

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

WESTGATE COMMUNICATIONS  
LLC, d/b/a WEAATEL,

Respondent.

**DOCKET NO. UT-060762**

**DOCKET NO. UT-060920**

**DOCKET NO. UT-060921**

**NARRATIVE SUPPORTING  
SETTLEMENT AGREEMENT**

**I. INTRODUCTION**

1 Per WAC 480-07-740(2)(a), this Narrative is filed in support as documentation supporting the Settlement Agreement (Agreement) filed January 31, 2007. Because all parties have settled all issues, the Agreement represents a "Full Settlement" of each docket, pursuant to WAC 480-07-730 (1). The Agreement is subject to Commission approval. *Agreement ¶¶ 1 & 17.*

2 In Part IV below (¶¶ 11-53), each Party supplies a statement in support of the Agreement. Staff supplies detailed accounting and other information in its statement.

## II. PARTIES

3 The Parties to the Agreement are Westgate Communications, LLC, d/b/a WeavTel  
("WeavTel" or "the Company"), and the Staff of the Washington Utilities and  
Transportation Commission ("Staff") (collectively, "the Parties"). *Agreement* ¶ 2.

## III. NATURE OF THE AGREEMENT

4 The Agreement settles three dockets: a general rate case (Docket UT-060920), a  
proposed tariff for E-911 service (Docket UT-060921), and a request for the Commission to  
establish a "WCAP Revenue Objective" (Docket UT-060762) to allow WeavTel access to  
certain revenue pools in which members of the Washington Exchange Carrier Association  
(WECA) participate. These revenue pools are described in the Washington Carrier Access  
Plan (WCAP) approved by the Commission in its Ninth Supplemental Order in *Utilities and  
Transportation Commission v. Washington Exchange Carrier Association, et al.*, Docket  
UT-971140 (June 28, 2000).

5 The Agreement settles these dockets, as follows:

**General Rate Case (Docket UT-060920).** WeavTel filed tariffs designed to  
generate an additional \$3,072 annually, primarily by increasing basic exchange rates from  
\$26.50 (business) and \$14.00 (residential) to \$35.00 (business) and \$25.00 (residential).  
The Commission allowed these tariffs to go into effect, subject to refund while this case is  
pending. The Agreement would allow these to become permanent rates, without a refund  
condition. *Agreement* ¶ 11.

6 **E-911 Tariffs (Docket UT-060921).** WeavTel filed a new tariff for emergency 911  
service. The Commission also allowed these tariffs to go into effect, subject to refund while  
this case is pending. The Agreement would allow modified rates to become the permanent

rates, without a refund condition. These modified rates are contained in Appendix A to the Agreement. *Agreement* ¶ 12.

7           **WCAP Revenue Objective (Docket UT -060762).** WeavTel originally asked for a WCAP Revenue Objective of \$738,443. The evidence the Company filed with the Commission on November 30, 2006 justified a \$429,341 amount. The Agreement calls for the Commission to approve a WCAP Revenue Objective of \$253,572. *Agreement* ¶ 13.

8           Importantly, the WCAP Revenue Objective the Commission approves in this case will expire on June 30, 2008. *Id.* WeavTel will need to seek a new Revenue Objective in the Spring of 2008. WeavTel is responsible for meeting applicable deadlines, which are set forth in the WCAP. This expiration date will allow WeavTel to have a full year's operations before the next Revenue Objective is filed. Also, WeavTel will have received federal high cost loop funding by that time, so that impact can also be accounted for.

9           **Other conditions.** Two other conditions Staff wishes to emphasize are contained in ¶¶ 15 and 16 of the Agreement. First, WeavTel agrees to retain the services of a qualified person responsible for regulatory compliance and dealing with regulatory and other governmental agencies, and the community. This person would not be a Weaver family member. *Agreement* ¶¶ 15. Second, WeavTel agrees to maintain a bookkeeper (also a non-Weaver family member) and comply with Commission accounting standards. *Agreement* ¶ 16.

10           Paragraphs 17-25 of the Agreement contain typical and standard settlement conditions. One noteworthy provision is that if the Commission does not approve the Agreement, Staff will support a schedule that maintains the hearing schedule set forth in the

September 12, 2006, prehearing conference order. *Agreement* ¶ 20. It is understood, of course, that the Commission will decide the appropriate schedule in that circumstance.

#### IV. PARTIES' STATEMENTS IN SUPPORT OF THE AGREEMENT

##### A. Staff's Statement in Support of the Agreement.

11 WeavTel provides local exchange telecommunications services to customers located in Stehekin, Washington, at the northern tip of Lake Chelan. There are relatively few potential customers located there, and the cost to serve is high because of the remote and isolated location.

12 While the Commission has classified WeavTel as a competitive telecommunications company,<sup>1</sup> that classification occurred when WeavTel provided services in areas fully served by other telecommunications companies (such as Verizon Northwest Inc.). However, when WeavTel was designated as an "Eligible Telecommunications Carrier" ("ETC")<sup>2</sup> in Stehekin, the Commission stated that WeavTel would be filing tariffs as a fully regulated company would, not price lists:

In the cover to its Petition, Westgate Communications LLC stated its expectation that the Commission would designate it as a Local Exchange Carrier. Westgate Communications LLC is already registered with the Commission as a local exchange carrier and has been competitively classified. See Docket No. UT-961377. Because it will not face effective competition in Stehekin, Westgate Communications LLC will provide service there based on tariffs rather than price list; it may provide service elsewhere using a price list.<sup>3</sup>

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<sup>1</sup> *In re Westgate Communications, Inc., for an Order Authorizing Registration of Applicant as a Telecommunications Company*, Docket UT-961377, Order Authorizing Registration (November 26, 1996), and First Supplemental Order Amending Registration and Granting Competitive Classification (December 13, 2000) at page 1, second ¶.

<sup>2</sup> Companies designated as an ETC are eligible for "universal service support" from a federal fund created to support services in high cost areas. *See* 47 U.S.C. § 254. Congress authorized the state commissions to designate ETCs. 47 U.S.C. § 214(e)(2). In RCW 80.36.610, the Commission has statutory authority to implement this provision of this federal statute.

<sup>3</sup> *Petition of Westgate Communications LLC, d/b/a/ WeavTel, for Designation as an Eligible Telecommunications Carrier*, Docket UT-013105, Order Granting Designation as an Eligible Telecommunications Carrier (January 9, 2002) at page 2, footnote 1.

13           Consequently, WeavTel must file tariffs and it is entitled to rates that are fair, just  
and reasonable with regard to services provided in Stehekin. *RCW 80.36.110; RCW*  
*80.36.080*. In addition, as a local exchange company, WeavTel is eligible to participate in  
the WCAP under the existing provisions of that Plan.

14           Staff investigated thoroughly each of the Company's filings. Staff engaged in  
discovery of the Company's direct case, which was filed on December 1, 2006. Staff also  
inspected the Company's facilities in Stehekin, Manson and Chelan, and conducted an on-  
site review of the Company's books and records.

**1.       General description of Attachments.**

15           Attachment 1 is the summary of Staff's accounting analysis, including the  
development of the adjusted initial WCAP Revenue Objective for WeavTel in the amount of  
\$253,572 (\$21,131 per month).

16           Attachment 2 is a supporting document that calculates recoverable intrastate interest  
expense (\$59,604) and the rate of return (7.01%). An interest coverage ratio is also  
provided for illustrative purposes.

17           Attachment 3 is the breakdown of the settled upon adjusted WCAP Revenue  
Objective between the Terminating and Originating Pools, for WECA's use in making its  
tariff filing pending the outcome of this matter. The attachment also provides the minutes of  
use (MOU) estimates necessary for the WECA filing.

18           Attachment 4 calculates the Company's pro forma intrastate revenue. This  
Attachment provides the revenue figures included in Attachment 5.

19           Attachment 5 is Staff's summary of WeavTel's intrastate results of operations.

**2. Summary of Staff's accounting analysis.**

20 As we explain below, Staff's accounting analysis shows that the Company's proposed rates are not excessive and that a WCAP Revenue Objective of \$253,572 is justified.

**a. Proposed rates are not excessive.**

21 The Company's pro forma annual intrastate revenue is \$27,848, as shown on Attachment 4, column G, line 7.<sup>4</sup> The Company's adjusted intrastate Total Operating Expenses amount to \$221,817. *Attachment 1, column F, line 8.* The proposed rates are not excessive because operating expenses far exceed the proposed pro forma revenues.

22 This conclusion is confirmed by Attachment 5, comparing column H, line 8 (revenue) to column H, line 24 (revenue requirement). If local revenues were set to recover most or all of this revenue requirement, local rates would need to be almost 20 times higher<sup>5</sup> in order to cover this measure of cost. Rates at that level would certainly be unaffordable for customers and not comparable to what other local exchange companies charge throughout the state.

23 In this case, the Revenue Objective is meant to subsidize the intrastate operations so that WeavTel's local rates can remain affordable and comparable to those of other local exchange companies.

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<sup>4</sup> The difference between Total Operating Revenue of \$27,848 before any WCAP Revenue Objective and the Local Network Revenue of \$13,160 shown in Attachment 1, column F, line 24, is due to additional revenue in the Network Access and Miscellaneous revenues which have not been adjusted when determining the appropriate subsidy from the WECA pools in this case.

<sup>5</sup> Column H, line 8, of Attachment 5 (the pro forma revenue requirement of \$281,420), divided by column H, line 2 (the pro forma local network revenue of \$13,160), equals 21.4 times the local revenue that would be needed in order to recover the entire revenue requirement.

If pro forma network access revenue (column H, line 3, of \$14,216) is assumed to continue to contribute toward recovering a portion of the revenue requirement (which it will) then the same calculation would still require local revenue of approximately 20 times higher.

**b. A WCAP Revenue Objective of \$253,572 is justified.**

24 Staff's analysis found that a WCAP Revenue Objective of \$253,572 is justified, and that various Revenue Objective amounts proposed by the Company are overstated. The Company originally proposed a Revenue Objective of \$738,443, but reduced that figure to \$429,341 in its direct case. *See Attachment 1, line 23.*

25 The Agreement asks the Commission to approve a WCAP Revenue Objective in Staff's adjusted amount of \$253,572 for WeavTel's initial entry into the WECA pools. *Agreement ¶ 13.*

**3. Detailed explanation of Staff accounting analysis supporting the Settlement of Docket UT-060920 (general rate case) and Docket UT-060762 (WCAP Revenue Objective).**

26 Attachment 1 provides the primary basis for Staff's belief that the general rate increase filed by WeavTel in Docket UT-060920 is not excessive, and for Docket UT-060762, that a WCAP Revenue Objective of \$253,572 is appropriate.

27 The test period is the year ending December 31, 2006. All of the figures on Attachment 1 are presented after non-regulated operations and interstate operations have been removed. Attachment 1 reflects regulated intrastate results.

28 Column A of Attachment 1 reflects the Company's original proposal filed on May 10, 2006, which was based upon the intrastate cost studies performed by GVNW Consulting (GVNW). Column C of Attachment 1 reflects WeavTel's direct case, which was filed on December 1, 2006, which is based upon the intrastate cost studies performed by the accounting firm of Johnson, Stone, and Pagano (JSP). Column B is the difference between columns A and C, to show the difference between the two Company filings.

29 Column D of Attachment 1 reflects Staff's adjustments to the JSP cost study results shown in column C. Column F of Attachment 1 represents the "Staff Adjusted Intrastate" levels of expenses, taxes, rate base, and return, along with the WCAP Revenue Objective (RO) of \$253,572, which is highlighted in the box in column F, line 23.

30 The "Notes" in column E refer to Staff Adjustments A through I, which are explained in detail immediately below.

**a. Adjustment "A" – Plant Specific and Corporate Operations.**

31 The results in column C of Attachment 1, which were prepared for the Company by its consultant, JSP, are based upon projections. The amount of \$10,230 in column D, line 2, and \$63,034 of the \$117,638 amount on line 5, restate two of these projections to an actual level for the test period. The remaining \$55,604 of the \$117,638 amount on line 5 is a Staff pro forma adjustment to reflect a more appropriate intrastate level of corporate operations expense for a company of this size. The Commission approved a similar adjustment in Docket UT-060760 regarding Beaver Creek Telephone Company.<sup>6</sup>

**b. Adjustment "B" - Regulatory Services.**

32 This adjustment increases intrastate operating expenses by \$27,868, to reflect the services of a qualified person responsible for timely and complete compliance with the regulatory requirements and community relations. This adjustment implements the condition identified in ¶ 15 of the Agreement.

**c. Adjustment "C" - Federal Income Taxes.**

33 Because WeavTel is a Limited Liability Corporation (LLC), it does not pay federal income taxes (the individual owners pay federal income taxes on their share of net income,

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<sup>6</sup> *In Re Beaver Creek Tel. Co.*, Docket UT-060760, Order 01 (June 14, 2006), which was based on the analysis in Staff Memo, Attachment 1, from the Commission's Open Meeting of June 14, 2006.



if any). Consequently, WeavTel's consultant JSP removed most of the federal income taxes from its cost studies. *See Attachment 1, column B, line 9.* Staff's adjustment in column D, line 9, removes the remaining small amount (\$4,765) that JSP did not remove.

**d. Adjustment "D" – Return on Investment.**

34 This adjustment is found in column D, line 10 of Attachment 1. It reduces the \$101,806 return in the Company's direct case (Attachment 1, column C, line 10) to Staff's recommended level of \$59,604 shown in column F, line 10.

35 Attachment 2 is the calculation of Staff's \$59,604 return figure. As Attachment 2 shows, WeavTel is 100% debt financed (it has negative equity due to losses). Staff used the Company's actual capital structure (100% debt) and the actual weighted cost of debt (7.01%), to derive the return to apply to rate base (7.01%). Staff calculated the \$59,604 amount of interest by multiplying the 7.01% return times the rate base of \$850,352. This matches the amount of debt to the intrastate investment it is financing (i.e., rate base). This calculation implies a times interest earned ratio, or "TIER," of 1.00 on an intrastate basis, for illustrative purposes.

**e. Adjustment "E" – General Support.**

36 This is a rate base adjustment of \$27,049, as shown in column D, line 15 of Attachment 1. Questions were raised early in this docket about whether a large number of motor vehicles were being allocated to WeavTel's regulated operations as part of the GVNW cost studies. Staff's review found only two vehicles on the Company's books. Staff removed one of these vehicles from the rate base in order to address the earlier concern.

**f. Adjustment "F" – Central Office.**

37 This is a rate base adjustment of \$98,204, as shown in column D, line 16 of Attachment 1. This adjustment removes the intrastate portion of engineering services performed by one of the owners of WeavTel, Mr. Richard L. Weaver. This adjustment is appropriate because the Company already expensed these costs in a prior year. In addition, the Company did not provide sufficient support in its direct case to justify this item. Moreover, compensation for Mr. Richard L. Weaver is already included in the allowable Corporate Operations Expense.

**g. Adjustment "G" – Cable and Wire.**

38 This is a rate base adjustment of \$7,498, as shown in column D, line 17. This adjustment removes the intrastate allocated adjustment for the Allowance for Funds Used During Construction, or AFUDC. The Company's direct case did not provide sufficient support for this item.

**h. Adjustment "H" – WCAP Revenue Objective.**

39 The WCAP Revenue Objective measures the relative amount of subsidy WeavTel may obtain under the terms of the WCAP. In this case, the amount is the difference between the Revenue Requirement (\$281,420 per Attachment 1, column F, line 13) less the Total Operating Revenues (\$27,848 per Attachment 4, column G, line 7), which equals \$253,572 (per Attachment 1, column F, line 23).

**i. Adjustment "I" – Local Revenue.**

40 This \$3,072 adjustment in column D, line 24 of Attachment 1, adjusts local revenues to reflect the fact that the Commission has allowed the Company's proposed tariffs to go

into effect, subject to refund.<sup>7</sup> As shown in column F, the Company's adjusted local revenue at proposed rates is \$13,160 annually. This reflects the increase in rates from \$14.00 to \$25.00 (Residential) and from \$26.50 to \$35.00 (Business). The Commission suggested (and the Company has agreed) that it should charge more through local rates, which has the effect of mitigating a small percentage of the overall subsidy (i.e. WCAP Revenue Objective).<sup>8</sup>

**4. Detailed explanation of Staff support of the Settlement of Docket UT-060921 (E 911 tariff).**

41 In Docket UT-060921, the Commission suspended the Company's E 911 tariff filing because the Commission was concerned that the rates may not reflect cost. Staff has addressed this concern after consultation with the Emergency Management Division (EMD) of the Washington State Military Department. EMD is the payor for telecommunications services provided to county Public Safety Answering Points (PSAPs). EMD is familiar with the costs to provide E 911 services.

42 In ¶ 12 of the Agreement, the Parties agree the Commission should approve a replacement tariff page in the Company's E 911 tariff. This replacement page reflects rate levels consistent with what EMD told Staff were appropriate cost levels related to E 911 services provided to PSAPs.

43 The replacement page is Appendix A to the Settlement Agreement. It would do the following, compared to the Company's proposed E 911 tariff filed in Docket UT-060921:

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<sup>7</sup> This \$3,072 figure ties into Attachment 4, column F, line 2, as well as Attachment 5, column G, line 2.

<sup>8</sup> The discussion occurred at the Commission's May 17, 2006, Open Meeting (podcast is available on the Commission's website).

- Eliminate charges for code recognition and automatic number identification (ANI), because there is no cost for these activities when they are performed by WeavTel's equipment.
- Replace the transport charges in the Company's tariff (which are not based on WeavTel's costs) with charges based on the actual cost billed to WeavTel by the carriers that provide the transport.
- Reduce the subscriber Line Data and Automatic Line Identification (ALI) storage and retrieval charge from \$0.34 per line to \$0.10 per access line, per submission to the data base manager.
- Eliminate certain charges in WeavTel's proposed tariff that were based on WECA's E 911 tariff (WN U-2) because charges in the WECA tariff do not reflect costs that will be incurred by WeavTel for E 911 service.

44

Another result is that WeavTel will not charge for transport of E 911 traffic from Stehekin to Manson. This is because E 911 calls from WeavTel's earth station in Stehekin to WeavTel's switch in Manson travel via satellite and there is no increased cost to WeavTel for that transport.

45

Staff and WeavTel understand that in the future, the Company may incur some additional costs related to E 911 services that are not covered by the rates contained in Appendix A to the Settlement Agreement. As stated in Agreement ¶ 12, the Company may submit a new tariff page for E 911 services after March 31, 2008. If the Company makes such a filing, the Commission's normal tariff review process applies to determine whether the rates proposed at that time are fair, just and reasonable.

##### **5. Staff's support for other conditions in the Agreement.**

46

For Staff, the condition in Agreement ¶ 15 (services of a person responsible for regulatory compliance and community relations) is justified because of WeavTel's responsibilities for compliance with Commission laws and rules applicable to local exchange telephone companies. The Company now needs an experienced person to be sure its filings are timely and complete and its relationships with the Commission are effective. Staff included an adjustment for this person in its accounting analysis. *See Attachment 1, column D, line 7 and Note B.*

47

The condition in Agreement ¶ 16 (maintaining a bookkeeper) is important so that WeavTel retain neutral and objective accounting assistance. Therefore, these persons (bookkeeper and regulatory services person) need to be unrelated to the Weaver family, which is part of the Agreement in ¶¶ 15 & 16.

**6. Other issues.**

**a. Quality of accounting records.**

48

Questions were raised early on in this docket about the quality of the Company's accounting records. Staff is satisfied that the accounting records supporting Staff's analysis in this case are adequate. First, the Company's independent auditors, Aldrich, Kilbride, & Tatone LLC (AKT), completed an audit of WeavTel's 2004 and 2005 financial results.

According to AKT, WeavTel's financial statements:

present fairly, in all material respects, the financial position of [WeavTel] as of December 31, 2005, and the results of its operations and cash flows for the year ended December 31, 2005, in conformity with accounting principles generally accepted in the United States.<sup>9</sup>

49

Second, in 2006, WeavTel hired a new bookkeeper, which has further improved the situation with regard to developing and maintaining a general ledger. Third, and later in

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<sup>9</sup> AKT's auditor's report is found in Exhibit 1 to Mr. Weaver's testimony, third tab, beginning at the third page of the financial statements.

2006, an auditor from the United States Department of Agriculture (USDA) Rural Utility Service (RUS) program audited the Company and assisted the new bookkeeper in conforming the Company's books and records to the FCC's uniform system of accounts (USOA).<sup>10</sup>

50           Finally, Staff also reviewed the books of the Company including the Company's new general ledger, as well as the Company's exhibits in this case, including the financial statements prepared by AKT, the studies prepared by GVNW Consulting, (GVNW) and the more recent Johnson, Stone, and Pagano (JSP) cost studies.

51           Based on Staff's review, and its experience with the books and records of other small companies, Staff's opinion is that the Company's books and records are reliable as a starting point for Staff's analysis in this proceeding.

**b.       WECA pooling arrangements.**

52           Staff and WeavTel anticipate that WECA will need to make a filing similar to that which WECA made when Beaver Creek Telephone Company was granted a Revenue Objective last summer.<sup>11</sup> If the Commission approves this Agreement, we expect WECA to file a similar tariff revision to implement WeavTel's admission into the pools. Staff expects that any resulting increase to the WECA terminating rate as a result of WeavTel's Revenue Objective should be in the same range and likely will not exceed the level of increase that was experienced as a result of Beaver Creek Telephone Company's admission.

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<sup>10</sup> The WUTC follows the FCC USOA. *WAC 480-120-359(1)(a)*.

<sup>11</sup> This was accomplished by two Commission orders, the first authorizing a WCAP Revenue Objective for Beaver Creek Telephone Company; the second implementing a WECA tariff change to implement that Revenue Objective. See *In re Request of Beaver Creek Tel. Co.*, Docket UT-060760, Order 01 (June 14, 2006), and *In re Request of Wash. Exchange Carrier Assoc.*, Docket UT-061055, Order 01 (June 28, 2006). URLs to the orders listed above are provided, respectively, here as follows:

<http://www.wutc.wa.gov/rms2.nsf/vw2005OpenDocket/2B67C08FB41C5C288825718D0073A13C>  
<http://www.wutc.wa.gov/rms2.nsf/vw2005OpenDocket/3C476A577DEFBF3A8825719B005D97B2>

**B. WeavTel's Statement in Support of the Agreement.**

53

This document represents the meeting of the minds of WeavTel and the Staff of the WUTC. WeavTel concurs with all the items of the settlement.

DATED: January 30, 2007.

**Westgate Communications  
LLC, d/b/a WeavTel**

By \_\_\_\_\_

Richard J. Weaver,  
Manager of Operations  
WeavTel

**Staff of the Washington Utilities and  
Transportation Commission**

By  \_\_\_\_\_

Donald T. Trotter  
Senior Assistant Attorney General

**B. WeavTel's Statement in Support of the Agreement**


53

To be added by WeavTel

DATED: January 30, 2007.

**Westgate Communications  
LLC, d/b/a WeavTel**

By

  
Richard J. Weaver,  
Manager of Operations  
WeavTel

**Staff of the Washington Utilities and  
Transportation Commission**

By

\_\_\_\_\_  
Donald T. Trotter  
Senior Assistant Attorney General



**Westgate Communications LLC, d/b/a WeavTel  
Revenue Objective Settlement Document**

**Attachment I  
\* SUMMARY \*  
1/29/2007**

	A	B	C	D	E	F
	GVNW 10-May-06 Company Proposed Intrastate	Effect of Company Update	J.S.P. 1-Dec-06 Company Revised Intrastate	Staff Adjustments	Notes*	Staff Adjusted Intrastate
<b>1 Expenses:</b>						
2 Plant Specific	\$139,009	(\$91,929)	\$47,080	(10,230)	"A"	\$36,850
3 Plant Non-Specific	86,418	(20,162)	66,256	0		66,256
4 Customer Operations	43,343	(42,908)	435	0		435
5 Corporate Operations	334,832	(126,214)	208,618	(117,638)	"A"	90,980
6 Property Taxes	5,709	(5,334)	375	0		375
7 Adjustment - Regulatory	0		0	26,920	"B"	26,920
<b>8 Total Operating Expenses</b>	<b>609,311</b>	<b>(286,547)</b>	<b>322,764</b>	<b>(100,947)</b>		<b>221,817</b>
<b>9 Federal Income Taxes</b>	<b>35,210</b>	<b>(30,445)</b>	<b>4,765</b>	<b>(4,765)</b>	"C"	<b>0</b>
<b>10 Return on Investment</b>	<b>118,698</b>	<b>(16,892)</b>	<b>101,806</b>	<b>(42,202)</b>	"D"	<b>59,604</b>
11 <i>average rate of return</i>	10.50%		10.50%			7.01%
12 <i>times interest earned ratio</i>	2.13		1.47			1.00
<b>13 Revenue Requirement</b>	<b>763,219</b>	<b>(\$333,884)</b>	<b>429,335</b>	<b>(\$147,915)</b>		<b>281,420</b>
<b>14 Rate Base:</b>						
15 General Support	\$367,203	(\$67,243)	\$299,960	(13,525)	"E"	\$286,435
16 Central Office	355,251	298,572	653,823	(98,204)	"F"	555,619
17 Cable and Wire	447,769	(\$359,538)	88,231	(7,498)	"G"	80,733
18 Accumulated Depreciation	(47,272)	(\$25,163)	(72,435)			(72,435)
19 Accum. Def. Fed. Inc. Tax	0		0			0
20 Adjustment(s)	7,500	(7,500)	0			0
<b>21 Net Rate Base</b>	<b>\$1,130,451</b>	<b>(\$160,872)</b>	<b>\$969,579</b>	<b>(\$119,227)</b>		<b>\$850,352</b>
<b>22 REVENUE OBJECTIVE (R.O.)</b>						
23 Total WCAP R.O.	\$738,443	(\$333,884)	\$429,341	(\$150,987)	"H"	<b>\$253,572</b>
24 Local Revenue	\$10,088			(\$3,072)	"I"	\$13,160
25 Residence	\$14.00					\$25.00
26 Business	\$26.50					\$35.00

**NOTE \***

*Notes "A" through "I" are explained in further detail in the Narrative filed in support of the Settlement.*

**Attachment 2**

**\* INPUTS \***

1/29/2007

**WeavTel Settlement Document  
Revenue Objective - Interest Calculation**

	A	B
		<u>Source</u>
1	Rate Base	\$850,352
		Staff Adjusted Intrastate.
2	Debt ratio	100.00%
3	Debt cost	7.01%
4	Interest expense	59,604
		RJW Exhibit 1 - Detailed Balance Sheet, AKT Report, and Allowance for 0% Equity.
		Intrastate Allocation (based on rate base).
5	Interest coverage	1.00
		Calculation

	<u>L.T. Debt</u>	<u>Rate</u>	<u>Interest Expense</u>
6			
7	1,340,396	5.00%	67,020
8	513,905	12.25%	62,953
9	1,854,301	7.01%	129,973

**Attachment 3**

**\* OUTPUTS \***

1/29/2007

**WeavTel Settlement Document**  
**Revenue Objective - Pool Split Information**

A

Staff  
Adjusted  
Intrastate

1	Total WCAP Revenue Objective:	<b>\$253,572</b>
2	Originating Pool Portion	\$970
3	Terminating Pool Portion	\$252,602
4	Originating MOU Estimate*	96,990
5	Terminating MOU Estimate*	89,530

*NOTE \* = MOU stands for "Minutes of Use".*

WeavTel Settlement Document  
 Revenue Objective - Revenue Analysis

Attachment 4  
 1/29/2007

	A	B	C	D	E	F	G
	12/31/2006	Remove	"INTRASTATE"	Restating	"INTRASTATE"	Pro Forma	"INTRASTATE"
	TOTAL COMPANY	Interstate	PER BOOKS	Adjustments	AT	Adjustments	AT
	PER BOOKS	I.C.L.S.			RESTATED LEVEL		PRO FORMA LEVEL
1 Revenues:							
2 Local Network	8,604	0	8,604	1,484	10,088	3,072	13,160
3 Network Access	30,265	(30,265)	0	0	0	14,216	14,216
4 State WECA WCAP	0	0	0	0	0	0	0
5 Miscellaneous	472	0	472	0	472	0	472
6 Uncollectibles	0	0	0	0	0	0	0
7 Total Operating Revenues	39,341		9,076		10,560		27,848

Westgate Communications, LLC d/b/a WeavTel  
 WeavTel Settlement Document  
 Results of Operations for the Twelve Months Ended December 31, 2006

Attachment 5  
 1/29/2007

	A	B	C	D	E	F	G	H	I
	"INTRASTATE" GPNW Initial Filing May 10, 2006	Company Correction	"INTRASTATE" R.J.H./J.S.P. Direct Testimony November 30, 2006	Intrastate Allocation Factors	Restating Adjustments	"INTRASTATE" AT RESTATE LEVEL	Pro Forma Adjustments	Without WCAP P.O. AT PRO FORMA LEVEL	WITH WCAP P.O. AT PRO FORMA LEVEL
1 Revenues:									
2 Local Network	139,009	(91,929)	47,080	55.50%	See Attachment 4 for the detailed	10,088	3,072	13,160	13,160
3 Network Access	86,418	(20,162)	66,256	55.13%	development of the	0	14,216	14,216	14,216
4 Federal Universal Service	43,343	(42,968)	435	69.94%	intrastate restated	0	0	0	0
5 State WECA WCAP	334,832	(126,214)	208,618	55.60%	revenue levels.	472	0	472	253,572
6 Miscellaneous	5,709	(5,334)	375	55.56%		0	0	0	0
7 Uncollectibles	0	0	0			0	0	0	0
8 Total Operating Revenues	609,311	(286,547)	322,764			10,560	26,920	27,848	281,420
9 Expenses:									
10 Plant Specific	139,009	(91,929)	47,080	55.50%	(10,230)	36,850	0	36,850	36,850
11 Plant Non-Specific (DEPREC Incl.)	86,418	(20,162)	66,256	55.13%	0	66,256	0	66,256	66,256
12 Customer Operations	43,343	(42,968)	435	69.94%	0	435	0	435	435
13 Corporate Operations	334,832	(126,214)	208,618	55.60%	(62,034)	146,584	(55,604)	90,980	90,980
14 Property Taxes	5,709	(5,334)	375	55.56%	0	375	0	375	375
15 Adjustment(s)	0	0	0		0	0	26,920	26,920	26,920
16 Total Operating Expenses	609,311	(286,547)	322,764		(4,765)	250,500	0	221,817	221,817
17 Federal Income Taxes	35,210	(36,445)	4,765	49.10%	(29,242)	0	0	0	0
18 Return on Investment	118,698	(16,892)	101,806	59.49%	(4,09)	(239,940)	0	(193,969)	59,604
19 Proposed rate of return (or interest ratio)	10.50%		10.50%					(3.29)	1.09
20 Revenue Requirement	763,219		429,335			309,156		281,420	281,420
21 Rate Base:									
22 General Support	367,203	(67,243)	299,960	55.62%	0	299,960	(13,325)	286,435	286,435
23 Central Office	355,251	298,572	653,823	54.56%	(98,204)	555,619	0	555,619	555,619
24 Cable and Wire	447,769	(359,538)	88,231	65.00%	(7,498)	80,733	0	80,733	80,733
25 Accumulated Depreciation	(47,272)	(23,163)	(72,435)	55.11%	0	(72,435)	0	(72,435)	(72,435)
26 Accum. Def. Fed. Inc. Tax	0	0	0			0	0	0	0
27 Adjustment(s)	7,500	(7,500)	0			0	0	0	0
28 Net Rate Base	1,130,451	(160,872)	969,579			863,877	0	850,352	850,352