

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

INLAND TELEPHONE COMPANY,
d/b/a INLAND NETWORKS,

Requesting distribution of funds from the
state universal communications services
program created in RCW 80.36.650

DOCKET UT-220539

ORDER 01

GRANTING DISTRIBUTION OF
FUNDS FROM THE STATE
UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM

BACKGROUND

- 1 On May 13, 2019, the Governor signed Second Substitute Senate Bill (SSSB) 5511, which addresses broadband service issues by: (a) creating the Governor’s State Broadband Office, (b) establishing a broadband grant and loan program administered by the Public Works Board, (c) revising the conditions in which a port district can offer telecommunication services, and (d) extending and revising the purpose of the State Universal Communications Services Program (State USF Program or Program).¹ The State USF Program is primarily intended to provide direct financial support to Washington’s small incumbent Class B Telephone companies that have adopted a plan to provide, enhance, and maintain broadband services in high-cost rural areas of Washington.²
- 2 The Washington Utilities and Transportation Commission (Commission) is allotted \$5 million each year over the remaining two-year term of the program,³ and may distribute

¹ RCW 80.36.650(1) provides that “The purpose of the program is to support continued provision of basic telecommunications services under rates, terms, and conditions established by the commission and the provision, enhancement, and maintenance of broadband services, recognizing that, historically, the incumbent public network functions to provide all communications services including, but not limited to, voice and broadband services.”

² The legislation described above in (a) through (d) creates other opportunities for broadband expansion in addition to this program.

³ This is the ninth year of the program (year nine) and the next two years (nine and ten) make up the final “two-year term” discussed in this memo and is consistent with the Commission’s rulemaking order which includes more of the details for reference. *See* General Order R-598 in Docket UT-190437 (May 27, 2020).

up to \$5 million annually (less the Commission's administrative costs) to qualifying companies each year through June 30, 2024.⁴

3 On May 27, 2020, the Commission entered General Order R-598 (Adoption Order) in Docket UT-190437 amending and adopting rules in Chapter 480-123 WAC to reconfigure the State USF Program in accordance with SSSB 5511.⁵

4 Paragraph 14 of the Adoption Order states that an "Eligible provider may now receive a distribution from the Program if they have adopted a plan to provide, enhance, or maintain broadband services in their service areas." The Adoption Order further establishes four different eligibility criteria.⁶ In addition to these requirements, a company must comply with the prerequisites in WAC 480-123-100.⁷

5 A company accordingly must include in its petition a broadband plan that maintains, provides, or enhances broadband service within the provider's service area.⁸ The rule also

⁴ RCW 80.36.650(2) allows that if less than \$5 million is expended in any fiscal year, the unexpended portion must be carried over to subsequent fiscal years and be available for program expenditures. This fiscal year, \$4,850,000 is available for distribution from the State USF Program based on the current appropriation and allotment.

⁵ The Adoption Order established minimum standards of 25 megabits per second download and 3 megabits per second upload (25/3 Mbps) for service to be considered high-speed broadband for the purpose of the State USF Program.

⁶ *Id.* at ¶¶ 16-22.

⁷ WAC 480-123-100 sets forth various criteria for requesting program support for wireline, wireless, and other communications providers. Wireline communications providers must: (a) be local exchange companies that serve fewer than 40,000 access lines within the state, (b) be an incumbent local exchange carrier, (c) offer basic residential and business telecommunications services, (d) have an established plan to provide, maintain, or enhance broadband service, and (e) be designated by the Commission as an ETC for the purposes of receiving federal universal service support.

⁸ To the extent applicable, a company's broadband plan to provide, maintain or enhance service should include:

- (i) A multiyear investment plan;
- (ii) Specific project(s) that are projected to provide or enhance broadband services at speeds required by the Commission or the Federal Communications Commission. Project information should include an estimated timeline, geographic location, number of locations passed, and upload and download speeds;
- (iii) A plan for maintenance of broadband services in the provider's service area;
- (iv) A description for how the provider will enhance broadband services in its service area; and

requires a petitioning company to identify at least one of four eligibility criteria that it claims to satisfy.

6 The four eligibility criteria options are:

1. A sworn statement made by a company officer certifying that the provider commits to the deployment of broadband to the number of locations the Commission has determined by order. Such deployment obligations are in addition to any Federal Communications Commission deployment requirements. Additionally, a provider that elects to petition the program for support under this category is subject to review of its rate of return and financial reporting requirements.
2. A sworn statement by a company officer certifying that the provider commits to the deployment of broadband to the number of locations the Commission has determined by order. Such deployment obligations are in addition to any Federal Communications Commission deployment requirements.
3. A sworn statement by a company officer certifying that the provider has already met the Federal Communications Commission's total deployment obligations associated with federal high-cost program support as of the date of the petition, and that, since January 1, 2018, the provider has deployed broadband to the number of locations the Commission has determined by order. If a company has deployed broadband to a number of locations less than the number required by Commission order, the company must certify that it will deploy broadband to the remaining number of locations.
4. A sworn statement by a company officer certifying that broadband service is available to 100 percent of locations within the provider's service area, and that the company commits to making broadband service available to any new locations.

7 On June 21, 2022, Inland Telephone Company d/b/a Inland Networks (Inland Networks or Company) filed with the Commission its State Universal Service Fund (State USF) compliance report. The Company filed a revised report on August 4, 2022.⁹ In the report,

(v) Any supporting information that the Commission requests to assist its review and analysis of the provider's broadband plan.

⁹ Inland's revised compliance report includes an update to the format of the locations used to meet its UTC broadband buildout obligation and the addition of language that the Company will file its

Inland states that it continues to enhance its broadband capability by completing a construction of fiber to the premise (FTTP) architecture in the Town of Colton and Uniontown. The Company is continuing to expand to more remote customers and has replaced firewalls in all exchanges, replaced two servers, replaced core routers, converted DSL to VDSL, and continues to lay FTTP transmission and fiber drops where appropriate. During the 2021 fiscal year the Company deployed broadband to 108 locations that are part of its UTC required broadband commitment of 254 locations. During the 2022 fiscal year, Inland deployed broadband to an additional 218 locations and has now met its UTC broadband buildout obligation. Based on Staff's review and several conversations with the Company, Staff believes the report meets the requirements of WAC 480-123-130.

- 8 On July 15, 2022, Inland filed a petition requesting support from the State SUSF Program (Petition). The Company's broadband plan details how it will enhance and provide broadband within its study area. The Company continues to execute its multi-phase plan within the Dewatto Exchange. Phase 1 consists of FTTP conversion that is projected to be completed by June 30, 2023, and is expected to add approximately 60 locations that will be capable of 1 Gbps symmetrical.¹⁰ Where cost prohibitive, this phase includes transitioning locations with DSL to VDSL allowing them to potentially receive broadband speeds as fast as 50/10 Mbps, depending on the degradation of existing copper lines. Inland continues to explore ways that it can further enhance broadband availability throughout its study area.
- 9 Staff reviewed Inland Networks' Petition and supporting exhibits, including a broadband plan, and has determined that the Company meets the prerequisites for requesting program support set forth in WAC 480-123-100 and the second eligibility criterion. Overall, Staff finds that Inland Networks certified its commitment to deploy broadband services to the number of locations required by the Adoption Order in addition to any locations required by the Federal Communications Commission (FCC).¹¹ Staff recommends the Commission find the Company eligible for State USF Program support in the amount of \$401,899 to be disbursed no later than December 31, 2022.

Broadband Data Collection lists or polygon in Docket UT-220275 no later than September 15, 2022.

¹⁰ All current FTTP construction utilizes 16-way splits which will allow 1,000/1,000 Mbps broadband.

¹¹ Each company has a specific UTC Deployment Obligation based on its cost benchmark and the amount of anticipated support each company is potentially eligible to receive through June 30, 2024. For these calculations, Staff calculated that \$4,850,000 would be available annually for fiscal years 2022-2024.

DISCUSSION

- 10 We agree with Staff that Inland Networks has demonstrated its eligibility for a distribution from the State USF Program for fiscal year ending June 30, 2023.
- 11 The Company has certified its commitment to continue to deploy broadband services to 254 locations as required in the Adoption Order in addition to locations required by the FCC. Inland Networks provided a broadband plan to enhance broadband service to locations it serves with faster broadband speed and enhanced availability. Furthermore, the Company has shown in its compliance report the ability to provide and maintain services. Inland Networks committed in its petition to deploy broadband services, continue maintenance, and enhance its services.
- 12 We find that a distribution in the amount of \$401,899 from the State USF Program is consistent with the Adoption Order and applicable statutes and rules and is therefore in the public interest. Accordingly, we grant the Company's Petition.

FINDINGS AND CONCLUSIONS

- 13 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate public service companies, including local exchange companies.
- 14 (2) Inland Networks is a local exchange company as defined in WAC 480-120-021 and a public service company subject to Commission jurisdiction.
- 15 (3) Inland Networks has certified its commitment to deploy broadband services to the number of locations required by the Commission's Adoption Order in Docket UT-190437 in addition to locations required by the FCC.
- 16 (4) Inland Networks has certified its commitment to deploy broadband services to the number of locations required by the Commission's Adoption Order in Docket UT-190437 in addition to locations required by the FCC.
- 17 (5) This matter came before the Commission at its regularly scheduled meeting on December 8, 2022.
- 18 (6) Inland Networks is eligible to receive funding from the State USF Program in the amount of \$401,899 to be disbursed no later than December 31, 2022.

ORDER

THE COMMISSION ORDERS THAT:

- 19 (1) Inland Telephone Company d/b/a Inland Networks' request for funds from the
State USF Program for fiscal year ending June 30, 2023, in the amount of
\$401,899 is granted.
- 20 (2) The funds will be disbursed by December 31, 2022.
- 21 (3) The Commission retains jurisdiction over this matter for purposes of effectuating
this order.

DATED at Lacey, Washington, and effective December 8, 2022.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner