

Agenda Date: May 17, 2006  
Item Number: A1

**Docket Number:** UT-060760  
Company Name: Beaver Creek Telephone Company

Staff: Bob Shirley, Telecommunications Policy Analyst  
Tim Zawislak, Regulatory Analyst

### **Recommendation**

Issue an Order in Docket UT-060760 granting Beaver Creek Telephone Company's petition for waiver of notice and filing dates as set forth in paragraph 8 of the Washington Carrier Access Plan as approved in Docket UT-971140, and establish an initial WECA pool revenue objective of \$571,431.

### **Background**

In February, 1999, residents of Silverton contacted the commission and requested assistance in obtaining telephone service. In March 1999, staff met with approximately 50 residents of Silverton, an area is east of Granite Falls in Snohomish County. Staff recommended to the commission that an attempt should be made to locate a telephone company willing to serve the residents of the area.

Staff asked GTE (now Verizon Northwest) if it would serve Silverton and Verizon responded it had no interest in extending service from its Granite Falls exchange. Verizon informed staff that if staff sought to have Verizon designated as an ETC for Silverton under 47 U.S.C. § 214(e)(3), that Verizon would contest that designation and an order to serve the area, and that the company was prepared to take the case to the United States Supreme Court.

Before staff took any more steps to identify a telephone company willing to serve Silverton, the president of ITL read a story in the Sunday New York Times about the lack of telephone service in Silverton, contacted the commission, and volunteered to serve Silverton. ITL formed Beaver Creek Telephone Company (BCTC) to serve Silverton.

BCTC secured a RUS loan for Silverton. In 2004, BCTC trenched cable throughout the Silverton exchange. It nevertheless did not succeed in providing dial tone.

ITL sold BCTC in 2005 to people with experience operating four very small exchanges in Oregon. The new owners of BCTC have succeeded in preparing to serve the area. BCTC will serve the area even though it has had to engineer a system that operates without the availability of electric power beyond the switch.

BCTC plans to begin service on June 30. The Silverton exchange extends approximately ten miles along the Mountain Loop Highway from the Gold Basin (NFS) campground to just beyond the area known as Silverton. BCTC anticipates serving the Gold Basin

campground with card-reading payphones, one small community store, and approximately 50 of the 75 homes in the area. The housing stock is modest and none of the homes have electrical service; most have generators to meet their individual needs. Some of the homes are seasonal cabins. Local (non-toll) calling is only within the Silverton exchange.

### **Discussion**

BCTC expects its annual expenses to be \$607,645. This is a projected amount because the company is not yet operating. It anticipates earning 1.3% of that amount from end-use customers through local service rates similar to those charged by Verizon in Granite Falls. Access charge revenue and federal and state universal service support are the available sources to meet the remaining cost of doing business. Federal high-cost loop support (HCL) will not be available to BCTC until one calendar quarter after its first year of operation.

BCTC seeks to enter the WECA pool to earn \$571,431 of its projected expenses for the first year of operation. Cost-based rates for originating and terminating access (inter- and intrastate), federal support known as local switching and interstate common line support, and revenue from features will raise the remaining revenue necessary to meet expenses and earn a reasonable return on investment.

The WECA pool serves to reduce per-minute access charges for small companies. CenturyTel's participation and its large number of long-distance minutes permit the WECA pool to meet member-company revenue objectives with a relatively low terminating access rate, just over 5.7 cents per minute. Many small companies in the pool would have to charge terminating access rates several times that amount per minute if they were not part of the pool (one company would have to charge nearly 10 times the WECA pool rate).

If BCTC and another petitioner, WeavTel, are added to the WECA pool, the WECA terminating access rate may increase to 6.2 cents per minute for terminating access.

The WECA pool rate is as low as it is because most member companies receive substantial federal universal service support. If this petition is approved, for the first six quarters of operation, BCTC will receive from the WECA pool an amount that equals what it expects to receive in federal support as well as the amount of WECA support it will need once BCTC is receiving all available federal support.

If BCTC is not permitted to enter the WECA pool, then to secure sufficient revenue to meet expenses BCTC would have to charge approximately \$3.30 per-minute terminating access rates for more than a year from the time it begins service. Once federal HCL support is available, if BCTC is still not admitted to the WECA pool, then BCTC would have to charge approximately \$0.82 per-minute access rates to meet its expenses. This would be approximately 13 times the WECA pool rate. BCTC has committed to revising

its revenue objective as federal HCL is received. Staff recommends that an order granting the petition include an expiration date for the revenue objective for the company.

Finally, it is worth noting that if a larger company were providing service to Silverton, then most of the cost of providing service would be similar, but the effect on access rates would be far less pronounced.