Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
July 2, 2002 Annual Access Charge Tariff Filings	))	WCB/Pricing 02-12 DA 02-970
	)	
ACS of Anchorage, Inc. Tariff FCC No. 1	))	Transmittal No. 11
	)	
National Exchange Carrier Association, Inc. Tariff FCC No. 5	))	Transmittal No. 939

<u>PETITION OF GCI TO SUSPEND AND INVESTIGATE</u>

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June 24, 2002

SUMMARY

The Commission should suspend and investigate the tariff filings by ACS of Anchorage, Inc. ("ACS") under Transmittal No. 11 and the National Exchange Carrier Association, Inc. ("NECA") under Transmittal No. 939. The ACS tariff features a significantly understated demand across all switched access elements with no plausible justification for a forecasted decline in demand that is inconsistent with historical trends. The resulting rates for these elements are overstated, and therefore, unlawful. Given the lack of correlation between ACS' switched access demand forecasts and recent historical trends, and ACS' evident overestimation of future decline in access minutes, the Commission must suspend ACS Transmittal No. 11. Upon investigation, the Commission should require ACS to file its linear regression model so that the Commission and interested parties can analyze the model as well as the access line independent variable that ACS claims to have employed by ACS in developing its demand forecasts.

In addition, the ACS and NECA tariffs are unlawful because they do not reflect any mid-course correction for overearnings. As rate-of-return regulated filers, ACS and NECA are required to set and adjust rates to avoid exceeding the Commission's rate of return prescription. It is imperative that the Commission consider the issue of overearnings in connection with the pre-effective tariff review of the instant tariff filing. ACS has consistently overearned for many years. In the case of ACS and NECA, both have reported earnings in excess of the prescribed rate of return for 2001, but neither has made any corresponding mid-course correction. The Commission should suspend and investigate the instant ACS and NECA filings.

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PETITION OF GCI TO SUSPEND AND INVESTIGATE

General Communication, Inc. ("GCI"), by its undersigned attorneys and pursuant to Section 204(a)(1) of the Communications Act and Section 1.773 of the Commission's rules,[1] hereby petitions the Commission to suspend and investigate ACS of Anchorage, Inc. ("ACS") Tariff F.C.C. No. 1, Transmittal No. 11 and National Exchange Carrier Association, Inc. ("NECA") Tariff F.C.C. No. 5, Transmittal No. 939, which were submitted on June 17, 2002.[2]

As GCI demonstrates below, the ACS tariff filing is unlawful because its understates demand and thereby produces inflated rates across all switched service rate elements. In addition, the ACS and NECA tariff filings are unlawful because each fails to make any mid-course correction to address overearnings that have already been reported for the first half of the 2001-2002 monitoring period. For these reasons, the ACS and NECA 2002 annual access tariff filings should be suspended and set for investigation.

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[1] 47 U.S.C. § 204(a)(1); 47 C.F.R. § 1.773.

[2] ACS of Anchorage, Inc., Tariff FCC No. 1, Transmittal No. 11 (filed June 17, 2002) ("ACS 2002 Annual Access Tariff Filing"); National Exchange Carrier Association, Inc., Tariff

(continued...)

I. ACS' UNDERSTATEMENT OF DEMAND PRODUCED UNLAWFUL SWITCHED SERVICE RATES

The Commission should suspend and investigate ACS' Transmittal No. 11 because ACS significantly understated demand across all switched access elements, and as a result, its rates for these elements are unlawful. ACS utilizes switched access minutes of use as the demand quantity for developing rates for Local Switching, Local Transport, Information Surcharge, and Directory Assistance.[3] In setting rates for these elements, ACS has greatly understated demand for interstate access minutes of use, and as a result, the rates are overstated and should be suspended and set for investigation.

For example, ACS forecasts demand for the July 2002-June 2003 Test Year of 436,005,751,[4] *over 60 million minutes less than* its reported 2001 PYCOS local switching demand.[5] However, ACS reported an actual decline in local switching minutes between 2000 and 2001 of less than 12 million.[6] The precipitous drop for the July 2002-June 2003 Test Year is inconsistent with the demand trend for this element. The following graph depicts the four years

(..continued)
F.C.C. No. 5, Transmittal No. 939 (filed June 17, 2002) ("NECA 2002 Annual Access Tariff Filing").

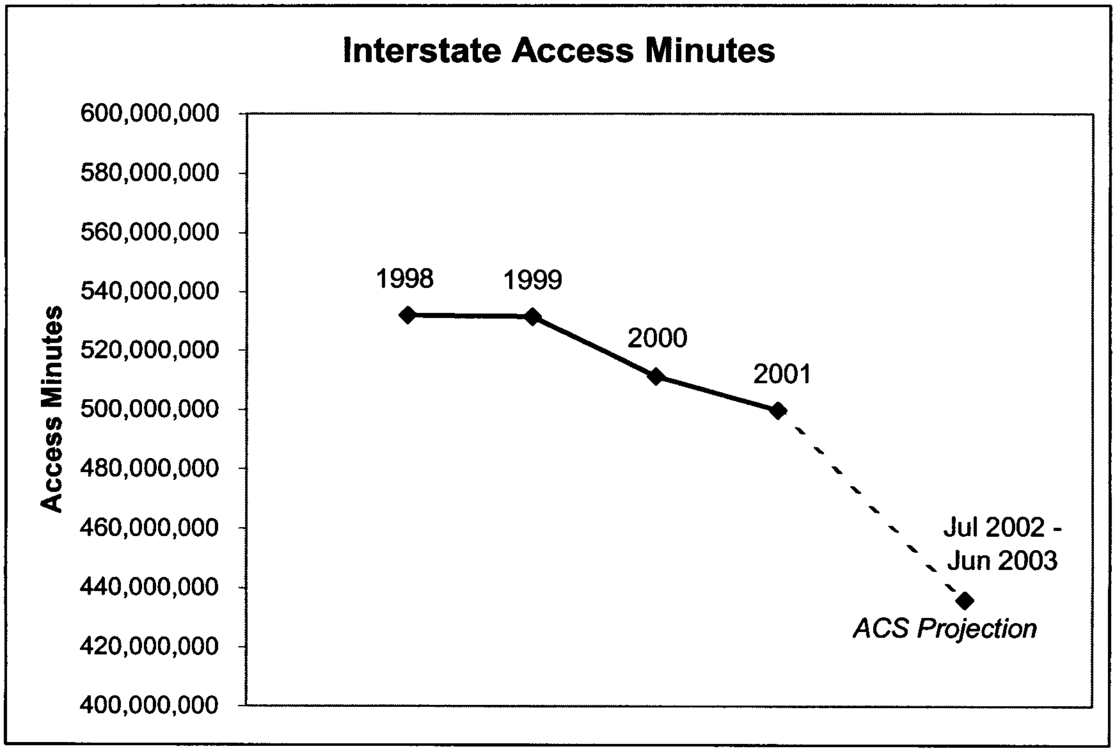
[3] ACS 2002 Description and Justification ("D&J"), Section 5, Part I at 22.

[4] ACS 2002 TRP, DMD-1 at 3, col. A, line 230; ACS 2002 Cost Support, Attachment H at 1. This demand forecast also directly causes ACS to overstate its rates for information surcharge, which is also developed based on the local switching demand. See ACS 2002 D&J at 24 ("Since ACS-ANC is using the same access MOU used to develop its switching rate, the demand has therefore been forecasted using a linear regression model."). It appears that a similar linear regression was used to forecast directory assistance, MOU as well. See id. at 25 "Demand for Directory Assistance was based on linear regression."). Thus, these rate elements should also be suspended and set for investigation.

[5] ACS 2002 TRP, DMD-1 at 3, col. A, line 220 (reporting 2001 PYCOS local switching demand of 499,778,595).

[6] See id., col. A, lines 180-210 (sum of lines 180, 190, 200 and 210 is 511,339,628) and line 220.

of historical access minute data reported by ACS in its TRP, DMD-1, along with the ACS projection for the July 2002-June 2003 test year.



As demonstrated by the graph, the Test Year projected demand falls well below the general trend present in the four years of historical data. ACS claims that it employed "[a] linear regression model using access lines as an independent variable . . . to forecast Traffic sensitive switched access minutes of use."[7] Yet, ACS has provided no explanation for the precipitous drop, nor has it provided any documentation of any nature in support of the regression analysis that produced the facially unreasonable demand projection.

ACS attempts to explain its low demand forecast by emphasizing that it has lost access lines to comeptitiors, but ACS has plainly exaggerated the effect of comeption on demand in its

[7] Id., Section 5, Part II.B. at 23.

forecast. ACS indicates that local competition accounts for the forecasted decline in demand, noting that it faces competition in the local market from GCI on a facilities and wholesale basis and from AT&T Alascom on a wholesale basis, with over 75,000 access lines served by carriers other than ACS.[8] First, lines lost to AT&T Alascom have *no* impact on ACS access minutes, because AT&T Alascom is a reseller in the local service market. Customers of AT&T Alascom are still served through the ACS switch, and ACS bills and keeps all access charges. Also, GCI serves approximately 10 percent of its lcoal customers via resale, which, like in the case of AT&T Alascom, would have no impact on ACS access minutes. Moreover, though ACS implies that it has lost over 75,000 access lines in the Anchorage market, ACS makes no mention of the 43,000 lines added over the same period of time through market growth. ACS' suggestion that competitive entry between 2000 and the test year supports the large decline in forecasted demand is not credible and demonstrates that ACS demand forecast methodology is suspect.

Second, and more importantly, the effects of local competition can be tracked throughout the 1998-2001 period, as GCI and AT&T Alascom entered the market in 1997, and do not support ACS' forecasted decline in switched access demand. Any resulting decline in access minutes over that same period is not profound and fairly flat. The low ACS demand forecast could only be supported by an assumption that the effects of local competition are accelerating, causing an accelerating loss of access minutes, but ACS' own data does not support this position. Indeed, any ACS loss in lines to competition has been at least partially offset by growth in the total number of access lines in the market and growth in access minutes per line.

In addition, ACS apparently made no adjustment in its demand forecast for a recent one-time event that would have caused an isolated decrease in interstate access minutes over the

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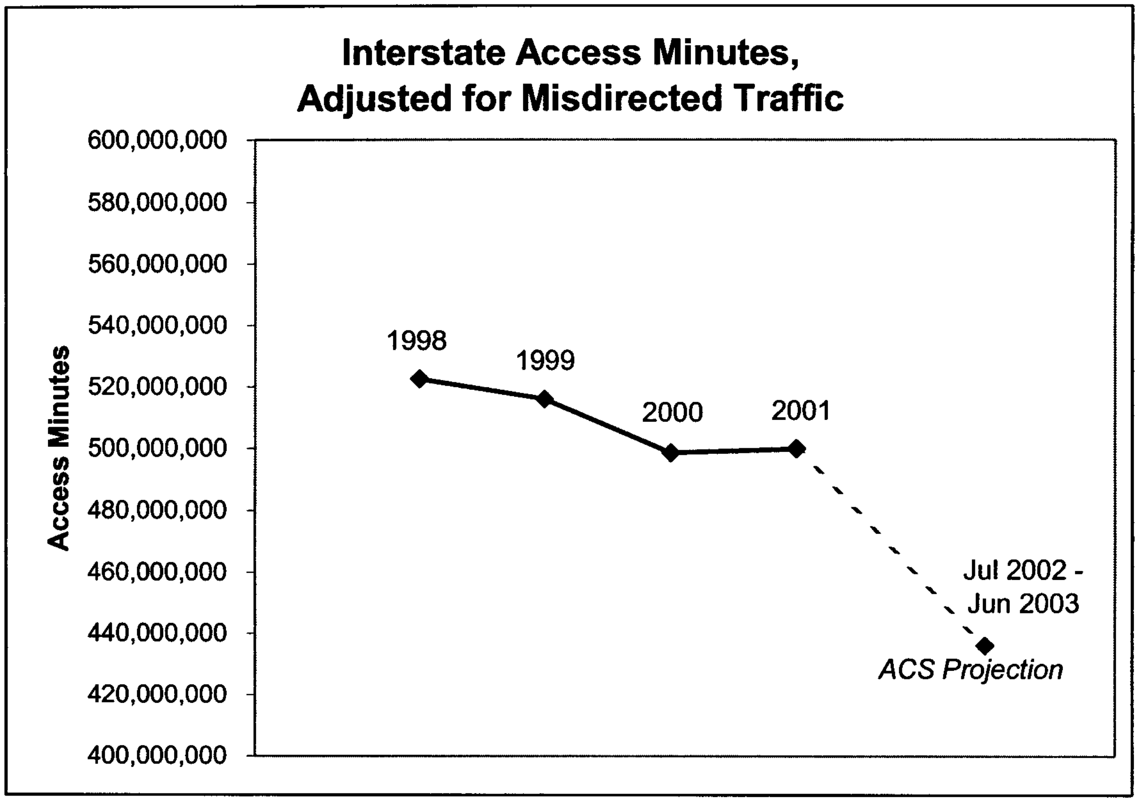
[8] Id.

2000/2001 period. For most of the period from 1998 through 2000, AT&T Alascom terminated the great majority of its interstate toll traffic to ACS, including traffic that was ultimately destined for local customers served by GCI. ACS would then pass this misdirected traffic to GCI, but ACS would still bill interstate access charges to AT&T Alascom for carrying the call. In approximately August, 2000, this practice ended when AT&T Alascom implemented local number portability, which permitted AT&T Alascom to determine the correct local carrier to which the AT&T Alascom interstate toll traffic should be delivered. As a result, AT&T Alascom was able to terminate toll traffic destined to GCI local customers directly to the appropriate GCI switch. This network reconfiguration resulted in a one-time reduction in the amount of interstate access minutes billed by ACS between 2000 and 2001, as demonstrated by a slightly steeper decline in historical access minutes in the graph above.

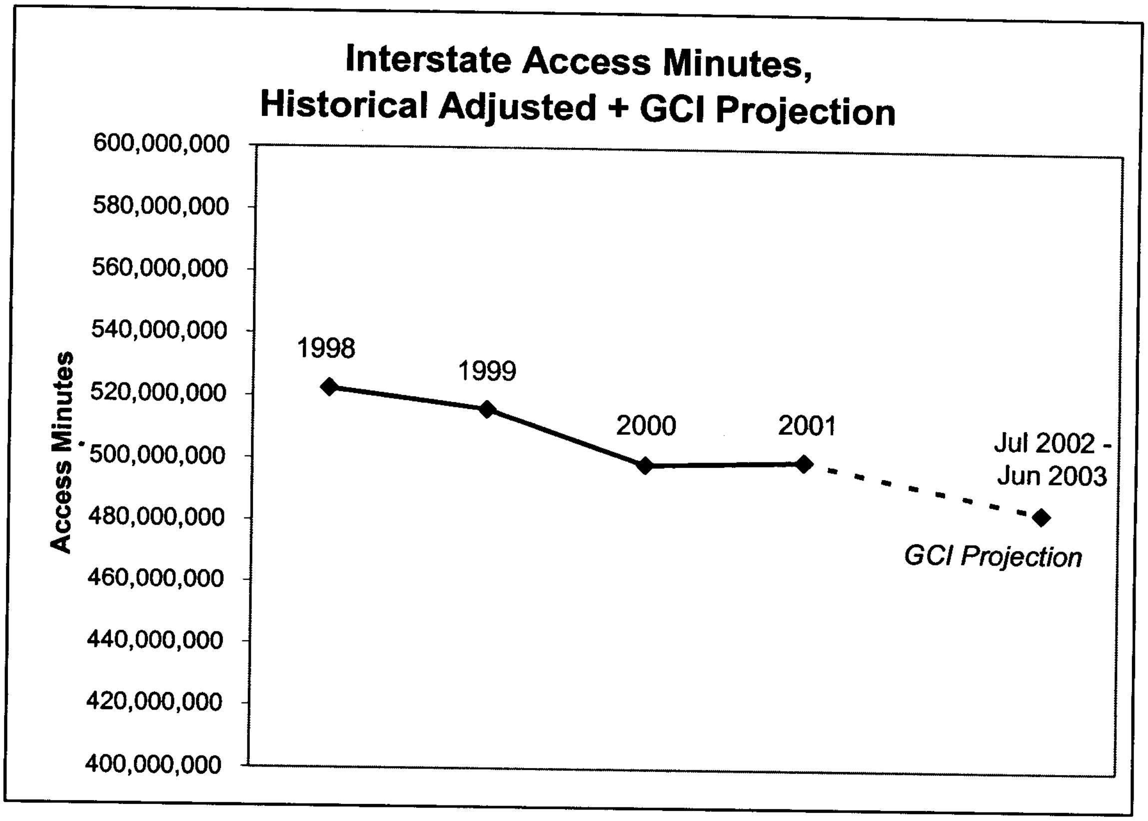
Though ACS seems to have made no adjustment for this single occurrence in developing its demand forecast, GCI has estimated the amount of "misdirected" interstate toll traffic that was included in the 1998, 1999, and 2000 access minutes recorded by ACS and removed from the ACS network in August 2000.[9] A more accurate depiction of access minute time trends is produced by removing the misdirected access minutes and re-plotting the data, as set forth tin the following graph:

[9] To produce the estimate, GCI took a sample of AMA records from the GCI-Local switch and determined that each GCI local line receives and average of approximately 41.6 minutes per month of AT&T interstate toll traffic. These minutes would have been misdirected to ACS prior to August 2000. This factor was then multiplied by the number of lines served by the GCI-Local switch for each month prior to August 2000. This calculation produced the following amounts of misdirected minutes per year: 9.5 million in 1998, 15.6 million in 1999, and 12.8 million in 2000.



As adjusted, the downward trend in historical access minutes from 1998 to 2001 is relatively small, particularly in the more recent history, further demonstarting that the ACS Test Year demand projection deviates considerably from the historical trend.

Using the adjusted historical interstate access demand data for 1998, 1999, 2000, and 2001, GCI has estimated a more reasonable demand forecast for the July 2002-June 2003 Test Year, as demonstrated by the following graph:



Using this approach yields 483,497,419 minutes of use, almost 50 million minutes more than the ACS' forecasted 436,005,751 minutes.

By under-forecasting demand, ACS has unlawfully avoided further warranted decreases in rates. ACS filed a long overdue 40.95 percent reduction in its local switching rate on June 10, 2002, and its current filing features a 14.34 percent reduction from that rate.[10] But plainly, ACS has under-forecasted demand to avoid further reductions, as it has done in the past. In its 1998 Annual Access Tariff filing, ACS' predecessor ATU forecasted a local switching demand of 398,852,964.[11] This forecast was substantially off the mark. The July 1998 tariff filing covered a two-year period, until June 2000. During that time, the actual local switching demand for July

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[10] See ACS TRP, RTE-1 at 1, line 130.

[11] ATU, Tariff F.C.C. No. 5, Transm. No. 97, Cost Support, Attachment H (June 24, 1998).

1998-June 1999 was 527,764,639,[12] *130,911,675 minutes more than the projected demand.* For the following 12-month period, July 1999-June 2000, the actual demand was 521,958,378,[13] once again significantly higher than the forecast. As a direct result, ACS' earnings in the traffic sensitive category for the 1999-2000 monitoring period exceeded 30 percent (EXHIBIT 1). Though ACS appears to have developed a more reasonable forecast of 505,383,825 in its subsequent July 2000 tariff filing,[14] two years later it now reports yet another arbitrarily low demand forecast of 436,005,751, a decline of almost 70 million minutes (or 13.7 percent) since its last annual filing. ACS has provided no support for the arbitrarily low demand, and the rates developed as a result must be suspended.

The same is true for the transport demand forecast. In 2000, transport demand MOU was 530,979,3666, declining only 5 million minutes in 2001 to 525,387,691.[15] But for the July 2002-June 2003 test year, ACS forecasts a decrease of almost 20 million minutes.[16] As with ACS' forecasted demand for local switching, this reduction is not supported by the recent historical data. Moreover, the data points for 1998 and 1999 historical demand values are so skewed (631,104,374 and 691,452,364 respectively)[17] that it is not possible to analyze or assess the linear

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[12] See ACS 2002 TRP, DMD-1 at 3, col. A (sum of lines 120, 130, 140 and 150 is 527,764,639).

[13] See ACS 2002 TRP, DMD-1 at 3, col. A (sum of lines 160, 170, 180 and 190 is 521,958, 378).

[14] ACS of Anchorage, Inc., Tariff FCC No. 5, Transmittal No. 108, Cost Support, Attachment H at 1 (filed June 16, 2000).

[15] ACS 2002 TRP, DMD-1 at 3, column F, lines 180-210 and 220 (sum of lines 180, 190, 200 and 210 is 530,979,366).

[16] Id., line 230.

[17] Id., lines 100-130 (sum of lines 100, 110, 120 and 130 is 631,979,366) and lines 140-170 (sum of lines 140, 150, 160 and 170 is 691,452,364).

regression analysis that ACS claims to have performed.[18] It is plain, however, that the data points reported here alone would not produce a reliable result using regression analysis.

Given the lack of correlation between ACS' switched access demand forecasts and recent historical trends, and ACS' evident overestimation of future decline in access minutes, the Commission must suspend ACS' switched access rates. Upon investigation, the Commission should require ACS to file its linear regression model so that the Commission and interested parties can analyze the model as well as the access line independent variable employed by ACS in developing its demand forecasts.

II. THE ACS AND NECA ANNUAL TARIFF FILINGS FAIL TO REFLECT A NECESSARY MID-COURSE CORRECTION FOR THE 2001-2002 MONITORING PERIOD

The ACS and NECA tariffs are unlawful because they do not reflect any mid-course correction for overearnings. As rate-of-return regulated filers, ACS and NECA are required to set and adjust rates to avoid exceeding the Commission's rate of return prescription.[19] Indeed, the Commission described the obligation of a rate of return carrier in the GCI Order:

> To comply with [the Commission's rate-of-return] prescription, rate-of-return carriers estimate their costs of providing exchange access services and project their demand for such services for a two-year period in the future (i.e., the monitoring period or enforcement period). They then file tariffs containing rates for their access services that they believe, given their estimate of costs and demand, will result in earnings within the prescribed rate of return at the end of the two-year forecast period. During the course of the two-year period, rate-of-return carriers must review how their actual costs and demand calculations

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[18] Of course, it is virtually impossible to analyze the actual regression analysis because ACS has not provided it and describes the "methodology" in the D&J in only the vaguest terms. See ACS 2002 D&J, Section 5, Part II.B.

[19] See General Communication, Inc. v. Alaska Communications Systems, Inc., 16 FCC Rcd 2834, 2836 (¶ 5) (2001) ("GCI Order") (citing MCI Telecom. Corp. v. FCC, 59 F.3d 1407, 1414 (D.C. Cir. 1995) ("MCI v. FCC"); Rate of Return Prescription Order, 1 FCC Rcd at 954), aff'd in part, vacated in part, and remanded in part ACS v. FCC, 290 F.3d 403 (D.C. Cir. 2002).

compare to their earlier projections, and make rate adjustments, if necessary, to ensure that they do not exceed their prescribed rate of return.[20]

It is clear from the instant tariff filing that ACS and NECA have failed to make any rate adjustment to ensure that the rates do not exceed the prescribed rate of return, and thus, those rates are unjust and unreasonable.

On March 27, 2002, ACS filed its mid-period earnings report for calendar year 2001. That report makes clear that for fully one half of the 2001-2002 Monitoring Period, ACS has already collected significant overearnings. In the switched traffic sensitive category, ACS posted a rate of return of 39.72 percent, and in the special access category, ACS reported a 21.37 percent return (EXHIBIT 2). Even if these excessive levels of return were attributed to a simple miscalculation of revenue or demand,[21] ACS must now revise its rates so as to ensure a lawful return — and thus lawful rates — for the 2001-2002 period. The same is true for NECA. In the switched traffic sensitive category, NECA reported a 12.25 percent return on common line, 17.76 percent on special access, and 12.74 percent for switched traffic sensitive traffic (EXHIBIT 3).

Notably, ACS recently filed reduced rates following the conclusion of the Commission's investigation into ACS' rates. Though ACS purported to employ a 11.25 percent return factor in computing those revised rates,[22] those reductions were intended simply to bring ACS rates to a legal level for that point in time, and ACS has in no way represented that that simple reduction will offset the significant overearnings it has already amassed for the period. Yet, as ACS itself

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[20] GCI Order, 16 FCC Rcd at 2836 (¶ 5) (internal citations and footnotes omitted) (emphasis added).

[21] Given ACS' repeated efforts to inflate its rates by including the costs of ISP traffic in its interstate rate base, one could hardly now call these current return levels mistaken.

[22] ACS Direct Case, CC Docket No. 02-36, Attachment A at S-1, line 2.

has stated, when a carrier's "monitoring report indicates that it is in fact exceeding its allowed rate of return, the Commission may prohibit the carrier from 'continu[ing] to charge [that rate] *during a future period*,' and may 'prescrib[e] a reasonable rate *as to the future*' for the purpose of keeping its earnings within permissible limits."[23] Certainly, suspension of ACS' tariff in light of its excessive overearnings for the first half of the 2001-2002 monitoring period is consistent with ACS' stated position. Thus, to ensure that prior overearning is not further compounded, the Commission should suspend the instant ACS — and NECA — tariff filings to consider whether or not these filers have undertaken a sufficient mid-course correction to address its ratesetting errors that undeniably have produced unlawful earnings in 2001.

Indeed, in light of the recent decision in ACS v. FCC, only in this way can the Commission ensure that "the pre-effective review of tariff filings protects against the imposition of unjust and unreasonable practices and rates."[24] In that decision, the court relied on the Commission's Streamlined Tariff Order to conclude that no retroactive refund liability would be imposed in connection with a tariff that has been "deemed lawful" pursuant to Section 204(a)(3) of the Act. That is, if a tariff is properly filed on 15- or 7-days notice, and the Commission takes no action against the tariff before it goes into effect, then only prospective relief may be available for any provision in the tariff that is subsequently found to be unlawful. If this irreparable injury may occur as a result of the Commission's failure to suspend a tariff that

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[23] Final Reply Brief of ACS, No. 01-1059 at 20 (D.C. Cir. filed Jan. 10, 2002) (citing Implementation of Section 402(b)(1(A) of the Telecommunications Act of 1996, Report and Order, 12 FCC Rcd 2170, 2182 (1997) ("Streamlined Tariff Order"), pets. for recon. pending) (emphasis in original).

[24] GCI Order, 16 FCC Rcd at 2857 (¶ 58); Streamlined Tariff Order, 12 FCC Rcd at 2183.

ultimately produces an unlawful return, the Commission must now undertake to consider and protect against overearnings in the pre-effective tariff review process.

Plainly, the Commission's rate-of-return prescription remains in place and in full force and effect,[25] and as the court acknowledged, prescribed rates of return are "a means to achieve just and reasonable rates."[26] In the past, if the Commission failed to suspend a tariff, a customer could be protected to some extent by the later ability to claim damages for overearnings. Today, if the Commission fails to suspend a tariff, then a customer may face irreparable injury.[27] Thus, a filer's recent earnings history can raise a substantial question of lawfulness that requires suspension and investigation.[28]

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[25] MCI v. FCC, 59 F.3d at 1414 ("We have repeatedly held that a rate-of-return prescription has the force of law and that the Commission may therefore treat a violation of the prescription as a per se violation of the requirement of the Communications Act that a common carrier maintain 'just and reasonable' rates"); Amendment of Part 65, Interstate Rate of Return Prescription: Procedures and Methodologies to Establish Reporting Requirements, Report and Order, 1 FCC Rcd 952 (1986) ("Rate of Return Prescription Order"), recon. denied, 2 FCC Rcd 5340 (1987); see also 47 U.S.C. § 205.

[26] ACS v. FCC, 290 F.3d at ___ (citing Nader v. FCC, 520 F.2d 182, 203 (D.C. Cir. 1975).

[27] Previously, Commission decision not to suspend were considered to be interlocutory because the customer retained the complaint remedy for damages. See Aeronautical Radio Inc. v. FCC, 642 F.2d 1221, 1248 (D.C. Cir. 1980) (finding that customer protection through the complaint process "alone suffices to render the FCC order non-final and unreviewable"), cert. denied, 451 U.S. 920 (1981); see also Nader v. CAB, 657 F.2d 453, 456 n.10 (D.C. Cir. 1981); Papago Tribal Util. Auth. v. FERC, 628 F.2d 235, 240 (D.C. Cir.) (finding that the acceptance of a rate filing has been characterized as "decid[ing] nothing concerning the merits of the case; it merely reserves the issues pending a hearing"), cert. denied, 449 U.S. 1061 (1980). Under Section 204(a)(3), decisions not to suspend can no longer be considered nonreviewable.

[28] To the extent that the Commission has previously concluded that "it is usually difficult, if not impossible, to determine, at the time a tariff is filed, whether the rates set forth in the tariff will produce earnings within the prescribed rate of return at some defined point in the future" (GCI Order, 16 FCC Rcd at 2857 (¶ 57) (citing MCI v. FCC, 59 F.3d at 1415)), it will not be possible to conclude that a tariff is lawful during the pre-effective tariff review process.

Particularly in ACS' case, the instant failure to respond to the overearnings that will plainly otherwise be produced in the 2001-2002 monitoring period is indicative of repeated ACS practice. ACS has consistently and substantially overearned in the switched traffic sensitive category of interstate access services since 1995. Specifically, ACS posted a rate of return of 18.57 percent for the 1995-1996 Monitoring Period (EXHIBIT 4), and a rate of return of 32.12 percent for the 1997-1998 Monitoring Period (EXHIBIT 5) — both substantially in excess of the Commission's prescribed 11.25 percent rate of return. ACS also exceeded the Commission's prescription for the 1999-2000 Monitoring Period, with a reported rate of return of 30.26 percent (EXHIBIT 1).[29] This long history of overearnings suggests that ACS' past projections have been unreliable. Yet, to date — including the instant tariff filing — ACS has not revised its rates to prevent future overearnings as the Commission plainly requires. Indeed, though revenues in the switched traffic sensitive category are generated largely through the local switching rate, ACS had not reduced this rate in the past six years and twice increased the rate during this time.[30] Only after the Commission recently investigated ACS' rates did ACS file a significantly reduced local switching rate — $0.011373 to $0.007840. In fact, ACS had made it a practice to claim

[29] Not only did ACS overearn in the 1997-1998 and 1999-2000 Monitoring Periods, it attempted to conceal its overearnings by allocating ISP costs to the interstate jurisdiction, thereby masking and significantly understating its rate of return for these periods.

[30] ACS increased its local switching rate in its January 1, 1998 tariff filing and in its July 1, 1998 tariff filing.

that it was entitled to an even higher local switching rate than the one it had charged,[31] which most recently yielded a 52.02 percent return in the end office subcategory for 2001. Failing to adjust its rates to prevent overearnings over the past three monitoring periods and through one-half of the current monitoring period, ACS has repeatedly violated the rate-of-return prescription.

It is imperative that the Commission consider the issue of overearnings in connection with the pre-effective tariff review of the instant tariff filing. In the case of ACS and NECA, both have reported earnings in excess of the prescribed rate of return for 2001, but neither has made any corresponding mid-course correction. The Commission should suspend and investigate the instant ACS and NECA filings.

[31] ACS repeatedly claimed that it "does not believe the competitive market will allow the calculated switching rate to be sustained," so it "elected to maintain rather than increase the existing switching rate." ACS Tariff FCC No. 1, Transm. No. 6, D & J at 12 (filed Dec. 17, 2001); Anchorage Telephone Utility, Tariff F.C.C. No. 5, Transm. No. 108, D&J at 7 n.1 (filed June 16, 2000); Anchorage Telephone Utility, Tariff F.C.C. No. 5, Transm. No. 97, D&J at 7 n.1 (filed June 24, 1998). This bare statement is disingenuous and amounts to nothing more than subterfuge to conceal the fact that ACS had not raised its local switching rate because ACS was consistently overearning on local switching — 30.88 percent in 1998, and 28.07 for the 1997-1998 monitoring period (EXHIBIT 5); 27.10 percent for the 1999-2000 monitoring period (EXHIBIT 1); and 52.02 percent for 2001 (EXHIBIT 2). This is the reason why ACS departed from its longstanding practice and assigned ISP minutes to the interstate jurisdiction — to absorb and thereby conceal its considerable overearnings. Contrary to ACS' claim regarding access competition, persistent returns of this magnitude suggest exactly the opposite — that ACS has an access monopoly and that regulatory intervention is necessary to curb the exploitation of this monopoly. ACS' claimed basis for "electing" not to change the switching rate is clearly baseless. See Access Charge Reform; Reform of Access Charges Imposed by Competitive Local Exchange Carriers, Seventh Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 9923, 9935 (¶ 30) ("Thus, once an end user decides to take from a particular LEC, that LEC controls an essential component of the system that provides interexchange calls, and it becomes the bottleneck for IXCs wishing to complete calls to, or carry calls from, that end user."); id. at 9938 (¶ 39) ("we conclude that it is necessary to constrain the extent to which CLECs can exercise their monopoly power and recover an excessive share of their costs from their IXC access customers — and, through them, the long distance market generally.").

III. CONCLUSION

Based on the foregoing, ACS Transmittal No. 11 and NECA Transmittal No. 939 raise substantial questions of lawfulness, and the Commission should suspend and investigate the respective tariffs in their entirety.

Respectfully submitted,

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Dated: June 24, 2002

CERTIFICATE OF SERVICE

I, Tina M. Pidgeon, hereby certify that a copy of the foregoing Petition of GCI to Suspend and Investigate was delivered by facsimile transmission, unless otherwise indicated, on the 24th day of June, 2002, to the following parties:

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Tina M. Pidgeon

EXHIBIT 1

FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

See Reverse side for information regarding public burden estimate.

Approved by OMB
3060-0355
Expires 07/31/2001

1. Name and Address of Reporting Company	2. Reporting Period
ACS OF ANCHORAGE 600 TELEPHONE AVENUE ANCHORAGE, ALASKA 99503-6091	(a) Annual Period Covered: From: 1/1/99 To: 12/31/00 (b) Cumulative Period Covered: From: 1/1/99 To: 12/31/00

FCC 492

RATE OF RETURN REPORT

(Read Instructions on Reverse Before Completing)

Dollar Amounts Shown In Thousands

3. Particulars	(A) Interstate Access		(B) Common Line		(C) Special Access	
	Current Year	Cumulative	Current Year	Cumulative	Current Year	Cumulative
1. Total Revenues	25,851	52,908	10,485	23,534	5,483	9,663
2. Total Expenses and Taxes	15,654	37,383	8,465	18,236	4,000	7,318
3. Oper. Inc. (Net Return) (1-2)	10,197	15,525	2,021	5,298	1,483	2,346
4. Rate Base-(Avg. Net Invest.)	45,417	45,417	23,330	23,330	9,064	9,064
5. Rate of Return (3/4) Annualized	22.45%	17.09%	8.66%	11.35%	16.36%	12.94%
6. FCC Ordered Refund-Amortized for Current Period (see Instr. 1)	0	0	0	0	0	0
7. Net Return (incl. effect of FCC Ordered Refund) (3+6)	10,197	15,525	2,021	5,298	1,483	2,346
8. Rate of Return (incl. effect of FCC Ordered Refund) (7/4) Annualized	22.45%	17.09%	8.66%	11.35%	16.36%	12.94%

3. Particulars	Switched Traffic Sensitive					
	(D) End Office		(E) Information		(F) Local Transport	
	Current Year	Cumulative	Current Year	Cumulative	Current Year	Cumulative
1. Total Revenues	6,667	13,315	280	492	2,935	5,904
2. Total Expenses and Taxes	1,816	8,355	162	404	1,211	3,070
3. Oper. Inc. (Net Return) (1-2)	4,851	4,960	119	87	1,724	2,833
4. Rate Base-(Avg. Net Invest.)	9,152	9,152	47	47	3,824	3,824
5. Rate of Return (3/4) Annualized	53.00%	27.10%	250.16%	91.77%	45.08%	37.05%
6. FCC Ordered Refund-Amortized for Current Period (see Instr. 1)	0	0	0	0	0	0
7. Net Return (incl. effect of FCC Ordered Refund) (3+6)	4,851	4,960	119	87	1,724	2,833
8. Rate of Return (incl. effect of FCC Ordered Refund) (7/4) Annualized	53.00%	27.10%	250.16%	91.77%	45.08%	37.05%

4. Rates of Return for the Switched Traffic Sensitive Category		
(a) Current Year	(b) Cumulative	
51.39%	30.26%	

5. Multiplicative Factor Used For Annualizing Rate of Return for Cumulative Measurement Period →	2.0000
6. Total Out-of-Period Adjustment (see instruction K) →	0

7. CERTIFICATION: I certify that I am the chief financial officer or the duly assigned accounting officer; that I have examined the foregoing report; that to the best of my knowledge, information, and belief, all statements of fact contained in this report are true and this report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the specified period.

Date	Typed Name of Person Signing	Title of Person Signing	Signature
9/30/01	Thomas R. Meade	VP, Revenue Requirements	Thomas R Meade

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE, TITLE 18, Section 1001) AND/OR REVOCATION ON ANY STATION LICENSE OR CONSTRUCTION PERMIT (U.S. CODE, TITLE 47, Section 312(a)(1)), AND/OR FORFEITURE (U.S. CODE, TITLE 47, Section 503).

EXHIBIT 2

FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

See Reverse side for information regarding public burden estimate.

Approved by OMB
3060-0355
Expires 07/31/2001

1. Name and Address of Reporting Company	2. Reporting Period
ACS OF ANCHORAGE 600 TELEPHONE AVENUE ANCHORAGE, ALASKA 99503-6091	(a) Annual Period Covered: From: 1/1/01 To: 12/31/01 (b) Cumulative Period Covered: From: 1/1/01 To: 12/31/01

FCC 492

RATE OF RETURN REPORT

(Read Instructions on Reverse Before Completing)

Dollar Amounts Shown In Thousands

3. Particulars	(A) Interstate Access		(B) Common Line		(C) Special Access	
	Current Year	Cumulative	Current Year	Cumulative	Current Year	Cumulative
1. Total Revenues	25,669	25,669	9,112	9,112	6,879	6,879
2. Total Expenses and Taxes	17,367	17,367	7,048	7,048	4,686	4,686
3. Oper. Inc. (Net Return) (1-2)	8,302	8,302	2,064	2,064	2,193	2,193
4. Rate Base-(Avg. Net Invest.)	35,861	35,861	15,413	15,413	10,263	10,263
5. Rate of Return (3/4) Annualized	23.15%	23.15%	13.39%	13.39%	21.37%	21.37%
6. FCC Ordered Refund-Amortized for Current Period (see Instr. 1)	0	0	0	0	0	0
7. Net Return (incl. effect of FCC Ordered Refund) (3+6)	8,302	8,302	2,064	2,064	2,193	2,193
8. Rate of Return (incl. effect of FCC Ordered Refund) (7/4) Annualized	23.15%	23.15%	13.39%	13.39%	21.37%	21.37%

3. Particulars	Switched Traffic Sensitive					
	(D) End Office		(E) Information		(F) Local Transport	
	Current Year	Cumulative	Current Year	Cumulative	Current Year	Cumulative
1. Total Revenues	6,859	6,859	180	180	2,639	2,639
2. Total Expenses and Taxes	3,624	3,624	158	158	1,851	1,851
3. Oper. Inc. (Net Return) (1-2)	3,235	3,235	22	22	788	788
4. Rate Base-(Avg. Net Invest.)	6,219	6,219	27	27	3,940	3,940
5. Rate of Return (3/4) Annualized	52.02%	52.02%	82.84%	82.84%	20.01%	20.01%
6. FCC Ordered Refund-Amortized for Current Period (see Instr. 1)	0	0	0	0	0	0
7. Net Return (incl. effect of FCC Ordered Refund) (3+6)	3,235	3,235	22	22	788	788
8. Rate of Return (incl. effect of FCC Ordered Refund) (7/4) Annualized	52.02%	52.02%	82.84%	82.84%	20.01%	20.01%

4. Rates of Return for the Switched Traffic Sensitive Category

(a) Current Year	(b) Cumulative
39.72%	39.72%

5. Multiplicative Factor Used For Annualizing Rate of Return for Cumulative Measurement Period → 1.0000

6. Total Out-of-Period Adjustment (see instruction K) → 0

7. CERTIFICATION: I certify that I am the chief financial officer or the duly assigned accounting officer; that I have examined the foregoing report; that to the best of my knowledge, information, and belief, all statements of fact contained in this report are true and this report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the specified period.

Date	Typed Name of Person Signing	Title of Person Signing	Signature
3/27/02	Kevin Hemenway	Sr VP, Treasurer & CFO	Kevin P. Hemenway

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE, TITLE 18, Section 1001) AND/OR REVOCATION ON ANY STATION LICENSE OR CONSTRUCTION PERMIT (U.S. CODE, TITLE 47, Section 312(a)(1)), AND/OR FORFEITURE (U.S. CODE, TITLE 47, Section 503).

General Instructions

A. This report is prescribed under authority of Sections 4(i), 4(j) and 205 of the Communications Act of 1934, as amended. FCC 492 shall be filed in triplicate with the Federal Communications Commission, Washington, D.C. 20554, within three (3) months after the end of each calendar year by each local exchange carrier or group of affiliated carriers which is not subject to Sections 61.41 through 61.49 of the Commission's Rules and which has filed individual access tariffs during the enforcement period.

B. The data shall be aggregated at the same jurisdictional levels as the tariffs. An additional six (6) months from the initial due date, will be allowed for each local exchange carrier or group of affiliated carriers which is not subject to Sections 61.41 through 61.49 of the Commission's Rules to correct their complete enforcement period report.

C. All instructions shall be followed. All questions and statements must be completed. If proper answer is "none" or "not applicable", insert that answer.

D. Any data that requires clarification should be footnoted and fully explained in the Remarks section below. If the space provided is insufficient for the required data or it is otherwise necessary or desirable to insert additional statements or schedules, the insert pages should include the name of the respondent and the time period covered, in a style conforming as nearly as practicable to that appearing on the regular page.

E. All amounts of money shall be shown in the thousands of dollars. Losses or other negative items shall be shown in parenthesis. Rates of return shall be shown to the nearest hundredth.

F. Revenues should include only revenues earned during the report period. Costs should also reflect only those costs incurred in the report period.

G. Interstate adjustments to rate base, expenses and revenues shall be based upon FCC Docket 19129 and other relevant Commission orders, if applicable to the reporting entity.

Specific Instructions (referenced to item numbers on form)

H. Item 3. Particulars

Column A - Interstate Access. Column A should equal the sum of columns B through F for both the current year and cumulative periods. Likewise, rates of return in Column A shall equal the weighted average of the sums of columns B through F.

Line 1 - Total Revenues - (earned during the report period) shall include service revenues, interest during construction, if applicable, and miscellaneous operating revenues less uncollectibles.

Line 2 - Total Expenses and Taxes - shall include operating expenses, depreciation, amortization, other expenses, interstate allowances and disallowances if applicable, as well as all taxes.

Line 4 - Rate Base-Average Net Investment - shall include accounts 100.1, 100.2, 100.3, 100.4, 122, 171, 172, and 176. Computation shall be calculated by taking the sum of the average net investments for all months in a reporting period and dividing by the number of months in the reporting period. Deviations from this methodology should be footnoted and documented in the Remarks section below.

Line 6 - Use the following table to calculate the after tax effect of an FCC ordered refund:

1. FCC Ordered Refund Total ________________
2. Refund for Period (Amortized) ________________
3. Tax Rate ________________
4. Refund Adjusted for Taxes ________________
   ((1 minus line 3) multiplied by line 2)
   (Enter this amount)

I. Item 4 - Rates of Return for the Switched Traffic Sensitive Category should be calculated and entered in item 4 on the form. Switched traffic sensitive consists of line termination, local switching, intercept, information and local transport. End office includes line termination, local switching and intercept. For reporting purposes, equal access implementation costs should be included within "end office."

J. Item 5 - Multiplicative Factor for Cumulative Measurement - rates of return for the cumulative measurement period shall be annualized with the appropriate multiplicative factor and shown in item 5.

K. Item 6 - Total Out-of-Period Adjustment. Report total out-of-period adjustments for cumulative period in item 6. Significant out-of-period adjustments should be footnoted and explained in the Remarks section below. Significant out-of-period adjustments are those adjustments having an annualized 10 basis points or more impact within the three enforcement categories (common line, special access, switched traffic sensitive). In connection with the 10 basis point threshold, carriers need only report retroactive adjustments above the following amounts: $1,000,000 for common line revenues; $300,000 for special access revenues; and $300,000 for switched traffic sensitive categories.

Out-of-period adjustments from prior enforcement periods identified more than nine months after the prior enforcement periods have ended should be shown separately in the Remarks section if (1) a company's rate of return for an enforcement category was within 10 basis points of a refund situation and (2) will cause the prior rate of return to go above its allowed maximum. In each case, the appropriate enforcement periods should be clearly indicated.

Notice to Individuals - FCC 492 is needed to provide this Commission with data required to fulfill its regulatory responsibilities with respect to interstate telephone service under Title II of the Communications Act of 1934, as amended. FCC 492 is necessary to enable the Commission to monitor access tariffs and price cap earnings, and to enforce rate of return prescriptions. Your response is mandatory.

Remember - You are not required to respond to a collection of information sponsored by the Federal government, and the government may not conduct or sponsor this collection, unless it displays a currently valid Office of Management and Budget (OMB) control numnber. This collection has been assigned an OMB control number of 3060-0355.

We have estimated that each response to this collection of information will take, on average, 8 hours. Our estimate includes the time to read the instructions, look through existing records, gather and maintain the required data, and actually complete and review the form or response. If you have any comments on this estimate, or how we can improve the collection and reduce the burden it causes you, please write the Federal Communications Commission, AMD-PERM, Washington, DC 20554, Paperwork Reduction Project (3060-0355). We also will accept your comments via the Internet if you send them to jboley@fcc.gov. Please DO NOT SEND COMPLETED FORMS TO THIS ADDRESS.

The foregoing Notice is required by the Privacy Act of 1974, P.L. 93-579, December 31, 1974, 5 U.S.C. 552(a)(e)(3), and the Paperwork Reduction Act of 1995, P.L. 104-13, 44 U.S.C. 3507.

Remarks:

ACS OF ANCHORAGE HAS COMPLIED WITH FCC ORDER #EB-00-MD-016 AND HAS TREATED ISP TRAFFIC AS INTRASTATE UNDER PROTEST AND IS APPEALING THE FCC ORDER

EXHIBIT 3

FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

Approved by OMB 3060-0355
Expires 05/31/98

1. Name and Address of Reporting Company	2. Reporting Period	
National Exchange Carrier Association 80 South Jefferson Road Whippany, NJ 07981	(a) Quarterly Period Covered N/A	N/A
	(b) Cumulative Period Covered: 01/01	12/01

FCC 492
NECA Tariff Participants

RATE OF RETURN REPORT

(Read Instructions on Reverse Before Completing)

Dollar Amounts Shown in Thousands

3. Particulars	(A) Interstate Access		(B) Common Line		(C) Special Access	
	Current Quarter	Cumulative	Current Quarter	Cumulative	Current Quarter	Cumulative
1. Total Revenues	N/A	$1,987,686	N/A	$914,590	N/A	$191,691
2. Total Expenses and Taxes	N/A	$1,691,817	N/A	$761,970	N/A	$157,513
3. Oper. Inc. (Net Return) (1-2)	N/A	$295,869	N/A	$152,620	N/A	$34,178
4. Rate Base-(Avg. Net Invest.)	N/A	$2,294,283	N/A	$1,245,621	N/A	$192,481
5. Rate of Return (¾) Annualized	N/A	12.90%	N/A	12.25%	N/A	17.76%
6. FCC Ordered Refund-Amortized for Current Period (see Instr. I)	N/A	$0	N/A	$0	N/A	$0
7. Net Return (incl. effect of FCC Order Refund) (3+6)	N/A	$295,869	N/A	$152,620	N/A	$34,178
8. Rate of Return (incl. effect of FCC Order Refund) (7/4) Annualized	N/A	12.90%	N/A	12.25%	N/A	17.76%

3. Particulars	Switched Traffic		Traffic Sensitive Total	
	Current Quarter	Cumulative	Current Quarter	Cumulative
1. Total Revenues	N/A	$881,405	N/A	$1,073,096
2. Total Expenses and Taxes	N/A	$772,334	N/A	$929,847
3. Oper. Inc. (Net Return) (1-2)	N/A	$109,071	N/A	$143,249
4. Rate Base-(Avg. Net Invest.)	N/A	$856,181	N/A	$1,048,662
5. Rate of Return (¾) Annualized	N/A	12.74%	N/A	13.66%
6. FCC Ordered Refund-Amortized for Current Period (see Instr. I)	N/A	$0	N/A	$0
7. Net Return (incl. effect of FCC Order Refund) (3+6)	N/A	$109,071	N/A	$143,249
8. Rate of Return (incl. effect of FCC Order Refund) (7/4) Annualized	N/A	12.74%	N/A	13.66%

4. Rates of Return for the Switched Traffic Sensitive Category			
(a) Current Quarter	(b) Cumulative	5. Multiplicative Factor Used for Annualizing Rate of Return for Cumulative Measurement Period	1.0000
N/A	12.74%	6. Total Out-of-Period Adjustment (see instruction L)	$ 0

7. Certification: I certify that I am the chief financial officer or the duly assigned accounting officer: that I have examined the foregoing report; that to the best of my knowledge, information, and belief, all statements of fact contained in this report are true and this report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the specified period.

Date	Typed Name of Person Signing	Title of Person Signing	Signature
03/29/2002	Ronald E. Cook	Vice President, Finance & Planning	R E Cook

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE, TITLE 18, Section 1001), AND/OR REVOCATION OF ANY STATION LICENSE OR CONSTRUCTION PERMIT (U.S. CODE, TITLE 47, Section 312(a)(1)), AND/OR FORFEITURE (U.S. CODE, TITLE 47, Section 503)

National Exchange Carrier Association, Inc.
80 South Jefferson Road
Whippany, NJ 07981

Quarterly Period Covered
From: N/A
Cumulative Period Covered
From: 01/01 to 12/01

NECA Tariff Participants Form 492

Additional Statements

Pursuant to Section 65.600 of the Commission's Rules, NECA is submitting cumulative period Rate of Return information for the Common Line and Traffic Sensitive categories for the period January 2001 through December 2001, as of the February 2002 settlement view.

All of the individual line items on Form 492 include estimates and are subject to further adjustments, as Exchange Carriers revise data. The amounts in this report require the following additional explanations:

1) Nineteen companies converted from average schedule settlements to cost-based settlements during the cumulative period. These conversions affect the levels of expenses and investment associated with the Common Line and Traffic Sensitive pools during the reporting periods.

2) The 2000 Modification of Average Schedules was effective July 1, 2000, and the 2001 Modification of Average Schedules was effective July 1, 2001. These formulas are the basis for total payments to average schedule companies in the current period which are included, along with Category I.B and I.C NECA administrative expenses, in line 2 of NECA's Form 492.

3) Some cost company reported expenses and investments included in NECA's FCC 492 report are based upon estimated data. Historically, expense and investment levels increase as companies begin reporting actual data. Considering this, it is expected that the rates of return reported on NECA's Form 492 report will decline as the companies update their studies.

4) The report includes cumulative period rate of return data reported to NECA for 1092 study areas that have participated in both NECA's carrier common line and traffic sensitive tariffs throughout the monitoring period. Actual cost and average schedule settlements information is used for the study areas in the report. Revenues for these study areas are derived using the pool realized rate of return. The Total Interstate Access columns consist of data summed from the Common Line and Traffic Sensitive categories. Exchange carriers not included in NECA's Form 492 filed an interstate access tariff during the monitoring period and file their own Form 492 pursuant to Commission rules.

5) NECA reports the Rate of Return as an aggregate for the Traffic Sensitive category for monitoring purposes per Authorized Rates of Return for Interstate Services of AT&T Communications and Exchange Telephone Carriers, CC Docket No. 84-800 Phase I, Memorandum Opinion and Order, FCC 86-14 (released March 24, 1986) at n. 51.

EXHIBIT 4

FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

1. Name and Address of Reporting Company	2. Reporting Period
ANCHORAGE TELEPHONE UTILITY 600 TELEPHONE AVENUE ANCHORAGE, ALASKA 99503-6091	(a) Quarterly Period Covered: From: 10/1/96 To: 12/31/96 (b) Cumulative Period Covered: From: 1/1/95 To: 12/31/96

FCC 492

RATE OF RETURN REPORT

(Read Instructions on Reverse Before Completing)

Dollar Amounts Shown In Thousands

3. Particulars	(A) Interstate Access		(B) Common Line		(C) Special Access	
	Current Quarter	Cumulative	Current Quarter	Cumulative	Current Quarter	Cumulative
1. Total Revenues	7,177	49,072	3,671	21,589	826	6,587
2. Total Expenses and Taxes	5,146	34,748	2,342	16,075	624	4,733
3. Oper. Inc. (Net Return) (1-2)	2,031	14,324	1,329	5,514	202	1,854
4. Rate Base-(Avg. Net Invest.)	54,139	52,752	26,722	26,678	7,490	7,344
5. Rate of Return (3/4) Annualized	15.00%	13.58%	19.89%	10.33%	10.79%	12.62%
6. FCC Ordered Refund-Amortized for Current Period (see Instr. 1)	0	0	0	0	0	0
7. Net Return (incl. effect of FCC Ordered Refund) (3+6)	2,031	14,324	1,329	5,514	202	1,854
8. Rate of Return (incl. effect of FCC Ordered Refund) (7/4) Annualized	15.00%	13.58%	19.89%	10.33%	10.79%	12.62%

	Switched Traffic Sensitive					
3. Particulars	(D) End Office		(E) Information		(F) Local Transport	
	Current Quarter	Cumulative	Current Quarter	Cumulative	Current Quarter	Cumulative
1. Total Revenues	1,617	13,242	399	3,023	664	4,631
2. Total Expenses and Taxes	1,522	8,969	342	2,726	316	2,245
3. Oper. Inc. (Net Return) (1-2)	95	4,274	57	297	347	2,385
4. Rate Base-(Avg. Net Invest.)	16,070	15,016	295	304	3,563	3,410
5. Rate of Return (3/4) Annualized	2.37%	14.23%	78.06%	48.81%	39.00%	34.98%
6. FCC Ordered Refund-Amortized for Current Period (see Instr. 1)	0	0	0	0	0	0
7. Net Return (incl. effect of FCC Ordered Refund) (3+6)	95	4,274	57	297	347	2,385
8. Rate of Return (incl. effect of FCC Ordered Refund) (7/4) Annualized	2.37%	14.23%	78.06%	48.81%	39.00%	34.98%

4. Rates of Return for the Switched Traffic Sensitive Category		5. Multiplicative Factor Used For Annualizing Rate of Return for Cumulative Measurement Period	2.0000
(a) Current Quarter	(b) Cumulative		
10.04%	18.57%	6. Total Out-of-Period Adjustment (see instruction L)	0

7. CERTIFICATION: I certify that I am the chief financial officer or the duly assigned accounting officer; that I have examined the foregoing report; that to the best of my knowledge, information, and belief, all statements of fact contained in this report are true and this report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the specified period.

Date	Typed Name of Person Signing	Title of Person Signing	Signature
10/28/97	Melphine Evans	Chief Financial Officer	Melphine Evans

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE, TITLE 18, Section 1001) AND/OR REVOCATION ON ANY STATION LICENSE OR CONSTRUCTION PERMIT (U.S. CODE, TITLE 47, Section 312(a)(1)), AND/OR FORFEITURE (U.S. CODE, TITLE 47, Section 503).

General Instructions

A. This report is prescribed under authority of Sections 4(i), 4(j) and 205 of the Communications Act of 1934, as amended. FCC 492 shall be filed in duplicate with the **Federal Communications Commission, Washington, D.C. 20554,** not later than three (3) months after the end of the reporting quarter by each local exchange carrier or group of affiliated carriers which is not subject to Sections 61.41 through 61.49 of the Commission's Rules and which has filed individual access tariffs during the enforcement period.

B. The data shall be aggregated at the same jurisdictional levels as the tariffs. An additional six (6) months from the initial due date, will be allowed for each local exchange carrier or group of affiliated carriers which is not subject to Sections 61.41 through 61.49 of the Commission's Rules to correct their complete enforcement period report.

C. All instructions shall be followed. All questions and statements must be completed.

D. Any data that requires clarification should be footnoted and fully explained in the Remarks section below. If the space provided is insufficient for the required data or it is otherwise necessary or desirable to insert additional statements or schedules, the insert pages should include the name of the respondent and the time period covered, in a style conforming as nearly as practicable to that appearing on the regular page.

E. All amounts of money shall be shown in the thousands of dollars. Losses or other negative items shall be shown in parenthesis. Rates of return shall be shown to the nearest hundredth.

F. Revenues should include only revenues earned during the report period. Costs should also reflect only those costs incurred in the report period.

G. Rates of return on a quarterly basis shall be annualized with a multiplicative factor of 4.

H. Interstate adjustments to rate base, expenses and revenues shall be based upon FCC Docket 19129 and other relevant Commission orders, if applicable to the reporting entity.

Specific Instructions (referenced to item numbers on form)

I. Item 3. Particulars

Column A - Interstate Access. Column A should equal the sum of columns B through F for both the current quarter and cumulative periods. Likewise, rates of return in Column A should equal the weighted average of the sums of columns B through F.

Line 1 - Total Revenues - (earned during the report period) shall include service revenues, interest during construction, if applicable, and miscellaneous operating revenues less uncollectibles.

Line 2 - Total Expenses and Taxes - shall include operating expenses, depreciation, amortization, other expenses, interstate allowances and disallowances if applicable, as well as all taxes.

Line 4 - Rate Base-Average Net Investment - shall include accounts 100.1, 100.2, 100.3, 100.4, 122, 171, 172, and 176. Computation shall be calculated by taking the sum of the average net investments for all months in a reporting period and dividing by the number of months in the reporting period. Deviations from this methodology should be footnoted and documented in the Remarks section below.

Line 6 - Use the following table to calculate the after tax effect of an FCC ordered refund:

1. FCC Ordered Refund Total ______
2. Refund for Period (amortized) ______
3. Tax Rate ______
4. Refund Adjusted for Taxes ______

((1 minus line 3) multiplied by line 2)

(Enter this amount)

J. Item 4 - Rates of Return for the Switched Traffic Sensitive Category should be calculated and entered in item 4 on the form. Switched traffic sensitive consists of line termination, local switching, intercept, information and local transport. End office includes line termination, local switching and intercept. For reporting purposes, equal access implementation costs should be included within "end office."

K. Item 5 - Multiplicative Factor for Cumulative Measurement - rates of return for the cumulative measurement period shall be annualized with the appropriate multiplicative factor and shown in item 5.

L. Item 6 - Total Out-of-Period Adjustment. Report total out- of-period adjustments for cumulative period in item 6. Significant out-of-period adjustments should be footnoted and explained in the Remarks section below. Significant out-of-period adjustments are those adjustments having an annualized 10 basis points or more impact within the three enforcement categories (common line, special access, switched traffic sensitive). In connection with the 10 basis point threshold, carriers need only report retroactive adjustments above the following amounts: **$1,000,000 for common line revenues; $300,000 for special access revenues; and $300,000 for switched traffic sensitive categories.**

Out-of-period adjustments from prior enforcement periods identified more than nine months after the prior enforcement periods have ended should be shown separately in the Remarks section if (1) a company's rate of return for an enforcement category was within 10 basis points of a refund situation and (2) will cause the prior rate of return to go above its allowed maximum. In each case, the appropriate enforcement periods should be clearly indicated.

Notice of Individuals - FCC 492 is needed to provide this Commission with data required to fulfill its regulatory responsibilities with respect to interstate telephone service under Title II of the Communicatins Act of 1934, as amended. Information from the FCC 492 is used, for example, to measure whether the rate of return earned by the carriers exceeds the limits imposed by this Commission, and selected data from the FCC 492 are tabulated and released by the Commission. Your response is mandatory.

Public reporting burden for this collection of information is estimated to average 8 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Federal Communications Commission, Information Records and Management Branch, Washington, D.C. 20554, and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (3060-0355), Washington, D.C. 20553.

The foregoing Notice is required by the Privacy Act of 1974, P.L. 93-579, December 31, 1974, 5 U.S.C. 552(a)(e)(3), and the Paperwork Reduction Act of 1980, P.L. 96-511, 44 U.S.C. 3504(c)(3).

EMARKS

THESE RESULTS REFLECT THE RECORDING OF INTRAOFFICE CALLS AS ONE DEM.

EXHIBIT 5

Washin: regarding public burden 4ires 07/31/2001

1. Name and Address of Reporting Company
ANCHORAGE TELEPHONE UTILITY
600 TELEPHONE AVENUE
ANCHORAGE, ALASKA 99503-6091

2. Reporting Period
(a) Annual Period Covered:
From: 1/1/98 To: 12/31/98
(b) Cumulative Period Covered:
From: 1/1/97 To: 12/31/98

FCC 492

RATE OF RETURN REPORT

(Read Instructions on Reverse Before Completing)

Dollar Amounts Shown In Thousands

3. Particulars	(A) Interstate Access		(B) Common Line		(C) Special Access	
	Current Year	Cumulative	Current Year	Cumulative	Current Year	Cumulative
1. Total Revenues	24,942	49,440	11,045	21,884	3,825	7,523
2. Total Expenses and Taxes	16,049	32,582	8,141	16,489	2,782	5,555
3. Oper. Inc. (Net Return) (1-2)	8,894	16,858	2,904	5,395	1,043	1,968
4. Rate Base-(Avg. Net Invest.)	47,920	49,072	24,745	25,664	8,910	8,627
5. Rate of Return (3/4) Annualized	18.56%	17.18%	11.74%	10.51%	11.70%	11.41%
6. FCC Ordered Refund-Amortized for Current Period (see Instr. 1)	0	0	0	0	0	0
7. Net Return (incl. effect of FCC Ordered Refund) (3+6)	8,894	16,858	2,904	5,395	1,043	1,968
8. Rate of Return (incl. effect of FCC Ordered Refund) (7/4) Annualized	18.56%	17.18%	11.74%	10.51%	11.70%	11.41%

3. Particulars	Switched Traffic Sensitive					
	(D) End Office		(E) Information		(F) Local Transport	
	Current Year	Cumulative	Current Year	Cumulative	Current Year	Cumulative
1. Total Revenues	6,613	13,261	532	1,092	2,928	5,679
2. Total Expenses and Taxes	3,445	7,126	439	936	1,241	2,476
3. Oper. Inc. (Net Return) (1-2)	3,168	6,135	92	156	1,686	3,203
4. Rate Base-(Avg. Net Invest.)	10,261	10,929	120	118	3,884	3,734
5. Rate of Return (3/4) Annualized	30.88%	28.07%	76.81%	66.00%	43.41%	42.89%
6. FCC Ordered Refund-Amortized for Current Period (see Instr. 1)	0	0	0	0	0	0
7. Net Return (incl. effect of FCC Ordered Refund) (3+6)	3,168	6,135	92	156	1,686	3,203
8. Rate of Return (incl. effect of FCC Ordered Refund) (7/4) Annualized	30.88%	28.07%	76.81%	66.00%	43.41%	42.89%

4. Rates of Return for the Switched Traffic Sensitive Category

(a) Current Quarter	(b) Cumulative
34.68%	32.12%

5. Multiplicative Factor Used For Annualizing Rate of Return for Cumulative Measurement Period → 2.0000

6. Total Out-of-Period Adjustment (see instruction K) → 0

7. CERTIFICATION: I certify that I am the chief financial officer or the duly assigned accounting officer; that I have examined the foregoing report; that to the best of my knowledge, information, and belief, all statements of fact contained in this report are true and this report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the specified period.

Date	Typed Name of Person Signing	Title of Person Signing	Signature
4/24/01	Thomas R. Meade	VP, Revenue Requirements	Thomas R Meade

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE, TITLE 18, Section 1001) AND/OR REVOCATION ON ANY STATION LICENSE OR CONSTRUCTION PERMIT (U.S. CODE, TITLE 47, Section 312(a)(1)), AND/OR FORFEITURE (U.S. CODE, TITLE 47, Section 503).

General Instructions

A. This report is prescribed under authority of Sections 4(i), 4(j) and 205 of the Communications Act of 1934, as amended. FCC 492 shall be filed in triplicate with the Federal Communications Commission, Washington, D.C. 20554, within three (3) months after the end of each calendar year by each local exchange carrier or group of affiliated carriers which is not subject to Sections 61.41 through 61.49 of the Commission's Rules and which has filed individual access tariffs during the enforcement period.

B. The data shall be aggregated at the same jurisdictional levels as the tariffs. An additional six (6) months from the initial due date, will be allowed for each local exchange carrier or group of affiliated carriers which is not subject to Sections 61.41 through 61.49 of the Commission's Rules to correct their complete enforcement period report.

C. All instructions shall be followed. All questions and statements must be completed. If proper answer is "none" or "not applicable", insert that answer.

D. Any data that requires clarification should be footnoted and fully explained in the Remarks section below. If the space provided is insufficient for the required data or it is otherwise necessary or desirable to insert additional statements or schedules, the insert pages should include the name of the respondent and the time period covered, in a style conforming as nearly as practicable to that appearing on the regular page.

E. All amounts of money shall be shown in the thousands of dollars. Losses or other negative items shall be shown in parenthesis. Rates of return shall be shown to the nearest hundredth.

F. Revenues should include only revenues earned during the report period. Costs should also reflect only those costs incurred in the report period.

G. Interstate adjustments to rate base, expenses and revenues shall be based upon FCC Docket 19129 and other relevant Commission orders, if applicable to the reporting entity.

Specific Instructions (referenced to Item numbers on form)

H. Item 3. Particulars

Column A - Interstate Access. Column A should equal the sum of columns B through F for both the current year and cumulative periods. Likewise, rates of return in Column A shall equal the weighted average of the sums of columns B through F.

Line 1 - Total Revenues - (earned during the report period) shall include service revenues, interest during construction, if applicable, and miscellaneous operating revenues less uncollectibles.

Line 2 - Total Expenses and Taxes - shall include operating expenses, depreciation, amortization, other expenses, interstate allowances and disallowances if applicable, as well as all taxes.

Line 4 - Rate Base-Average Net Investment - shall include accounts 100.1, 100.2, 100.3, 100.4, 122, 171, 172, and 176. Computation shall be calculated by taking the sum of the average net investments for all months in a reporting period and dividing by the number of months in the reporting period. Deviations from this methodology should be footnoted and documented in the Remarks section below.

Line 6 - Use the following table to calculate the after tax effect of an FCC ordered refund:

1. FCC Ordered Refund Total ____________
2. Refund for Period (Amortized) ____________
3. Tax Rate ____________
4. Refund Adjusted for Taxes ____________
   ((1 minus line 3) multiplied by line 2)
   (Enter this amount)

I. Item 4 - Rates of Return for the Switched Traffic Sensitive Category should be calculated and entered in item 4 on the form. Switched traffic sensitive consists of line termination, local switching, intercept, information and local transport. End office includes line termination, local switching and intercept. For reporting purposes, equal access implementation costs should be included within "end office."

J. Item 5 - Multiplicative Factor for Cumulative Measurement - rates of return for the cumulative measurement period shall be annualized with the appropriate multiplicative factor and shown in Item 5.

K. Item 6 - Total Out-of-Period Adjustment. Report total out-of-period adjustments for cumulative period in item 6. Significant out-of-period adjustments should be footnoted and explained in the Remarks section below. Significant out-of-period adjustments are those adjustments having an annualized 10 basis points or more impact within the three enforcement categories (common line, special access, switched traffic sensitive). In connection with the 10 basis point threshold, carriers need only report retroactive adjustments above the following amounts: $1,000,000 for common line revenues; $300,000 for special access revenues; and $300,000 for switched traffic sensitive categories.

Out-of-period adjustments from prior enforcement periods identified more than nine months after the prior enforcement periods have ended should be shown separately in the Remarks section if (1) a company's rate of return for an enforcement category was within 10 basis points of a refund situation and (2) will cause the prior rate of return to go above its allowed maximum. In each case, the appropriate enforcement periods should be clearly indicated.

Notice to Individuals - FCC 492 is needed to provide this Commission with data required to fulfill its regulatory responsibilities with respect to interstate telephone service under Title II of the Communications Act of 1934, as amended. FCC 492 is necessary to enable the Commission to monitor access tariffs and price cap earnings, and to enforce rate of return prescriptions. Your response is mandatory.

Remember - You are not required to respond to a collection of information sponsored by the Federal government, and the government may not conduct or sponsor this collection, unless it displays a currently valid Office of Management and Budget (OMB) control number. This collection has been assigned an OMB control number of 3060-0355.

We have estimated that each response to this collection of information will take, on average, 8 hours. Our estimate includes the time to read the instructions, look through existing records, gather and maintain the required data, and actually complete and review the form or response. If you have any comments on this estimate, or how we can improve the collection and reduce the burden it causes you, please write the Federal Communications Commission, AMD-PERM, Washington, DC 20554, Paperwork Reduction Project (3060-0355). We also will accept your comments via the Internet if you send them to jboley@fcc.gov. Please DO NOT SEND COMPLETED FORMS TO THIS ADDRESS.

The foregoing Notice is required by the Privacy Act of 1974, P.L. 93-579, December 31, 1974, 5 U.S.C. 552(a)(e)(3), and the Paperwork Reduction Act of 1995, P.L. 104-13, 44 U.S.C. 3507.

Remarks:

ACS OF AHCNORAGE HAS COMPLIED WITH FCC ORDER #EB-00-MD-016 AND HAS TREATED ISP TRAFFIC AS INTRASTATE UNDER PROTEST AND IS APPEALING THE FCC ORDER.