

**ADVISORY BOARD FOR THE STATE UNIVERSAL COMMUNICATIONS SERVICE
PROGRAM
AGENDA FOR APRIL 7, 2015**

- I. Opening Comments – Roger Hahn, Brian Thomas**

- II. Background/Rulemaking Timeline**
 - a. June 27, 2013 - Legislature passed bill 2E2SHB 1971
 - b. May 22, 2014 – General Order R-575 in Docket UT-131239 amending and adopting rules in WAC 480-123
 - c. May 23, 2014 – The Utilities and Transportation Commission terminated Traditional USF in Docket UT-971140 and cease distributing pool funds to members effective July 1, 2014
 - d. Petitions for program support due August 1 (using prior year data)

- III. Prerequisites for Requesting Program Support (WAC 480-123-100)**
 - a. Local exchange company serving less than 40k lines
 - b. Designated as an incumbent local exchange carrier by the Federal Communications Commission (FCC)
 - c. Designated as an Eligible Telecommunications Carrier (ETC) by the Commission for the purpose of receiving federal Universal service Support for High Cost areas
 - d. Offers basic residential and business exchange telecommunications service
 - e. Monthly rate for basic residential service and mandatory extended area service equals or exceeds the local urban rate floor rate (\$16) established by the FCC
 - f. Wireless providers may seek support but must serve less than 40k lines and be designated as an ETC for the purpose of receiving high cost support

- IV. Petition Requirements for Eligible Providers (WAC 480-123-110)**
 - a. Corporate organization chart, affiliate transactions and service area map
 - b. Demonstration that customers are at risk of rate instability or service interruptions or cessations absent a distribution.
 - c. Financial and operational information for 2 years/Consolidated Audited Financial results
 - d. FCC Form 481
 - e. Officer Certifications
 - f. A standardized petition and financial template was used by all petitioners

- V. Eligibility (WAC 480-123-120)**
 - a. Provider demonstrates that its financial circumstances are such that its customers are at risk of rate instability or service interruptions or cessations absent a distribution.
 - b. Financial considerations in WAC - “Two-Prong” approach
 - i. Rate of Return (ROR) on a total Washington unseparated regulated operations basis

Eligibility (WAC 480-123-120) continued:

- ii. Return on equity on a total company consolidated basis
- iii. Other financial considerations:
 - 1. Debt obligations and interest payments
 - 2. Business plan modifications to transition from legacy voice
 - 3. Operational efficiencies
- c. Staff review of Petition included:
 - i. Eligibility and compliance with WAC 480-123
 - ii. Out-of-Periods
 - iii. Expenses allocated from regulated to nonregulated operations
 - iv. Checklists used to review and document petitions and financial results

VI. Year 1, 2014 – Results

- a. 19 Companies Filed Petitions by the August 1 deadline
- b. 10 of the 19 filed supplement/replacement pages to their Petitions (9 of 10 initiated by Staff)
- c. All 19 Petitions were approved and program funds distributed
 - i. All 15 eligible companies received funds representing 2012 traditional State USF revenue that was discontinued July, 2014. Program funds were distributed in October, 2014 (1-Time occurrence) totaling \$1,155,000.
 - ii. All 19 eligible companies received funds representing the cumulative reduction in support from the Connect America Fund (CAF). Program funds were distributed January, 2015 totaling \$2,120,000.
 - iii. Total Year 1 program fund distribution was \$3,275,000.
- d. Projected Program Distributions (Years 2 – 5)

VII. Year 2, 2015 Activity

- a. Legislative update – Brian Thomas
- b. Year 2, Petitions
 - i. Update financial template and instructions
 - ii. **Require more company specific detail in each company’s petition detailing why its customers are at risk of rate instability or service interruptions or cessation in the absence of support from the program.**
 - iii. Conduct informal workshop/conference call with companies regarding updates and changes.
 - iv. Reduce the number of Petitioned paper copies required from Original + 4 to Original + 2.

VIII. Petitioner Reporting for Year 1 – Due July 1, 2015 (WAC 480-123-130)

- a. Reporting information is similar to ETC certification
- b. How the prior year funds were used
- c. Special reporting requirements for 2 companies

IX. Year 2 Petition Filing due August 1, 2015