. And you'll recall that the major reason that low income households in rural areas have difficulty with telecommunication services if the affordability, their limited local calling areas, and this would provide some assistance.

And the discussion on limited local calling areas, as I move through the presentation, you'll see in the inquiry that the NPRM inquires as to the extent that limited local calling areas -- what impact they have. And I seek comment on whether the local calling area includes the

nearest metropolitan area or other area where the nearest medical government cultural or entertainment facilities exist. And why does the NPRM ask this?

Well, if you look carefully at the Telecom Act you'll see the second most important provision in the whole Act as it relates to Alaska, and we've heard about that all morning, and that is the provision that we should have access in rural and high cost areas that is reasonably comparable in service and in price as in urban areas. There it is in the act. And that's the second most important provision. So the NRPM inquiry is in sync with the act. The NPRM is seeking to improve communications in rural areas and make them reasonably comparable to what exists in urban areas.

And moving on, what I've done here and I don't think I need to spend a lot of time on this this morning, but I have a copy of the directory for Napaskiak in the presentation. And you'll see we have 80 access lines in Napaskiak. And Napaskiak is approximately eight miles from Bethel. It's served by a microwave system. And if you take local exchange service in Napaskiak it costs you $22.73. And this is the directory for Napaskiak.

Now, what I was going to do is hold up the directory for Anchorage and you'll see over 150,000 access lines and six pounds of listings and yellow pages. The point that I would like to make here is that local exchange service in Napaskiak is not reasonably comparable to local exchange service in Anchorage or in other urban areas.

And if you move on to the next slide and the handout you'll see where I do a comparison. The local exchange rate in Anchorage $13.20, Napaskiak $22.73.

2350

(Tape change)

Tape 3

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And I list all the services there that you can contact. When you live in an urban center you have unlimited calling capability and you can contact in Anchorage every conceivable federal, government, medical, emergency and other services. And in Napaskiak why you have a health

aide at the clinic and you have a village store. So reasonably comparable means not extreme, or within reason, and the telephone service, local exchange service in Napaskiak is not reasonably comparable to Anchorage or other urban areas.

When you look at going through the presentation well, where do we have local extended unlimited local -- well, I refer to is at unlimited but where do we have extended area service? An extended area service is where communities outside of an urban center basically receive the same local exchange service. For example, if you live in Hope, Portage, Indian, Girdwood, Fort Richardson, and the other locations that I've listed here you have local exchange service -- the same local exchange service that those that live in Anchorage receive. So you have unlimited calling capability, but you don't live in Anchorage, but when you look at the goal in the act of providing reasonably comparable service these locations in the state have it now.

Moving on, you'll see the other EAS areas that are in the state. The entre Mat Valley has EAS between all of its locations. If you live in Talkeetna you can call Willow, Big Lake, Houston, Wasilla and Palmer and there's no toll call. It's unlimited calling. Same thing, North Pole, Fort Wainwright, Eielsen, Fairbanks, all in the same calling area. If you live in Seldovia you get to call Homer. If you live in North Kenai and Nilnilchik or Soldotna you get to call Kenai, Douglas you get to call Juneau.

Moving through the presentation, be careful I don't run out of time here, I apologize. The community -- when you say -- you sit back and you look at well, why do these communities have expanded local calling areas and we have limited local calling areas in rural Alaska? Well, the standard that was used by the Commission in establishing these local extended calling areas was the community of interest standard. And it's included in a presentation. It shows all the checklist items the Commission would go through in determining whether or not to provide extended area service and expand the limited calling areas.

If you move on then, this is the standard that was applied to communities outside of urban centers, those that I've mentioned already. And what's happened is that standard has fallen by the wayside and the Commission now has a new standard, it's called a one way standard. And

this standard came up in the proceeding with Halibut Cove wanting to have EAS with Homer. And basically what that standard is, is there has to be reciprocal, reciprocal dependency between the communities for there to be two way EAS. If the requesting community wants to expand their local calling area it's going to have an expanded local calling area and with another community like Halibut Cove with Homer, then there has to be reciprocal dependency. You'll find though when you look at the Act that basically the standard turns the Act on its head. The Act basically -- the goal of the Act is to provide reasonably comparable services, not to provide a requirement for reciprocal dependency.

So with the existing one way community of interest standard the local calling areas that are very limited today in rural Alaska will not be expanded. The NPRM asks well, what are impediments to Universal Service? That one way community of interest standard we believe is an impediment.

When you say well, okay, but what do you do about it? And this is the reason I believe that this one way standard was created was because of the costs, who's going to pay for it? And the NPRM specifically asks well, what role should the FCC play in working with the state in addressing the issue of limited local calling areas? And if you look to the Act you'll find that in the Act in Section 254(b)(5) and you'll recall that I said the vision of having reasonably comparable services throughout the state was the second most important item in the act. Well, the most important item in the act, quite frankly, is how are we going to fund it? Where's it going to come from? And this provision provides the funding mechanism for specific, predictable and sufficient federal and state support to preserve and advance Universal Service.

So the issue that has not been really addressed in Alaska is how do we address unlimited local calling areas? How do we make them reasonably comparable with those in urban areas? And there are probably a number of ways to do that. We have one option that we came up with, and I'm sure others may have options on their own. And if you -- in my handout I have a community -- an Alaska Community Hub map. And you'll see where we've taken the state of Alaska and we've divided it into 19 regions. And those 19 regions would be in terms of

expanding limited local calling areas, those limited local calling areas for example, in Napaskiak and the other villages in the Yukon Kuskokwim Delta could be converted into one local calling area. If you're on the North Slope all the villages there, Kotzebue, Nome, Unalaska, et cetera, the standard would evolve to what's the goal we're trying to achieve that's laid out in the Act and that's reasonably comparable local exchange services in our villages with that in urban areas.

I suppose you could make an argument that well, maybe we ought to have EAS through the entire state because Anchorage is a support center for all of our locations. I don't think that's the intent of the act. That would do away with long distance services all together. I think the challenge for us, quite frankly, is expanding the limited calling areas we have today to encompass more critically essentially services and those are typically provided through a hub in our state. So with that I'll wrap up.

And I'd just like to repeat the recommendations that we are making. United Utilities, again, is recommending that the Alaska Native village statistical areas be included within the FCC's definition of tribal lands. We're asking that you work closely with the FCC to expand the limited village local calling areas that we have today. We believe that there should be funding made available to do that through the federal Universal Service mechanisms, and because of the low population base in Alaska it's difficult to make decisions concerning Universal Service unless we know what support we're going to receive from the federal jurisdiction. This is the forum to do it in.

We're requesting the $25 assistance for Lifeline customers for state toll calling, and then to increase the $30 to $100 when carriers waive connection fees to hook up low income households. Thank you very much.

LT. GOV. ULMER: Thank you, Steve. I'm going to ask, first, if there are any other people on line who have not spoken that would like to comment to the Commission?

Okay. Is there anyone here that signed up and I missed your name? Is there anyone who signed up not to speak, but just to observe who has changed their mind and would like to speak? Any shy people in the room? And then, finally, let me ask of the people who have previously

spoken and I kind of looked at the clock and cut you off, was there something else that you wanted to say that you didn't have time to say that you would like a microphone to be able to say now? Yes, go ahead.

MR. FAUSKE: If I may just briefly, and it's sort of one of those for the good of the order comments. It covers all parties regardless of their leanings on these issues. And that is I would urge the Commission to assist or guide or direct all the parties of interest, including the communities, to try to evolve a real world operating formula or definition for penetration. I'm concerned that we're going to get off into an arena where it's a statistical bludgeon misused to sway arguments one way or another. We have another -- I know it's an old saw to say that we're unique in Alaska. I firmly believe that sometimes we perhaps overdo the use of that phrase, but we do have situations -- I tried to illustrate with the slide showing the outside plant distribution and connectivity in the village, but we have issues about household density, about use of phones. Most of the villages in our area have more phones than there are households according to the household definition established by the state. And most of the people who live in a small village are across the street and work at a place where there's a phone that they use across from their house.

And so before we get off into either Navaho reservation analysis applications in rural Alaska communities or urban definitions of penetration -- service penetration, I would hope that the Commission would assist all the parties to come up with a good workable definition so we're all on an apples to apples or same page of music situation here. Thank you.

LT. GOV. ULMER: Great. Thank you very much. I understand that Tom Brady is prepared to speak at this time. And if so, please join us at a table where there is a microphone.

MR. BRADY: Yeah, thank you, Lieutenant Governor, for the opportunity to speak today. I was planning this afternoon but in the interest of time and conserving this afternoon I'll speak this morning. I represent Microcom. We're a small satellite television dealer in Anchorage. We have extensive cable systems that we've installed around the state in rural Alaska predominantly. We've been doing this for a little over 18 years now, so we have quite a

rural presence, on the order of about 60 cable systems that we have provided the financing, installation, engineering for.

We've been looking at rural Alaska since that time and we've formed quite some opinions concerning how to address rural Alaska. I intend to read from comments that we filed with the FCC on 99-204 last week. I think those comments are now posted on the FCC's web site.

Twenty-five years ago Alaska took a big step forward in satellite communications by providing telephone service to virtually every community and village in the state. Over time this has evolved and improved but it still only provides basic telephone service. At the same time, the State began a rural television initiative that has endured and evolved from a single channel service to one providing three channels. The prospect of Alaska evolving further is limited by the lack of access to one of the basic commodities of Universal Service bandwidth.

I'd like to thank Mark Springer, Ron Philemonoff for bringing that up. That was a very good lead-in because when we get in to rural Alaska bandwidth means satellite. And satellite bandwidth is the most expensive there is. In Alaska quality bandwidth is limited. The reason for this lack of bandwidth is failure of the regulatory structure to follow through on promises and policies that perpetuate the existing structure and inhibit innovation.

We have specific comments on paragraph 14, 18, 19 and 28 of the proceeding. In that we have rural Alaska has limited or no access to direct broadcast satellite bandwidth, VSAT service or satellite based internet services as is found in the 48 states. The Ku band satellite deployment did dramatically change the satellite industry in the 1980s still has not hit rural Alaska after almost 20 years. Direct broadcast satellite service is still a big dish affair over most of the state and simply not available at all in many rural areas of Alaska. Satellite based internet services are all deployed on satellites with excellent coverage of the 48 states, South and Central America, the Pacific Rim, but almost no coverage of Alaska. We see four basic reasons for this situation:

First, licensing of current orbital slots discourages slot owners from launching hybrid satellites when replacing aging C band satellites since any change to the use of the slot restarts the whole application process. Most of the US Ku band satellite resources in the fixed satellite

service are in orbital positions east of 110 degrees. Any satellite in position east of 110 degrees is simply not capable of serving all of Alaska due to physics. We are equally unsure of the service Ka band satellites in the arc east of 110 degrees will provide to rural Alaska.

While Spaceway contends that it will serve Alaska from 101 degrees we feel it safe to say they will not have full coverage of rural areas and we will find ourselves in a have and have not situation in rural villages. Since there is no firm plan for deployment into western positions for Ka band services the first Ka band opportunity for all of Alaska may lie with Teledesic. However, we're concerned that Teledesic may take the approach of GlobalStar and limit coverage to areas south of the Arctic Circle. This would deny much of rural Alaska access to this key technology. Consequently, over the next four to six years VSAT type services in rural Alaska will only be available using either Telstar 7 recently launched or Galaxy 10R scheduled in January if Galaxy 10R is successful. Even then, these services will require larger dishes and higher power than used in the 48 states.

Second, lack of enforcement of geographic service provisions rules in International Bureau docket 95-168 has allowed DBS operators to deploy satellite constellations that do not provide rural access to these key sources of high bandwidth for the foreseeable future. The FCC has yet to rule on what constitutes service to Alaska, and had not ruled on the viability of service to Alaska from the 101 degree orbital position. Meanwhile, both DirecTV and Dish Network have launched new satellites in the last 60 days that have not materially changed the availability of DBS service in rural Alaska.

Third, lack of a meaningful set of technical standards for operation of satellite systems near the boundary of ITU Regions 1 and 2 allowing high power service to all of Alaska. This is a design issue for satellites in the broadcast satellite service and the fixed satellite service. The FCC has left the issue of exceeding power flux density limits near the borders of Region 1 and Region 2 up to the satellite operator, placing on them the burden of negotiating with the affected administration in the ITU for exceeding power flux density limits. We feel the shifting of

responsibility in allowing satellite operators to field limited services in Alaska, since it is not worth their time to negotiate with the affected administration for such a limited market.

Fourth, the existing Universal Service rules are excellent supporting the status quo, but woefully inadequate at deploying new services. Couching access to Universal Service Funds in terms of telephony and carriers is archaic when the commodity is bandwidth and the issue is affordable access. The system of subsidizing the carrier and not the consumer means the consumer gets what the carrier offers at the level of service they provide with no alternative. Deploying advanced services in rural areas will not get very far unless this paradigm changes.

Microcom feels the current set of FCC regulations is the largest impediment to fielding advanced telecommunication services in rural Alaska. From limited Ku band capacity to poor DBS service, regulations and the actions of the regulators should improve affordable access to bandwidth. The Commission must remember the needs of rural Alaska when it is making decisions on the authority to launch and operate a space station. Furthermore, we do not believe the current method of Universal Service Funding for basic services will result in long-term improvements in technology because it is a barrier to market entry for businesses with a better idea.

That concludes the formal comments that we submitted to the FCC. I'd entertain any questions anybody has on those later today.

LT. GOV. ULMER: Tom, thank you very much. Did you bring a copy that you could leave with the staff that would be very helpful.....

MR. BRADY: Yes, I can.

LT. GOV. ULMER: .....in terms of-- and I might just say that for everyone who has made a presentation today. If your presentation is in writing if you would please leave it with us it would simplify the staff work in putting together this record. Thank you very much, Tom.

Is there anyone else who wishes to speak either folks who haven't yet spoken, also people who had the opportunity and have thought of something else you'd like to say? Yes, please step forward. And after that I'm going to ask Commissioners if they have any questions or any

comments. And ask Bob Halperin if he has some follow-up questions for anyone. Please tell us who you are.....

MS. ELLER: I'm Paula Eller with Yukon Telephone Company. And thank you for giving me this opportunity. I have a real concern about unserved areas. And in my dealings in Washington, D.C. I've spoken to a number of people about this and they are concerned when I say well, is Universal Service up to paying $50,000 an access line to provide services for people that are in these unserved areas. And they go ballistic because there's no way people are looking at $50,000 for access lines, but in Alaska that's a possibility.

And so I think there needs to be something established as to what extent they want to go to serve these unserved areas. And even an FCC person said why should I be paying for people who want to live out in those areas? Why should my rates -- so we're dealing with not just Alaskans here, we're dealing with the nation and the people in it that are living in New Jersey where their rates are helping pay for the services in the rural areas. Thank you very much.

LT. GOV. ULMER: Thank you very much for sharing that perspective. Is there anyone else? Okay. Commissioners, might I ask if any of you have comments or questions.
Yes, please.

COMMISSIONER ABBOTT: Lieutenant Governor, I just maybe kind of throw it out and see who would like to talk about it. One of the things that the FCC asked about was the use of satellite or terrestrial wireless, and why isn't that suitable to break into some of the unserved or to improve the access in the service in many of our rural areas. And maybe the Rural Coalition could address it, or United, whoever.

LT. GOV. ULMER: Anyone.

MR. FAUSKE: Well, just as a first pass on behalf of Arctic Slope Telephone. We do have a subsidiary as do some of the other wireline exchange companies in the state providing wireless as an augmentation or a supplement to wireline service. And in some cases it reaches pockets of population or more likely industrial or commercial operations of a temporary nature, the fisheries in our case, the oil patch activities where wireless is nearly an ideal except for its

limitations in terms of bandwidth presently. It's an ideal solution because as soon as we build wire plant to an oil rig they seem to have a habit of moving it and finding another place to drill. And we're actively pursuing that where it's affordable and reasonable and a desired solution for customers. And I know other LECs are doing the same thing.

LT. GOV. ULMER: Anyone else to comment on that.....

MR. HAMLEN: Yes, this is Steve Hamlen. Just a brief comment on that. I believe that issue stemmed from the FCC's visit to reservations in the Lower 48. And I think that when you look very carefully at our villages that most if not all of them are doing outstandingly well in terms of the availability of telecommunication services, basic services having access to it. So I know United has and we provide wireless and digital switching services. We jointly own with AT&T 41 earth stations that we just upgraded with digital technology. So the wireless, the technology is there but in the Lower 48 in many of the reservations, quite frankly, it isn't.

LT. GOV. ULMER: Thank you.

MR. JACKSON: Commissioner, I believe you include satellites within your question. And I would also just add that GCI and probably others do provide telephone service to some primary commercial type places with small aperture terminals, VSAT terminals; fishing lodges, remote oil drilling platforms, that sort of thing. And it's paid for by the user. But it certainly operates very well.

And I think if I can touch on the question that Ms. Eller just raised and I think has been sort of in the background of some of the questions earlier. I think in deciding what we define as an unserved area it really is important to decide whether or not we are talking about communities or, you know, individuals who happen to choose to live in a very remote -- you know, in the Brooks Range or whatever. Traditionally this Commission has set the standard of in terms of a community of 25 or more.

In the FCC's notice of proposed rulemaking I went through and I think I circled about 15 times where it seemed to me that they were talking about communities also as opposed to

individual people who don't really live in a part of a community but live somewhere in the vast expanse of Alaska.

It's certainly our position that if we get into providing 50 or 100,000 access to each of those individual people who choose to live, you know, somewhere in extreme remote Alaska that we are buying a service which is too expensive for -- even as a society for us to pay for. If someone chooses, you know, to totally divorce themselves from a community that that really is different from someone who lives in a established rural community. And that the line as to what we ought to subsidize ends in the true communities.

LT. GOV. ULMER: I think there are a lot of people with rural cabins, remote cabins out there that would be signing up very quickly to deal with their telecommunications problems. It's an important point defining our terms.

MR. NEAL: Doug Neal with OTZ Telephone.....

MR. SPRINGER: Madame Chairman.....

MR. NEAL: .....and I know the challenge that we've had is to actually get the FCC to give us the frequencies that we need to provide basic exchange telephone radio service. And we've been providing basic exchange telephone radio service in the Kotzebue area since 1993 and in Shugnak since 1993 as well, and whenever we've needed to expand to bring most customers on line they've asked us to do studies and the studies don't -- that we do don't come up with the numbers that they think justifies giving us more channels even though we're getting complaints from our customers stating that they're getting blocked calls. And so that's been a problem.

And then the other problem is that they took the spectrum that was allocated to basic exchange telephone radio service and put it in with the paging system frequencies and made it secondary to paging. And so that made it tough, too. So some of these things the FCC has created.

In my board report to my board of directors recently I went down to United States Telephone Association annual meeting in San Francisco and conspicuously absent there was

anyone who was promoting basic exchange telephone radio service hardware. And so because the FCC hasn't supported this program the manufacturers aren't supporting the program as well. And so that's just been a real challenge for us. Thanks.

LT. GOV. ULMER: I think there's someone on line who is trying to get my attention.

MR. SPRINGER: Yeah, this is Mark Springer here. I'd just like to address the question there and maybe toss out a suggestion. There have been several demonstrations here in Alaska of non-wireline customer subscriber equipment over the past decade serving areas, and I think Steve Hamlen can speak to this. The -- I know they used the Ultraphone product up in the Interior a couple of times. And I'm sure other companies have done the same thing. I think the Arctic Slope is doing similar stuff. So there's a pretty good base of experience in using wireless customer prem equipment.

At the same time the issue of bandwidth, I think, is one that needs to be addressed from maybe this perspective. You know, some people are still under the -- using the paradigm of one village one earth station. And, you know, as the price of technology continues to plummet for just about everything it seems to me that the price or the cost of common carrier grade microwave equipment has got to be coming down with everything else. Why don't we look at bandwidth from the perspective of over the next decade probably we're going to have to continue to try to conserve it in order to bring quality bandwidth to rural Alaska.

So I'd like to suggest that somebody begin an inquiry into the possibility of local calling areas in rural Alaska based on terrestrial connection having one earth station for multiple villages. It's certainly -- you know, technically it's perfectly feasible. We already have -- again, United's got a local calling area down at the mouth of the Yukon River using microwave to connect three villages together. There are any number of communities that are within line of sight proximity to each other that can be linked together as a local calling area that meet all the criteria that's described as what the Commission uses for designating a local calling area. And it allows the provision of advanced services through the use of, you know, bandwidth on demand. But instead of having every village with its own VSAT or earth station even in a on demand

situation there you still have increased costs for the earth station, I think, as compared to what you would have for running a good common carrier microwave connection between villages. And that certainly, I think, is a solution that would work in rural Alaska. It would allow the delivery of bandwidth. It would reduce the cost of bringing the bandwidth down. It would certainly like a champ in an asynchronous mode, so you know, I'd like to toss that out and maybe during the open discussion phase of this hear what industry has to say and certainly ask you, Lieutenant Governor, and the Commission to think about this and maybe think if there isn't some sort of an inquiry process that could be entered for coming up with some, you know, new and innovative ways because, you know, we're just to the point now where we have to start thinking about getting some terrestrial connections between villages in order for, again, our entry into the information economy to really be able to occur. Thanks.

LT. GOV. ULMER: Thanks, Mark. Is there anyone else on line that wants to make a comment on the discussion?

Okay. Yes, go ahead. Okay. I guess not. Nan, you had a question?

CHAIR THOMPSON: I did. One of the speakers earlier today, I believe it was Mr. Neal from OTZ suggested that internet access should be included on the Universal Service list as criteria that need to be provided. And I'm interested in comments from the rest of industry on that particular suggestion.

LT. GOV. ULMER: The gentleman at the back, I guess that's Tom. You're going to have to use a microphone.

MR. BRADY: This will be real short. I agree with that addition, but I would remove the term Dial-Up.

LT. GOV. ULMER: Great. Thank you. Anyone else want to react to that? Well, they're going to think about this. I can tell they're not prepared to quickly react. Any other Commissioner questions? Okay. Carl Propes, I believe, is ready to testify. Is that correct, Carl? Okay. If someone could give him a microphone.

MR. PROPES: Thanks, Lieutenant Governor and Commissioners. My name is Carl Propes. I'm from McGrath, which is a village in the Interior of Alaska. I'm employed by the local Native Corporation there called MTNT. We're the owner of McGrath Light & Power, which is the local electric utility, provide service to McGrath and Lime Village, another small community in Interior Alaska. And recently we've also gotten into the internet business using wireless equipment primarily.

And I just wanted to take just a couple of minutes of your time and give you, you know, my experience from a small village of about 420 people in a remote part of Alaska as to the type of telephone and utility connections that we have and the cost thereof. For example, our local phone service runs about $26 a month for the basic service. Our long distance service which is with AT&T Alascom, there are no alternatives in that area. We're on what I think is probably the best plan available there, as a company we are. And that runs, the cost of calling within state runs about 24 to 25 cents a minute under a three year contract.

We worked with a company called UNAT this summer to look at putting in cellular service into McGrath, but they determined and we agreed with them that the cost was too expensive for the small amount of usage that was to be expected there. The capital cost that they looked at was from what I can remember about 200 to $250,000. The annual operating costs would be about $100,000. And for that small a population, again, the numbers are a little vague in my mind, but I think they would have to charge -- or we would have to charge if we were providing the service of over a dollar a minute for cell phone use, so we deemed that unfeasible.

Our internet access, which has just been up and running for the last two months has been met with great local support. The -- we give customers, residential and business, the option of a regular Dial-Up service with us or a wireless service. The wireless service carries with it an upfront charge for a router and antenna, then they get much higher speed service if they got that way. And we help provide financing for people who choose to do that.

And to give you an idea, the monthly charges will run about $40 a month for residential service and about 70 or $75 a month for business service. And we're able to do that as the local

Native Corporation and the local electric utility. Whether it's going to break even we're not sure yet. We'll find out. As I said we've only been doing it a couple of months. But if there weren't an entity in a village like that to provide that service and willing to take the risk it's not likely that anybody else would. So I just wanted to give you a little bit of our experiences to rates, the people in one village in Interior Alaska pay for some utility services.

LT. GOV. ULMER: Thank you for doing that, Carl.

MR. PROPES: Sure.

LT. GOV. ULMER: It definitely is helpful. Is there anyone else who has a comment or a question? Anybody else on line?

I guess I would just ask a question regarding the tribal lands issue. We've had one or two people who have commented on that. As Bob Halperin mentioned that is an important part of what the FCC is requesting comments on. And I just wonder if there's anyone else in the room that has thought about it and has any words of advice about how that section, perhaps, could be applied in Alaska. Okay. Bob, do you have any questions?

MR. HALPERIN: No, thank you.

LT. GOV. ULMER: Well, if no one else has questions or comments we are going to resume this afternoon on the rural health care piece. Did we say 1:00 o'clock?

UNIDENTIFIED VOICE: Uh-hum.

LT. GOV. ULMER: I think there are people who are coming specifically for that so we can't really take that up now, so we're going to allow you all to go to lunch early. And I hope you will come back. For those of you who are not able to come back I want to express our appreciation for your coming this morning and giving us some insights and some suggestions. We're adjourned until 1:00 o'clock.

(Off record - 11:30 a.m.)

(On record - 1:08 p.m.)

LT. GOV. ULMER: We'll go ahead and get started now that we are on line. For those of you who weren't here this morning, this is a joint effort on behalf of the Regulatory Commission

of Alaska and the State of Alaska. I'm Fran Ulmer, Lieutenant Governor. And we are on line as well.

The purpose really is to get information from you about telecommunication services in Alaska, particularly rural Alaska because we're in the process of putting together official comments to the FCC in response to their notice of inquiry. And Bob Halperin who is the attorney for Governor Knowles who is a Washington, D.C. based attorney who does most of the FCC filings on behalf of the State of Alaska is going to give us a little brief introductory on what we're going to focus on this afternoon. We actually have two segments this afternoon, one from 1:00 o'clock to 3:00, and one from 3:00 to 5:00. And this first section, designation of carriers as eligible to receive federal Universal Service support for providing telephone services in high cost areas, I'll let Bob talk about that in a little bit. When Bob is finished we'll go ahead and take comments, both from folks here in Anchorage and those on line.

The way we did it this morning is to give everyone who wanted to speak about 10 minutes, and then making certain that everybody has time to speak come back and allow others to say more if they choose to speak for more than 10 minutes, but we want to make sure that everyone who is here that wants the opportunity has the opportunity to share their experiences, observations, and recommendations. So, Bob.

MR. HALPERIN: Thank you. Although there's certainly some overlap between the topics we discussed this morning and those we're going to discuss this afternoon, we are going to focus on some slightly different though overlapping topics.

Under the Communications Act only telephone companies that are designated as eligible telecommunications carriers or ETCs can receive federal support to help pay for telephone service in high cost areas and receive support under the Lifeline program and LinkUp programs for low income households. Because local telephone service is generally subject to regulation by the state and here, of course, by the RCA, Congress gave state regulatory commissions the authority to designate ETCs.

There are, however, some providers of telephone service who may not be subject to state regulation. For example, cellular telephone companies are generally not subject to state regulation. And there may also be areas within a state's geographical boundaries that are not subject to state regulation. For example, lands owned or controlled by the federal government in some circumstances. In 1997 Congress gave the FCC the authority to designate ETCs in the event the carrier requesting that designation was not subject to the jurisdiction of a state commission. In this further notice of proposed rulemaking the FCC seeks comment on the extent to which it should designate ETCs under this new section of the Communications Act which is labeled 214(e)(6).

One of the situations in Alaska in which carriers that might provide local telephone service aren't subject to the RCA's jurisdiction and, therefore, must seek designation as an ETC from the FCC, the FCC thinks it should decide whether a telephone company is eligible for support and qualifies as an ETC when either the service the company provides is not regulated by the state, for example, cellular or satellite services, or if the geographic area in which the service is being provided is not regulated by the state. Is that a good idea for Alaska? How would that work in Alaska?

Congress has also said that for areas that are not served at all, unserved areas that we talked about this morning, the FCC can select a telephone company and order it provide interstate services, and that a state commission like the RCA here can select a telephone company and order it to provide intrastate telephone services. The FCC in this further notice of proposed rulemaking has asked many questions about how this provision of the statute should work.

First, how should state and federal regulators decide whether an area is not served at all? How should they decide that no telephone company is willing to provide service and that the regulators have to order some company to do so? Second, how should the FCC and the state commissions work together on this, and indeed, should the commissions work together, and if so

how? Should the FCC establish national guidelines of which states must use in their designation of eligible communications carriers of unserved areas?

Third, the FCC proposes to let telephone companies bid and the company that will agree to provide service in an unserved area for the least amount of federal support would be selected. Should states be required to use the same or similar selection method? Can long distance companies be selected to provide these services?

Finally, should one or more than one carrier be selected? And for how long a period of time should the selected carrier or carriers be required to provide service? The FCC proposes that only one qualified company be selected and that it be given a period of time that's long enough to give the company the incentive to deploy good facilities, yet not so long to delay the introduction of competition. The FCC hasn't specified any specific period of time, however, that it has in mind. What makes sense for Alaska?

With respect to underserved areas, areas in which there is some telephone service, but service is less widespread or subscribed to by a fewer percentage of households than in most areas of the company, the FCC thinks that a large part of the problem is the cost of extending telephone lines throughout the area. How much does it cost to extend telephone service in rural parts of Alaska? How many residents can be served by those expansions? To the extent that the costs are high and the number of homes that would be added to the telephone network is small, what can the FCC do? What should it do?

Can the LinkUp program be expanded? Should additional LinkUp support be provided as a one time payment or over a number of years? Do wireless and satellite services offer promise in increasing telephone availability in these areas? How does the cost of providing these services via wireless facilities compare to the cost of providing the traditional telephone service? Is the small size of local calling areas a problem? Should the FCC require that local calling areas include the nearest metropolitan area? What size -- what effect would this requirement have on local telephone service rates? Is the size of local calling areas a subject that should be left in the hands of the RCA or is it something that the FCC should develop national standards on?

Those are some of the questions for the first session of this afternoon's meeting.

LT. GOV. ULMER: Thank you, Bob. We're hoping that some of you have some answers to some of these questions. Obviously quite a range of things before us. Again, let me just restate what I said this morning. The FCC has asked for comments by November 29th either from states, from organizations, corporations, consumers, whatever. You are, of course, free to respond directly to the FCC, but we would very much appreciate your comments to the RCA and the State of Alaska so that we might have the benefit of your suggestions as well. If not here today, later and we'd love to have a copy of whatever you have in writing.

There are a few people who have signed up here in Anchorage. I'll take a few folks in Anchorage and then go to the telephone. Donn Wonnell from ACS.

MR. WONNELL: Lieutenant Governor Ulmer, Chairman Thompson, members of the Commission, my name is Donn Wonnell. I'm general counsel for Alaska Communication Systems. I'm accompanied today by Mike Bowman who is our vide president for engineering. In recognition of the rigorous 10 minute rule being applied here I'd like to provide just a very brief introduction to what will be Mr. Bowman's presentation on this matter.

In considering the announcement that the Lieutenant Governor put out and the FCC's announcement we thought that we might perhaps best utilize our time by trying to fill in some information blanks. ACS serves very rural areas in the Bush, but we also serve rural areas that are not subject to classic Bush definition. That is, these are rural communities but which are located typically on a road system and are connected to our network by wireline without any satellite interconnectivity. So we thought we would focus on rural but non-Bush in this presentation.

Second, there has been considerable discussion about cost allocation and cost recovery, and ACS is certainly interested in those two matters, but we thought we would focus a little bit on the engineering and operational considerations that underlie those costs so that the Commission might have some idea of what those considerations are in the cost generation picture.

Third, we have talked a lot about basic Universal Service, but as Commissioner Thompson's question before the close of the morning session indicated, advanced services are working their way very closely, at least from a public policy point of view, towards consideration as Universal Services none more so than internet access. And in the original nine month process the Joint Board in 1996 and 1997 which led to the current definition of substantive Universal Service there was, in fact, a fairly strong series of arguments made by various participants in that proceeding that internet access should be included within that definition.

When you look at these three considerations we have Mr. Bowman's presentation which will focus on our rural customers but those connected to our wireline networks, including the backbone fiber optic system displayed there in the heavy red lines and talk about our provisioning of engineering and operations, and also what it entails in terms of internet service provision. So, Mr. Bowman.

MR. BOWMAN: Thank you. My name is Mike Bowman. I'm the vice president of engineering and construction for Alaska Communications Systems.

Let's see, customer demands. Fast, reliable internet access for various reasons. I think we all know what they are. But the impacts of that internet access on our public switch network is incredible. We have switch blockage, transport blockage, and this is a new era, new technology. The public switch network wasn't designed to handle the capacity that the internet has put on it. What we propose to do and are in the process of doing is migrating to a new network topology (ph).

This is the old network. And we see the loop, the customer house, the arrows pointing downward indicate potential blockages in the network. The feeder cable going out to the home. A lot of customers want two lines, one for their internet service, one for their regular phone service. In a central office the surface switch network, and by that I mean a nailed up connection (ph), when you dial a number that connection stays all the way up through the network through the.....

UNIDENTIFIED VOICE: I can't hear anything very clearly and I'm going to start over again.

MR. BOWMAN: Blockage in the central office, blockage in the backbone, that is the trunking network, whether it be to an IXC or to an EAS trunk going to another central office, and then getting handed off to an ISP. That's the network that we have today.

Our migration calls for centralizing of call processing nodes. That is collapsing some of the switches and remotes that exist out there today, upgrading the switching centers, and virtually separating the internet backbone network from the public switch network, thereby eliminating the blockage on the local telephone side and provide high capacity links to the internet. This will maximize the fiber and copper plant utilization that's in the ground today. The technology we're deploying to do that are ATM, asynchronous transfer mode, and xDSL technologies on the loop.

This is what the network would look like after we migrate. We will have xDSL technologies from the customer premise to the central office. That will enable us to provide simultaneous voice and data over the same copper pair, high speed. At the central office and through ATM switching we will be able to virtually separate the network backbones from voice and data, and we can prioritize that traffic during network congestion times so that we're not blocking voice. This is a dictionary definition and the FCC, I believe, adopted it of what DSL technologies are out there. They're different flavors.

The DSL overview, high speed access, voice and data over the same line, and data is broken off of the public switch network through a splitter at the central office, and data does not go through the local telephone switch.

Scalable speeds downstream. That is from the internet of 80 killobits per second upwards of 1.3 megabits. And upstream, that is from the CPE to the internet 40 to 320 killobits per second.

Network upgrades we have scheduled, and some of them we have completed. We've collapsed the North Pole. We were totally saturated there in trunking capacity and switch

capacity. We had lots of blockage in the PSTN network primarily -- the primary driver behind that was internet, access to the internet. All of ISPs had moved to Globe to get digital connections. We collapsed that call processing node and moved all of the call processing intelligence to Globe, if you will, thereby gained efficiencies in the trunking and the network capacity itself. We eliminated about half of the connections in the PSTN required to terminate a call to an ISP.

Sitka, this month we hope to replace that old Stromberg switch down there with a Northern Telecom DMS switch. That affects about 6,000 customers.

We also have North Kenai. And in the Kenai area, North Kenai is remoted off of Kenai. And we are experiencing blockages there right now because of the internet. And we've about grown Kenai to its capacity. We wish to collapse North Kenai and home it off of Soldotna thereby gaining the same efficiencies that we did up in the Fairbanks area. That will affect roughly 2,300 customers.

Fort Wainwright, in the future we'd like to do that in the middle of 2000, collapse that node, home it off of Globe, and then the host in Kenai in 2001 and Homer same time. And all that will affect approximately 33,000 customers.

All of the network upgrades are essentially the same with the exception of Sitka. That's a switch out. There's no planned switching change for those types of things, it's just an upgrade to a newer type of switch. But we will have from the far left from the CPE, the brown box, the red box in the corner there would indicate a modem and a phone or both. And they would go into the remote or the host through DSL technologies. And this card (ph) here is what actually goes in the central office that provides both the data and the voice connection and splits it off, separates it.

In the central office on the diagram that depicts the separation of the voice and data, and the voice call will go through its normal progression, whether it terminates in that office or to an IXC or tandem to EAS. And data broke off and provided to the ISP. That backbone there, the voice and data, two different colors, that's really all over one fiber medium though. We will be

able to in congestion times, if there is network congestion we can assign which data gets through first. And certainly voice would be important because when you block a voice call it may be a 911 call. And then you can also categorize the data in different levels of importance, too. It may not be so important than an E-mail gets through in real time, but there may be some telemedicine type of issues that you went through in a higher rate. So we'll be able to do that.

That's just a comparison there, the old versus the new. And this virtually is non-blocking network here. And that's our serving area. The red lines, I think Donn may have mentioned, that's where we have purchased fiber capacity and where the efficiencies will be the best for us with the ATM technology that we intend to deploy.

We're field trialing the xDSL technologies and ATM in Anchorage and Fairbanks presently, and plan to offer them. We hope to offer those in the rest of our areas in the first quarter of 2000.

MR. WONNELL: And with 30 seconds left we'd simply indicate that we are very much interested in all of our customers beyond the 35,000 we've been discussing here in these 10 minutes. And but I think a lot of their issues were addressed this morning. We were trying to add an additional perspective to the conversations this afternoon. And with that we intend to be around and hope to participate in the sessions later. Thank you.

LT. GOV. ULMER: Donn and Mike, thank you very much. I really appreciate the map. All right. Next person on our list is Jimmy Jackson.

MR. JACKSON: Thank you again, Lieutenant Governor and the Commission. Just a few brief points. As Mr. Halperin mentioned this morning in terms of talking about who's eligible for USF you have the ETC question for most of the USF services. And I guess one of the principles that we would put forth for USF for the future is to have as few restrictions as possible on who is eligible to provide the services which are supported by Universal Service.

The experience in the first few years on the effect of restrictions, I think, has been very well illustrated by the schools and libraries programs versus the health care programs, which you're generally familiar with, I think, but I think it serves as a good illustration of the fact that

the program for schools and libraries was open for all providers, essentially all providers could get the subsidized -- could provide the subsidized service. The schools picked the provider that they wanted for internet services, and then they -- they could pick any one they wanted to, and then part of the bill for that service was subsidized regardless of who the provider was.

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(Tape change)

Tape 4

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That program has put very high quality internet service in virtually all the schools in Alaska throughout rural Alaska. I think we provide it at 150 sites, and about 60 of those are the rough VSATs and the others are through the public network. But either way it's subsidizable. The prices to the schools have come down quite a bit in the two to three years that the program has been going on because it's an open bidding process and as more people got attracted to it the prices that we are bidding to schools now essentially are giving them 128K service at the speeds that they were getting 64K service two years ago. And contrast that to the rural health care program where the ETC rule applied. The service was subsidizable only if it went through a local exchange carrier. And the program has been a fairly miserable failure.

We believe that problem is being corrected by an order that the FCC has issued the public notice of, but hasn't actually released the order, so at least, prospectively it appears that that problem in the rural health care is going to be resolved prospectively. So I'm not raising it to talk about a problem with the rural health care, merely to illustrate what happens when you restrict who is eligible to provide a subsidized service and the advantage of not restricting it.

If I can tie this back to the question of Chairman Thompson this morning when she asked whether or not internet services ought to be part of what is eligible for subsidy and got a lot of silence. Well, I guess just speaking for myself the answer of whether or not that's a good idea is, in part, how is it done and who is eligible to provide the service. If only, you know, local exchange carriers can be eligible to get a subsidy for providing internet, that's probably not a

good system. If it's more open than that it will be a better system in terms of delivering, although you certainly introduce complications in making a new set of people eligible for subsidies.

One of the gentlemen testified mentioned vouchers type payments. And if you are going to subsidize internet service maybe it's best to give the money to the customer and let the customer decide how they're going to spend it and what ISP they want to give that money to.

The other issue I wanted to just touch on was raised by Mr. Halperin in his introduction, again, gets back to the local calling area question. There were some mention this morning of having -- changing Alaska so that we have some large local calling areas. That's a question which I can certainly say we think ought to be addressed by this Commission as opposed to the FCC. There would be enormous implications to that question. It would be -- in most cases it would be a very expensive proposition to do, to make what are now long distance calls into local calling areas. The costs are not going to go away. In fact, they're going to increase a lot because of the additional calling which in many cases would be carried by expensive satellites, so the costs would go up.

You know, as framed by the FCC the question is whether or not everyone ought to have a local call to the nearest metropolitan area. Well, I suppose if we apply that to Alaska, is Anchorage our only metropolitan area? I don't know what the definition of metropolitan area is, but if you're really going to apply that strictly I don't think Bethel is going to qualify, so are we going to end up with one statewide calling area? I just don't really think that proposal is workable and I think it needs a very close look at the actual costs and implications which would be involved, and that would be a subject which I think could be handled much better by this Commission than by the Federal Communications Commission.

Thank you very much.

LT. GOV. ULMER: Thank you very much, Jimmy. Is there anyone on line this afternoon that would care to comment on anything you've heard or prepared testimony? Okay. Returning here to Anchorage. Sheila Selkregg.

MS. SELKREGG: Lieutenant Governor, it's a pleasure to be here. Partly I'm here today because of a discussion that I had with Chairman Thompson and also a series of discussions I've had with Commissioner Strandberg. And so part of my comments will directly relate to what the questions are that have been presented to us, but both of them have asked me to provide some backdrop information that relates to other activities that are going on that have to do with utilities and that some of the insights that are unfolding in those activities may be useful to the discussion today. And so I'm a little kind of off the last speaker in terms of I'm taking a left turn, but I'll do my best to weave it back in.

I'm from USDA Rural Development. We are a funding agency and, in fact, do a substantial amount of telecommunications funding in America. We do guaranteed and direct loans. In many cases we do grants. And in Alaska we have a growing grant program. We've done very well in '99 in that area as well as a good loan program. I think probably we looked at about a $40 million package in terms of monies that came to the state between grants and loans last year.

As a funder in not only telecommunications but a variety of utilities in Alaska, USDA has been involved in the discussion of how best to deliver those funds so that there's a long-term benefit for the community in the context of not only current development but how do we make what we're creating sustainable. And, of course, that's been a very big challenge in Alaska for a long time and we have lots of partners in working on solving this problem or this challenge.

One of the things that's been initiated is that the State, and I know, Lieutenant Governor, you're aware of this, AIDEA, the Denali Commission and USDA is working on a study to examine how to come up with a menu of solutions or strategies that deal with operation, maintenance and management of rural utilities in Alaska. And the intent is to have a realistic conversation about book costs versus actual costs. And we know as we talk about building systems that there's an initial cost, but then once when you move out to the remote areas and talk about cable and you talk about how you really maintain the infrastructure over time there's a lot of costs that begin to add up for a community or for the State that are pretty challenging. So the

intent of this work is to being forward a menu of management strategies for communities and for the State to consider. And at same time develop some scenarios to leverage subsidies and potentially an annuity to encourage those strategies to occur.

As you look at your work in terms of telecommunication I invite you to participate in helping us figure out how the work that we're doing for currently core services, water, sewer, bulk fuel, can -- those formats can at least be useful potentially to the management issues that will be associated with telecommunication. That's one thing.

The other thing that's apparent in this process is that oftentimes federal agencies aren't very good at coordinating with one another in terms of delivery of resources. And initiatives like the State Energy Plan is going to be very effective, I think, for agencies like mine in terms of guiding us about how to spend federal resources here. I think that kind of guidance would really be beneficial, once again, to the telecommunication issue. I mean the discussion about the delivery systems for medical, telecommunications having to do with medicine and education, all those applications will come into agencies like mine. It's very challenging to have the knowledge on staff to evaluate some subtle, important issues. And so any guidance that can come forward that establishes standards or direction or criteria would be very helpful, I think, to ensuring that we actually as a federal bodies support good projects.

Let me just one final, just a side note is that one of the pieces of work that's coming out of the Denali Commission's work with USDA is a planning process that integrates federal agencies based on a community based plan. And I think that weaving telecommunication needs into that process, having communities organize their telecommunication needs in their planning process will be something we'll try to do.

I had another thought. It slipped away. One of the things we'll be doing is creating a best practice checklist with that plan so that as you develop a utility or a project the actual project development will ask some important questions. And telecommunication facilities may not make -- result in a great demand on other utilities, but there may be needs in terms of power generation, there may be needs that affect other core utilities in the community. And as projects

come forward for evaluation and development it's important to have an Alaskan checklist that recognizes that these communities are discrete entities and can't draw on resources outside of their edges. So anyhow, over time I'd be glad to share more pieces with the Commission, but I do think integrating telecommunications into that broader context of doing whole projects in the community will be worthwhile. Thank you.

LT. GOV. ULMER: Sheila, thank you so much for joining us today. Could I ask you a question? How does your agency define rural?

MS. SELKREGG: Everything but Anchorage and Fairbanks. And we can -- at times we can do things at North Pole.

LT. GOV. ULMER: Everything except Anchorage and Fairbanks and North Pole is a little bit at the edge there.....

MS. SELKREGG: Yes.

LT. GOV. ULMER: .....in terms of definition?

MS. SELKREGG: So it's actually all of Alaska except for those two cities.

LT. GOV. ULMER: Okay. Okay.

MS. SELKREGG: It's very flexible.

LT. GOV. ULMER: Okay. And is that actually a Department of Agriculture regulation or.....

MS. SELKREGG: Yes. It's based on population. And I think the threshold is 50 -- or 20,000. I should know off the top of my head, but I don't.

LT. GOV. ULMER: Well I don't want to put you on the spot. But I just.....

MS. SELKREGG: No, that's fine.

LT. GOV. ULMER: Thank you very much. Let's see, we do not have anyone else who has signed up here in Anchorage to speak. We have many people who are here who are listening and we appreciate your being here to listen, but you can change your mind at any time. And it looks like Steve has. You may come join us.

MR. HAMLEN: Thank you, Lieutenant Governor, Commissioners. Just a couple of comments. I think you notice a little tension between the long distance carriers possibly and the local exchange carriers on some of the issues. Just a quick comment again on the limited local calling areas. The act clearly provides the goal to be to provide reasonably comparable services. And we would like to see the Commission take the initiative to move forward to give us the ability to expand local calling areas.

When you look at the NPRM, the NPRM in paragraph 90 defines unserved areas as any area in which facilities would need to be deployed in order for its residents to receive each of the services designated for support by the Universal Support mechanism. Now, United Utilities, we're funded by the Rural Utility Services. We get subsidized loans to provide local exchange services in our villages. Oftentimes there are housing additions and facilities that need to be constructed within our existing service area. And this definition that the FCC is tentatively adopting creates havoc for us because we would like some certainty, are we the eligible telecommunications carrier or aren't we?

The Commission has already designated us as an eligible telecommunications carrier within our service area. This proposed definition would require any time facilities need to be deployed to start a bureaucratic process that would only serve to forestall service and create uncertainty. So we're suggesting a different definition there. And the definition we'd recommend would be any area in which facilities would need to be deployed at a cost of $100,000 outside of the service area boundaries of an existing eligible telecommunications carrier. So this way the telecommunications carriers can get certified as eligible carriers within a service area. That certainly they're responsible for providing the service, the services that are covered under the Universal Service definition. So we have certainty we can get financing when customers move into new housing, we can have it ready to go for them when they move in.

The reason for using the 100,000 mark, somebody may have a better idea than that, but with $100,000 why then we wouldn't get stuck up -- in other words, we said if you're outside an existing service area and the cost to extend service to the new customer is outside the service

area is under 100,000 merely have the Commission designate the nearest eligible communications carrier with the authority as an eligible carrier to extend service there. If the costs were going to be more than that, then it likely warrants going through the process that the Commission -- the FCC is going to adopt to designate eligible carriers for unserved areas. So there is a problem with the proposed definition the FCC has now.

The other area I'd like to comment on, the -- and that's the issue of whether there should be restrictions on eligible telecommunications and the request to have as few restrictions as possible. When you look at the NPRM, the NPRM gets into a discussion about competitive bidding. And in that discussion you'll see comments where they solicit comments on whether the characteristics on tribal lands may be such that it is not economically practical to support more than one provider to serve tribal lands. It goes on -- the NPRM goes on to say that permitting multi-providers to receive federal Universal Service support may not be in the public interest. If you're going to drive from point A to point B you only have enough gasoline to get you between the two points, you're not going to purchase the gasoline and put it in two vehicles to figure -- so you have a choice of which vehicle you're going to drive. You're not going to get there. Taxpayers do not want to be required to fund duplicative infrastructure to introduce competition in areas that can't sustain competition.

The NPRM also goes on to say the cost of providing service -- well, that it may be necessary to maintain exclusive status until such time as the cost of providing service decreases or market conditions improve so that it may become practical to have more than one provider receiving federal support. So the point here being is to be careful this issue designating eligible telecommunications carrier rests squarely with the commission in the state and whether there are going to be multiple carriers. In areas of this state it is not economically practical to ask ratepayers to fund duplicative infrastructure. We have natural monopolies that should be subject to regulation.

And that's all I have. Thank you very much.

LT. GOV. ULMER: Thank you very much, Steve. May I ask a follow-up question just very briefly because no one else is waving at me that wants to speak, so I guess we have time to do this. How do you know if you're in an area where you can sustain competition or not?

MR. HAMLEN: That's a good question. And I think that that is what needs to be worked on over time. I mean we don't know whether we can sustain competition in Anchorage. You look at the industry in total, there's mergers going every which direction. Investors, companies, they want certainty. With competition being introduced there's a migration towards consolidations. There's markets that obviously can sustain competition and those that cannot. And that's an issue, I think, that the commission and industry over time is going to have to wrestle with.

What's clear is in Tuntutuliak where the service in Tuntutuliak would not be there if it weren't for the subsidy and the low cost financing that the federal government has provided. In other words, the service is contingent upon the support, and the infrastructure has been built out that at this time it doesn't -- wouldn't be -- it wouldn't make any sense to fund duplicative providers in Tuntutuliak.

United Utilities did make a recommendation to the FCC on this issue. And what we recommended was taking those areas in the country that require the least amount of support, and then phase the support out and make it portable between competing carriers. But those are areas that were not dependent on the service being there on Universal Service Funds and subsidies.

LT. GOV. ULMER: Okay. Thank you very much. Yes, please, go ahead.

MR. VASCONI: Thank you. I wanted to, I guess, add a little bit to what Steve was mentioning and to address your question, Lieutenant Governor. In some sense can competition exist or not exist is, I think, difficult to address before the fact because the fact -- when competition does come into a marketplace things change. The dynamics are very difficult, I believe, to predict. And with respect to AT&T Alascom, I have some experience with what has happened with GCI's entry into long distance markets that for many years had been believed to

be natural monopolies especially when you start looking at their deployment of earth stations in rural Alaska.

What we've seen there with their deployment of, I believe, it's 56 earth stations you have seen, indeed, instances where our revenues have dropped and we've been forced to invest more money in the infrastructure that we happen to have in serving those areas. Our revenues have dropped because of competition where you have customers leaving us to go to GCI, but also because you've had the introduction of various price plans that have dropped the prices for those that do stay with you. But, at the end of the day we're still there.

And while it's nice to believe that regulated monopolies have a guaranteed rate of return I don't think that that's something that you can necessarily take to the bank with you when you start to see competition enter into various markets, and nor should you. Competition causes changes and it's caused us to have to change how we provide service. It's caused us to have to operate more efficiently and that is, I believe, one of the goals of competition.

To say that competition can't exist or can exist in particular areas, I think, is very difficult to address without possibly letting it exist. So when I say that what I mean is that because there are the dynamics around competitive entry that I think sometimes are hard to predict, you almost have to let it happen. And if market failure does occur then maybe a re-examination of competitive policy has to be brought forward. But a priori to say competition should not exist is, I think, maybe short-changing some of the dynamics that can occur that benefit consumers and, I think, would benefit the state.

Thank you.

LT. GOV. ULMER: Thank you very much. Other people here who wish to make a comment? Yes, Tom.

MR. BRADY: Thank you, Lieutenant Governor. I'd like to relate in market in Alaska, in rural Alaska specifically which is not regulated which has been subject to competition essentially from the beginning, and that is the rural television market. In rural Alaska, as you know, the last 20 some odd years ago we elected to put out one channel to all the villages through RATNet and

that evolved. But over that same period of time in rural Alaska we've seen the emergence of a lot of rural cable systems without any subsidy, without any -- with open competition on providing those cable systems.

Our company, for example, has installed more than 60 systems in rural Alaska in 18 years. We estimate there's probably close to 80 systems out there. Well, cable systems are unique in that they were at one time regulated to some extent, especially those that were registered with the FCC but most of these small rural cable systems are not. Consequently, what we have seen in rural Alaska as direct broadcast satellite has come up is an effective competitor rural cable system to some extent. If you're willing to invest the money as a consumer you can go from your 20 channel rural system to 200 channel or 300 channels. And you can go from one part-time network which is a hybrid based on arcs to networks out of Denver, San Francisco, Los Angeles, Phoenix, literally as many as you want to buy or in relation to the current Sheba (ph) hearings as many as Congress will let you have.

That is, you know, in terms of a lesson for competition is when it's open is the system that will provide the service will rise to the top and start providing the service. DBS is, again, a classic example. Three and a half years ago there were none in the state of Alaska for all practical purposes. Today there are an estimated 8,000 dish network subscribers from the Southeast all the way to the North Slope. And that's in spite of a system where you had to use an antenna that was anywhere from four feet to 10 feet in diameter to do that. That's an impressive list over the space of three and a half years. That's unregulated free competition.

And I think that lesson can be applied in rural Alaska in other areas if you revolve around one key comment, its bandwidth. The cheaper the bandwidth is the more people who can provide it. Until you break the bandwidth barrier beyond 9.6 and providing broad band services then you really are going to be in a very limited environment of who's going to be eligible to do it or who's going to have the wherewithal to do it.

I urge the Commission to look at subsidize the consumer, not the carrier. Let them make the election for the market. DBS did subsidize the consumer and now there are over 11 million

subscribers in the contente -- well, the United States. That's how they attacked their market. Thank you.

LT. GOV. ULMER: I take it that's another vote for internet vouchers? Yes, there's another question for you, I think, Tom.

COMMISSIONER DeMARCO: I wanted to ask you if I may, Tom, or if you know how the penetration of cable use compares to the penetration of internet use in communities were both available?

MR. BRADY: Interesting cross analysis because in cable areas the -- we don't have any good statistics even on the systems that we provide the programming for because by their very nature you pay by the number of subscribers, whether the subscriber is really paying the village council or not in some cases. Essentially cable penetration in the smaller cable systems is about 50 to 60 percent, so is there equal internet penetration? I daresay not because the common model for internet is pick up your phone and dial. That's a very poor model in rural Alaska because of the limitations of, you know, we're still trying to break through 9200 bits per second. So the answer is I don't think there's much parallel. People -- rural Alaska would rather watch television than surf the internet today.

COMMISSIONER DeMARCO: That's what I was trying.....

MR. BRADY: Yeah.

LT. GOV. ULMER: Any other Commissioner questions? Is there anyone on line that is either wants to ask a question or make a comment? Go ahead, please.

COMMISSIONER STRANDBERG: I have one more question for the last gentleman. And I guess I'm interested in a comment from you and, perhaps, from the two IXCs. Is there an active wholesale satellite bandwidth market available for potential internet ISPs that might form themselves in rural villages?

MR. BRADY: If you mean can you go out and buy satellite bandwidth from PanAmset, LaRoue (ph), General Electric, the answer is yes, there is an active market. You can buy it from GCI. You can buy it from AT&T to some extent, although AT&T hasn't made it -- AT&T

doesn't normally resell their bandwidth. GCI will resell it, but you can go straight to the originator. The issue is not is the bandwidth available, it's the type of bandwidth.

Generally speaking today around Alaska that is C band capacity. C band capacity, if you elected say, at Whales or Wainwright to say I want to be an ISP and I want to put up my own earth station and I want to do it, that's approximately $200,000 decision. So it's not likely. That's why my presentation earlier focused on Ku band because of the economics are substantially different, but Alaska has never had access across the board to good high quality Ku band resources.

If you look at deploying the internet services today that are serving the Pacific Rim, Central, South America, Europe, Africa, these are fundamentally all Ku band. That's where they've gone because of the terminal economics.

MR. JACKSON: I would largely defer to that answer and he can, perhaps, I think he knows a lot more about the subject than I do even if I'm talking about GCI's satellite, so he can correct me. The Galaxy 10 satellite which GCI was putting up last year which the Delta Rocket which was putting it up exploded, so it didn't go into service. I believe that had quite a bit of additional Ku band transponders on it which would have helped that situation, but -- and I think I'm getting an acknowledgement that that's correct. That will be re-launched next year, and so, hopefully, will be in place. And other than that as far as I know everything he said is correct. It's consistent with what I sort of think I know although I'm not an expert in the area.

MR. BRADY: I want to just clarify that one. Yeah, Galaxy 10R will have 24 Ku band transponders on it as I'm aware. The difficulty is when you look at Galaxy 10R and Telstar 7 is those aren't satellites just that serve Alaska. They serve all of North America, so we're essentially competing with the rest of the hemisphere for access to those.

An observation on Telstar 7, the C band side of Telstar 7 was fully subscribed a year before launch with digital television. So if you want to see back in (ph) the past Telstar 7 you couldn't buy it today it was already gone. The issue in Alaska is if you don't grab the capacity someone in South America might.

MR. VASCONI: Clearly Tom knows a lot more about satellites than probably all of us in this room combined do. Certainly me.

In getting to your question, Commissioner, AT&T Alascom provides various services to internet service providers over the satellite. Some of those services are private line services, or some of those services can be Frame relay services. Both of those different families of data service are tariffed and are available to sell -- for sale to ISPs or other end users whoever they might be. We do not make a distinction between retail or wholesale service for end users. We have an instate wholesale tariff that presently offers voice grade service, voice grade private line service. The wholesale tariffs are offered -- the wholesale tariff prices are presently offered only to certificated telephone companies. So I think there's some distinction there.

The gentleman who was here earlier from McGrath has indicated that in McGrath service is provided at, I believe, $40 per subscriber. We provide service to McGrath, I believe it's through private line and then it's effectively resold, if you will, by the ISP, that bandwidth is resold by the ISP. I hope that answers your question. Thank you.

MR. BRADY: To put a perspective on price in rural Alaska, and I can't speak to your Frame relay service. I can speak to what's the cost of satellite capacity to do a T-1 would be. Most ISPs anywhere in the world would deal is that's the lowest common denominator they will start with. A T-1 of satellite capacity is roughly going to be about $13,000 a month. I get a T-1 from San Francisco to New York for $900 a month. So you can see the disparity there. And that's why I prefaced my comments earlier that the most expensive bandwidth you can buy is satellite bandwidth. And there's no much downward pressure on the cost of that bandwidth especially in our area because we're competing with everybody else in the hemisphere for the resource.

MR. VASCONI: Let me add a little bit to that. Thank you. When one wants to talk about the price of a satellite, T-1, one has to consider a couple of different kinds of resource. You have ground resource in the form of earth stations on the ground as well as resource in the form of transponder space on the satellites. And presently if -- I believe the number -- the cost

for a transponder is in the neighborhood of about $120,000 per month, and then that transponder is parsed out, if you will, by the percentage of bandwidth that's required for a particular speed. So T-1 is usually in the neighborhood of 7 to 8 percent of $120,000 per month. So just for the satellite resource one is looking at probably in the neighborhood of $8,000, 8 to $9,000 just in terms of rough numbers.

That doesn't include paying for the resource that is on the ground necessary to uplink and downlink the signal. Then one is looking at another four to $5,000 per month in order to amortize the cost of that particular investment. So when Tom mentions $13,000 I would put it of somewhere in the neighborhood of 12 to 14, it's roughly there depending also on the kind of equipment that might be necessary to support the T-1 at a particular earth station. Thank you.

LT. GOV. ULMER: So that suggests a question, and I'm not sure I'm going to -- I'm not even certain I can frame this question correctly, but if you look at the economics of a rural community in Alaska and you sort of say let's look at the numbers, just the numbers, how big would that community have to be to make the economics work if you didn't have some significant subsidy mechanism to buy that kind of bandwidth for that village? And I mean those of you who are in the audience that know what I'm trying to get at can maybe reframe that question a little better for me.

MR. VASCONI: Let me take a stab at that. A T-1 is the equivalent of 24 separate lines. And depending on the kind of internet service, the kind of bandwidth that's going to be required out of a particular community, if it's 24 divided -- or $12,000, say $13,000 divided by 24 that gives you some idea as to what the service is on a per line equivalent. And just off the top of my head I can't do that math, but that's probably pretty expensive.

LT. GOV. ULMER: Again, most of our budget, yes.

MR. VASCONI: Now, what it requires is some type of sharing of that resource. And that's where various technologies like Frame relay come into play, because on one circuit you're able to share resources more effectively. So, you know, maybe that number of 24 users sharing a T-1 can be as high as 72 users sharing a T-1, then the costs start to drop to a level that becomes a

little bit more practical, if you will, for people to have the service. But even at that you're still looking at 72 discrete users that need to share that resource. And 12,000 or $13,000 divided by 72 is getting better, but it's still a fair amount of money. So by just using that kind of progression you're probably somewhere in the neighborhood of 100 in order to start getting into the ballpark, and that's with substantial sharing on that resource. Maybe over 100 in fact. Anybody else?

MR. SPRINGER: Lieutenant Governor?

LT. GOV. ULMER: Yes, is somebody on line?

MR. SPRINGER: Yeah, it's Mark Springer out in Bethel. I'd like to say a couple of things about that. Number one, I was told by an internet service provider in Anchorage who perhaps by into the fact that they are part of a provider consortia to the school district, I was told by a principal in that company that they could deliver reasonably priced Dial-Up service in any village if they could get as few as 20 confirmed subscribers. And although I wasn't watching them on phone-a-vision I believe he was saying it with a straight face.

The other thing is I don't believe that any existing internet service provider or IXCs or LECs have ever done any kind of a market survey to determine the demand for internet service in rural Alaska. However, I believe that the fact that they have an ISP going in McGrath says something. McGrath is not a real big city. We have two ISPs in Bethel, both of whom seem to be doing quite well thank you. And if you go to any school during the day you're going to find the computer lab full of kids on the internet. And I guarantee you that if there's internet service available in the villages or even hints of internet service available in the villages those young people who are really the economic drivers in our economy are going to be demanding of their parents, hey, let's get the internet. If we need to use my dividend to buy a new computer instead of a new snow machine let's buy the new computer. So I think that there are an awful lot of unanswered questions here and it's difficult to get a straight answer, you know, based on, you know, what the tariff says bandwidth costs coming into a community.

I would like to commend Alascom for their efforts over the last couple of years in reducing their tariff costs on private line service. They basically halfed their prices at least from

what their sales guy told me, and I think that was a good move going to a straight satellite price instead of mileage. So there are definitely -- there's no question there are definitely business opportunities in rural Alaska to provide internet service. And you don't necessarily have to do it with a -- you know, with any kind of a subsidy.

LT. GOV. ULMER: Thanks, Mark. I'm just trying to imagine the snow machine sale drops in exchange for the computer increases. And hey, it might be a safer village, you know. Interesting to think about that. Is there anyone else who wants to comment on this? Yes, Steve.

MR. HAMLEN: Just a quick comment. I think one of the difficulties with satellite bandwidth to the villages the -- just what we've been discussing, the availability of satellite space. And I think Galaxy 10R, for example, holds a lot of promise for Ku band. Today we're not delivering throughout Alaska the latest technology for delivering internet access. For example, Hughes has a product where you can broadcast internet access, I know at least up to 4 megabits and probably broadcast that access over a hundred or more locations depending upon how much usage there is at each location. And then you can link-up and share that satellite resource. And when no one is using the internet, for example, in a village then that satellite capacity becomes available for others to use.

Now, the difficulty in deploying this technology has been getting on the right satellite where you can cover the entire state and gain the economies of scale that you need to be able to effectively use the technology. So I think we're going to be moving away from what we have today with Frame relay and dedicated circuits, more to shared bandwidth solution where we're not tying up valuable satellite space when users aren't on the network.

LT. GOV. ULMER: Anyone else. Any other Commissioner questions? Bob, any questions or comments?

MR. HALPERIN: One question that we haven't heard anyone speak to is the issue of whether it is this Commission or the FCC that should designate, for example, wireless carriers as ETCs. And I wonder if anyone has any comments to share with us on that.

LT. GOV. ULMER: I guess not. The silence is deafening. Steve.

MR. HAMLEN: If I could say something. We are a wireless carrier. We use wireless technology. We are an ETC. There are other wireless carriers, I guess, that would like to take the assistant that we get, the Universal Service Funding support away from us and, of course, this is where the tension comes into play with the designation of eligible telecommunications carriers.

LT. GOV. ULMER: Donn.

MR. WONNELL: Thank you, ma'am. We have to be judicious. We own a wireless carrier, MACtel, and there are certain affiliated interest requirements associated with that. What I would draw the panel's attention to is the fairly extensive series of pleadings that have been prosecuted by a company called Western Wireless before the FCC which has essentially asked all of these questions specifically addressing who should have the authority and exercise the authority for designating eligible telecommunications carriers, who should decide the timing of the receipt of Universal Service Funding, and particularly with regard to Indian lands as they're characterized in the Lower 48, whether existing caps should be applied to that kind of funding.

So the questions are, in fact, being brought before the FCC currently. And one would hope that the FCC would address them in due course.

LT. GOV. ULMER: Thank you. Anyone else? Well, we weren't supposed to finish this portion of this afternoon's business until 2:50, so we're way ahead of schedule. If no one else has any comments on these issues I am tempted to take just a short break, come back and go ahead with the rural health portion. Now, I know that there may be some people who will be arriving at 3:00 p.m. for that, but we could take their comments at that time, and those folks who are here and wish to comment on rural health could do so, if they choose to leave they can. If that's acceptable to the Commission members and to others let's take a 10 minute break and then we'll come back with rural health. Thank you.

(Off record - 2:15 p.m.)

(On record - 2:32 p.m.)

LT. GOV. ULMER: I think we'll go ahead and try to get started. Ladies and gentlemen, if you wouldn't mind taking your seats. I need a gavel, don't I?

I'm happy to report to those of you who are on line that we're seeing a lot of good cross communication, collaboration, brainstorming here on the part of industry and consumers, which is always good.

We are starting a little bit ahead of schedule. We were supposed to start at 3:00 o'clock to discuss some of the telehealth issues. We're going to start early to try to expedite this afternoon. And I believe we have -- is Alice Rarig on the phone? Alice, are you there? Okay. Well, hopefully she will join us in a little while.

Bob, would you like to give us just a little explanation about this portion of this afternoon's hearing.

MR. HALPERIN: Yes, thank you. Briefly, the FCC is seeking comment on several questions related to the federal Universal Support program for telecommunications services provided to rural health care providers.

First, the FCC is seeking comment on the technical limitations of the telecommunications services available to rural health care providers, particularly in Alaska, and other offshore points. It would like as much detail as possible about what improvements are needed to the telecommunications infrastructure to provide the services desired by rural health care providers. It would like to know what improvements to the telecommunications infrastructure are most urgently needed such as those that would address threats to the health and safety of residents, and would like to know how much these improvements would cost.

The Commission has invited commenters to submit specific proposals that they've already prepared for expanding federal Universal Service support to rural health care providers.

And then, finally, the Commission would like to know whether commenters believe that federal Universal Service support should be provided to pay for these improvements to the telecommunications network that are required to meet the needs of rural health care providers,

and what other programs there are, what other federal programs and perhaps other programs exist to provide support for improving the infrastructure.

LT. GOV. ULMER: Thank you very much, Bob. I don't have a sign-up sheet for this portion of this afternoon, so I'd just like to see, first of all, is there anyone here that would like to speak to this portion of the afternoon's proceedings? Yes, Jimmy. Go ahead.

MR. JACKSON: Thank you once again. With the rural health care program we're sort of at an interesting point because the FCC has announced two orders to change the program, and one of the orders I read yesterday, I think it was actually issued yesterday or maybe the day before, it wasn't what they're calling the ETC order. It was the order regarding your three. So I think in terms of the structure of the program we don't totally know what the rules are right now or we don't know what the rules will be as soon as these other orders come out and it's a little hard to analyze. But from the press releases and from what we think is happening, the fact that the FCC seems to be removing the ETC requirement from the rural health care program should make the program work much better. It may, in fact, sort of resolve by far the major problems, at least in terms of making the program work in Alaska.

In terms of the places where we have worked with rural health care providers to provide the services we do not have any major technological issues. We are in the process now of upgrading the service of Maniilaq Health Corporation in the Kotzebue region into T-1 private lines to connect all of the villages to Kotzebue, and then into Anchorage. I don't understand Mr. Fauske's comments this morning about the boink at the satellite because these T-1s will be provided by links from the local exchange carrier to GCI satellite, and then over the satellite, and it's a T-1 over the local exchange and it's a T-1 over the satellite, so that's not an issue as far as I know.

In places where -- one technological issue is that there are vast areas where we don't have DAMA facilities because we haven't been allowed to deploy them. We can technologically provide the services with VSATs in those locations. It perhaps remains to be seen whether or not we can under the rules of the program use VSATs to do that when these new orders come, but

technologically we can do that. That is, perhaps, another aspect of the program which would need to be opened up if the current orders aren't going to resolve the issue of the ability to doing it through private systems. And that's all the comments I have. Thank you again very much.

LT. GOV. ULMER: Thanks, Jimmy. Anyone else? Yes, Tom.

MR. BRADY: This is an area that I have not commented on formally, but this is one that I increasingly run into in a business situation is there's an awful lot of content up on many satellites around the United States of interest to people all over Alaska. The content is anything from ESD 101 Step Star School project which is a large contributor to rural education to continuing education and all type of medical, dental and other professional areas. The problem is these are funded by many grants. And the people who get the grants they'll say, okay, I'm going to look for space segment and then we're going to pick General Electric satellite, GE-3 at 87 de- -- or 85 degrees, which unless you're west of Dimond -- west of Minnesota you can't see in Anchorage. So that doesn't do much good in rural Alaska.

The fundamental thing is, is that there's so much national level content which could go and support rural Alaska if the decision of the provider in the Lower 48 which is funded by federal grant simply looked at the different satellite platforms to use to distribute that content. In other words, the content is simply not available in Alaska 'cause it's below the horizon.

I think that's an interesting point to bring up to the FCC that if the federal government is going to continue to fund these grants it must be available to all 50 states, not just the 48.

LT. GOV. ULMER: Great. Thank you very much. Any other comments here in Anchorage on this subject? How about on the phone system? I don't know if we've picked up anyone on the teleconference system that wishes to speak to the rural health portion, if so, please, go ahead.

MS. RARIG: Lieutenant Governor, this is Alice Rarig, can you hear me?

LT. GOV. ULMER: Hi, Alice. I can but if you'd speak up a little bit more the people in the back of the room might be able to hear you.

MS. RARIG: Okay. I wanted to say that Commissioner Perdue is expecting to come to sort of introduce our testimony so I'd like to postpone a little while. Your change of time spoiled our being all set and ready, so could we just let you know in 20 minutes or so?

LT. GOV. ULMER: Absolutely. And I apologize if I've disturbed the force, but we just thought we'd get a headstart here, but yes, as soon as the commissioner comes in and holler at me.....

MS. RARIG: All right. Thank you.

LT. GOV. ULMER: .....and she can have the microphone. Jeff, do you wish to testify? Yes. Please, come to any of the microphones and introduce yourself, please.

MR. JESSEE: Thank you, Lieutenant Governor, members of the Commission, for the record my name is Jeff Jessee. I'm the executive director of the Alaska Mental Health Trust Authority. And our charge is to assist the state in developing a comprehensive and integrated mental health program.

One of the new tools in our quiver of trying to meet this demand is the area of telepsychiatry and telehealth in general. Of course, whenever you talk about telepsychiatry your distance delivery of mental health services you realize that this sort of technology is made to order for a state like Alaska. With long distances, the inability to get psychiatric support for rural communities, this offers an exciting new ability to deliver effective mental health services in rural areas, and diminish significantly the need to transport individuals out of their communities into either regional hubs or the urban centers in the state in order to provide them services.

Of course, we face all of the challenges that come with trying to get this kind of technology into these rural areas. Unfortunately, as you all know, the bandwidth required for therapeutically valid delivery of these services is the thing that's the very most difficult to get in the places that we need it the very most, which is at the very end of the chain. So, obviously from our standpoint anything that can assist providers in developing this technology and having

access to affordable bandwidth is absolutely critical to developing this part of the mental health system.

I will say in Alaska we have one state agency that has been incredibly foreseeing in this use of this technology. And it's interestingly one that, frankly, is rarely seen as being on the cutting edge of this type of thing, and that's the Department of Corrections. The Department of Corrections has hooked up everyone of their prisons to a POTS line telepsychiatric system and are using it very effectively to do medication monitoring and other consultation with their prison facilities. Obviously depending on your bandwidth and your ability to deliver various qualities of real time video depends on how much you can do with telepsychiatry.

It's also true as I'm sure Commissioner Perdue would point out there are many remaining issues for this technology as applied in mental health, things like licensing, reimbursement, these sorts of issues need to be worked out over time. But if we can't get affordable bandwidth if we can't get access to the nonprofits that very often have very limited budgets in rural areas, then getting access to the psychiatric assistance will be very, very difficult and we will continue to spend tremendous amounts of money flying these people into urban centers where often we separate them from their community, their support network, their families in order to deliver them effective treatment.

So we've been working very closely with the Commission, the Telehealth Commission, look forward to continuing that work and, again, anything that you can do to assist us would be greatly appreciated.

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(Tape change)

Tape 5

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LT. GOV. ULMER: Thank you very much, Jeff. Could you tell us in addition to the Department of Corrections are there some other projects where telepsychiatry, telehealth delivery

in the mental health arena is happening in Alaska? And just share a little bit about where it's working and why it's working there?

MR. JESSEE: Well, yes. One example is in the Yukon Kuskokwim area, Yukon Kuskokwim Health Corporation has a pretty advanced telemedicine, telepsychiatric capability now and they're starting to use it more and more to deliver services there and finding it very effective.

In addition, the Division of Mental Health and Developmental Disabilities has had a small pilot project with Dr. Battaglia who has been a division employee working out of an office at API where he has, again, using relatively low bandwidth, POTS technology has been providing consultation and training services to a number of rural mental health centers particularly those that are not connected to Regional Native Health Corporations and, sort of, the backup that they provide in terms of infrastructure. So we're talking about Tok, Delta Junction, you know, some of these communities, so they've been using some of that technology there.

I might add that in the Lower 48 there are some states that have very, very fully developed telepsychiatric capabilities. Kansas is one that jumps to mind that's done a tremendous amount of work in hooking up their mental health services. It's not a panacea, you know, it's not going to eliminate all need to get psychiatric expertise out into rural areas. It's not a substitute for face to face diagnosis and therapy, but it can be a very effective tool in not only reducing the overall mental health care costs, but improving the level of service as well.

And, of course, I don't want to overlook the critical importance of the educational and training component and the human resource development piece that comes along part and parcel with this and allows us to build, sort of, the broadest level of competency that we can in rural areas which, of course, have to work part and parcel with the ability to get this technology available to our emergency medical services people, to our public health nurses which when you get down to the village level they're all involved in mental health, alcohol. I mean, you all know that.

It's all one seamless web, but without the ability to deliver this technology in an affordable level, really we have been very stymied in the development of this technology.

When you go to the Lower 48 and see what they're doing in telepsychiatry and how much greater the utility and the potential is in this state, it's really pretty shocking how far behind we are.

LT. GOV. ULMER: Thank you very much, Jeff. Any other persons here in Anchorage that would like to address the Commission on the subject? Anyone here who would like to comment on anything that has already been said? Yes, sir.

MR. TROUT: My name is Ken Trout. I'm representing Summit Telephone Company at this time. Summit Telephone Company is a small company that has about 164 subscribers north of Fairbanks in the Cleary/Summit Area as well as Coldfoot and Wiseman.

Some of the comments that we've heard today are fully supported by Summit. Some of the things that I feel have been left out deal with some of the very blatant questions, how much should the customer pay when we're looking at support? Probably that's the first thing that we should decide if we're going to have a low income customer out there. What do you think he should pay? What kind of service should he get and then what should the support be? How much money are we going to provide for that individual customer?

Technology allows us in various ways to access any of these customers through a variety of ways. Through cable television, through wireless spectrum, through cellular telecommunications and things that are still on the rise and that I don't know yet. That we don't know yet, because they haven't been invented or evolved yet.

One of the things that we believe should be allowed is a mixture of available technologies without jumping through additional hoops in order to provide that service. For instance, fixed cellular or cellular telecommunications being provided by a local exchange carrier without having to go out and file for a cellular license.

Perhaps a partnership of a cable TV provider as well as a telecommunications switch with a local exchange carrier providing that service. Perhaps a partnership with a power company and

the local exchange carrier to provide those services. I'm not fully prepared to delve into all of the potential there, but these are some of the thoughts that came to my mind as I listened.

Finally, one of the biggest things that I'm concerned about, because Summit Telephone Company is a significant recipient of the Universal Service Fund, as we are significant participants in NECA and AECA in order to provide service to our 164 customers.

One of the things that we are trying to deal with is providing internet service to our customers. Should we? What's going to happen to the traffic that's going to be changing from toll over to local customers. I believe that the Joint Board is now wrestling with the issue of internet traffic that's determined to be interstate traffic that's also determined to be local traffic when it comes to a traffic measurement. And what that does is to say take the cost that are related to interstate usage and shift it over to the local side even though it is an interstate cost.

Those are the basic four points that I wanted to bring up from Summit's standpoint.

LT. GOV. ULMER: Ken, I don't think I understand the final point, so would you run that by me one more time?

MR. TROUT: I'll see if I can deal with it. In the cost settlement of both interstate traffic as well as local -- excuse me, as well as the state traffic from the national exchange carrier side and the Alaska Exchange Carrier's Association side, there's a certain amount of traffic that's deemed to be interstate or state or local and the cost allocations between those various jurisdictions is allocated based upon the traffic. If the traffic is shifted from a long distance call into a local call, that means that the local customer has to pay more for that particular service. Okay. Right now, I believe, they've talked about a shift of something like 18 percent going to internet service which is, like I said, has been deemed to be interstate service from the FCC side, but actually allocated from a cost separation side as a local call.

LT. GOV. ULMER: Okay.

MR. TROUT: I don't know how to solve it, but it probably ought to be shifted over into the interstate side so that there can be support from the interstate side.

LT. GOV. ULMER: Thank you very much.

MR. TROUT: Sure.

LT. GOV. ULMER: It sounds like we may have been joined by someone on line and if there is someone who wishes to make a comment, go ahead, please? I guess not, okay.

MR. SPRINGER: Lieutenant Governor?

LT. GOV. ULMER: Yes.

MR. SPRINGER: Yeah, hi, this is Mark Springer. I'd like to address the rural health care issue just real briefly.

LT. GOV. ULMER: Go ahead.

MR. SPRINGER: One of the biggest problems that YKHC has encountered with rural health care and I'm not speaking for them, but conveying out understanding is, that up until very recently they were -- rural health care organizations basically were actively discouraged from applying as consortia with school districts.

I really think that there's an opportunity here for you and for the Commission to go to the FCC and encourage them to consider Alaska as a special situation. It would be enormously beneficial to everybody if we could have for USF sake one village, one pipe, if the school and the health corporation could share that bandwidth.

Right now the schools have got their contract signed for the most part. They're, you know, two, three year contracts. The health corporations, at least YKHC has yet to enter into any contract so that opportunity for anexus there has been missed for a while, but I think it's a very, very important point that the Commission and you should not let the FCC off on is the fact that because they've had two hands not knowing what the other has been doing, the SLC and the health corporations, Alaskans have suffered because health corporations have not been enabled in their efforts to deploy telemedicine.

As far as telepsychiatry is concerned I think that that's a stupendously important use of telecommunications particularly when you look at rural Alaska and if you inquire as to who the majority of the mental health consumers are, you'll find that they are young people.

We have young people ages from 10 on up who are sent to Anchorage to private clinics because there aren't really any public facilities in the state for young people. They get sent home with a batch of medication and the health aides don't know what it is, the parents don't know what it is. Medical supervision for medication cases in mental health is extremely important. And I would say if there's something that can make telemedicine go to heart for people, it should be the thought that we have got young people out here who really need those services.

And as was said, the Department of Corrections is really paving the way. I mean, they're doing it with just simple stuff. I mean, they're pushing, maybe in some cases, a slow scan picture over a telephone line, but it's working for -- you know, for diagnostic and interview purposes.

And I think that those are basically my comments on telemedicine in rural health services, thanks.

LT. GOV. ULMER: Thank you, Mark. I guess I might just ask people here and on line to comment on Mark's suggestion, one village, one pipe. A marriage of the school and the health care facility. At one level it seems so logical. There must be something wrong with that idea or otherwise it would have happened, because there's a certain efficiency associated with that, that, you know, you're just sort of saying, wow, well, yes, of course, why not. And I see two hands going up. Go ahead, Bob.

MR. HALPERIN: That is something that the state, in working with the folks at the FCC on Universal Services issues and, in particular, rural health care issues has also advocated.

The FCC in its rural health care order, one of the orders that just came out, did address this. I'm afraid, I don't have the order with me, but according to the Commission's press release it did affirm the ability of rural health care providers to join consortia with other subscribers of telecom services and continue to be eligible for the discounts. So that may be something that that recent FCC clarification on may prove to be helpful.

LT. GOV. ULMER: Thanks, Bob. Steve, were you going to comment too?

MR. HAMLEN: Thank you. We support the concept of a consortia. It's laid out clearly in the FCC's order and I think the bureaucracy between the E Rate (ph) Program and the program

for rural health care providers has made it very difficult if not impossible for consortia to get started.

The concept behind consortia is though to aggregate the requirements of the members -- the members of the consortia to end up with a price through quantity purchasing, if you would, that would be less than if each of them went out and purchased the service individually.

And if you look closely at the FCC's orders, that's the incentive and to bring the cost down and if you can get together and form a consortia to do that, we'd like to see you do it, so I think that's on point.

I think part of the problem though between the schools and the health care providers, and this might be able to be sorted out over time, is that they have different requirements.

The schools are looking for access to the internet so -- and the health care providers may need access to the internet, but typically what they want to do is build out wide area networks. So if you have a regional health service, if you're the Bering Straits Regional Health Corporation, Bristol Bay Health Corporation or whatever, you're trying to build out your WAN, your wide area network, so you can have voice and data and internet traffic all over that WAN. Whereas the schools are coming directly into the internet.

So technically you have, for example, you can get in -- you can enter the backbone of the internet, you don't have to come to Anchorage. You can go straight to Salt Lake, Seattle, other points. So they're differing.

I think it's difficult for them to consolidate their requirements into consortia, but on internet access that's clear that they could probably do that, but whether the economies are going to be there, I don't know, but I think the FCC has basically the concept laid out right and that is if you can consolidate your requirements, do so and come in and put it out for competitive bid.

As far as the bidding process is concerned, we'd like to see the consortias operate under a different bidding mechanism than the E Rate Program. We've encountered some problems with the E Rate bidding process where the schools are not required to take the lowest responsible bid

and that's created difficulties and some complaints and we're trying to sort that out at the FCC now. So those are our comments on consortia.

LT. GOV. ULMER: Thank you. Anyone else who cares to comment on that? All right. Commissioner Perdue, have you joined us?

COMMISSIONER PERDUE: I have, Fran.

LT. GOV. ULMER: Great. I'm sorry I started early.

COMMISSIONER PERDUE: Sounds like you've had quite a day.

LT. GOV. ULMER: We've had a great discussion actually. It's been --.....

COMMISSIONER PERDUE: Yeah.

LT. GOV. ULMER: .....it's been very, very useful, but you now have the microphone. Go ahead.

COMMISSIONER PERDUE: Thank you. And thanks everyone there who is taking the time to spend a lot of detailed listening time on this issue. Alice Rarig is here with me as well as Dr. Nokamura (ph) and I'm just going to make a few introductory comments and then Alice has some prepared comments that she would like to paraphrase and then put into the record.

Basically the Department of Health and Social Services has started to take a pretty strong interest in the regulatory aspects of telecommunications as it relates to telehealth because we see such incredible potential for spanning distance in Alaska. And we have rural health care providers who are operating with, you know, lots of challenges. One of them being geography, the other being access to information and professional isolation, kind of, overcome professional isolation.

We don't (ph) have a very long history of using telehealth in our state (telephone interference) early days of satellite communications with health aides, but we're starting to see more and more applications that are more diverse in nature. One of them being the area of telepsychiatry or tele mental health, another being the area of home health care and another being the area of trauma and emergency medical response. So there are lots of technologies that are emerging out there that are causing us to spend quite a bit more time on this.

Alice has been spending quite a bit of time on the regulatory environment and so I'm going to turn it over to her to make some comments about the specifics of that area.

MS. RARIG: Thank you. I'd like to point out that we have been working extensively to try to see that the Universal Service Fund Program for rural health care providers can be implemented in Alaska and it has been a very frustrating and difficult effort.

This has brought us into extensive communication with both rural health care providers and the telecommunication carriers both long distance and the LECs. And we can point out that the Universal Service Fund Program has required that rural health care providers work in whole new ways with the telecommunications providers. So far we haven't successfully brought all of the pieces together to meet the ever changing requirements of the Rural Health Care Division of the Universal Service Administrative Corporation which administers the Universal Service Fund Program.

We keep hoping and I don't know if this will cause disarray in the room there, but the second FCC order is out today and the one about who will be designated eligible telecommunication carriers and I've e-mailed that to the usual suspects (ph) so you all will be able to get access to that later today.

As was noted in a letter from the co-chairs of the Alaska Telehealth Advisory Council, Dr. Nighswander (ph) and Commissioner Perdue to the FCC recently, health care providers in the state have been working very hard to try to participate in the Universal Service Fund Program. We have the largest number of applicants by far of any state in the country. We have 232 applicants -- applicant sites in year one and nearly that many have reapplied in year two.

We've all been seeking to understand how to meet the conditions for participation and we've done this through teleconferences involving the folks in the regulatory agencies in Washington. They have tried to be helpful, but it has been a difficult process and we are not there yet.

We're very much hoping that these new FCC decisions will help to remove the roadblocks to this program's implementation, but I'm not sure that they do answer all the questions. We'll all have to go read these decisions and see what we make of them after today.

And we will be following up with the Regulatory Commission of Alaska and with the Rural Health Care Division folks and with all of us on the users end in Alaska to see if we can't get this program moving, because as has been pointed out by the Commissioner and by Jeff Jessee and by others, it's terribly important to the improvement of health care quality and access, to the equity of access and to getting cost effective services that these problems be resolved.

We understand that there are many issues that have been raised in this notice about definitions about unserved, underserved and tribal lands (telephone interference) -- can you hear me all right?

LT. GOV. ULMER: Let's see, there seems to be someone else on line who is speaking. If you can hear me, if you would, please, not speak until after Alice is finished and then we'll roll around to the other conference sites to see if you have something you'd like to add. Go ahead, Alice, and maybe you want to get a little closer to the mic.

MS. RARIG: Okay. I wanted to point out one definitional problem in the FCC notice. They exclude states from the insular area definition and yet when we talk about rural health care providers many of them are in communities that are on islands and therefore have the same telecommunication issues as other kinds of insular areas that are not parts of states so we may need to address that in our comments to the FCC.

We do know that many of our communities in Southeast Alaska that are right along the track of fiber optic cables are not able to tie in.

We also hear repeatedly from folks in Bush Alaska that they have access difficulties and you'll hear that in much more detail from the folks who are there in Anchorage at the meeting and on the line.

We do want to point out that a number of the Native health corporations have been highly successful in working with the local telephone companies and the long distance companies.

You've heard about some of those earlier today such as the Maniilaq/Kotzebue project. There are quite a few others around the state where cooperative efforts are getting new telecommunication systems off the ground. They have certainly been hoping that the Universal Service Fund Program would be implemented in a way that would help to support the cost of those services.

If the Universal Service Fund Program does not ever get implemented in Alaska, there will have to be some reconsideration of whether or not to continue to support those services because the cost is really rather high. It is a high cost area for delivering services as you've been hearing today.

As far -- with regard to emergency medical services, it's been noted by several others today that this is a critical issue for Alaska. We have a number of areas where there are dead spots or places where it's difficult to obtain -- to contact an emergency medical service provider.

Recently the state has purchased iridium telephones to address this urgent need in a few places, but the fact that the state and localities have to meet the needs for emergency medical services requires that we find ways to support adequate telecommunications.

We should -- we have to point out that decreases in state funding levels have resulted in the potential inability to maintain a full time operational status of all state subsidized EMS (ph) telecommunication link.

The availability of Universal Services Funds, or at least the potential for it, could help to improve MS (ph) communications by allowing some of the local governmental agencies to pay for these resources, but currently the state agency is working to support some of these services and to that extend though they are not eligible for Universal Service Fund support. The ability to use Universal Service funds for the recurring costs of maintaining essential capabilities is critical to the health of EMS telecommunication systems in Alaska.

We'd like to point out that the state has done a comprehensive EMS telecommunications plan which we'll be glad to make available to the Regulatory Commission as the Department of

Health and Social Services continues to work with agencies in and out of state government to improve our communications capabilities.

We also want to point out that we have recently been funded by the Center for Disease Control and Prevention for a health alert network which will allow rapid notification of local health agencies of disease and other health threats. In addition the network will serve as a conduit for (telephone interference) on public health issues and the use of the health alert network will inevitably be dependant upon the cost and capabilities of data transmission to rural health facilities.

This exciting program serves as another example of the potential that exists for improving rural health care if affordable and sustainable communications are available.

In public health nursing, we have 26 public health nursing centers around the state which are the local health services provid- -- the local public health agency in most instances. They must communicate with their regional and central offices and with the local and regional health care providers. They share data with the Native health corporations across the state.

State budget constraints have really retarded their upgrading of computers and telecommunications, but their participation in the AFHCAN project, the Alaska Federal Health Care Access Network, may enable them to obtain at least the equipment.

The question now is how will we, will they get access to the telecommunications services whether it's wide area network through the state system or as participants in the Native health corporation system, it's uncertain which direction is the best to go, but it will depend very much on what happens with the Universal Service Fund Program.

We also note what Jeff Jessee has referred to the development with community mental health centers and the Department of Corrections in turning more and more to advance telecommunication as a means to serving their clients. It's critical to have the bandwidth sufficient to support at least modest video conferencing over telephone lines or personal computers.

We in the state have a strong interest in having affordable bandwidth for all service providers. The Department if concerned about these issues as a direct provider of care and as a source of -- as a major payer through Medicaid for health services across the state. We're a major purchaser of telecommunications services both directly and indirectly and rely on improvements and affordable bandwidth availability to be able to insure high quality health care to all citizens and in an equitable fashion.

So we hope the RCA will convey to the FCC specific ways that our geography, topography, the huge distances and the existing technologies really determine the telecommunications infrastructure in the state. We see this notice of further rulemaking as an opportunity (telephone interference) to provide input.

We also note that there are so many questions raised in this notice that it's difficult to respond to all of them. It puts a burden on the state to clarify the problems and to propose solutions. The interplay of incentives and disincentives in the regulatory structure of technology and resources are very complex so we hope that a dialogue will be developed to help clarify these issues.

COMMISSIONER PERDUE: And let me just add a couple of comments to Alice's. I'm mindful there are probably others that want to speak so I'll be brief, but just to amplify some of the issues regarding emergency medical services, you know, the issue here is not only for Alaska's citizens. If you're living today in New York City you expect an ambulance to respond within two minutes. And there are, you know, lots of legal issues about response time. We, as Alaskans, accept a way of life and we accept certain lack of ability to respond based on access. But we also have a duty to respond to trauma within reasonable timeframes.

Another thing that we're noting is that with the advent of more and more tourism in Alaska, we're finding people who are guiding themselves into the back country, up on remote highways, et cetera and we've had several instances in the last few years of very slow response time. A bus accident on the Taylor Highway which was in a dead spot. Lots of activity on the Copper River.

Areas where the health and the economy of the tourism industry and our ability to respond to the public when people are in trouble are really linked. And so I really know this is an area of concern to a lot of people, but I'm continuing to see a need for more emphasis in this area.

I also wanted to just mention that the issue of health alert network is interesting because our whole view of public health and the envir- -- and the threat that we're facing are changing. Anchorage is the crossroads of the world and there is a lot of concern about biological agents, other kinds of agents that are much easier to bring in and out of an airport than a knife or a gun. And so the federal government is working with us to try to beef up our ability to respond rapidly to our health community, but that's all also important because the spread of these agents and infections and other kinds of scary things out there can happen more rapidly than we ever imagined before.

So those are my comments and thank you, Lieutenant Governor and the Regulatory Commission of Alaska for giving us an opportunity to talk.

LT. GOV. ULMER: Thank you very much, Karen and Alice. We do have a couple questions for you. And Alice, before I forget if you were reading from a written text, if you could make that available to RCA staff it would help the transcribers immensely.....

MS. RARIG: Sure.

LT. GOV. ULMER: .....if you could fax that up. Great. Nan, go ahead.

CHAIR THOMPSON: Thank you. Karen and Alice, this is Nan Thompson and I have a question for you. In its notice the FCC asked us to provide as much detail as possible about the extensions or improvements that were needed to provide health care and they asked for us to clarify what the most urgent needs are, those that would address threats to health and safety of residents. It sounds to me like, perhaps, your comprehensive EMS plan is, perhaps, an important part of that picture.

I'm curious as to what data you've collected or what you know now that could help us answer the FCC's question?

MS. RARIG: The Comprehensive Telecommunications Plan was done two years ago. It really did do a good job of assessing the state road by road and area by area to at least, you know, identify problem areas.

I do not think -- I think they were focusing more on radio communications then they were on telephone line bandwidth, but we will certainly make available several copies of that report to the Regulatory Commission. And I think we could try to review it over the next week to get some, you know, comments and some updates and some recommendations that we might be able to make on that subject to the Regulatory Commission and to Mr. Halperin to facilitate the development of comments.

CHAIR THOMPSON: Have you identified any particular areas or places in the state where the network is poses -- the state of the network poses a threat or an inability to deliver adequate health care on an emergency basis to the residents or visitors to the state?

MS. RARIG: Well, I'd say that, yes, the finding of some dead spots that had not been able to be remedied, you know, through other means. We've now purchased these iridium phones. I'm not exactly sure how we're covering all those needs so I shouldn't try to answer the question off the top of my head. We'll have to look into it and maybe Dr. Nokamura knows. No.

DR. NOKAMURA: No, that would be iridium phones.....

CHAIR THOMPSON: I don't mean to put you on the spot, but if you could provide that, supplement in some written form. The FCC has asked us the cost to providing services to those areas that have none now and I imagine somewhere if you've purchased those, Health and Social Services has an idea of how much it cost. And the more specific information you can provide us with what you've done as a remedial measure to solve or address issues would be helpful.

MS. RARIG: Right. All right. We'll certainly try to provide that information. I might point out that iridium phones started out being -- costing about $3,000 a piece or more, but because they were having so much difficulty implementing that whole project they lowered the price of the phones to $800 per phone.

The cost per minute is very high, but when you're using them just for the EMS services you can at least plan -- expect not to have too many minutes, but its an expensive technology and it's not certain that it's actually going to survive. It depends on the success of the bankruptcy proceedings of the iridium folks.

I also know if you're responding to a mass casuality disaster you don't want to be just depending on phone lines. You need to have more network type of communications so -- but I know that emergency medical folks have done a lot of work in this area and we'll get it to you.

CHAIR THOMPSON: Thank you.

LT. GOV. ULMER: Any other questions for Karen or Alice? Yes, Steve, go ahead.

MR. HAMLEN: This is Steve Hamlen with United Utilities. The eligible telephone carriers, the local exchange carriers are required to provide 911 services and I know in our villages we have the capability to do that, but we don't have a government body there that is prepared to provide 911 service.

Is there anything that can be done in this proceeding with the FCC to address that, or is that all within the state here? I'm kind of -- how do we make progress towards getting 911 in all of our villages I guess is the question? It might be beyond the scope of what we're dealing with today, but I was curious when we were -- under the discussion of emergency medical services whether that did include 911?

MS. RARIG: This is Alice. I'd say it's a good question. Our expert on 911 services Mark Johnson is not with us right now, but we'll convey the questions because maybe he could (telephone cutting out) and send them on to the RCA and the FCC.

MR. HAMLEN: Thank you.

LT. GOV. ULMER: Meredith, go ahead.

MS. SANDLER: I just wanted to address one of the points -- oh, I'm -- thank you. I'm Meredith Sandler and I work for the -- in Washington D.C. for the Governor's office. I wanted to address one of the points that Alice brought up in terms of the problems we've had with the Rural Health Care Program in Alaska. And I think as a result of

extensive advocacy by Alice and elsewhere, Rick and Lori Kenyon and myself working with the FCC we did in that order, Alice, that I think you may be the only one here that has seen, but in talking to the FCC just before this afternoon session they did say that they have now changed in terms of eligible telecommunications carrier that all pending applications that Alaska and other parts of the country, other rural health care providers, have before the USAC are going to be able to use the new definition of eligible telecommunication carrier so that IXC will be -- bills from IXCs will be acceptable to be submitted to the RHCD. No contracts required. No rebilling required, so it will be a very simple system. And, again, it will applied to all eligible applications, so because nobody has been turned down, or at least that was the FCC's understanding, it will start from day one of the program.

They will be -- FCC will be working with USAC in the next couple of days to make sure that they can be very specific with the Alaska rural health care providers and IXCs on exactly, you know, are the forms in place that have already -- you know, that those are the ones that can be used or they're -- god forbid, additional forms, but they didn't think so and then we'll have, you know, a teleconference and be able to talk about that more, but I cannot say the problem is solved, but I think we've overcome the most -- the largest hurtle, so I just wanted to let you know that.

MS. RARIG: That's very helpful. I'm not sure about this distance depends -- this distance based services issue. Maybe you at the RCA known more about that than we do.

LT. GOV. ULMER: Anybody want to comment? No one here is taking the bait.

COMMISSIONER PERDUE: One more comment from Juneau again. When I just walked in they were discussing the difference between the schools and libraries and the health facilities. And I realize they're different constructs for those two areas, but how I got involved with this in that Senator Stevens who is funding some of the public infrastructure for the health areas in rural Alaska, and much of the health care delivery in rural Alaska whether it's mental health or physical health is public, and so he was funding some of the infrastructure.

And his question was why do we have to buy separate infrastructure. Why can't communities pool up, you know, technology and lines and so on and share, especially in very small communities. Of course, very small communities are the places where you often need the telehealth the most because they're the most remote. That is the Aleutians and the Pribilofs and so on and that's been an interesting question to answer because, of course, there's a lot of good reasons within all of these decisions, but in the end it's a little bit of a challenge for us to market the efficiency and the economy when the funds streams are so very separate and they make it so very difficult for the community to put anything together.

Just not a helpful (ph) comment in the sense of a specific, but just a general comment for the future as we're trying to help small communities of, you know, 100 people to try to work all this out.

LT. GOV. ULMER: Do you have a comment?

COMMISSIONER DeMARCO: Yes. I agree with that concern. This is Commissioner DeMarco. We have been coordinating with both the Denali Commission and also the Statewide Energy Planning Group to try to address this kind of a problem and put some mechanisms in place for coordinating the various funding streams.

I believe one of the people who reported to us indicated that there were over 2,000 funding streams available to some of these communities, none of which are overlapped or coordinated with each other, so the problem is even greater then what we thought.

LT. GOV. ULMER: Do you have a comment, Jimmy?

MR. JACKSON: Yes, in a sense. This is Jimmy Jackson again. I just -- it's great news from Meredith Sandler about the ETC order and I just thought it would be appropriate to say to both Meredith Sandler and Alice Rarig a great big thank you. I think it should come from the entire State of Alaska. They've done an incred- -- and to Lori Kenyon. They've done an incredible job of trying to get that program straightened out.

I say that also, in part, as a member of the Board of USAC and a member of the Rural Health Care Committee. We have always wanted the program to work and it may not

necessarily have seemed like that to the recipients. I can assume you that no one was happier than us to find out that some of the problems have been worked out, but certainly a very big thank you goes to the folks in the state who've worked to make that program get straightened out. And let's hope we're there and we'll have to read a little more before we find out if we are.

LT. GOV. ULMER: Thanks, Jimmy, for saying so. Is there anyone else on line who would like to speak or, perhaps, ask a question?

MR. APATHY: Lieutenant Governor?

LT. GOV. ULMER: Yes.

MR. APATHY: This is Peter Apathy. I'm calling from Search down here in Sitka.

LT. GOV. ULMER: Go ahead.

MR. APATHY: And just had a couple comments just to follow up on some previous speakers. I would just like to echo the comments, I believe, that was Jeff speaking from the Mental Health Trust about making affordable bandwidth available. That's, for those of you who didn't hear before, we currently have a private network of five sites here in Southeast Alaska and would like to be able to expand that to about 20 communities where we have clinics of varying sizes.

And, I think, at least in the past for us that when something has come available to us we've been able to take advantage of that. Pretty recently we've -- kind of going along the model that the -- and I don't know who mentioned this, about the difference between the schools and the health care providers in their infrastructure.

Historically speaking, we certainly were much more interested in building an intranet and connecting all our clinics together for transmitting whatever it was that we wanted to transmit. That was much more interesting to us than to getting out on the internet. And then we've just -- since we've been able to build that infrastructure ourselves up to a point, we've been able to jump onto things and use things like we've got people sending simple, very rudimentary photos, photos from clinics saying, hey, do we -- we want a doc to take a look at this picture because we don't know if we should medivac this person out or we don't know if we should -- if it's okay for them

to just stay in the village for the next day or two and have 'em come in on the ferry, things like that.

I just wanted to comment just on a couple things that people had said earlier. Thank you.

LT. GOV. ULMER: Thank you, Peter. Is there anyone else on line that would like to comment? Is there anyone else here in Anchorage that would like to make a comment or ask a question? Last call.

MR. SPRINGER: Madam Chairman?

LT. GOV. ULMER: Yes.

MR. SPRINGER: Yeah, this is Mark Springer again. I'd just like to reflect really quick on what Peter said there and point out that there are technology solutions out here, relatively low bandwidth solutions that work fine over a telephone line, but work better with a TCPIP connection based pretty much on an e-mail platform that you can use to attach digital photographs to with a -- you know, you take the picture with a handheld digital camera, attach it to the e-mail and log into the server at the hospital or at the health corporation and drop it right there onto the doctor's desk top.

It's a model that's being used by the Providence Program. It's a model that's being used by the University of Alaska Telehealth Program. It's technology. It's a platform that's pretty well disbursed around the state. And, like I say, although it works adequately on a telephone dial-up, it works a lot better and a lot quicker if you have an internet connection, so basically what I'm saying is that the clinics will benefit, and not just the clinics, and not just the health corporations. Let's talk about who we're talking about, the patients will benefit. The health care consumers will benefit if in rural Alaska we do have just basic, rudimentary, dial-up internet service available, because they are already using technology that is, you know, integratable with just a low bandwidth internet connection. And I think that that's important for everybody to recognize, because it seems like some of the message that's been out here as well, you know, the clinics don't really need internet per se, they're looking for something else, but the fact is that there are demonstration projects and more than demonstration projects, there's software solutions

in use right now that can provide telemedicine and telecare in a very good fashion using, you know, nothing more than a 33-6 across town. So thanks.

LT. GOV. ULMER: Thank you, Mark. Anyone else on line? Do any of the Commissioners have any concluding remarks or questions? None. Bob Halperin, did you have any last questions or comments?

MR. HALPERIN: I was just going to ask the gentleman from Search if -- what facilities it is that they need to expand their intranet from the five sites to the 20? Are those facilities available and if so if he has any idea of what the cost of acquiring them would be?

MR. APATHY: Thank you. The biggest stumbling block as I understand it, I've not been involved with a lot of the design of this, has been simply the inaccessibility of frame relay connection in many of the locations. In some of the villages we -- basically we bought the best we could get and the best we could get was a 33-6 dedicated line back hall (ph) to one of the places where there was a frame relay access.

Cost wise, I'm afraid I can't tell you that, although I could find that out.

MR. HALPERIN: Any information that you could provide to the RCA on where additional facilities are available to you, where there are not and what they would cost where they are available would be very helpful.

MR. APATHY: Okay.

LT. GOV. ULMER: If there aren't any other comments or questions I would like to thank the RCA for hosting this meeting. All of the Staff for the Staff work, particularly the cookie baker. I would like to thank the cookie baker. And Bob Halperin for taking the time to come to Alaska and listen to what people had to say.

I know for myself I can certainly say that it has been a very educational day and for all of you who have taken the time to come to speak, even those who just came to listen, we're glad that you also spent the day with us.

I'd like to remind you that November 29th is the deadline for FCC comments. November 10th is the deadline that we've sort of set for -- in terms of comments that you'd like to share with

the State of Alaska. And, again, if you do have written comments either from presentations you made today or things that you may think of over the next few days, we certainly are looking for additional information and recommendations so that we can put together the best filings possible.

So with all of that we are adjourned for the afternoon. Thanks again.

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(Hearing Recessed - 3:38 p.m.)

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C E R T I F I C A T E

UNITED STATES OF AMERICA)
)ss.
STATE OF ALASKA)

I, Rebecca Nelms, Notary Public in and for the State of Alaska, residing at Anchorage, Alaska, and Reporter for R & R Court Reporters, Inc., do hereby certify:

THAT the annexed and foregoing Transcript of the Special Public Meeting was taken by Suzan K. Olson on the 3rd day of November, 1999, commencing at the hour of 8:30 o'clock a.m, at the Regulatory Commission of Alaska in Anchorage, Alaska, is a true and correct transcript;

THAT this Hearing Transcript, as heretofore annexed, is a true and correct transcription of the proceedings transcribed by Suzan K. Olson, Meredith Downing and myself.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal this 5th day of November, 1999.

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Notary in and for Alaska
My Commission Expires: 10/10/02