



July 31, 2019

BY UTC WEB PORTAL

Mr. Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Dear Mr. Johnson:

Re: 2019 Petition to Receive Support from the State
Universal Communications Services Program –
CLAIM OF CONFIDENTIALITY

Pursuant to WAC 480-123-110, on behalf of Kalama Telephone Company (“Company”) hereby petitions the Washington Utilities and Transportation Commission to receive support from the Universal Communications Services Program for the fiscal year ending June 30, 2020.

The petition for support and exhibits that are specified in WAC 480-123-100 and WAC 480-123-110 accompany this letter and are being filed electronically via the Commission’s web portal. This filing consists of an electronic version (in .pdf format) of this cover letter, the petition and both redacted and unredacted versions of the exhibits. In addition, electronic versions (in Excel (.xlsx) format) of the Financial Template (from which Exhibit 4 has been generated) and both redacted and unredacted versions of Exhibit 4.1 (containing broadband connection and gross capital expenditure information) are being included in this filing.

Please note that portions of the information in the petition and accompanying exhibits, as well as the above-mentioned electronic version (in Excel format) of Exhibit 4.1, are being filed on a confidential basis pursuant to WAC 480-07-160. The Company hereby asserts a claim of confidentiality with respect thereto. The basis for this claim is that the portions of the petition, including the exhibits, that have been designated as confidential, and the Excel file of Exhibit 4.1, contain valuable commercial information, including confidential marketing, cost and financial information.¹

¹ Other persons (including entities) that might be directly affected by disclosure of the confidential information include each of the entities shown on Exhibit 1 to the above-mentioned petition, as well as the individual owners of the Company’s parent company, Scatter Creek Limited.

Mr. Mark Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
July 31, 2019
Page 2

If the Commission has any questions regarding the enclosed petition, please do not hesitate to contact me by e-mail at rick@scattercreek.net or call me at (360) 264-2915.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Vitzthum", with a long horizontal flourish extending to the right.

Rick Vitzthum
Chief Financial Officer

Accompanying files (including this file):

NEW-KalamaTelCo-PET-UCSP-2019-08-01(C).zip
NEW-KalamaTelCo-PET-UCSP-2019-08-01(R).zip
NEW-KalamaTelCo-EXH-4-UCSP-2019-08-01.xlsx
NEW-KalamaTelCo-EXH-4.1-UCSP-2019-08-01(C).xlsx
NEW-KalamaTelCo-EXH-4.1-UCSP-2019-08-01(R).xlsx

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6 **BEFORE THE WASHINGTON**
7 **UTILITIES AND TRANSPORTATION COMMISSION**

8 IN RE

9
10 PETITION OF KALAMA TELEPHONE
11 COMPANY TO RECEIVE SUPPORT
12 FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES
PROGRAM

DOCKET NO.
PETITION FOR SUPPORT

13
14 COMES NOW Kalama Telephone Company (the "Company") and, pursuant to Chapter
15 480-123 of the Washington Administrative Code ("WAC") including, but not limited to, WAC 480-
16 123-110, hereby petitions the Washington Utilities and Transportation Commission (the
17 "Commission") to receive support from the State Universal Communications Services Program
18 established in RCW 80.36.650 (the "Program") for the fiscal year ending June 30, 2020.
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20 **I. Demonstration of Eligibility under WAC 480-123-100**

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22 1. WAC 480-123-100(1)(a): The Company is a local exchange company as defined in WAC
23 480-120-021 that serves less than forty thousand access lines within the state.
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26 PETITION OF KALAMA TELEPHONE
COMPANY TO RECEIVE SUPPORT
FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES
PROGRAM - 1

- 1 2. WAC 480-123-100(1)(b): The Company is an incumbent local exchange carrier as defined
2 in 47 U.S.C. Sec. 251(h)
- 3 3. WAC 480-123-100(1)(c): The Company offers basic residential and business exchange
4 telecommunications services as set forth in WAC 480-120-021 and RCW 80.36.630.
- 5 4. WAC 480-123-100(1)(d): The Company's rates for residential local exchange service, plus
6 mandatory extended area service charges, are no lower than the local urban rate floor
7 established¹ by the Commission as the benchmark rate based on the Federal
8 Communications Commission's national local urban rate floor pursuant to 47 C.F.R. Sec.
9 54.318 in effect on the date of this Petition.
- 10 5. WAC 480-123-100(1)(e): The Company has been designated by the Commission as an
11 eligible telecommunications carrier for purposes of receiving federal universal service
12 support pursuant to 47 C.F.R. Part 54 Subpart D - Universal Service Support for High Cost
13 Areas with respect to the service area for which the Company is seeking Program support.
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16 **II. Demonstration of Eligibility under WAC 480-123-110**

- 17 1. WAC 480-123-110(1)(a): The name of the legal entity that provides communications
18 services and is seeking Program support is as follows: Kalama Telephone Company.
- 19 2. WAC 480-123-110(1)(b): A corporate organization chart showing the relationship between
20 the Company and all affiliates as defined in RCW 80.16.010 is attached hereto as Exhibit 1.
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24 ¹ On April 15, 2019 The FCC released a Report and Order eliminating the National Rate Floor. The state USF Program was designed
25 with a minimum rate floor component. Rather than accepting no rate floor, the Commission has established that the local urban rate
26 floor benchmark is set at each petitioning company's rate, then in effect, as of April 15, 2019

1 A detailed description of any transactions between the Company and the affiliates named in
2 Exhibit 1² recorded in the Company's operating accounts is attached hereto as Exhibit 2.³

- 3 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet No.
4 20 of the Company's Tariff WN U-1.
- 5 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate
6 instability or service interruption or cessation in the absence of support from the Program is
7 attached as Exhibit 3.
- 8 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached as Exhibit 4,
9 are copies of the Company's balance sheet as of December 31, 2018, and December 31,
10 2017, and copies of the Company's statements of income and retained earnings or margin for
11 the years ended December 31, 2018 and December 31, 2017.
- 12 6. WAC 480-123-110(1)(e)(ii): A copy of the Company's consolidated annual financial
13 statements for the years ended December 31, 2018 and December 31, 2017, is attached as
14 Exhibit 5.
- 15 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of
16 return on a total Washington unseparated regulated operations basis for each of the two prior
17 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4.
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22 ² Pursuant to agreement with the Commission Staff, Exhibit 1 is limited to those affiliates having transactions with the
23 Company that are to be identified in Exhibit 2.

24 ³ Pursuant to agreement with the Commission Staff, Exhibit 2 is limited to transactions other than employment
25 compensation and benefits pursuant to employee benefit plans.

- 1 8. WAC 480-123-110(1)(e)(iv): Information demonstrating the Company's earned return on
2 equity on a total company (regulated and non-regulated) Washington basis for each of the
3 two prior years, calculated in the manner prescribed by the Commission, is provided in
4 Exhibit 4.
- 5 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's revenues from the
6 statements of income and retained earnings or margin in the same format and detail as is
7 required to complete RUS Form 479 for the prior two years is presented on Exhibit 6.
- 8 10. WAC 480-123-110(1)(e)(vi): A statement under penalty of perjury from a Company officer
9 with personal knowledge and responsibility certifying that no corporate operations
10 adjustment to existing high-cost loop, interstate common line support and broadband loop
11 support mechanisms required by the Federal Communications Commission applied to the
12 Company for the two prior years is attached hereto as Exhibit 7.⁴
- 13 11. WAC 480-123-110(1)(e)(vii): Exhibit 4, and Exhibit 4.1, which is also attached and is on
14 the Commission's prescribed form, contains additional supporting information requested by
15 the Commission.
- 16 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company
17 officer with personal knowledge and responsibility certifying that the Company complies
18 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to
19 incumbent local exchange companies is attached as Exhibit 8.
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24 ⁴ More specifically, Exhibit 7 sets forth amounts of corporate operations expense that were required by 47 C.F.R. §
25 54.1308(a)(4)(ii) to be excluded from the high-cost loop support, and interstate common line support or broadband loop
26 support (which, in part, has replaced interstate common line support), mechanisms, as applicable to the subject years.

1 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or
2 on its behalf with the Federal Communications Commission for the calendar year preceding
3 the current year has already been filed with the Commission. See the Company's filing in
4 Docket No. UT-190005 filed on or about June 18, 2019.

5 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines served by
6 the Company as of December 31, 2018, was 1,671, all of which were within the geographic
7 area for which the Company is seeking support. The number of residential local exchange
8 access lines served by the Company as of December 31, 2017, was 1,669, all of which were
9 within the geographic area for which the Company is seeking support. The number of
10 business local exchange access lines served by the Company as of December 31, 2018, was
11 534, all of which were within the geographic area for which the Company is seeking
12 support. The number of business local exchange access lines served by the Company as of
13 December 31, 2017, was 525, all of which were within the geographic area for which the
14 Company is seeking support. The monthly recurring rate charged by the Company for
15 residential local exchange access service on December 31, 2018, was \$18.00. The monthly
16 recurring rate charged by the Company for residential local exchange access service on
17 December 31, 2017, was \$18.00. The rate charged by the Company for single line business
18 local exchange access service on December 31, 2018, was \$21.00. The rate charged by the
19 Company for single line business local exchange access service on December 31, 2017, was
20 \$21.00. The Company has other business local exchange service rates, but the Company
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1 understands that WAC 480-123-110(1)(g) is requesting the single line business local
2 exchange access service rate.

3 15. WAC 480-123-110(1)(h): The requested statement is attached as Exhibit 9.

4 16. The amount on Line 4, labeled 2011 ROR Carrier Base Period Revenue, of the CAF ICC
5 Data collection Report for the period 7/1/2019 - 6/30/2020 is \$746,728 and has not changed
6 from the last filing.

7 17. All exhibits attached hereto are incorporated in this Petition as though fully set forth.

8 Respectfully submitted this 31st day of July, 2019.
9

10
11 Kalama Telephone Company

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13 CERTIFICATION

14 I, Steve Hanson, an officer of the Company that is responsible for the Company's business
15 and financial operations, hereby certify under penalty of perjury that the information and
16 representations set forth in the Petition, above, are accurate and the Company has not knowingly
17 withheld any information required to be provided to the Commission pursuant to the rules
18 governing the Program.

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21 By: _____

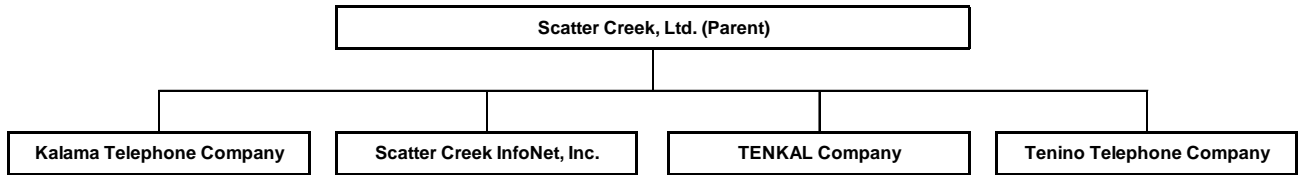
22 Title: President
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**PETITION OF KALAMA TELEPHONE COMPANY TO RECEIVE
SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM –
EXHIBIT 1**

EXHIBIT 1

CORPORATE ORGANIZATION CHART

**Corporate Organization Chart
for Kalama Telephone Company**



**PETITION OF KALAMA TELEPHONE COMPANY TO RECEIVE
SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM –
EXHIBIT 2**

EXHIBIT 2

AFFILIATED TRANSACTIONS

SCATTER CREEK, LTD (Parent): Scatter Creek, Ltd (Parent) acts as a common paymaster for the Kalama Telephone Company (Company) and some of its affiliates. The Parent also provides billing and operational systems support for the Company. The Parent has advanced funds to the Company for operational support and to extinguish Company debt. Due to the long term nature of the advance, the Company accrues interest expense on the advanced funds on the average monthly balance of advanced funds. Certain shareholders holding, directly or indirectly, five percent or more of the stock of the Company are also employees of the Company and receive from the Company's employment compensation together with employment-associated benefits in accordance with benefit plans that are in place.

Scatter Creek InfoNet, Inc. (affiliate): Scatter Creek InfoNet, Inc. (SCIN) is an affiliate of the Company that is an internet service provider. SCIN purchases from the Company DSL service on a wholesale basis, Ethernet Transport Service, and Special Access Service. The pricing for these services is set by the National Exchange Carrier Association (NECA) Tariff FCC No. 5. SCIN purchases local business access lines from the Company. These lines are used for customer service and dial-up internet service. The rates charged to SCIN by the Company for these lines are set forth in the Company's Tariff WN U-1. The Company purchases from SCIN web hosting service, email delivery and internet access at rates equivalent to the rates SCIN charges to its similarly situated retail customers.

TENKAL Company (affiliate): TENKAL Company (TENKAL) provides long distance service to customers in the Company's service territory using the DBA of Scatter Creek Communications. TENKAL purchases local business access lines from the Company. These lines are used for customer service. The rates charged to TENKAL by the Company for these lines are set forth in the Company's Tariff WN U-1. The Company purchases long distance service from TENKAL at rates equivalent to those TENKAL charges to its similarly situated retail customers. The Company provides billing and collection service for TENKAL. The rates charged to TENKAL by the Company for billing and collection service are set forth in the Company's Tariff WN U-1.

Tenino Telephone Company (affiliate): On occasion an employee of either Telephone Company will perform work for the other Telephone Company. The actual payroll and overheads associated with the hours worked are reimbursed by the Telephone Company benefitting from the work performed.

**PETITION OF KALAMA TELEPHONE COMPANY TO RECEIVE
SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM –
EXHIBIT 3**

EXHIBIT 3

DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The operating environment in which the Company finds itself has created a climate of great financial uncertainty. The Company has been working over the past several years to address growing competition. The Company has taken steps to increase the availability and attributes of advanced services offered by the Company, including broadband. This has resulted in the Company making additional investments in regulated plant of approximately \$5,317,000 during the period January 1, 2011 through December 31, 2018.

The overall financial condition of the Company is detailed on other Exhibits to this Petition. What this information demonstrates is that, when adjusted to eliminate the support from the state Universal Communications Services Program that the Company received or accrued in 2018, the Company's total regulated revenue decreased by approximately \$558,300 from 2011 through 2018. This revenue decline represents an 18.1 percent decrease in total regulated revenue. The Company has looked for ways to lower expenses. However, much of the Company's operating expenses are fixed obligations. As a result of the decrease in regulated revenue and the high operating costs associated with providing service in a rural area, the company has experienced an operating loss from regulated operations and a net loss from total company operation in 12 of the 13 most recent years.

Since the company has been experiencing an operating loss and the company projects that it will continue to operate with a net loss, the benefit of a lower federal income tax rate contained in the Tax Cuts and Jobs Act of 2017 will not be recognized until the company is able to improve operations resulting in a taxable net income.

At the same time, the Company is seeing increased competition. For example, the Company has seen some migration of customers "cutting the cord" to move to wireless or other service as their sole method of telecommunications. Since 2011, the Company has lost 329 access lines. A loss of customers equates to a loss of revenue without a corresponding reduction in expenses or corresponding increase in rates. This trend of access line loss has been exacerbated by the Federal Communications Commission's requirement that the Company increase its rates to remain eligible for full federal Universal Service Fund support. Since 2012, the Company has increased its local exchange service rates in order to be in compliance with the national urban rate floor prescribed by the Federal Communications Commission. Those rate increases have tended to stimulate a surge in disconnection of service by customers.

As an example of why state Program support is needed, the Company's receipt of revenue from the traditional Washington intrastate universal service access rate element and related pooling fund were terminated effective July 1, 2014. Since then, the loss of revenues derived from the traditional universal service access rate element has been offset by revenues received by the Company as a result of its participation in the Program. Using 2012 as a base line, the Company

is facing a loss of traditional universal service fund revenues of approximately \$79,400 per year if its participation in the Program is not renewed.

As another example, some of the financial uncertainty that the Company faces stems from the USF/ICC Transformation Order issued by the Federal Communications Commission.¹ The USF/ICC Transformation Order has built in an automatic decline in the Company's intrastate and interstate access revenues. The intercarrier compensation portion of the Transformation Order introduces a concept of a base line year for calculating terminating access and reciprocal compensation revenues and provides support from the Connect America Fund ("CAF") based on the base line year.² However, the base line year revenues (from which the level of CAF support is derived) are reduced iteratively by five percent each year. The CAF support reduction began in July 2012. Projecting through the year ending June 30, 2019, including reductions that will occur July 1, 2018, the Company has seen a reduction in support from the base line revenue of approximately \$251,330.

On top of all this, during the seven-year period ended December 31, 2018, the Company has seen its total federal high cost support undergo a significant reduction, declining from \$1,405,782 in 2011 to \$790,253 in 2018. Additional uncertainty has been introduced to this source of funding by the 2016 Federal Communications Commission order restructuring support for rate-of-return local exchange carriers. In this order, the Federal Communications Commission implemented a reduction in the authorized rate of return from 11.25% to 9.75% for Broadband Loop Support ("BLS") (formerly, in part, Interstate Common Line Support), special access and High Cost Loop Support ("HCLS"). This reduction is being phased in over a 6-year period. For 2019-2020 the allowed rate of return for BLS, special access and HCLS will be 10.125%. The order also introduced, but the FCC has not yet fully implemented, a possible reduction in Company support due to competitive carrier presence or overlap within any census block served by the Company.

These factors, among others, have led to the strained financial condition of the Company as reflected in the financial reports that are part of the Petition.

The combination of factors noted above creates a situation in which, without support from the state universal communications services program, the Company may be faced with a choice of increasing rates. The Company projects that if it was required to recover from end users the 2019-2020 support from the state Universal Communications Services Program, the Company would need to raise local voice service rates by approximately \$12.80 per month or broadband

¹ *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform - Mobility Fun*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011)(*USF/ICC Transformation Order*).

² "2011 ROR Carrier Base Period Revenue" of the CAF ICC Data Collection Report for the period of July 1, 2017 through June 30, 2018 has not changed from prior filings.

rates by approximately \$18.60 per month. The other option would be to drastically reduce service in order to be able to match expenses to revenues. Neither choice of raising rates or lowering service presents a viable path for providing continued high quality service to customers. The dilemma presented by these choices reflects the risk of rate instability or service interruption or cessation to which the Company is subject.

**PETITION OF KALAMA TELEPHONE COMPANY TO RECEIVE
SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM –
EXHIBIT 4**

STATE USF FILING
FINANCIAL TEMPLATE
NON-"S CORP" COMPANIES

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)
 Prior Year Balance Sheet

Company Name: (Below)
 Kalama Telephone Company

ASSETS	Balance End of Year 2017 (A)	Part 64 Adj to NonReg 2017 (B)	Adj. Balance End of Year 2017 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2017 (A)	Part 64 Adj to NonReg 2017 (B)	Adj. Balance End of Year 2017 (C)
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents	870,497		870,497	25. Accounts Payable	43,294		43,294
2. Cash-RUS Construction Fund			0	26. Notes Payable			0
3. Affiliates:				27. Advance Billings and Payments			0
a. Telecom, Accounts Receivable			0	28. Customer Deposits			0
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt			0
c. Notes Receivable			0	30. Current Mat. L/T Debt Rur. Dev.			0
4. Non-Affiliates:				31. Current Mat. - Capital Leases			0
a. Telecom, Accounts Receivable	118,523		118,523	32. Income Taxes Accrued	3,565		3,565
b. Other Accounts Receivable			0	33. Other Taxes Accrued	14,192		14,192
c. Notes Receivable			0	34. Other Current Liabilities	346,780		346,780
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	407,831	0	407,831
6. Material-Regulated	34,672		34,672	LONG-TERM DEBT			
7. Material-Nonregulated			0	36. Funded Debt-RUS Notes			0
8. Prepayments	32,329		32,329	37. Funded Debt-RTB Notes			0
9. Other Current Assets			0	38. Funded Debt-FFB Notes			0
10. Total Current Assets (1 Thru 9)	1,056,021	0	1,056,021	39. Funded Debt-Other			0
NONCURRENT ASSETS				40. Funded Debt-Rural Develop. Loan			0
11. Investment in Affiliated Companies				41. Premium (Discount) on L/T Debt			0
a. Rural Development	0		0	42. Reacquired Debt			0
b. Nonrural Development	0		0	43. Obligations Under Capital Lease			0
12. Other Investments				44. Adv. From Affiliated Companies	2,800,086		2,800,086
a. Rural Development	0		0	45. Other Long-Term Debt			0
b. Nonrural Development			0	46. Total Long-Term Debt (36 thru 45)	2,800,086	0	2,800,086
13. Nonregulated Investments (B1)		(219,730)	(219,730)	OTHER LIAB. & DEF. CREDITS			
14. Other Noncurrent Assets			0	47. Other Long-Term Liabilities			0
15. Deferred Charges	327,092	220,279	547,371	48. Deferred Income Taxes			0
16. Jurisdictional Differences			0	49. Other Deferred Credits (D)			0
17. Total noncurrent Assets (11 thru 16)	327,092	549	327,641	50. Other Jurisdictional Differences			0
PLANT, PROPERTY AND EQUIPMENT				51. Total Other Liab. & Def. Credits (47 thru 50)	0	0	0
18. Telecom Plant-In-Service	19,212,808	(19,912)	19,192,896	EQUITY			
19. Property Held for Future Use			0	52. Cap. Stock Outstanding & Subscribed	35,000		35,000
20. Plant Under Construction	155,863		155,863	53. Additional Paid-in-Capital			0
21. Plant Adj., Nonop Plant & Goodwill			0	54. Treasury Stock			0
22. Accumulated Depreciation (CR.)	(17,726,950)	19,363	(17,707,587)	55. Membership and Capital Certificates			0
23. Net Plant (18 thru 21 less 22)	1,641,721	(549)	1,641,172	56. Other Capital			0
24. TOTAL ASSETS (10+17+23)	3,024,834	0	3,024,834	57. Patronage Capital Credits			0
				58. Retained Earnings or Margins (B2)	(218,083)	0	(218,083)
				59. Total Equity (52 thru 58)	(183,083)	-	(183,083)
				60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	3,024,834	0	3,024,834

Footnotes:

- (A) - As reported on RUS Form 479
- (B) - Part 64 adjustments from regulated to nonregulated.
- (C) - Adjusted Balance after Part 64

Footnotes:

- (B1) - Part 64 offset to nonreg investment
- (B2) - Part 64 offset to retained earnings
- (D) - Excludes deferred taxes

State USF Petition Filing Requirement -WAC 480-123-110(1)(e)
Current Year Balance Sheet

Company Name: (Below)
Kalama Telephone Company

ASSETS	Balance End of Year 2018 (A)	Part 64 Adj to NonReg 2018 (B)	Adj. Balance End of Year 2018 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2018 (A)	Part 64 Adj to NonReg 2018 (B)	Adj. Balance End of Year 2018 (C)
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents	1,307,909		1,307,909	25. Accounts Payable	57,075		57,075
2. Cash-RUS Construction Fund			0	26. Notes Payable			0
3. Affiliates:				27. Advance Billings and Payments			0
a. Telecom, Accounts Receivable			0	28. Customer Deposits			0
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt			0
c. Notes Receivable			0	30. Current Mat. L/T Debt Rur. Dev.			0
4. Non-Affiliates:				31. Current Mat. - Capital Leases			0
a. Telecom, Accounts Receivable	24,703		24,703	32. Income Taxes Accrued	26,366		26,366
b. Other Accounts Receivable			0	33. Other Taxes Accrued	13,342		13,342
c. Notes Receivable			0	34. Other Current Liabilities	371,117		371,117
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	467,900	0	467,900
6. Material-Regulated	36,948		36,948	LONG-TERM DEBT			
7. Material-Nonregulated			0	36. Funded Debt-RUS Notes			0
8. Prepayments	20,919		20,919	37. Funded Debt-RTB Notes			0
9. Other Current Assets			0	38. Funded Debt-FFB Notes			0
10. Total Current Assets (1 Thru 9)	1,390,479	0	1,390,479	39. Funded Debt-Other			0
NONCURRENT ASSETS				40. Funded Debt-Rural Develop. Loan			0
11. Investment in Affiliated Companies				41. Premium (Discount) on L/T Debt			0
a. Rural Development			0	42. Reacquired Debt			0
b. Nonrural Development			0	43. Obligations Under Capital Lease			0
12. Other Investments				44. Adv. From Affiliated Companies	3,405,598		3,405,598
a. Rural Development			0	45. Other Long-Term Debt			0
b. Nonrural Development			0	46. Total Long-Term Debt (36 thru 45)	3,405,598	0	3,405,598
13. Nonregulated Investments (B1)		(178,389)	(178,389)	OTHER LIAB. & DEF. CREDITS			
14. Other Noncurrent Assets			0	47. Other Long-Term Liabilities			0
15. Deferred Charges	281,990	178,810	460,800	48. Deferred Income Taxes			0
16. Jurisdictional Differences			0	49. Other Deferred Credits (D)			0
17. Total noncurrent Assets (11 thru 16)	281,990	421	282,411	50. Other Jurisdictional Differences			0
PLANT, PROPERTY AND EQUIPMENT				51. Total Other Liab. & Def. Credits (47 thru 50)	0	0	0
18. Telecom Plant-In-Service	19,699,728	(15,658)	19,684,070	EQUITY			
19. Property Held for Future Use			0	52. Cap. Stock Outstanding & Subscribed	35,000		35,000
20. Plant Under Construction	414,216		414,216	53. Additional Paid-in-Capital			0
21. Plant Adj., Nonop Plant & Goodwill			0	54. Treasury Stock			0
22. Accumulated Depreciation (CR.)	(18,151,402)	15,237	(18,136,165)	55. Membership and Capital Certificates			0
23. Net Plant (18 thru 21 less 22)	1,962,542	(421)	1,962,121	56. Other Capital			0
24. TOTAL ASSETS (10+17+23)	3,635,011	0	3,635,011	57. Patronage Capital Credits			0
				58. Retained Earnings or Margins (B2)	(273,487)	0	(273,487)
				59. Total Equity (52 thru 58)	(238,487)	-	(238,487)
				60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	3,635,011	0	3,635,011

Footnotes:

- (A) - As reported on RUS Form 479
- (B) - Part 64 adjustments from regulated to nonregulated.
- (C) - Adjusted Balance after Part 64

Footnotes:

- (B1) - Part 64 offset to nonreg investment
- (B2) - Part 64 offset to retained earnings
- (D) - Excludes deferred taxes

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)
 Prior and Current Year Balance Sheet

Company Name: (Below)
 Kalama Telephone Company

ASSETS	Adjusted Prior Year Balance 2017	Adjusted Current Year Balance 2018	LIABILITIES AND STOCKHOLDERS' EQUITY	Adjusted Prior Year Balance 2017	Adjusted Current Year Balance 2018
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	870,497	1,307,909	25. Accounts Payable	43,294	57,075
2. Cash-RUS Construction Fund	0	0	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	0	0
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	0	0
c. Notes Receivable	0	0	30. Current Mat. L/T Debt Rur. Dev.	0	0
4. Non-Affiliates:			31. Current Mat. - Capital Leases	0	0
a. Telecom, Accounts Receivable	118,523	24,703	32. Income Taxes Accrued	3,565	26,366
b. Other Accounts Receivable	0	0	33. Other Taxes Accrued	14,192	13,342
c. Notes Receivable	0	0	34. Other Current Liabilities	346,780	371,117
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 - 34)	407,831	467,900
6. Material-Regulated	34,672	36,948	LONG-TERM DEBT		
7. Material-Nonregulated	0	0	36. Funded Debt-RUS Notes	0	0
8. Prepayments	32,329	20,919	37. Funded Debt-RTB Notes	0	0
9. Other Current Assets	0	0	38. Funded Debt-FFB Notes	0	0
10. Total Current Assets (1 Thru 9)	1,056,021	1,390,479	39. Funded Debt-Other	0	0
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan	0	0
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	0
a. Rural Development	0	0	42. Reacquired Debt	0	0
b. Nonrural Development	0	0	43. Obligations Under Capital Lease	0	0
12. Other Investments			44. Adv. From Affiliated Companies	2,800,086	3,405,598
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	0	0	46. Total Long-Term Debt (36-45)	2,800,086	3,405,598
13. Nonregulated Investments	(219,730)	(178,389)	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	0	0	47. Other Long-Term Liabilities	0	0
15. Deferred Charges	547,371	460,800	48. Deferred Income Taxes	0	0
16. Jurisdictional Differences	0	0	49. Other Deferred Credits	0	0
17. Total noncurrent Assets (11 thru 16)	327,641	282,411	50. Other Jurisdictional Differences	0	0
PLANT, PROPERTY AND EQUIPMENT			51. Total Other Liab. & Def. Credits (47 thru 50)	0	0
18. Telecom Plant-in-Service	19,192,896	19,684,070	EQUITY		
19. Property Held for Future Use	0	0	52. Cap. Stock Outstanding & Subscribed	35,000	35,000
20. Plant Under Construction	155,863	414,216	53. Additional Paid-in-Capital	0	0
21. Plant Adj., Nonop Plant & Goodwill	0	0	54. Treasury Stock	0	0
22. Accumulated Depreciation (CR.)	(17,707,587)	(18,136,165)	55. Membership and Capital Certificates	0	0
23. Net Plant (18 thru 21 less 22)	1,641,172	1,962,121	56. Other Capital	0	0
24. TOTAL ASSETS (10+17+23)	3,024,834	3,635,011	57. Patronage Capital Credits	0	0
			58. Retained Earnings or Margins	(218,083)	(273,487)
			59. Total Equity (52 thru 58)	(183,083)	(238,487)
			59. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	3,024,834	3,635,011

Footnote:
 Adjusted Balances represents balances
 after Part 64 adjustments.

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)
Prior and Current Year Rate Base

Company Name: (Below)
 Kalama Telephone Company _____

Line #	Description	B/S Line #	Adj. Balance End of Year 2017	Adj. Balance End of Year 2018	Average Adj End of Year Balance
Average Rate Base:					
1	Total Regulated Adjusted Telecom Plant-In-Service	18	19,192,896	19,684,070	19,438,483
2	Total Property Held for Future Use	19	0	0	0
3	Total Regulated Adjusted Accumulated Depreciation (CR)	22	(17,707,587)	(18,136,165)	(17,921,876)
4	Total Regulated Materials & Supplies	6	34,672	36,948	35,810
5	Deferred Income Taxes (CR) * - Manually input		547,371	460,800	504,086
6	Total Regulated Rate Base		2,067,352	2,045,653	2,056,503

Footnotes:

1. Normal balance of deferred operating income taxes and accumulated depreciation is a credit.
- * 2. Deferred Income Taxes (Line 5) may not equal the Balance Sheet Deferred Income Taxes (Line 48) if the later includes non-operating.
3. Adjusted balance includes Part 64 adjustments

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)
Prior and Current Year Access Lines

Company Name: (Below)
Kalama Telephone Company

Line #	Description	Prior Year End of Yr. Balance - 2017	Current Year End of Yr. Balance - 2018	Difference	% Change
	Access Lines:				
1	Residential	1,669	1,671	2	0.1%
2	Business	525	534	9	1.7%
3	Total	2,194	2,205	11	0.5%

Note: If 2017 does not equal last year's petition and template, explain.

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)
 Prior Year Income Statement

Company Name: (Below)
 Kalama Telephone Company

Line #	Description	Prior Year 2017 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2017 (C)
1	Local Network Services Revenues	570,385		570,385
2	Network Access Services Revenues	2,335,480		2,335,480
3	Long Distance Network Services Revenues			0
4	Carrier Billing and Collection Revenues	8,515		8,515
5	Miscellaneous Revenues	29,626		29,626
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(5,311)		(5,311)
7	Net Operating Revenues (1 thru 6)	2,938,695	0	2,938,695
8	Plant Specific Operations Expense	988,358	(3,091)	985,267
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	638,886		638,886
10	Depreciation Expense	551,441	(1,228)	550,213
11	Amortization Expense			0
12	Customer Operations Expense	228,850	(3,872)	224,978
13	Corporate Operations	564,595	(6,037)	558,558
14	Total Operations Expenses (8 thru 13)	2,972,130	(14,228)	2,957,902
15	Operating Income or Margins (7 less 14)	(33,435)	14,228	(19,207)
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	82,504	(66)	82,438
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	122,053	(213,168)	(91,115)
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	204,557	(213,234)	(8,677)
21	Net Operating Income or Margins (15+16-20)	(237,992)	227,462	(10,530)
22	Interest on Funded Debt			0
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	126,143	(95)	126,048
25	Allowance for Funds Used During Construction (Record as a Credit)			0
26	Total Fixed Charges (22+23+24+25)	126,143	(95)	126,048
27	Nonoperating Net Income	(16,840)		(16,840)
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	28,371	(227,557)	(199,186)
31	Total Net Income or Margins (21+27+28+29+30-26)	(352,604)	0	(352,604)
32	Total Taxes Based on Income			0
33	Retained Earning or Margins Beginning-of-Year	134,521		134,521
34	Miscellaneous Credits Year-to-Date			0
35	Dividends Declared (Common)			0
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)	(218,083)	0	(218,083)
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments			0
45	Cash Ratio ((14+20-10-11)/7)	0.8933	#DIV/0!	0.8164
46	Operating Accrual Ratio ((14+20+26)/7)	1.1239	#DIV/0!	1.0465
47	TIER ((31+26)/26)	(1.7953)	1.0000	(1.7974)
48	DSCR ((31+26+10+11)/44)	#DIV/0!	#DIV/0!	#DIV/0!

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Income Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 58 of Page 2, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Column B, automatic offset to Nonregulated Net Income (No impact to Retained Earnings)
- (C) Adjusted balance after Part 64 adjustments

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)
 Current Year Income Statement

Company Name: (Below)
 Kalama Telephone Company

Line #	Description	Current Year 2018 (A)	Part 64 Adj. to NonReg (B)	Current Year Adjusted 2018 (C)
1	Local Network Services Revenues	572,118		572,118
2	Network Access Services Revenues	2,207,452		2,207,452
3	Long Distance Network Services Revenues	0		0
4	Carrier Billing and Collection Revenues	8,827		8,827
5	Miscellaneous Revenues	29,856		29,856
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(6,487)		(6,487)
7	Net Operating Revenues (1 thru 6)	2,811,766	0	2,811,766
8	Plant Specific Operations Expense	902,945	(1,907)	901,038
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	575,478		575,478
10	Depreciation Expense	433,770	(473)	433,297
11	Amortization Expense	0		0
12	Customer Operations Expense	211,651	(3,773)	207,878
13	Corporate Operations	536,273	(1,378)	534,895
14	Total Operations Expenses (8 thru 13)	2,660,117	(7,531)	2,652,586
15	Operating Income or Margins (7 less 14)	151,649	7,531	159,180
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	82,614	(52)	82,562
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	(11,070)	(42,229)	(53,299)
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	71,544	(42,281)	29,263
21	Net Operating Income or Margins (15+16-20)	80,105	49,812	129,917
22	Interest on Funded Debt	131,646		131,646
23	Interest Expense - Capital Leases			0
24	Other Interest Expense			0
25	Allowance for Funds Used During Construction (Record as a Credit)			0
26	Total Fixed Charges (22+23+24+25)	131,646	0	131,646
27	Nonoperating Net Income	8,581		8,581
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	(12,444)	(49,812)	(62,256)
31	Total Net Income or Margins (21+27+28+29+30-26)	(55,404)	0	(55,404)
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	(218,083)		(218,083)
34	Miscellaneous Credits Year-to-Date			0
35	Dividends Declared (Common)			0
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)	(273,487)	0	(273,487)
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments			0
45	Cash Ratio ((14+20-10-11)/7)	0.8172	#DIV/0!	0.7997
46	Operating Accrual Ratio ((14+20+26)/7)	1.0183	#DIV/0!	1.0006
47	TIER ((31+26)/26)	0.5791	#DIV/0!	0.5791
48	DSCR ((31+26+10+11)/44)	#DIV/0!	#DIV/0!	#DIV/0!

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Income Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 58 of Page 3, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Column B, automatic offset to Nonregulated Net Income (No Impact to Retained Earnings)
- (C) Adjusted balance after Part 64 adjustments

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)
 Prior and Current Year Income Statement

Company Name:
 Kalama Telephone Company

Line #	Description	Adjusted Prior Year 2017	Adjusted Current Year 2018
1	Local Network Services Revenues	570,385	572,118
2	Network Access Services Revenues	2,335,480	2,207,452
3	Long Distance Network Services Revenues	0	0
4	Carrier Billing and Collection Revenues	8,515	8,827
5	Miscellaneous Revenues	29,626	29,856
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(5,311)	(6,487)
7	Net Operating Revenues (1 thru 6)	2,938,695	2,811,766
8	Plant Specific Operations Expense	985,267	901,038
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	638,886	575,478
10	Depreciation Expense	550,213	433,297
11	Amortization Expense	0	0
12	Customer Operations Expense	224,978	207,878
13	Corporate Operations	558,558	534,895
14	Total Operations Expenses (8 thru 13)	2,957,902	2,652,586
15	Operating Income or Margins (7 less 14)	(19,207)	159,180
16	Other Operating Income and Expenses ()	0	0
17	State and Local Taxes	82,438	82,562
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	(91,115)	(53,299)
19	Other Taxes	0	0
20	Total Operating Taxes (17+18+19)	(8,677)	29,263
21	Net Operating Income or Margins (15+16-20)	(10,530)	129,917
22	Interest on Funded Debt	0	131,646
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	126,048	0
25	Allowance for Funds Used During Construction (Record as a Credit)	0	0
26	Total Fixed Charges (22+23+24+25)	126,048	131,646
27	Nonoperating Net Income	(16,840)	8,581
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	(199,186)	(62,256)
31	Total Net Income or Margins (21+27+28+29+30-26)	(352,604)	(55,404)
32	Total Taxes Based on Income		
33	Retained Earning or Margins Beginning-of-Year	134,521	(218,083)
34	Miscellaneous Credits Year-to-Date	0	0
35	Dividends Declared (Common)	0	0
36	Dividends Declared (Preferred)	0	0
37	Other Debits Year-to-Date	0	0
38	Transfers to Patronage Capital	0	0
39	Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))	(218,083)	(273,487)
40	Patronage Capital Beginning-of-Year	0	0
41	Transfers to Patronage Capital	0	0
42	Patronage Capital Credits Retired	0	0
43	Patronage Capital End-of-Year (40+41-42)	0	0
44	Annual Debt Service Payments	0	0
45	Cash Ratio ((14+20-10-11)/7)	0.8164	0.7997
46	Operating Accrual Ratio ((14+20+26)/7)	1.0465	1.0006
47	TIER ((31+26)/26)	(1.7974)	0.5791
48	DSCR ((31+26+10+11)/44)	#DIV/0!	#DIV/0!

Footnote

(A1) S Corporation Effective Tax Rate (2 decimal places):

Note:

Adjusted Income Statement reflects Part 64 Adjustments (Regulated to Nonregulated).

2017 2018

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)
Prior and Current Year Access Revenue Detail

Company Name: (Below)
Kalama Telephone Company

Line #	Description	Part 32 Account	Prior Year 2017	Current Year 2018
1	End User Revenue (SLC, ARC, etc.)	5081	347,467	338,456
2	Switched Access (excluding USF):	5082		
2a	Intrastate		43,628	34,699
2b	Interstate (includes CAF)		401,353	366,988
3	Special Access:	5083		
3a	Intrastate		2,934	3,169
3b	Interstate		427,703	351,655
4	Federal USF (except CAF and ACAM/BLS)	Varies	298,476	239,847
5	Federal USF (ACAM or BLS)	Varies	550,584	581,730
6	State USF	Varies	262,741	290,909
7	Other*		594	(1)
8	Total (must equal line 2 of Income Stmt.)		2,335,480	2,207,452
9	Line 2 of Income Stmt.		2,335,480	2,207,452
10	Difference		0	0

Footnote:

* - if > than 5% of Access revenue total, provide description below.

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)
Out-of-Period and Pro Forma Adjustments

Company Name: (Below)
 Kalama Telephone Company

Description of Out-of-Period (OOP) - 2018 (As Recorded) OR Pro Forma (PF) Adjustment for Current Year Petition or Reversing from Prior Year	Year	OOP or PF?	Part 32 Account	
			Debit	Credit
Adjustment #1: Remove 2017 Budget Control Refund received in 2018				
5082.00 CAF-BLS (CCL) Revenue	2018	PF	\$ 59,644	
5088.00 High Cost Loop (USF) Revenue	2018	PF	\$ 81,276	
4070.00 Federal Income Tax Payable	2018	PF	\$ 29,593	
1190.03 Other Accounts Recievable - NECA	2018	PF		\$ 140,920
7200.12 FIT Tax Expense	2018	PF		\$ 29,593
Adjustment #2: To Adjust 2018 Budget Control Refund (received in 2019) accrual to actual				
7200.12 FIT Tax Expense	2018	PF	\$ 2,625	
1190.03 Other Accounts Recievable - NECA	2018	PF	\$ 12,502	
4070.00 Federal Income Tax Payable	2018	PF		\$ 2,625
5082.00 CAF-BLS (CCL) Revenue	2018	PF		\$ 8,638
5088.00 High Cost Loop (USF) Revenue	2018	PF		\$ 3,864
Adjustment #3:				
Adjustment #4				
Adjustment #5				

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)
 Rate of Return and Consolidated Return on Equity

Company Name: (Below)

Kalama Telephone Company

Line #	Description	Company 2018 (A)	Staff 2018 (B)
1	Rate Base (Jan. 1)	2,067,352	2,067,352
2	Rate Base (Dec 31)	2,045,653	2,045,653
3	Average Rate Base	2,056,503	2,056,503
4	Net Operating Income	129,917	129,917
5	Out-of-Period Adjustments Net of FIT		
6	Adjusted Net Operating Income	129,917	129,917
7	Earned Regulated Rate of Return	6.32%	6.32%

Footnotes:

- (A) Column A to be completed by Company,
- (B) Column B should equal Column A, but may include any Staff Adjustments

State USF Petition Filing Requirement - WAC 480-123-110(e)
 Prior and Current Year Broadband and Gross Capital Expenditures

Exhibit 4.1 - Statistics

REDACTED - CONFIDENTIAL PER 480-07-160

Company Name: (Below)
 Kalama Telephone Company

Description	Prior Year End of Yr. Balance - 2017	Current Year End of Yr. Balance - 2018	Difference	% Change
Broadband Connections:				
Residential				2.0%
Business				3.9%
Total				2.2%
Gross Regulated Capital Expenditures**:				
Total Annual Amount	2017	2018	Difference	% Change
				4.2%

NOTE: IF THE COMPANY DESIRES TO FILE THIS SCHEDULE AS CONFIDENTIAL, PLEASE MARK AS CONFIDENTIAL PER 480-07-160. (The header and footer is no longer marked as confidential as some companies do not file this report as confidential).

**** - NOTE: THIS IS A CHANGE FROM LAST YEAR IN WHICH NONREGULATED CAPITAL EXPENDITURES WERE INCLUDED DUE TO INCONSISTENCIES IN REPORTING, STAFF IS REQUESTING ONLY REGULATED CAPITAL EXPENDITURES. IF THE COMPANY HAS INCURRED LARGE NONREGULATED CAPITAL EXPENDITURES IN THE REPORTING YEAR, IT MAY NOTE BELOW.**

**PETITION OF KALAMA TELEPHONE COMPANY TO RECEIVE
SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM –
EXHIBIT 5**

**KALAMA TELEPHONE
COMPANY, INC.**

(A Wholly-Owned Subsidiary of
Scatter Creek, Ltd.)

Reviewed Financial Statements

December 31, 2018 and 2017

KALAMA TELEPHONE COMPANY, INC.
(A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

Reviewed Financial Statements

December 31, 2018 and 2017

INDEPENDENT ACCOUNTANT'S REVIEW REPORT 1

REVIEWED FINANCIAL STATEMENTS

Balance Sheets	2-3
Statements of Operations and Retained Earnings	4
Statements of Cash Flows	5-6
Notes to Financial Statements	7-15

Independent Accountant's Review Report

Board of Directors
Kalama Telephone Company, Inc.
Kalama, Washington

We have reviewed the accompanying financial statements of Kalama Telephone Company, Inc. (a wholly-owned subsidiary of Scatter Creek, Ltd.) (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and retained earnings and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

JOHNSON, STONE & PAGANO, P.S.

February 20, 2019

REDACTED PER WAC 480-07-160

REVIEWED FINANCIAL STATEMENTS

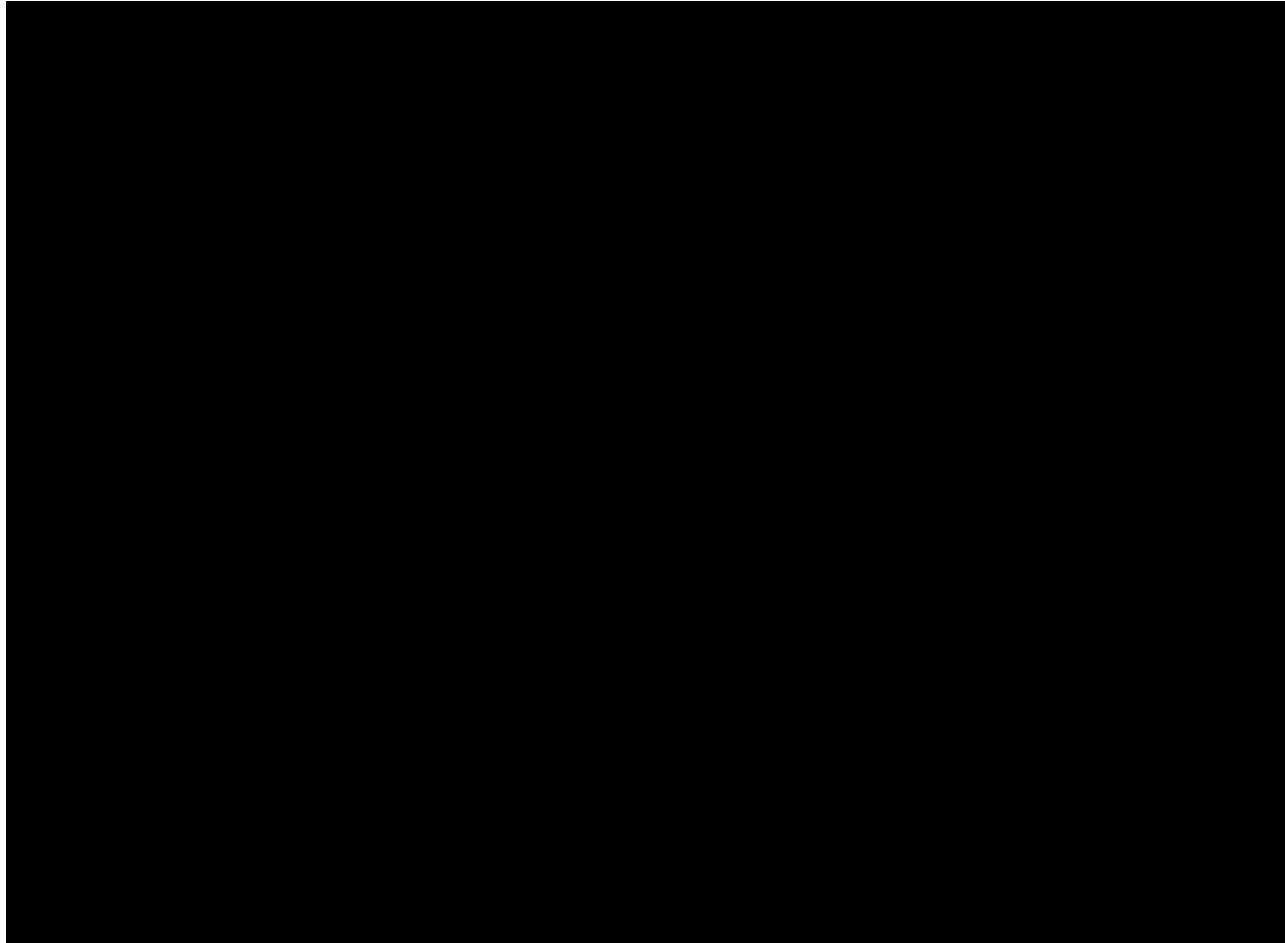
KALAMA TELEPHONE COMPANY, INC.
(A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

BALANCE SHEETS

December 31, 2018 and 2017

2018

2017



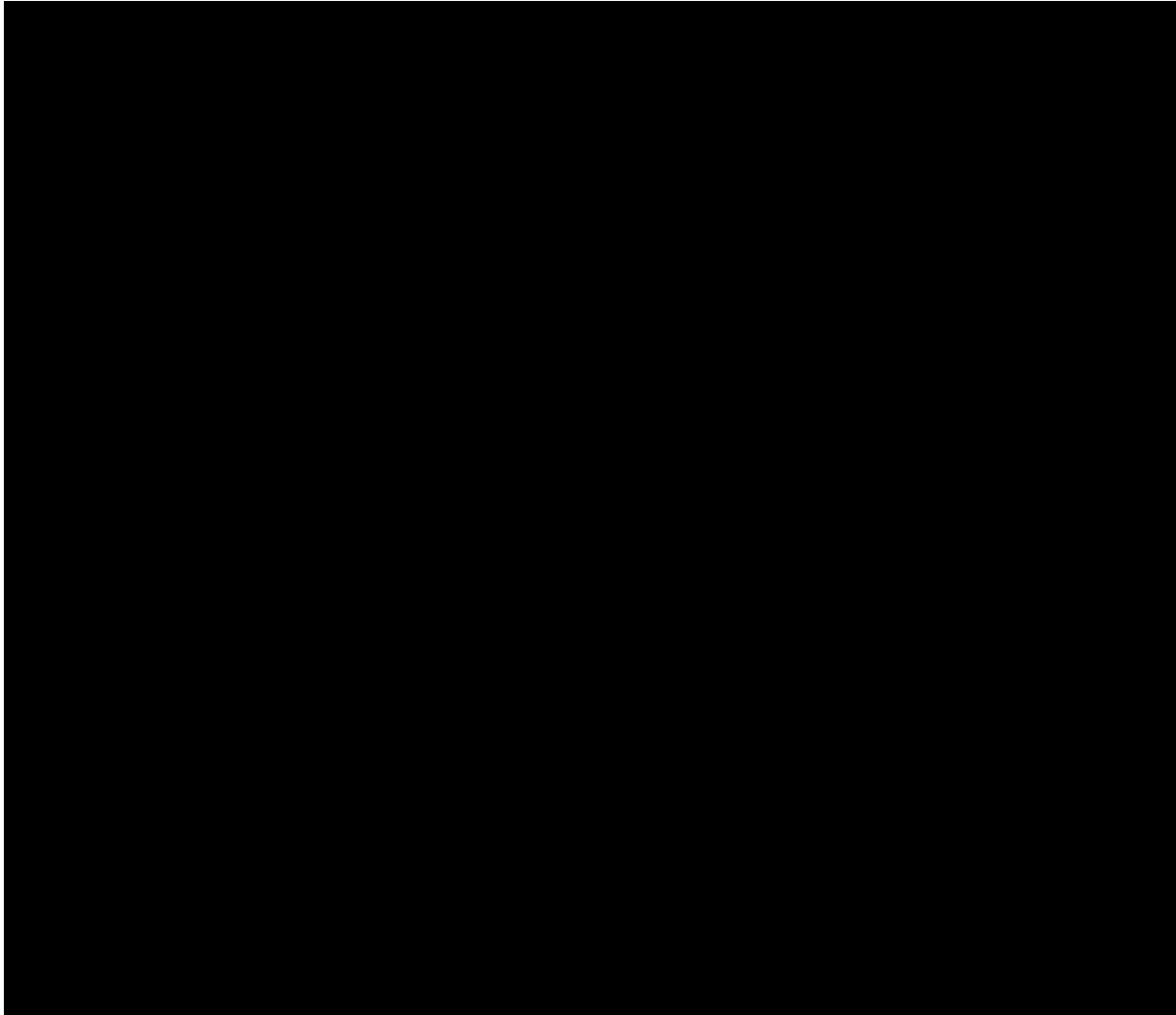
KALAMA TELEPHONE COMPANY, INC.
(A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

BALANCE SHEETS (Continued)

December 31, 2018 and 2017

2018

2017



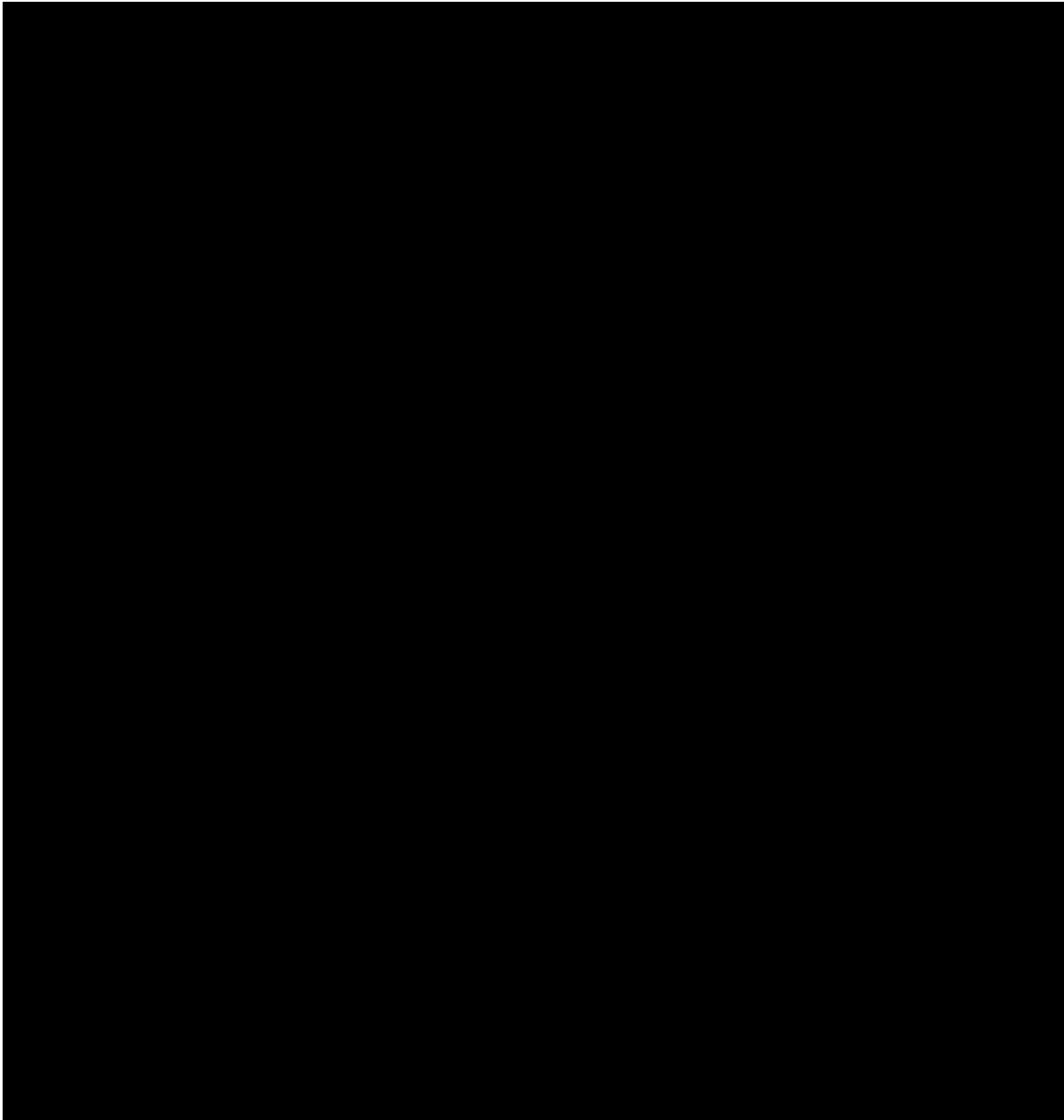
KALAMA TELEPHONE COMPANY, INC.
(A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Years Ended December 31, 2018 and 2017

2018

2017



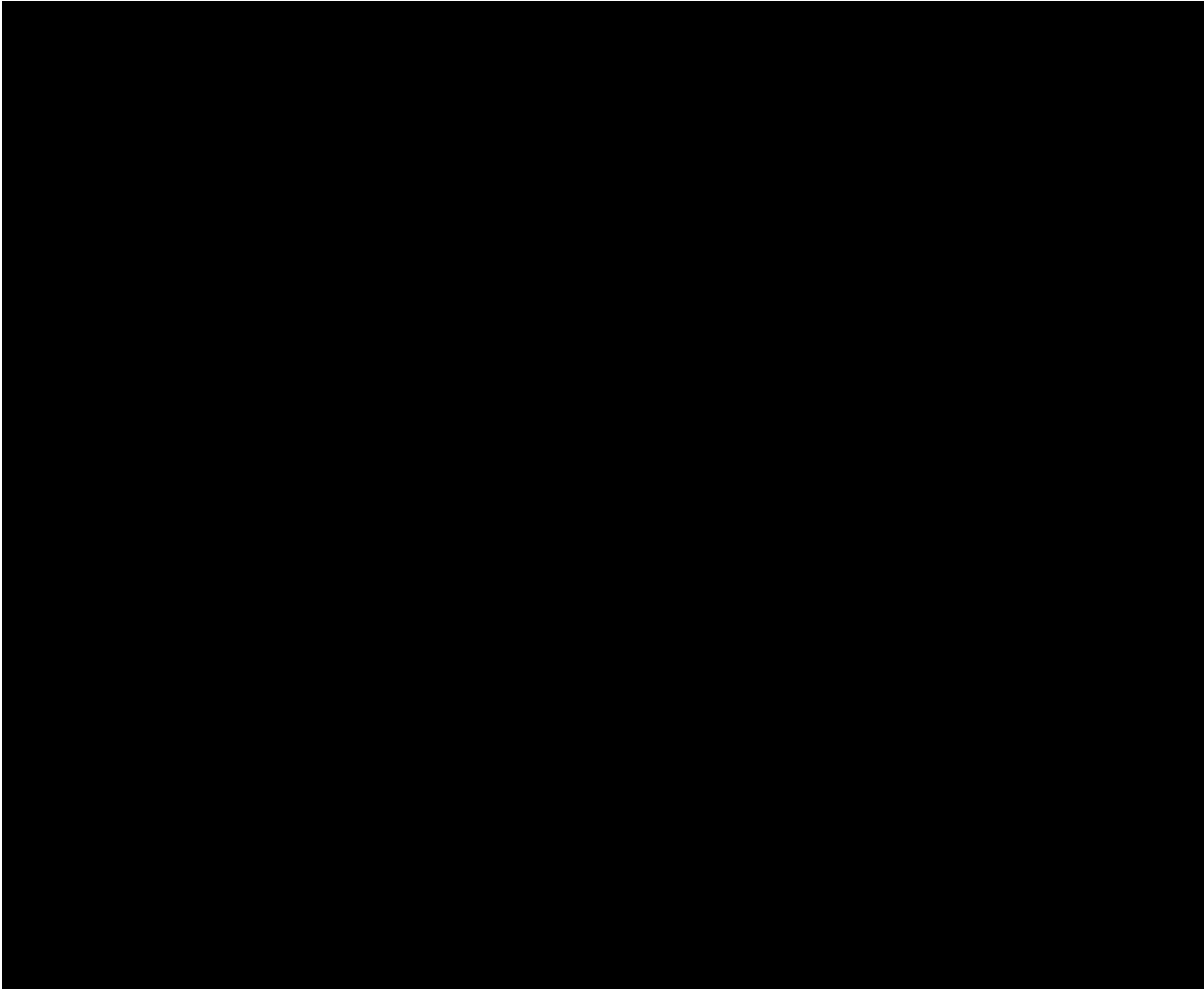
KALAMA TELEPHONE COMPANY, INC.
(A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

2018

2017



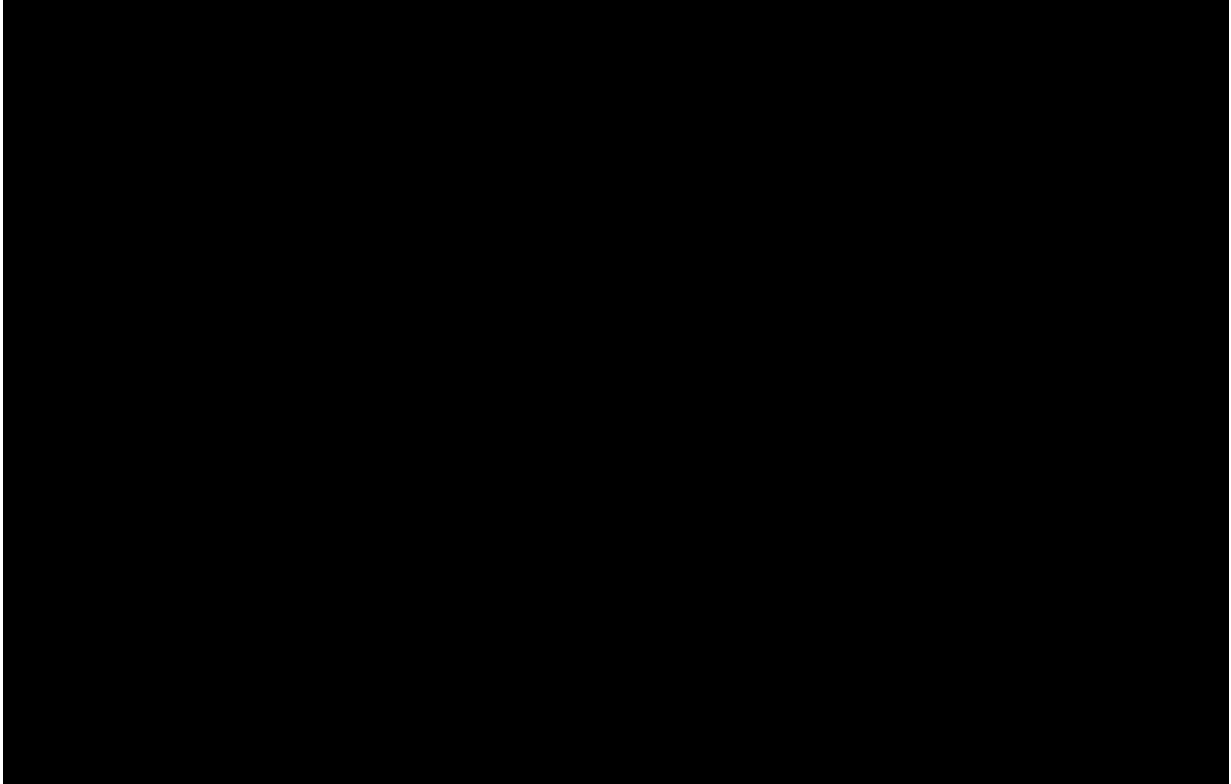
KALAMA TELEPHONE COMPANY, INC.
(A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

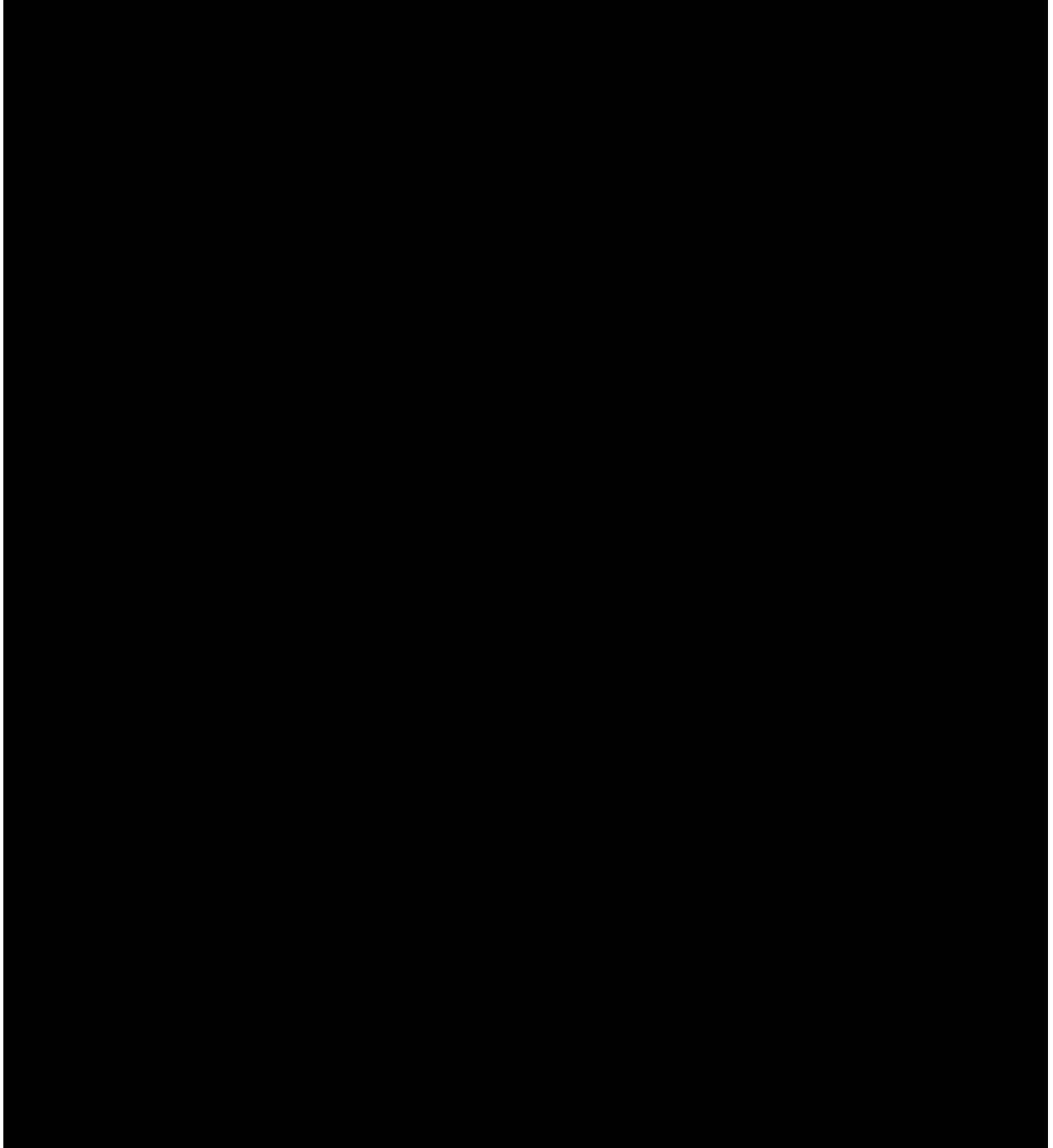
STATEMENTS OF CASH FLOWS (Continued)

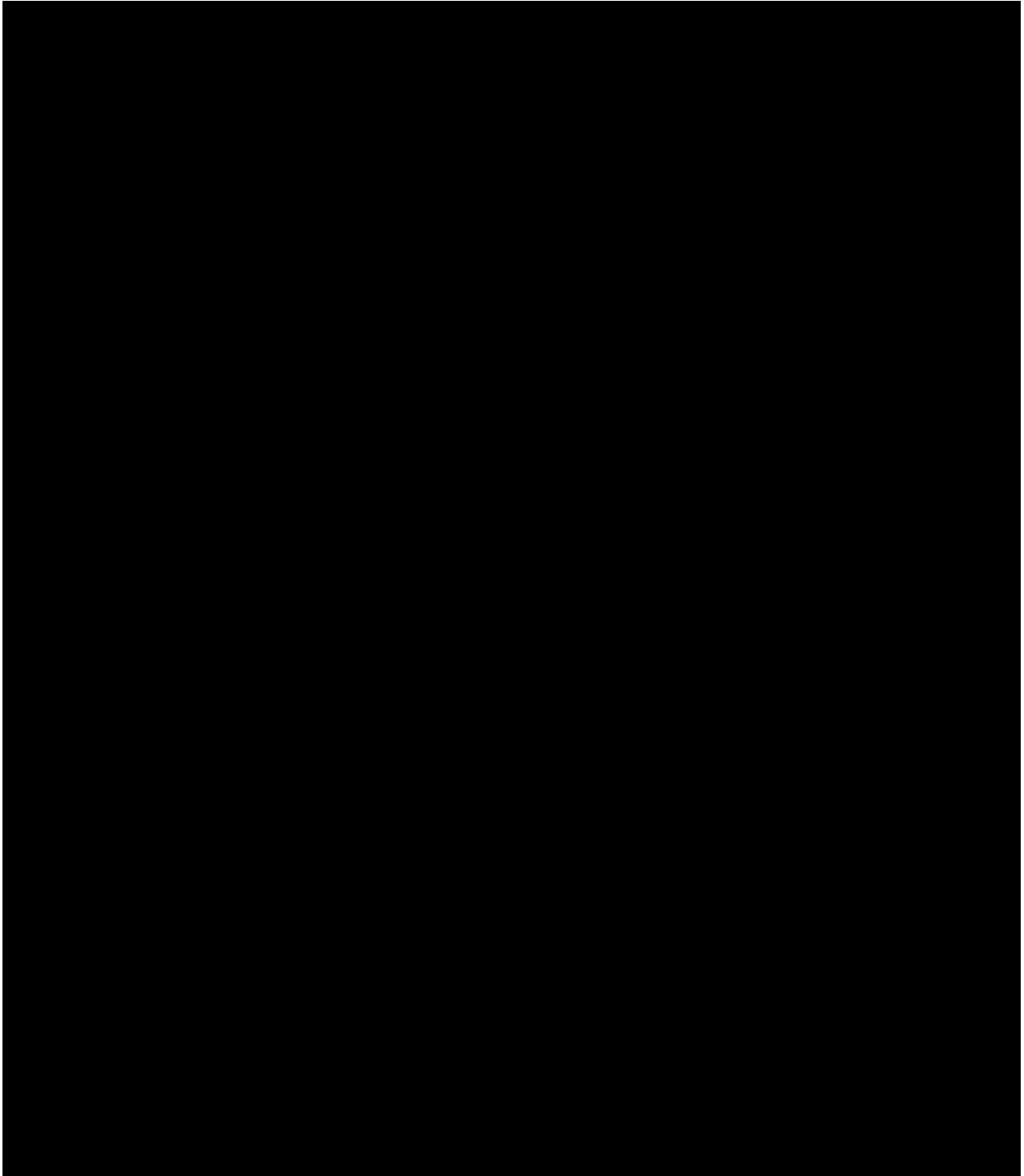
Years Ended December 31, 2018 and 2017

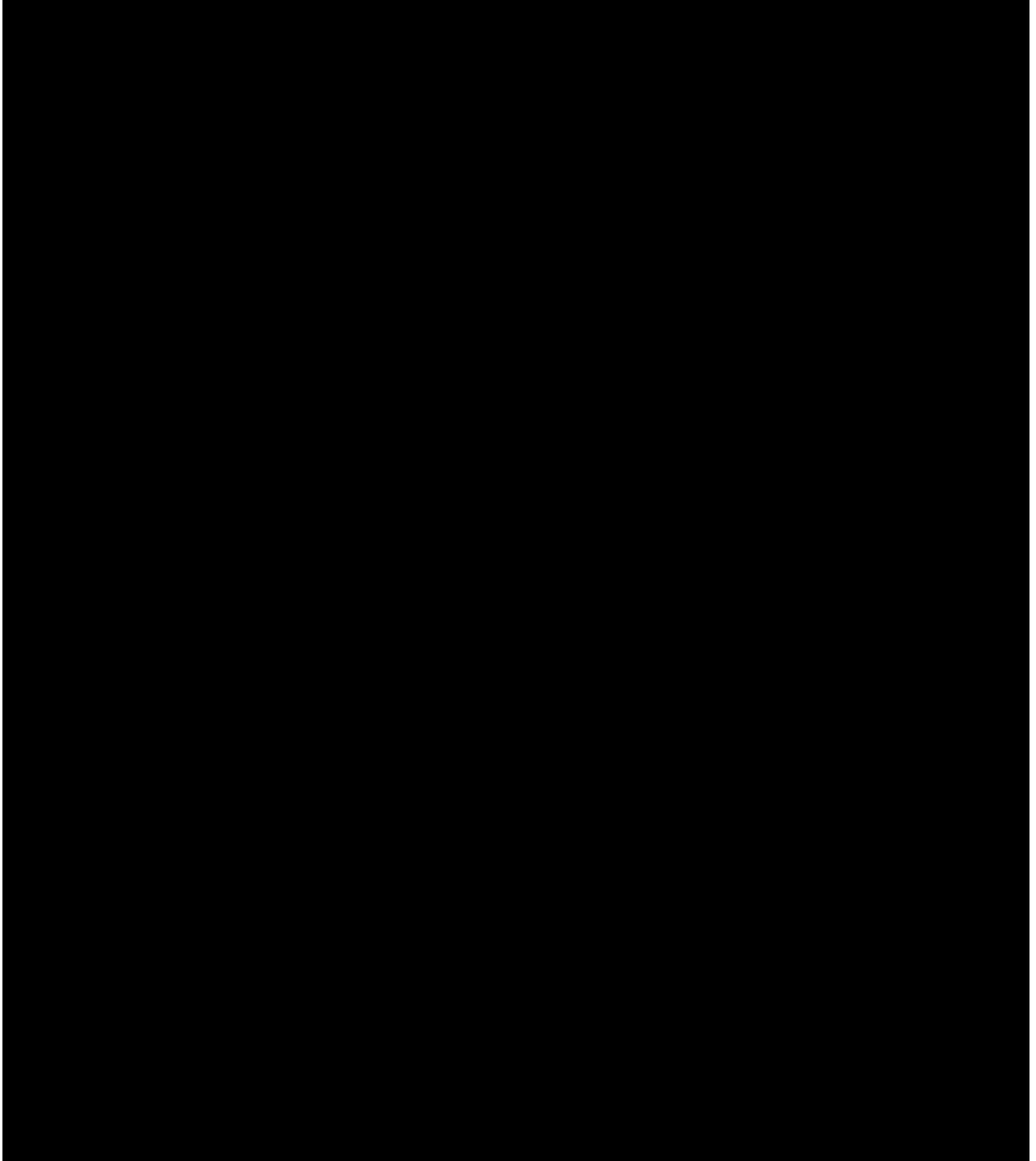
2018

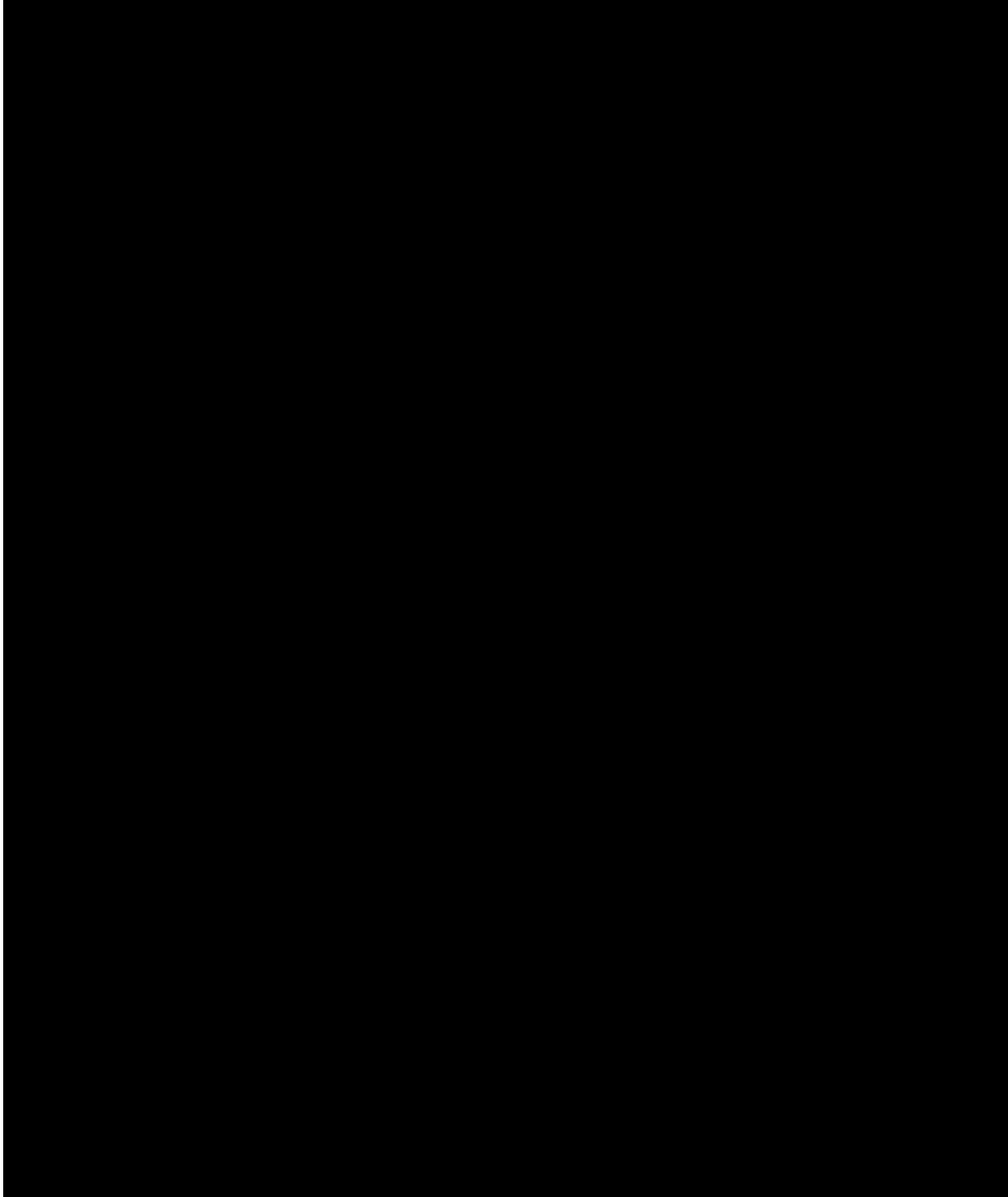
2017

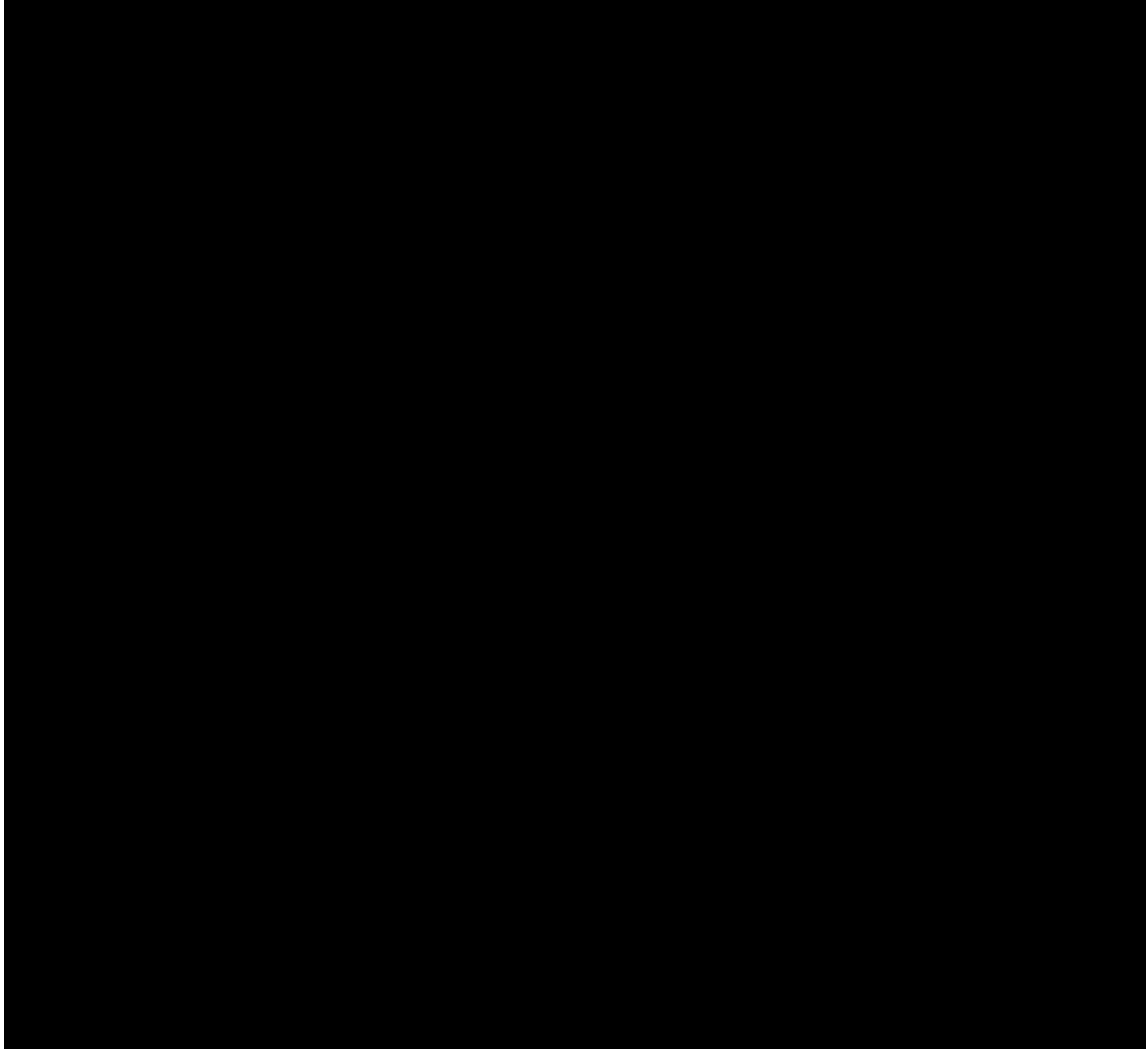


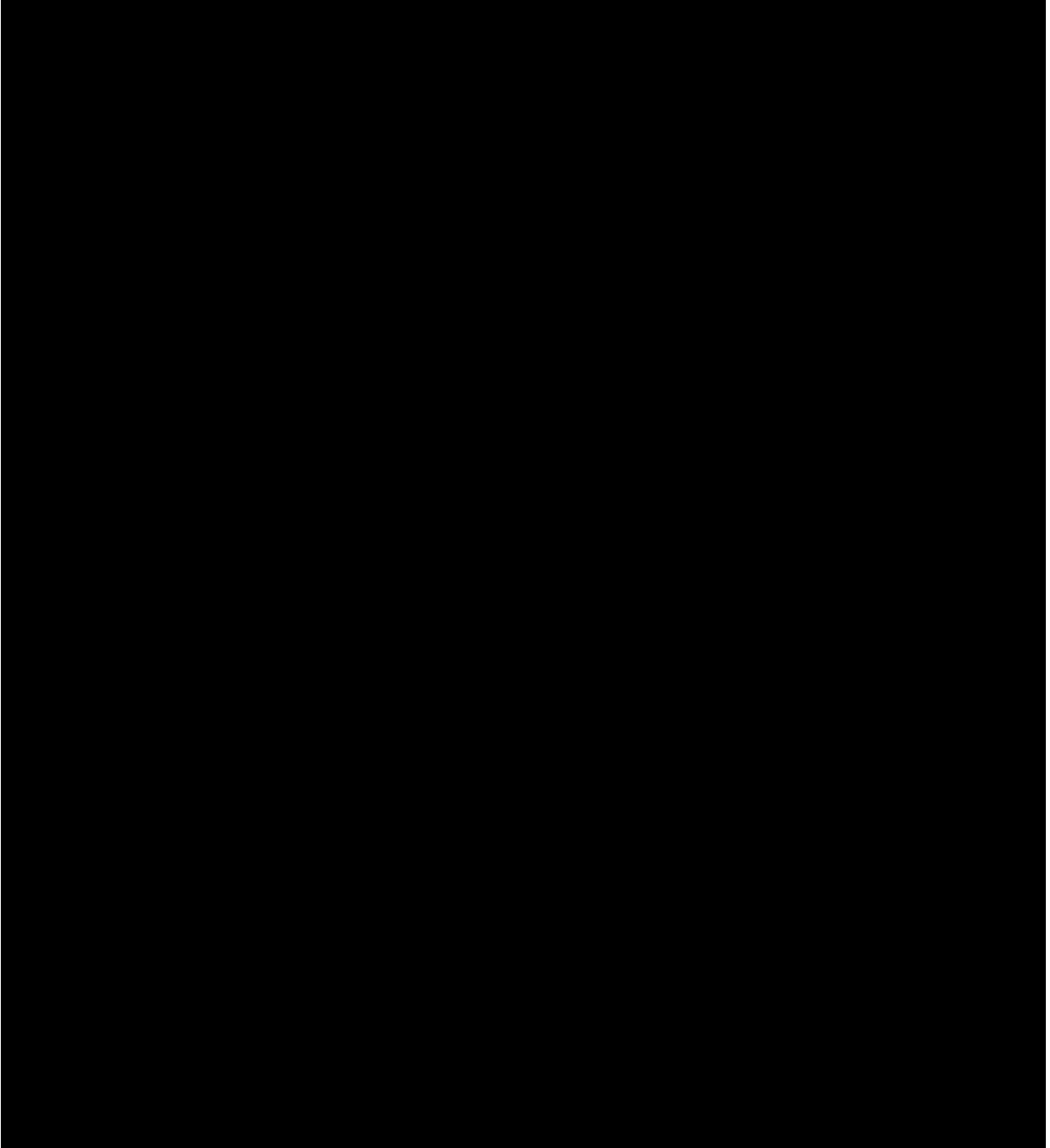


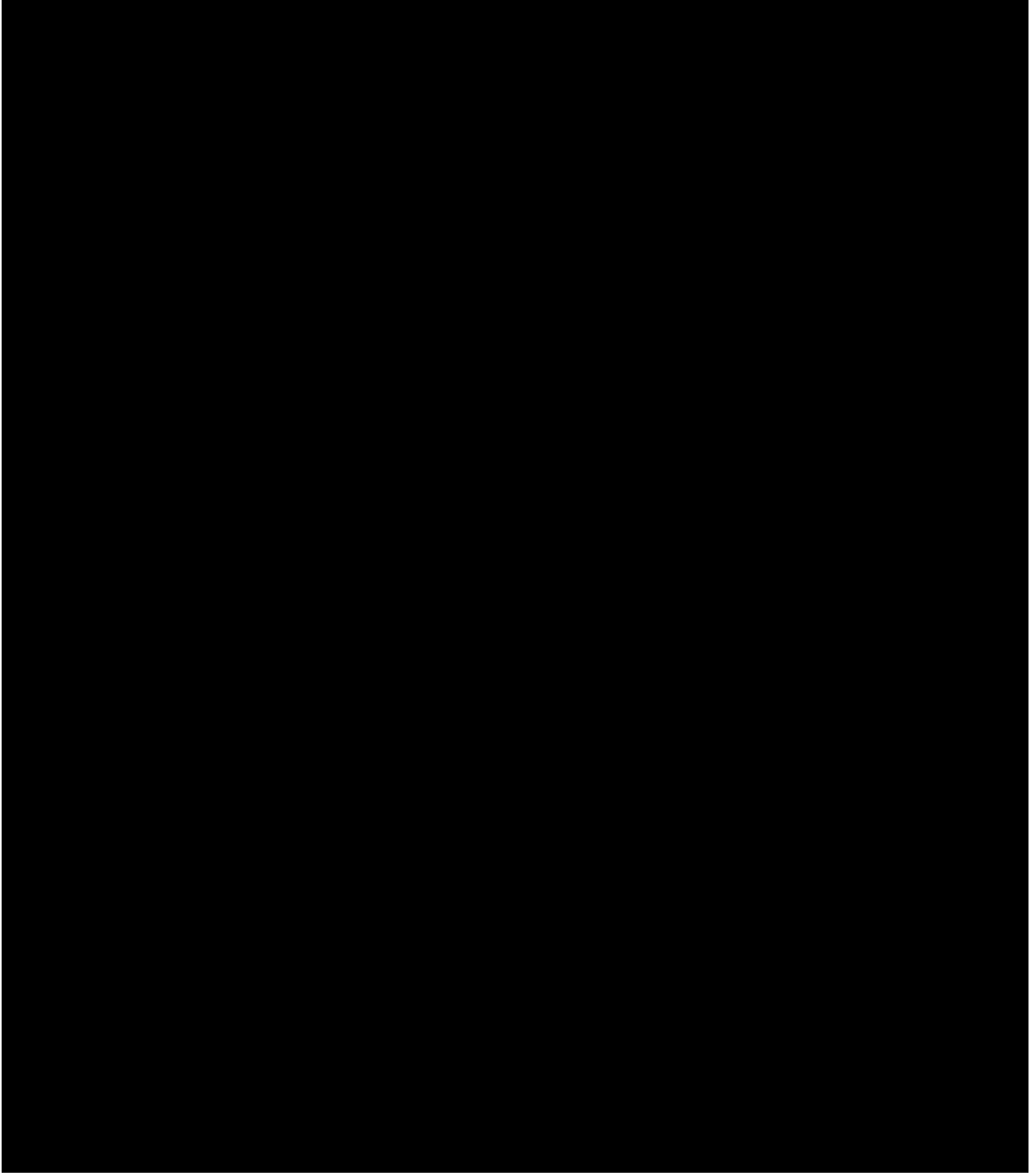


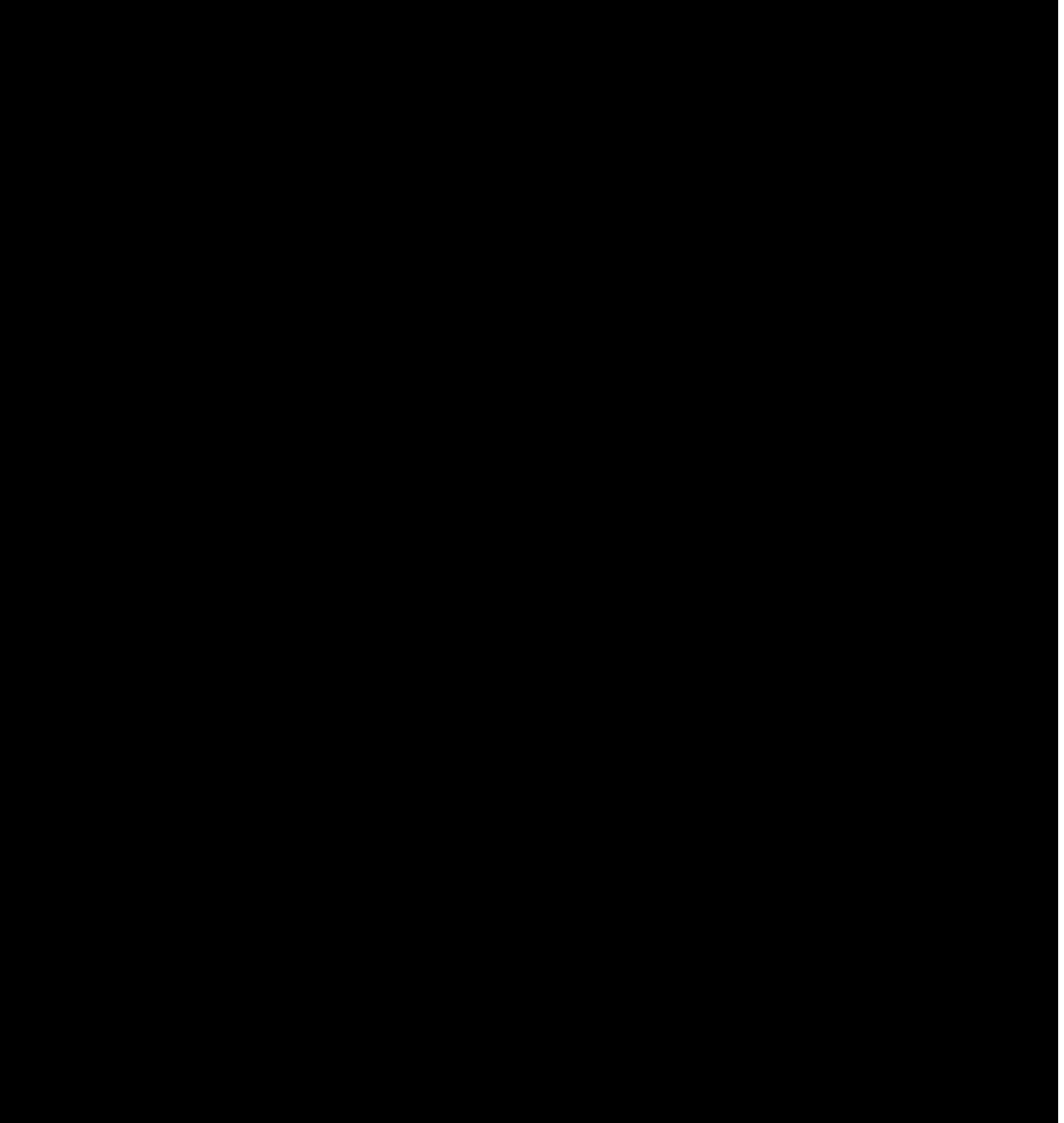


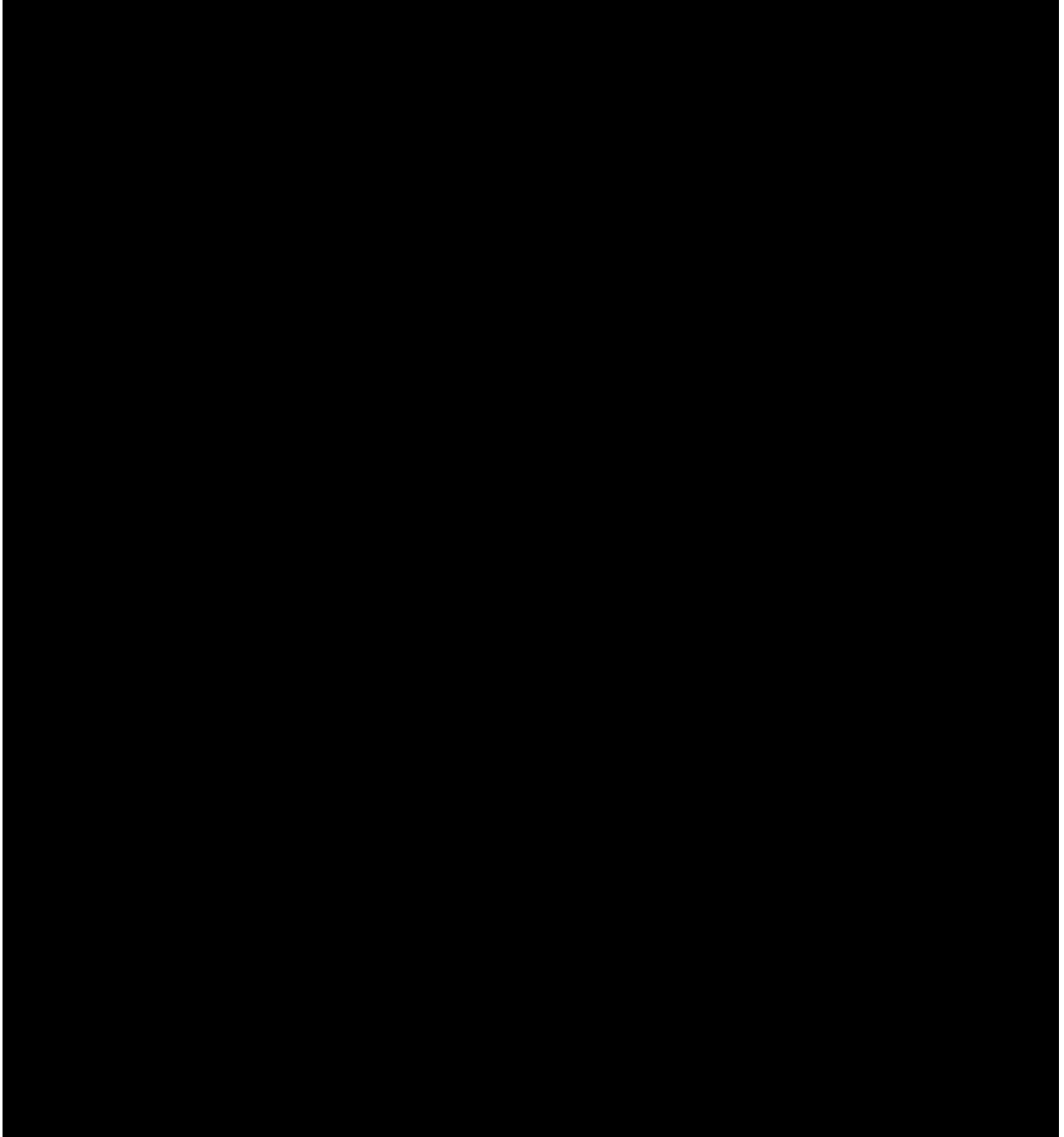








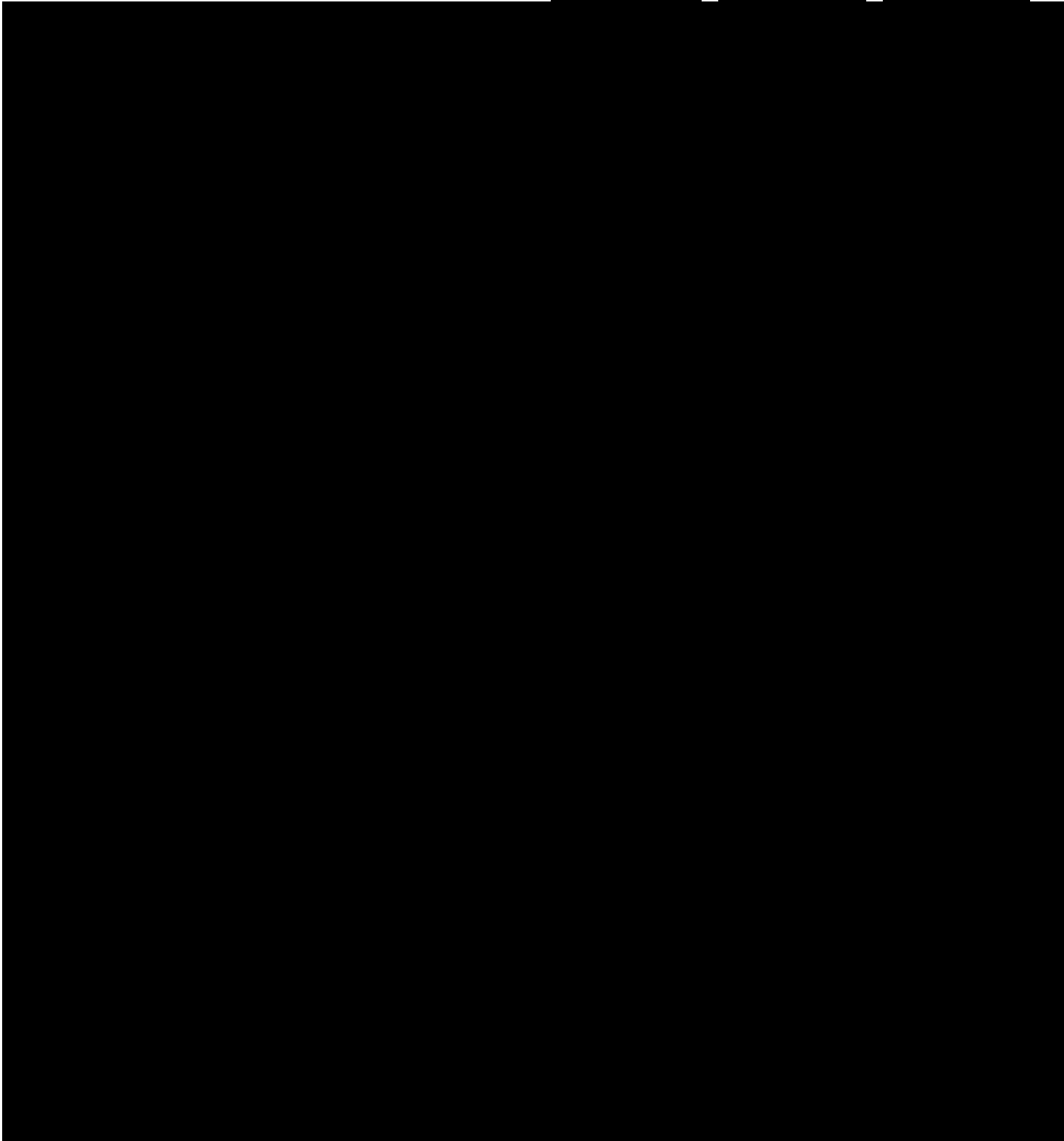




REDACTED PER WAC 480-07-160

**Scatter Creek Ltd
BALANCE SHEET FOR DECEMBER 31, 2018**

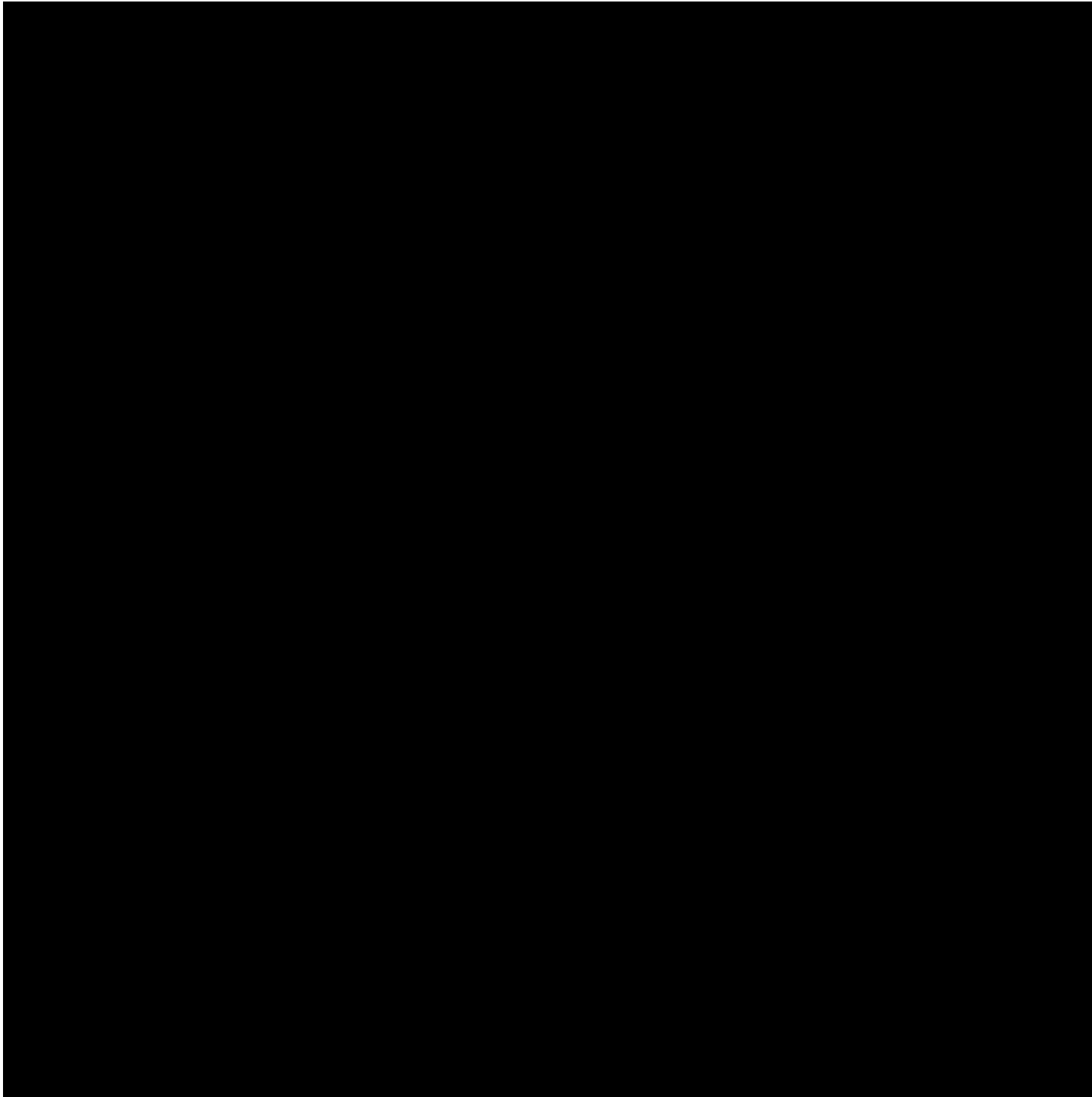
Last Year This Year Variance



REDACTED PER WAC 480-07-160

**Scatter Creek Ltd
INCOME STATEMENT FOR DEC 2018**

-----Year - To - Date-----
 This Year Last Year Difference Var %



**PETITION OF KALAMA TELEPHONE COMPANY TO RECEIVE
SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM –
EXHIBIT 6**

Kalama Telephone Company
INCOME STATEMENT FOR DECEMBER 31, 2018

Item	----- Year - To - Date -----	
	Last Year	This Year
1. Local Network Services Revenue	570,385.26	572,117.92
2. Network Access Services Revenue	2,335,480.60	2,207,451.92
3. Long Distance Network Services Revenues	0.00	0.00
4. Carrier Billing and Collection Revenues	8,514.61	8,826.35
5. Miscellaneous Revenues	29,626.21	29,856.20
6. Uncollectible Revenues	-5,311.47	-6,486.56
7. Net Operating Revenues (1 thru 5 less 6)	<u>2,938,695.21</u>	<u>2,811,765.83</u>
8. Plant Specific Operations Expense	988,357.82	902,944.76
9. Plant Nonspecific Operations Expense	638,885.73	575,478.30
10. Depreciation Expense	551,441.32	433,770.27
11. Amortization Expense	0.00	0.00
12. Customer Operations Expense	228,850.15	211,650.49
13. Corporate Operations Expense	564,595.34	536,273.06
14. Total Operating Expenses (8 thru 13)	<u>2,972,130.36</u>	<u>2,660,116.88</u>
15. Operating Income or Margins (7 less 14)	<u>-33,435.15</u>	<u>151,648.95</u>
16. Other Operating Income and Expenses	0.00	0.00
17. State and Local Taxes	82,504.35	82,613.65
18. Federal Income Taxes	127,994.00	-12,097.00
19. Other Taxes	0.00	0.00
20. Total Operating Taxes (17 + 18 + 19)	<u>210,498.35</u>	<u>70,516.65</u>
21. Net Operating Income or Margins (15 + 16 - 20)	<u>-243,933.50</u>	<u>81,132.30</u>
22. Interest on Funded Debt	0.00	0.00
23. Interest Expense - Capital Leases	0.00	0.00
24. Other Interest Expense	126,143.23	131,645.74
25. Allowance For Funds Used During Construction	0.00	0.00
26. Total Fixed Charges (22 + 23 + 24 - 25)	<u>126,143.23</u>	<u>131,645.74</u>
27. Nonoperating Net Income	-10,899.60	8,581.02
28. Extraordinary Items	0.00	0.00
29. Jurisdictional Differences	0.00	0.00
30. Nonregulated Net Income	<u>28,372.49</u>	<u>-13,471.10</u>
31. Total Net Income or Margins (21+27+28+29+30-26)	<u>-352,603.84</u>	<u>-55,403.52</u>
32. Total Taxes Based on Income	0.00	0.00
33. Retained Earnings or Margins Beginning-of-Year	0.00	0.00
34. Miscellaneous Credits Year-to-Date	0.00	0.00
35. Dividends Declared (Common)	0.00	0.00
36. Dividends Declared (Preferred)	0.00	0.00
37. Other Debits Year-to-Date	0.00	0.00
38. Transfers to Patronage Capital	0.00	0.00
39. Ret. Earnings/Margins [(31+33+34)-(35+36+37+38)]	-352,603.84	-55,403.52
40. Patronage Capital Beginning-of-Year	0.00	0.00
41. Transfers to Patronage Capital	0.00	0.00
42. Patronage Capital Credits Retired	0.00	0.00
43. Patronage Capital End-of-Year (40+41+42)	0.00	0.00
44. Annual Debt Service Payments	0.00	0.00
45. Cash Ratio[(14+20-10-11)/7]	-0.90	-0.82
46. Operating Accrual Ratio [(14+20+26)/7]	-1.13	-1.02
47. TIER [(31+26)/26]	-1.80	0.58
48. DSCR [(31+26+10+11)/44]	0.00	0.00

**PETITION OF KALAMA TELEPHONE COMPANY TO RECEIVE
SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM –
EXHIBIT 7**

EXHIBIT 7

**Report Corporate Operations Expense Adjustment
As Required in WAC 480-123-110(1)(e)(vi)**

I, Steven D. Hanson, an officer of Kalama Telephone Company with personal knowledge and responsibility, under penalty of perjury, hereby certify that no amount of corporate operations expense was required by 47 C.F.R. § 54.1308(a)(4)(ii) to be excluded by Kalama Telephone Company (“Company”) from corporate operations expense that, for 2017, was input in both the high cost loop support and interstate common line support cost studies of the Company for the Company’s study area(s) in the State of Washington, or that, for 2018, was input in both the high cost loop support and broadband loop support (in part, replacing interstate common line support) cost studies of the Company for the Company’s study area(s) in the State of Washington.

Dated this 31st day of July, 2019.



Steven D. Hanson
President

**PETITION OF KALAMA TELEPHONE COMPANY TO RECEIVE
SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM –
EXHIBIT 8**

EXHIBIT 8

FINANCIAL ACCOUNTING CERTIFICATE

I, Steven D. Hanson, an officer of Kalama Telephone Company with personal knowledge and responsibility, based upon my discussions with Company staff that handle such matters, under penalty of perjury, state that the Company complies with state and federal accounting, cost allocation and cost adjustment rules pertaining to incumbent local exchange companies.

Date this 31st day of July, 2019.



Steven D. Hanson
President

**PETITION OF KALAMA TELEPHONE COMPANY TO RECEIVE
SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM –
EXHIBIT 9**

EXHIBIT 9

CONTINUED OPERATIONS CERTIFICATE

I, Steven D. Hanson, an officer of Kalama Telephone Company, under penalty of perjury, hereby certify that if the Company receives Program support, the Company will continue to provide communications services pursuant to its tariffs on file with the Commission throughout its service territory in Washington for which the company is seeking and receives Program support during the entirety of 2020.

Dated this 31st day of July, 2019.



Steven D. Hanson
President