

## **Susan Knowles**

Interviewed by Hilary Hilscher

**August 29, 2000**

### **Tape 1, Side A**

Hilary: I'm sitting here with Susan Knowles at the Governor's House on a gorgeous August morning at about quarter to eleven. So Susan, let's just start with a bit about your background and how you first connected with telecommunication issues.

Susan: Well, I honestly have to say it began with my term on the APUC (Alaska Public Utilities Commission). Other than that, or prior to that, my only exposure was that of a ratepayer paying my telephone bill -- not thinking too much more about it. So I started at the commission on October 1, 1975.

Hilary: Almost an anniversary?

Susan: Yes, it is. And I served until Halloween 1993, and so it was during those years that I learned a little bit about telecommunications.

Hilary: And what prompted you to want to be appointed to the commission?

Susan: Well, during the legislative session in 1995 there was an amendment to the statute governing the APUC, which expanded its membership from five, excuse me, from three to five, including the addition of two consumer members. And so, you know, basically I applied for the job, was interviewed by then-Governor Hammond, and -- as these things work through decisions that I will never, you know, be privy to -- was selected to the APUC. And Carolyn Guess and I started, you know, at exactly the same time. She had the other new position.

Hilary: And so there were five of you at that point?

Susan: There were five of us -- and quite a turnover because Marv Weatherly had just started in the engineering position on the commission. So essentially within a period of about three months, the commission grew from three to five members and three of the five were brand new commissioners.

Hilary: So what was the educational process that you went through?

Susan: Well, I can remember my first shock of my new job was terminology. You know, I was exposed to all sorts of acronyms and concepts I guess that really were so far beyond my prior experience and....

Hilary: As a ratepayer?

Susan: As a ratepayer and even from, you know, my business experience because there were terms that were unique to utility regulation, utility business. Actually, I believe it was the second day that Carolyn and I were on the job (that) we headed off to a hearing on the Kenai Peninsula to address the issue of whether Glacier State Telephone Company had adequate capacity to serve its consumers because a lot of people were waiting in line to get basic telephone service. And those who had service frequently received party line service, the concept that I think probably if I asked my children if they knew what party line service was, they wouldn't have a clue what it is because it is just so foreign to us now. But at the time you had multiple party line services. Again from memory it seems to me there were maybe eight, ten people sharing a telephone number, I guess, with varying rings.

Anyway, so that was a very long hearing. We went well into the evening and so that was the beginning of the beginning. And the military because of ACS was involved in that proceeding because there were issues relative to the long distance capability as well. Anyway, so the beginning was rapid-fire exposure to new terms, to issues that I didn't even know existed, and really a very quick education in the status of telecommunication service in Alaska, which was quite marginal at the time. As I'm sure your research has shown numerically (that) the vast majority of Alaskan communities had no service, no local service. They might have by then had an earth station and maybe a couple of lines coming out of their communities. Some just still had radio telecommunication service, and there were just again most of the communities in Alaska really did not have service.

Now in terms of the number of consumers, because so many lived in Anchorage and Fairbanks and Juneau and Kenai Peninsula and the Mat Valley, fortunately most consumers had some service -- not always adequate service -- but we were very much an underdeveloped state as far as our telephone service.

Hilary: And at that point, because the industry was largely regulated, you were in the position of overseeing what was being provided. Talk to me a little bit about the purpose of the commission. Why were you there?

Susan: Well, the commission historically had two major purposes. One was to issue certificates to utilities to provide service. In other words, identify who was going to be -- what company or what individual in some cases -- would be providing service. And the second major function was determining what the rates, terms and conditions of that service would be. We had another important purpose certainly and that was responding to consumer complaints about either the availability of service or the quality or cost of service. But I think we typically used to define our function in terms of certification and then economic regulation of the entities that were certified.

So during these early years there were a lot of proceedings before the commission just to determine who would be the local exchange carrier, you know, in varying areas of the state. I guess, secondarily in the early years, there were also a number of rate cases, most notably I'd say Alascom's **first-ever** rate proceeding. And, of course, when I use the term

Alascom, I've already presumed that we have gone through a couple of changes in ownership of who is providing long distance service in Alaska, which we did go through. And those, of course, were certification proceedings because not only do you decide in the first instance who is going to provide the service, but if one owner or one service provider decides to get out of business, so then its business (goes) to somebody else. The commission had to approve that as well.

Hilary: So you were dealing not only with local exchanges -- of which there weren't too many but an increasing number at that point -- but the intrastate rates as well, and then you looked at interstate?

Susan: Well, we did not regulate, of course, interstate rates. Actually in the old days -- and I think this is one of the significant changes in the industry -- you had local exchange companies. You had what used to be called, initially, "long distance companies" and then they came to be called "inter-exchange carriers". You had cable television because the commission initially was one of the few regulatory, that is, state regulatory agencies that had authority over cable television. In many communities state franchises -- or "certificates" as we called them -- are given by city councils to cable companies, and any regulation would have been dealt with by the FCC as opposed to a state PUC. But I think we were one of about five that had control. So you had that. Then you had radio common carriers, another type of telecommunication service. And then eventually you had cellular companies that were coming in.

But now -- I mean by the end of, I think, the time period that you're looking at -- what you have is, instead of these sort of separate lines of business and companies dedicating themselves to one line of business, you've got this blurring of boundaries and companies that now engage in multiple lines of service. You have also obviously gone from an environment in which you had individual entities certificated to provide individual services on a monopoly basis to entities that are, I'm sure, still certificated in some way but now provide multiple services in a competitive environment. It's a huge, massive restructuring of the telecommunications industry over the last two-and-a-half decades.

Hilary: It's a huge sea change in the way people perceive their communication technology as well as the actual entities involved, I think.

Susan: Absolutely. One of my favorite sort of historical facts, I guess, is that I remember early on when I was on the commission there was federal legislation being discussed. It was called the "Home Telephone Act", and it would have required customers to get their telephone (instruments) from the telephone company. It never was passed, perhaps for obvious reasons given the evolution of the industry. But that was the mentality that existed in the mid-to-late 70s... is you had these very strong monopoly providers and, of course, now we all go to our local K-Mart, Fred Meyer, Carr's, you name it, and we buy whatever phone we please, and we plug it in at home and we don't pay the telephone company for a telephone any more. So it is just a rather significant change from the days in which, when we paid our telephone bill -- when I was just a rate-payer before I knew a

little bit more about this -- I paid my bill to the telephone company, and it included my telephone, it included my connection to the telephone, included everything. Well now, of course, we've got all these different choices.

Hilary: It even included repair service.

Susan: And it did, that's exactly right. They would come like doctors making house calls, and truly it's sort of, again, hard to imagine but one of the significant changes that were made. You reference the intrastate impact. One of the big things that occurred from the early days -- and I'm obviously talking to you primarily in terms of 1975 to 1993 because that's my frame of reference -- but from the early days where we were worrying about just making basic service available to consumers, making sure the service that was out there was affordable and high quality: we went from that kind of environment to an environment where the FCC was moving very rapidly into a competitive world and coming down essentially with dictates to the states about changes that had to be made with respect to how we regulated the telecommunications industry. And so from mid-80s to late 80s we were, as a commission, very much involved in trying to keep up with the national trends that were out there and to comply with FCC requirements.

A good example, I think, is the way in which long distance and local companies sorted out their common costs. We had these elaborate cost-separations manuals and then settlement proceedings, etc., and now we live in a world of access charges, which clearly have an economic basis but it is just a very different kind of structure. Well, the state commissions had to get deeply involved in all these different kinds of proceedings in order to keep up with what was happening nationally because there were no -- to the best of my knowledge -- I don't think any companies were allowed to kind of retain the old regime. Everyone was told, "You're going to have to follow these new rules because these are the rules that will allow for the transition to a competitive environment."

Hilary: So there are two real threads here. One is the technology change that happened during your time and the other one is the policy orientation that changed the whole role of the APUC. Talk a little bit about when you first started and the technology that people had versus when you finished and the technology that people had. You talked a little bit about it earlier but go over that a little bit.

Susan: Well, I'm not an engineer so you're going to get a very...

Hilary: Like most of the readers...

Susan: ...Rather superficial answer to your technology question but... and I have to preface it by saying, I guess somewhat ironically, that even though Alaska was so far beyond, so far **behind**, excuse me, most of the states in terms of the provision of basic telephone service, once we tackled that problem we ended up using a technology that was truly much farther ahead -- and by that I'm referring to the earth stations and satellite technology. We weren't using... Just because of our geography, we weren't able to string

everybody together (using traditional wire lines). We had to rely on what was then a pretty advanced way of delivering service to communities out in rural Alaska. As far as within a community like Anchorage, I think, telephone service was provided pretty much the way it was everywhere else.... good old copper wire going to individuals. As you mentioned earlier, the telephone company having responsibility...

(break to allow lawnmower noise to diminish)

Hilary: Okay, now out of earshot of the lawnmower, we are back talking about changes in technology over Susan's time on the APUC, (when) Anchorage was pretty much the same as Outside.

Susan: I'm trying to think in terms of lines of business. So, for local service and long distance service in rural Alaska, we really were using a fairly advanced technology by Lower 48 standards where everything was landline. Anchorage's local service, the urban centers' local service was again quite typical. Since then we've gotten cellular technology (which) obviously hadn't been... was not around in the 70's. Fiber-optic technology was not around. This whole business of individuals being responsible for the wiring in their own homes, which is probably not much of a technological issue but is a big change in terms of self-determination about what you're going to put in and whether you're going to wire for cable as well as telephone service and, nowadays, how you want to connect to the Internet through which provider. So I think technology progressed here as it did everywhere else. It just... To me the most significant thing-- because I can't really speak authoritatively on the fine points of technology -- is really that the business interests of companies became much more diverse. They began to identify over time with the need to not be pigeonholed into a single line of business but to have the opportunity to engage in multiple lines of business.

Hilary: Which takes us to the policy side. Things were pretty clear cut in terms of responsibility and roles when you first got on the commission.

Susan: They were. I wouldn't say they were clear cut as far as, you know, ratemaking policies in the sense of certain kinds of decisions that had to be made. And the reason I say that -- let me give an example as to whether, let's say, charitable contributions would be an allowable expense. Things like that the commission had never addressed because there hadn't been that many rate proceedings historically before the commission on affiliated interest transactions or traditional kinds of revenue requirement issues. I think the only...

Hilary: Were they part of the rate base -- a charitable (contribution) -- as an example?

Susan: Charitable... During my tenure, charitable contributions were not allowed to be included, based on the logic that, were you to poll your ratepayers, you would find that some would find this cause to be admirable and some would be adamantly opposed to it. And so rather than using ratepayer money in a manner where there might or might not be approval, it was just easiest to say that was not going to be an allowable expense.

The one area where there were a lot of proceedings was depreciation expense, early on. Depreciation had been one of those subjects where there was always concern because it is a non-cash expense but nonetheless is recovered through cash payments from ratepayers. And so it has implications if one would choose to manipulate the life expectancies of (facilities) plants because (if) you shorten them, you get more money sooner, and so it was always a very sort of tricky kind of issue. It is also one of those issues that you rely a great deal on engineering studies and averages to try to reach a reasonable result. But that was the kind of thing that used to be the focus. So even though -- just to go back to your premise -- even though the rate-making function was, I think, a fairly well-defined function, there were still a lot of issues that had to be addressed within that.

And the other issue, once you had determined how much money a company was allowed to make, was the rate design. Anchorage, for example, used to have zones. If you lived -- you may remember this as a resident, a former resident of Anchorage -- if you lived in the old downtown city area, you paid a much lower rate for your monthly service than if you lived out on the hillside. That was sort of an accident of history because that was just the way as the city grew, and it was at that point, because initially the central office where most of the investment was made was located downtown, these tentacles went out. Of course, it took longer... a longer piece of wire to get to the hillside than it did to G Street, let's say, where I lived at one point. So...

Hilary: It was "distance space"?

Susan: It was a "distance space" thing. Well, of course, in the meantime ATU (Anchorage Telephone Utility) -- I mean, Anchorage -- grew tremendously. ATU grew. And they had central offices all over the place, but there was still this multi-tiered, distance-sensitive rate design, and so issues like that had to be addressed. Again, they're very traditional regulatory issues, but when you haven't... when you have a commission that is essentially maturing with the industry it is regulating, because if you haven't addressed an issue -- no matter how cut and dried it is -- it is new. You've got to do a lot of research. You've got... you are really starting with a very modest knowledge base, and you have to catch up very quickly in the course of a proceeding. So there were a lot of those issues. The Alascom rate case was an enormous undertaking. We had...

Hilary: Talk a little about that because that took up a huge amount of your time and energy for years.

Susan: Yes, it did. Well, it was a multi-phase hearing. I can't honestly recall how many... I guess half a dozen phases where we had a phase on rate base and a phase on certain operating expenses and then another phase on this. I mean it went on and on, and then it was one of the orders that I wrote and it took me a year to write the order. It was a couple hundred pages and an enormous record to go through. And it was the first time that they had ever been evaluated on this particular question. And so like any matter of first impression, it just takes a lot longer and a lot more study and research and a lot more

issues. These sort of routine issues just require a lot of thought when they are the first time you ever addressed them. So it was a very, I mean...

Hilary: Both from the company side and from the commission's.

Susan: Oh, yes, yes. They dedicated a tremendous number of resources. There were several interveners, so it wasn't just the utility and just the commission staff. You had half a dozen other people because a lot of other entities were very interested in what their (Alascom's) rates were going to be as well. I'm quite sure there was a consumer group that was involved. I believe the local exchange companies took a very active interest in the proceedings. So any multi-party proceeding takes that much longer. Of course, you have to understand I loved all of these cases because I just thoroughly enjoyed diving into the substance of it, but I was also always quite relieved particularly when this case was over. It was exhausting.

Hilary: Now (my) having worked on the federal side in Ted's (Stevens) office and then having worked for the state, there was a certain amount of antagonism, questioning of motives. That was a difficult time in terms of trying to come to a common goal but really having somewhat different goals as well on the state's side and on Alascom's side. How did that play out in front of the commission?

Susan: Let's see if I understand your question because I was thinking globally and not specifically to Alascom. Are you thinking in terms of this rate proceeding or are you thinking...

Hilary: I'm thinking in terms of the rate proceeding, in terms of facilities that they were willing to go with. There was a different approach. The state wanted something clearly that RCA felt was beyond its willingness, perhaps, to provide -- or its own corporate direction to provide. Is that a fair statement?

Susan: I think it is.

Hilary: Not saying that there was a right or wrong involved, but just very different aims.

Susan: This was one of those situations that when I first came to the commission was already -- it was a dynamic that was already in place. And I never... I wasn't part of or privy to its beginnings, but I remember Marv (Weatherly), who had come from his prior job where he had been, as I recall, the one whose responsibility it was to sort of hold RCA's feet to the fire and really get some performance in building these earth stations or alternatively the state was going to be the telecommunications provider, and that was always sort of an underlying tension in the early years on the commission. But I would say (that's) my impression, and maybe it was because I don't recall. Can you tell me what year RCA got out of the business and we moved on to our next provider?

Hilary: '79.

Susan: Was it '79?

Hilary: I think, yeah.

Susan: It seems like by the time... I mean, 1979 was really the APUC's sort of first bite at the apple in terms of -- through the certification, the transfer of ownership -- being able to assure itself that there would not be any issues about provision of service. But my sense is that those have largely been kind of hammered out outside the purview of the APUC and the Office of Telecommunications and that things were progressing relatively smoothly, not absolutely smoothly, but I thought relatively smoothly. There were some of these issues like I mentioned in the Kenai telephone proceeding about adequate lines between Kenai and Anchorage for long distance service. You still had some of those questions because the military was still involved, but then you had RCA involved. It was sort of a division of responsibility that wasn't necessarily conducive to optimum service, and I mean not to find fault with anyone. It was probably an inevitable part of transitioning from a military to a fully civilian system at a time when, frankly, massive amounts of investment were required and people were going, "Geez, what have we gotten ourselves into here?" Maybe a bit more than they bargained for.

Hilary: Both on RCA's part and the state's, when they were starting to get into the act. Earlier I said that perhaps there were technology and policy (issues) but it seems to me there was a third aspect of this that you alluded to earlier, which is the change in role of the APUC as ATT was broken up, as competition emerged. How did you see your role change over that time as a commissioner?

Susan: Let me preface by just saying (that) in terms of your three parts, I think most people, most observers, would probably say technology drove policy, and you probably had the policy people and particularly the state regulators being somewhat reluctant...

**End Tape 1, Side A**

**Tape 1, Side B**

Susan: Technology drove policy, and the state regulators were not as comfortable with some of the policy changes as the federal regulators were, I think, primarily because we were the ones who would be out in the communities listening to real people telling us about real problems with their service, etc. And those of us who had large rural populations always had a high level of anxiety about the fact that we knew it cost more to provide service to Savoonga than it did to downtown Anchorage. There's no escaping that, and we didn't want to evolve to a system where service became unaffordable in Savoonga because it was totally based on what it would cost there. So we had the state regulators (who) were in the trenches, and they had these unique concerns based on the populations they were serving that we felt our federal colleagues were somewhat insensitive to. So we were



kind of like holding them back a little, but ultimately, of course, they perhaps had a better macro picture. We probably had the better micro picture of what was going on, and ultimately the macro prospective was really driving the change. And, I'm sorry, I lost track of the third thing you were asking me.

Hilary: The role of the commission.

Susan: Well, the commission had to initiate, in addition to whatever certification proceedings were going on, whatever tariff proceedings, rate cases, etc. -- the commission, as a consequence of the policies coming from the FCC, had to initiate a huge number of rule-making proceedings to basically change the structure and ground rules for telecommunication service in Alaska. We weren't alone. I mean, all of our colleagues throughout the states were doing the same thing. Some of them were probably better equipped than we because they were a little more... they had more resources than we did. Smaller commissions were somewhat disadvantaged, and there were fairly aggressive timetables in effect to initiate all of these changes.

So we were on a very steep learning curve. I think one of the things that we really had to do as a commission was to sequence all of this in a way that got the work done but was also logical because, in the meantime, we also had GCI who very much wanted to get into the market. But it's hard to set aside the fact that historically there had always been a monopoly... that we had some of our unique Alaskan cost issues, in rural Alaska primarily, that were at issue. We had to conclude some of these other structural changes in order to accommodate a competitor in the marketplace. So all of that was going on while we had GCI waiting in the wings essentially to have its request to be certified addressed by the commission. We were busy.

Hilary: When '93 came and you looked back at the type of function that you as a commission had had in '75, what were you doing differently by '93? Why was there... I guess what I'm saying is why was there a commission in '93 if competition had become the rule?

Susan: Well, I think it would be safe to say that we went from a world where we had inadequate service under a regulated monopoly environment to a world where we pretty much had been able to establish service everywhere but were still (transitioning from) a regulated monopoly environment to a regulated competition environment. I mean, when I left the commission, other than GCI... and I'm reasonably certain but I can't identify them for you, but there may have one or two other inter-exchange carriers in the marketplace quite a bit smaller players than GCI... But, otherwise, it was still primarily a monopoly environment. You didn't have any LEC (local exchange carrier) competition anywhere. You still had -- although there was some cross-ownership -- you basically still had cable companies here and cellular companies there. Although I shouldn't say that... I'm quite sure ATU (Anchorage Telephone Utility) and MTA (Matanuska Telephone Association) were both in the cellular phone business by then -- maybe some of the other LECs too -- but you had separate cell companies as well as some that were affiliated with the local

exchange carriers. But basically it was still primarily a regulated environment (even though) you had multiple carriers in some of the arenas.

Of course, from what I understand because I haven't really followed this -- I mean, we're in a totally different world today. There has been federal legislation and everybody is competing in everybody else's sandbox. One of the things I have learned from just reading the newspaper (and) have gotten a charge out of is when some of the LECs had wanted to go into the inter-exchange carrier business, I've heard inter-exchange carriers arguing against their (LECs') entry using the same arguments that were used against them when they wanted to come into the inter-exchange carrier market. It's like, well, you guys really know that argument because it was used against you ten years ago. So it was sort of funny... this "what goes around comes around" kind of environment. The other thing that was of extreme significance -- I don't say this just because I was involved -- was the restructuring of the interstate telecommunications market with the federal state joint board.

Hilary: Talk a little about that.

Susan: Well, that was a very long proceeding. Marv Weatherly was the initial, you know... initially represented Alaska on that joint board, and then when Marv retired, I got involved. And you know it languished for quite a while in part because it seemed to be somewhat of an intractable problem.

Hilary: The two sides being?

Susan: Well, you had, I mean... Alascom and GCI were the principal protagonists, but the problem was that Alaska had just so recently... I mean, when you compare it to the rest of the world, I guess, or to the United States... had so recently gotten rate integration whereby our interstate long distance rates were developed on the same basis as everybody else with a little support thrown in that I think everybody was a little bit reluctant to go on from there. And Alascom argued very persuasively for a very long time that it had earned this position and paid its dues and any change in this would be the undoing of affordable long distance, intrastate long distance service for Alaska.

Hilary: Because they at that point were still under partial regulation.

Susan: Oh, yes, well I think they were fully regulated at that point.

Hilary: Where GCI was not.

Susan: GCI had gotten into the interstate market, but was not yet in the intrastate, so that was when they really made their first incursion into Alaska was through the interstate market. And Alascom was receiving federal support for its interstate service. So you had...

Hilary: Federal support from AT&T?

Susan: Yes.

Hilary: For separations?

Susan: Yes. So they...

Hilary: Subsidies, I mean.

Susan: Yes. So they... GCI was making the argument that, as you would suspect, it is very difficult for us to compete against somebody who is providing service based on its true cost but gets this assistance in order to lower its rates to a point where we have a challenge competing.

Hilary: GCI was arguing this isn't fair.

Susan: That's right.

Hilary: They're (Alascom's) getting AT&T money.

Susan: That's right. And there was a lot of apprehension about... there was a recognition again like most of these things that evolve... the thinking evolves over time. So you had the recognition of the inevitability of competition. It was there. We had GCI, and there were other carriers who also expressed an interest in coming into the market. So you had that reality. On the other hand, you had a long-standing system that had served the people of Alaska well and a sense of apprehension about whether changing the rules would have an adverse affect on the state. So this tension existed for quite a period of time and I think the log jam was finally broken when, frankly, I think Alascom realized the inevitability of the change and...

(Noise in background)

Hilary: Lunch time at the high school?

Susan: Well, I was looking at my watch. I don't think it starts for another half-hour. Apparently something off - cut out early. You know, I wish I had my notes because I could really do a far better job of going over this history.

Hilary: This is great. So there was a tremendous tension for a while there and finally the judge in Seattle crafted that settlement or the arrangement.

Susan: Now that was a whole other proceeding. That wasn't... I mean, it was all of these things related to one another. I don't mean to suggest otherwise, but I can't remember. It seems to me there was a filing that Alascom made in an APUC proceeding, and I don't know if it was the GCI certification proceeding, or here was also another proceeding as I recall involving a complaint that GCI had made against Alascom, but it was in that filing that there was really the beginning of the recognition that there was going to be a change.

That plus there was a lot of negotiating obviously going on between Alascom and AT&T behind the scenes, and the thing just kicked into another gear which you've triggered a brain cell on the court proceeding -- but I cannot honestly recall exactly how it fits into this. And things just, you know... There was a new group of state commissioners.

(break in tape)

Hilary: We have now moved to the other end of the porch. And Susan, that reminded you of a funny memory.

Susan: Well, I thought back to my early days on the commission when we were located in the infamous McKay Building, and every time an airplane went by our hearing room to land at Merrill Field we had to stop the proceeding because it was so noisy outside our window you couldn't hear anybody. So this is *déjà vu*.

Hilary: You were talking about the change that was coming.

Susan: I think it was sort of interesting. I think we reached... the companies were sort of modifying their perspective, but also there was a change in state and federal commissioners involved in this proceeding and, you know, I guess the chemistry was right. I mean, a lot of people were frustrated anyway with how long the (joint) board had gone on and not gotten to the bottom of things, although when I would hear that, I would say, "Alright, what's your idea? You think it's so easy. Let's hear what your solution is." And of course, most of the people who were the naysayers didn't really have the answer either, which was why those of us who worked on this, my predecessor as well as myself, we're not as surprised maybe as the outside world with why it took so long. But eventually there was a resolution and, as we know, AT&T came into the interstate market more directly (than when it) had its hand in it through the support it provided to Alascom. And the joint board order was approved by the FCC actually on the last week of my tenure on the commission, so I was happy to have concluded that chapter of my life, though there were still some details to be worked out.

Hilary: And that cleared the way for AT&T to come in, for GCI to be a full-fledged competitor, and for Alascom too.

Susan: Yes.

Hilary: Was that the purchase at that point... heading towards the purchase of Alascom?

Susan: It was the precursor to the purchase because essentially the handwriting was on the wall as far as the conditions under which Alascom would be operating in the interstate market, so...

Hilary: Right.

Susan: And that was another rather significant change.

Hilary: Huge change, yeah. When you look at this remarkable span of time which it was, in terms of having gone from radio telephones to competition, what do you see as the major success or successes of your time on the commission?

Susan: Well, I would have to say one, provision of service to consumers where none had been there before.

Hilary: Just straight out -- just getting service.

Susan: That's right and the most basic telephone service. The next level would be the expansion of service to consumers. In addition to telephone service, we did a lot of cable television certifications during this period, too, because that was really becoming a very popular entertainment medium in rural Alaska primarily. But also one of the biggest certification proceedings for cable television was in Anchorage. There were several companies competing to be the successful applicant and that was (in) Fairbanks (too). So you had a lot of -- not only were you providing telephone service, you were (also) providing cable television service and there were cell phones. So there really was a progressive increase in the service that was available to consumers during my tenure on the commission.

There was also the development of basic rate-making policy for regulating monopoly businesses so that was another thing that happened, because there hadn't been proceedings before 1975. We had been very modest. Regulation just hadn't been as active as it ultimately became through the end of the 70s and thereafter. So that was another thing. And then the implementation of federal policies governing the change to a competitive marketplace and then, ultimately, allowing competitors into the marketplace and changing the basic structure of intrastate telecommunication service. Those were all rather significant changes that were made over the course of my 18 years.

Hilary: What was the most challenging aspect of being on the commission for you? There can be more than one.

Susan: Of course, the subject matter was always challenging. There was rarely a subject that didn't come up that didn't involve, one, a lot of information to read in the particular case you were involved in, but then (also) doing research on how other jurisdictions or courts had decided issues on... just reading the literature that was out on rate-base methodology or rate-design approaches. So there was just a huge amount of information to process.

I think another challenge, frankly, was after... When you start on a commission where a monopoly business is the standard, it is a challenge to evolve your own thinking into a competitive model. I mean, as much as the companies were going through culture shocks for their own employees, I think commissions were going through a similar kind of mindset change. And it is difficult, when you're sort of raised -- for lack of a better term -- to have a certain... Regulators, I think, inherently have tension with the entities they're regulating. You know, it's not that they're bad and we're good, or vice versa. It is just the nature of the enterprise and so you're very... you're sort in a questioning of the practices

and the operations and the information, etc. Well, that isn't really the kind of mindset that exists in a competitive world. I mean, you are really relying less on the regulator as the protector, and you're turning it over to the marketplace to be the protector for the consumer. And, I mean, it's like you raise your kids and you got to let go. We had to let go and that's a hard change to make. So I would say that's another challenge.

Another challenge was just the sheer volume of work. And it was enormous, particularly when a lot of these federal mandates were coming down. I mean, we were just working very hard. I'll have to pat the commission on its collective back. There was just a lot of effort involved and a very steep learning curve, again because our resources were not what some commissions had.

But I think there's another challenge too because the regulatory process... and I don't really know that much about how things work in the current model, but it wasn't a negotiated process. It was an adjudicatory process, and sometimes that's a very painful way to get information and get to the best outcome. And I can't think of any commissioner who didn't at one time say to him or herself, "If I could just get these two people in a room and just tell them this is the way it is going to be and you're going to sort it out and this will be it." It probably would have been a very quick and happy outcome, but that wasn't the nature of the process we were allowed to use. We weren't allowed to talk to these people in the course of a proceeding. And I don't find fault with it because it was a time-proven procedure, and it also assured the public and the parties that it was absolutely ethical and above-board, but it wasn't always the most efficient. And particularly, I think, as you get into a world that is changing quickly, people want instant answers because they have to make business decisions, etc. You have to make changes there, and I can only assume that the commission has expedited a lot of its processes relative to what we had in order to deal with this new environment.

Another challenge is the commission as an entity. When you have a five-person decision-making body where -- in order to do anything substantive -- you have to have at least three. You have to have a minimum of three involved, but, of course, for any really significant proceeding we always sat on, that (meant) all five of us. And then it takes three people to affirmatively advance something. That's a very interesting and challenging dynamic because not all personalities always meld absolutely. There's a big difference... and not everybody could figure out (the difference) between having a vigorous intellectual argument on something and... You win or lose that argument based on the votes ultimately. It's a whole different thing than somehow personally, you know, attacking somebody. They may not agree with you on depreciation, but it doesn't mean I don't like you. Those are two different (things) totally. But the group dynamic is always a challenge, always a challenge.

Hilary: Looking at this 18-year period, there were a lot of people as major players. Who in your recollection seemed to be there at key turning points? Who helped make a difference? It can be many. You have probably seen a parade of people going by in your mind.

Susan: This is good. My brain hasn't worked as quickly as your tape. I don't know if I can do justice to naming names. I mean, I think the heads of the inter-exchange carriers were always big players -- Alascom and its predecessors and successors just by virtue of their size. That was true of GCI. I mean, they were feisty from the get-go, which was typical for (an) inter-exchange carrier trying to break into a market, and so they were certainly influential. I think there were probably some regulatory attorneys that were very influential and the heads of the various LECs were influential within their own group in terms of forming policy. And I don't really know very much about that dynamic. The head of ATA (Alaska Telephone Association), I think, depending on who it was, maybe had different degrees of impact. Although like any trade organization where you're trying to keep everybody in the fold, it moderates what you are able to do. I mean, you've got (give and) take, but I would say there were probably some of the commissioners. Clearly Marv was very strong, always in telecommunications. Carolyn (Guess) and Kathy Whitaker. I'm sure I'm forgetting people, but Bob Stoller and then Jimmie Jackson as a hearing officer, you know, on the commission staff side. People like Julian Mason. As I said, I feel bad trying to name names because my mind isn't able to recall all of them. But in terms of people who were able to make good strong arguments. There are probably consultants who had an impact whose names I can't recall right now. So you've got people... I think the people who had impact... I mean you've got the people on the business side who, by virtue of the size of the companies they had or by where they were at a given point in the history that we're talking about here, had a disproportionate impact. And then you've got the people who were just in the regulatory arena. I think certain commissioners who made telecommunications their focal point. Certain regulatory attorneys who tended to represent the big players. And there have been people on the commission staff. Lori Kenyon has been there for a long time. She has been support to several commissioners and several joint board assignments. People like that that you don't hear that much about necessarily, but they are critical to what happens over a period of time because they have the knowledge. So the people who have the knowledge and are willing to work, I think, are the people I would say tended to have the greatest impact. But that isn't a very good list.

Hilary: That's good though because...

## **End Tape 1, Side B**

## **Tape 2, Side A**

Susan: Attorneys will organize a case in a way that really brings you a lot of information, a lot of credibility and will be able to make, summarize arguments in a way that are very helpful in a regulator's thought process. It doesn't mean they win the case. I mean, their argument may not prevail, but it advances the discussion, the adjudication, to have somebody who can competently come and is smart. Smart people do make a difference.

Hilary: (Are) useful to you.

Susan: Yes. They're great.

Hilary: Well, this is the other fun question to let your mind sort of just skip along the mountain peaks here. What brought you the most satisfaction during this time?

Susan: I always loved the subject matter at hand, and so it was always a great delight to have a proceeding where you were really challenged to figure something out and you did it. You come up with... whether it's a rate proceeding where you come up with a decision or a rule-making proceeding where you come up with some regulations that seem to address the issue at hand. And then I just liked the output of the commission. To me that was the most satisfying part -- just the intellectual challenge of the material because everything was new. I mean, we're talking about telecommunications but you have to remember the commission also regulates electric and gas and water and sewer and gas and oil pipelines. So not only was all this stuff coming at us all the time in the telecommunications world, which really led the charge as far as the evolution of competition that has now been followed somewhat in the energy area, but we were juggling all these other intellectual balls in the air too and trying to make sense of oil pipeline regulation. Trying to figure out what a telephone ratepayer should pay. It was like you were really changing gears all the time and trying to perfect your knowledge in a wide variety of fields, including the ever-challenging telecommunication field.

But I (also) enjoyed the group process. I don't think everybody who has ever worked there has. I mean, some people -- and I think this is perfectly understandable -- I think some people prefer to be in professions where they're a single manager, the single head of something. I was very comfortable with the give and take of a group and the nature of that process, so that part of it, and certainly some of the relationships that I formed with my co-workers, were extremely important to me. It was just always an intellectually challenging position.

Hilary: What do you think, looking back at that time period, was the most or some of the most important decisions that were reached by the commission during your time?

Susan: I think I've alluded to them before but let's say if I had to pick... it's a relative term, "importance" is. If you are a consumer in community X, the decision that is made that affects your community is the most important decision.

Hilary: Of course.

Susan: I'm sort of hard-pressed to say that an ATU decision might be more important than a decision made out in Bethel because if I lived in Bethel I wouldn't care about the ATU decision. I mean, the Bethel one would be my focus.

Hilary: Maybe applying a different criteria in terms of "a long-lasting effect"...



Susan: Well, it's interesting because probably in the mid-80s, I would have said something like "the Alascom rate proceeding". It was a major undertaking. It took humongous commission resources. We had all sorts of consultants that went on a very long time. It was a very detailed, and long-suffering in some people's minds, proceeding but today (it) is that one I would have to say it was important in its day but it doesn't really amount to a hill of beans today because we're in a whole different environment. Maybe you would have to say that allowing GCI to enter the market in terms of today's standards, and clearly the restructuring of the intrastate market, because that dramatically changed the rules of the game. So you've got that, the GCI and maybe the proceedings where the commission was doing the rule-makings, implementing the FCC's mandates with respect to access charges and half a dozen other things, access charges and subscriber line charges, etc., etc. I mean those really are things that today, I think, have more bearing on the environment in which we operate. But you know again it's all temporal.

In the 70s I think it was the expansion of service to individuals. In the 80s, it was probably some of these, early 80s anyway, these basic rate-making proceedings that helped form a foundation for what rates would be charged for service by various companies. In the late 80s, it was the evolution to the competitive marketplace and then (in) the 90s, it was GCI becoming a full-fledged competitor and the change of the interstate market. And who knows what it will be tomorrow. I have not a clue, but I'm sure it will be something that has as much dramatic effect as some of these decisions (of) the past did in their day.

Hilary: When you were on the commission you did travel?

Susan: Yes.

Hilary: And you held hearings in a number of places. Are there memories that you have, especially being in the bush where people would come before you to state their position, their perspective? Are there memories that you have of that period that are especially touching or humorous or poignant or in any other way indicative of our unique Alaskan environment?

Susan: I can remember that first hearing was a real eye-opener because we had some very irate consumers who had been waiting a long time for service and by their standards -- and I think you'd probably agree were not living in a particularly rural part of the state and yet their service was just not there. Maybe their neighbor would have it, but it might take them weeks or months or longer to get a telephone and it just didn't seem right to them. So we certainly had our share of irate customers. I can remember a proceeding, a cable television proceeding in Kotzebue. It was kind of interesting. Gosh, I can't remember the name of the man who owned the company, but he was just... he was represented, I think, by Jack Stern, who was a former commissioner and then did some regulatory attorney work. It was a fascinating hearing because it was one of Bob Stoller's first trips to rural Alaska, and he wore a suit. And everybody was -- like Bob, even Bob, I'm sure if you were to ask him about it today -- would get a chuckle out of recalling what his early sort

of indoctrination into rural Alaska was and the fact that people were just a little bit more casual than that. So, anyway, (you had) Bob on the one hand and (then) Jack Stern and this man who really just thought the Commission was an annoyance and he didn't hide it one iota. And I forget who the chair was. I guess it was Gordon Zerbetz. Anyway, he (Stern) was reprimanded quite a bit.

And then I can remember hearings that went long into the night. We had this one series of, again, cable television. I don't why they stick in my mind, but we went to Wrangell, Petersburg, Sitka, and Ketchikan. And it was really a fun trip for me because I had never been to southeast Alaska before, and we had gorgeous weather. I mean, even sunnier than what we're having today, which as you well know is not characteristic necessarily of those communities. So we had these beautiful idyllic conditions for visiting these communities. And again, it is funny, I think, that cable television historically used to get people more riled up than telephone service. I mean, it's amazing. People really like their TV, and in those days the company -- and it may have been the same company that was on in Kotzebue -- they would tape programs in Seattle and put them on an airplane and send them up to their varying franchises and then just plug the tape in and run them. So, one, they were kind of old in some cases and sometimes like a two-week delay because then they would not only go to one community, but once that community had seen the tape they'd ship it to the next community in their system, so it got older and older and older. And then there would be all these Seattle ads, etc., but it was, you know... and people would just get so angry. And then it (the cable facility) was unmanned typically. You didn't have a lot of personnel because you just plugged in the tape and eight hours later or something, you come back and pull the tape out and change it. Well, of course, it would go off, and then they'd have to find the person to get the tape back on. People would get very, very agitated about their cable television service. Anyway, those were pretty interesting hearings.

Let's see, most of our really huge proceedings were held in Anchorage just because of the nature of the participants. You had people from all these sectors and the regulatory attorneys, so those did not involve travel too much. In addition to that initial hearing involving Glacier State Telephone Company, we had several other PTI hearings around and about, but no particular memory is coming instantly to the forefront here.

Hilary: Of this span of information, people, subjects that we covered -- are there things we talked about that you would like to go back and pick up? What have we touched on that you would like to carry on a bit? Is there anything else to add at this point?

Susan: I have to say my memory has perhaps been tested already, so I can't think of anything instantly that comes to mind. You know, I have quite a few files at home in Anchorage and heaven knows what they have in them at this point and how valuable they are to anyone, but unfortunately I don't have access to them for our conversation, Hilary, so I'm not really able to give you as much detail on some of these things as I would like. But that was a fascinating time to be a public utility regulator.

Archives and Special Collections, Consortium Library, University of Alaska Anchorage.  
[HMC-0859](#). Hilary J. Hilscher Alaska telecommunications history project records.  
Series 3: Oral history recordings transcripts.

**End of Tape 2, Side A**