

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

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| WASHINGTON UTILITIES AND |) | DOCKET UT-060762 |
| TRANSPORTATION COMMISSION, |) | |
| |) | ORDER 05 |
| Complainant |) | |
| |) | |
| v. |) | ORDER ESTABLISHING A |
| |) | WASHINGTON CARRIER |
| WESTGATE COMMUNICATIONS |) | ACCESS PLAN REVENUE |
| LLC, d/b/a WEAVTEL, |) | OBJECTIVE ON A TEMPORARY |
| |) | BASIS SUBJECT TO |
| Respondent. |) | CONDITIONS |
| |) | |

BACKGROUND

- 1 Westgate Communications LLC, d/b/a WeavTel (WeavTel or Company), was established to provide local exchange telecommunications services to customers located in Stehekin, Washington, at the northern tip of Lake Chelan. The Company serves approximately eleven customers. There are approximately twenty-seven additional customers to be served in the near future.

- 2 The Company's costs to serve customers in the remote location are high. Thus, WeavTel relies on federal and state universal service support to provide service to its customers. WeavTel will begin receiving federal high-cost loop support in February 2009.

- 3 The Washington Exchange Carrier Association (WECA) administers a pool of access charge revenues that provides universal service support to member exchange carriers in the state, such as WeavTel. Interexchange carriers (IXCs) contribute access charge revenues to the pool. WECA distributes access charge revenues collected from the IXCs and distributes those revenues to pool members based on each company's revenue objective.

- 4 Entry into the WECA pool is guided by the Washington Carrier Access Plan (WCAP) approved by the Commission in Docket UT-971140. WeavTel entered the WECA pool in March 2007 as a result of Order 03 in this proceeding.

5 WeavTel's current intrastate revenue objective received from WCAP is \$253,572. This amount was based upon projections and the use of surrogate companies' traffic data. The Commission set an expiration date of June 30, 2008, for the current or initial revenue objective and invited WeavTel to request a new revenue objective once it had actual expense, revenue and traffic data to determine an actual revenue requirement.

6 On March 12, 2008, staff held a conference call with WeavTel to discuss the Company's filing for a new and permanent revenue objective. During this discussion, WeavTel indicated that its financial audit and traffic studies would not be complete in time for it to request a replacement revenue objective prior to the June 30, 2008, expiration date.

7 On April 10, 2008, WeavTel filed a motion to extend the expiration date of its existing WCAP revenue objective until February 28, 2009.

8 On April 23, 2008, the Commission granted WeavTel's request with conditions that the Company: 1) file its 2007 audited financial statements by August 31, 2008; and 2) file its updated traffic studies and proposal for a permanent revenue objective by October 15, 2008.

9 WeavTel filed its audited financial statements on August 14, 2008, and filed its proposed total intrastate revenue requirement of \$406,323 on October 15, 2008, absent the required traffic studies. The total intrastate revenue requirement will be recovered from local revenues, intrastate high cost loop support, intrastate local switching, and WCAP distributions. This revenue requirement was derived using financial data from the audited statements for the year ended December 31, 2007.

MEMORANDUM

10 Staff determined a revenue requirement based on adjusted Company data for its proposed 2009 revenue objective. After significant analysis, staff found expenses included in the Company's financial documents were overstated for rate making purposes. Staff made adjustments and concluded that a WCAP revenue objective of \$38,623 is justified and consistent with previous Commission procedures for this Company.

- 11 The WCAP provides a mechanism to subsidize the intrastate operations of rural local exchange carriers so that their local rates can remain affordable and comparable to those of other local exchange companies in Washington. The WCAP revenue objective proposed for approval by staff reflects adjusted financial results that are fair and reasonable for determining the WCAP distribution. WeavTel is expected to receive additional federal support, including high cost loop funding in 2009, which will reduce the amount of subsidy required from the WCAP.
- 12 Staff's recommendation of a temporary revenue objective that will be in place until February 28, 2010, is conditioned upon (1) WECA not disbursing to WeaveTel the staff recommended revenue objective until further order of the Commission, and (2) the Company making a filing in the 4th quarter of 2009 using actual Company revenues, expenses, and traffic study data to develop a Company specific revenue objective.
- 13 Further, if and when the Commission orders release of the funds to WeavTel, the Company's receipt of these funds is temporary until actual Company data is available.
- 14 WeavTel is presently using a modified cash basis of accounting which the Company's public accountants convert to an accrual basis during the year-end audit. Staff recommends the Company be ordered to comply with the Federal Communications Commission's (FCC's) Uniform System of Accounts. This would require the Company to utilize accrual accounting on a monthly basis.

SUMMARY FINDINGS AND CONCLUSIONS

From the foregoing, the Commission finds and concludes:

- 15 (1) The Commission has jurisdiction over WeavTel and the subject matter of this proceeding.
- 16 (2) WeavTel serves an area in which the revenue from end-use customers is insufficient to meet its cost of operation.
- 17 (3) A WCAP revenue objective for WeavTel of \$38,623 is supported by substantial evidence and is reasonable. This amount should be sufficient for the Company's continued operations and participation in the WECA pools.

- 18 (4) The Commission authorizes the staff recommended revenue objective, but conditions the authorization on WECA not disbursing the amount pending further order of the Commission granting release of the funds to WeavTel.
- 19 (5) The revenue objective established in this proceeding will be in place for a limited time, until February 28, 2010, at which time WeavTel is required to prepare and present a careful, well-documented case using actual Company financial and traffic data to support its intrastate revenue requirement. This data should be filed with the Commission by October 31, 2009.

ORDER

THE COMMISSION ORDERS:

- 20 (1) The new adjusted WCAP revenue objective for Westgate Communications LLC, d/b/a WeavTel is authorized at \$38,623 subject to the condition that WECA not disburse the amount pending further order of the Commission granting release of the funds to Westgate Communications LLC, d/b/a WeavTel.
- 21 (2) The new adjusted WCAP revenue objective is temporarily set at \$38,623, effective March 1, 2009, through February 28, 2010.
- 22 (3) Westgate Communications LLC, d/b/a WeavTel is required to use the accounting methodology prescribed by the FCC Uniform System of Accounts.
- 23 (4) The Westgate Communications LLC, d/b/a WeavTel will perform the necessary traffic studies to determine its actual access costs and will cease using surrogate companies for developing interstate and intrastate access costs. The Company will have the necessary traffic studies completed to be included in its next revenue objective filing.
- 24 (5) Westgate Communications LLC, d/b/a WeavTel must file a request for a new revenue objective to change the WCAP revenue distribution by October 31, 2009, consistent with this Order.

25 (6) The Commission retains jurisdiction to effectuate the terms of this Order.

DATED at Olympia, Washington, and effective December 23, 2008.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner