

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

HAT ISLAND TELEPHONE  
COMPANY,

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

DOCKET UT-200719

ORDER 01

GRANTING DISTRIBUTION OF  
FUNDS FROM THE STATE  
UNIVERSAL COMMUNICATIONS  
SERVICES PROGRAM

**BACKGROUND**

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

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

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

<sup>3</sup> The first five-year term primarily relied on risk of rate instability and associated rate of return analyses to qualify for funding. The second five-year term, which we are currently operating under, primarily relies on the provision of broadband service to qualify for funding. Because the rulemaking was not completed in time for year six, it was based on the old rules. Now, with the

administrative costs) to qualifying companies each year through June 30, 2024.<sup>4</sup>

3 On May 27, 2020, the Commission entered General Order R-598 (Adoption Order) in  
Docket UT-190437 amending and adopting rules in Chapter 480-123 WAC to  
reconfigure the State USF Program in accordance with SSSB 5511.<sup>5</sup>

4 Paragraph 14 of the Adoption Order states that an “Eligible provider may now receive a  
distribution from the Program if they have adopted a plan to provide, enhance, or  
maintain broadband services in their service areas.” The Adoption Order further  
establishes four different eligibility criteria.<sup>6</sup> In addition to these requirements, a  
company must comply with the prerequisites in WAC 480-123-100.<sup>7</sup>

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

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rulemaking complete, this year (year seven) and the next three years (eight, nine, and ten) make  
up the four-year term discussed later in this Order.

<sup>4</sup> RCW 80.36.650(2) allows that if less than five million dollars is expended in any fiscal year, the  
unexpended portion *must be carried over* to subsequent fiscal years and be available for program  
expenditures. This fiscal year, \$6,078,083 *is available* for distribution from the State USF  
Program.

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

<sup>6</sup> *Id.* Paragraphs 16-22

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

<sup>8</sup> To the extent applicable, a company’s broadband plan to provide, maintain or enhance service  
should include:

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

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

6 The four eligibility criteria options are:

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

7 On July 30, 2020, Hat Island Telephone Company (Hat Island or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition requesting support from the State USF Program (Petition) for fiscal year ending June 30, 2021, under eligibility criterion four.

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(iv) A description for how the provider will enhance broadband services in its service area; and

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

8 Commission Staff (Staff) reviewed Hat Island's Petition, supporting exhibits, including a broadband plan, and has determined that the Company meets the prerequisites for requesting program support set forth in WAC 480-123-100 and the fourth eligibility criterion. Overall, Staff finds that Hat Island certified that broadband service is available to 100 percent of locations within its service area and has committed to making broadband service available to any new locations. The Company provided a broadband plan to maintain its existing infrastructure while continuing to invest in capital improvements to make available broadband at speeds faster than 25/3 Mbps. Staff recommends the Commission find the Company eligible for State USF Program support in the amount of \$1,648 to be disbursed no later than December 31, 2020.

### **DISCUSSION AND DECISION**

9 We agree with Staff that Hat Island has demonstrated its eligibility for a distribution from the State USF Program for fiscal year ending June 30, 2021.

10 The Company has certified that broadband service is available to 100 percent of locations within its service area and has committed to making broadband service available to any new locations. Furthermore, Hat Island has provided a broadband plan to maintain its existing infrastructure while continuing to invest in capital improvements to make available broadband at speeds faster than 25/3 Mbps.

11 We find that a distribution in the amount of \$1,648 from the State USF Program is in the public interest, consistent with the purposes underlying the regulation and applicable statutes and should be granted.

### **FINDINGS AND CONCLUSIONS**

12 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate public service companies, including local exchange companies.

13 (2) Hat Island is a local exchange company as defined in WAC 480-120-021 and a public service company subject to Commission jurisdiction.

14 (3) Hat Island has certified that broadband service is available to 100 percent of locations within its service area and has committed to making broadband service available to any new locations.

- 15 (4) Hat Island has provided a broadband plan to maintain its existing infrastructure while continuing to invest in capital improvements to make available broadband at speeds faster than 25/3 Mbps.
- 16 (5) Hat Island is eligible to receive funding from the State USF Program in the amount of \$1,648 to be disbursed no later than December 31, 2020.

**ORDER**

**THE COMMISSION ORDERS:**

- 17 (1) Hat Island Telephone Company's request for funds from the State USF Program for fiscal year ending June 30, 2021, in the amount of \$1,648 is granted.
- 18 (2) The funds will be disbursed by December 31, 2020.
- 19 (3) The Commission retains jurisdiction over this matter for purposes of effectuating this order.

DATED at Lacey, Washington, and effective November 24, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner