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

8 IN RE

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10 PETITION OF HOOD CANAL
11 TELEPHONE CO., INC. TO RECEIVE
12 SUPPORT FROM THE STATE
UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM

DOCKET NO.
PETITION FOR SUPPORT

13
14 COMES NOW Hood Canal Telephone Co., Inc. (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**

- 21 1. WAC 480-123-100(1)(a): The Company is a local exchange company as defined in WAC
22 480-120-021 that serves less than forty thousand access lines within the state.
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- 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 established by the Commission as the benchmark rate based on the Federal Communications
8 Commission's national local urban rate floor pursuant to 47 C.F.R. Sec. 54.318 in effect on
9 the date of this Petition.¹
- 10 11 5. WAC 480-123-100(1)(e): The Company has been designated by the Commission as an
12 eligible telecommunications carrier for purposes of receiving federal universal services
13 support pursuant to 47 C.F.R. Part 54 Subpart D - Universal Service Support for High Cost
14 Areas with respect to the service area for which the Company is seeking Program support.
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17 **II. Demonstration of Eligibility under WAC 480-123-110**

- 18 1. WAC 480-123-110(1)(a): The name of the legal entity that provides communications
19 services and is seeking Program support is as follows: Hood Canal Telephone Co., Inc.
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22 ¹ On April 15, 2019, the FCC released a Report and Order (FCC 19-32) in its WC Docket No. 10-90, repealing 47
23 C.F.R. Sec. 54.318 and eliminating the national local urban rate floor, effective June 6, 2019. The Program was
24 designed with a minimum rate floor component. In light of the FCC's Order (FCC 19-32), Commission Staff has
provided guidance that, for purposes of the Program, the local urban rate floor benchmark be considered to have been
set at each petitioning company's rates for local exchange service, plus mandatory extended area service charges, in
effect as of December 31, 2018.

- 1 2. WAC 480-123-110(1)(b): A corporate organization chart showing the relationship between
2 the Company and all affiliates as defined in RCW 80.16.010, is attached hereto as Exhibit 1.
3 A detailed description of any transactions between the Company and the affiliates named in
4 Exhibit 1 recorded in the Company's operating accounts is attached hereto as Exhibit 2.
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- 6 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet No.
7 105 of the Company's Tariff WN U-2.
- 8 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate
9 instability or service interruption or cessation in the absence of support from the Program is
10 attached hereto as Exhibit 3.
- 11 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached hereto as
12 Exhibit 4, are copies of the Company's balance sheet as of December 31, 2018 and
13 December 31, 2017, and copies of the Company's statements of income and retained
14 earnings or margin for the years ended December 31, 2018 and December 31, 2017. In
15 addition, certain service information requested by the Commission is included in Exhibit 4.
16
- 17 6. WAC 480-123-110(1)(e)(ii): A copy of the parent company's consolidated annual financial
18 statements for the years ended December 31, 2018 and December 31, 2017, are attached
19 hereto as Exhibit 5.
- 20 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of
21 return on a total Washington unseparated regulated operations basis for each of the two prior
22 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4
23 hereto.
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- 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 5 hereto.
- 5 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's assets and revenues
6 from the balance sheets, statements of income and retained earnings or margin in the same
7 format and detail as is required to complete USDA-RUS Operating Report for the prior two
8 years is presented on Exhibit 6 attached hereto.
- 9 10. WAC 480-123-110(1)(e)(vi): A statement under penalty of perjury from a Company officer
10 with personal knowledge and responsibility certifying that no corporate operations expense
11 to existing mechanisms required by the Federal Communications Commission applied to the
12 Company for the two prior years is attached hereto as Exhibit 7.
- 13 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 contains additional supporting information
14 requested by the Commission.
- 15 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company
16 officer with personal knowledge and responsibility certifying that the Company complies
17 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to
18 incumbent local exchange companies is attached hereto as Exhibit 8.
- 19 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or
20 on its behalf with the Federal Communications Commission for the calendar year preceding
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1 the current year has already been filed with the Commission. See the Company's filing in
2 Docket No. UT-190005 filed on or about June 25, 2019.

3 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines served by
4 the Company as of December 31, 2018, was 537, all of which were within the geographic
5 area for which the Company is seeking support. The number of residential local exchange
6 access lines served by the Company as of December 31, 2017, was 573, all of which were
7 within the geographic area for which the Company is seeking support. The number of
8 business local exchange access lines served by the Company as of December 31, 2018, was
9 211, all of which were within the geographic area for which the Company is seeking
10 support. The number of business local exchange access lines served by the Company as of
11 December 31, 2017, was 209, all of which were within the geographic area for which the
12 Company is seeking support. The monthly recurring rate charged by the Company for
13 residential local exchange access service on December 31, 2018 and 2017, was \$18.00. The
14 rate charged by the Company for single line business local exchange access service on
15 December 31, 2018 and 2017, was \$19.50. (The Company has other business local
16 exchange service rates, but the Company understands that WAC 480-123-110(1)(g) is
17 requesting the single line business local exchange access service rate.)
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20 15. WAC 480-123-110(1)(h): The requested statement is attached hereto as Exhibit 9.

21 16. The 2011 Rate of Return Carrier Base Period Revenue amount on line 4 of the CAF ICC
22 Data Collection Report for the period of July 1, 2019 to June 30, 2020 is \$419,381 and has
23 not changed from prior filings for Hood Canal Telephone Co., Inc.
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1 17. All exhibits attached hereto are incorporated in this Petition as though fully set forth.
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6 Respectfully submitted this 30th day of July, 2019.
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9 HOOD CANAL TELEPHONE CO., INC.

10 CERTIFICATION
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12 I, Richard Buechel, an officer of Hood Canal Telephone Co. Inc. (the "Company") that is
13 responsible for the Company's business and financial operations, hereby certify under penalty of
14 perjury that the information and representations set forth in the Petition, above, are accurate and the
15 Company has not knowingly withheld any information required to be provided to the Commission
16 pursuant to the rules governing the Program.

17 Dated at Union, Washington this 30th day of July, 2019.

18 By: Richard Buechel

19 Title: Richard Buechel, President
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EXHIBIT 1

CORPORATE ORGANIZATION CHART

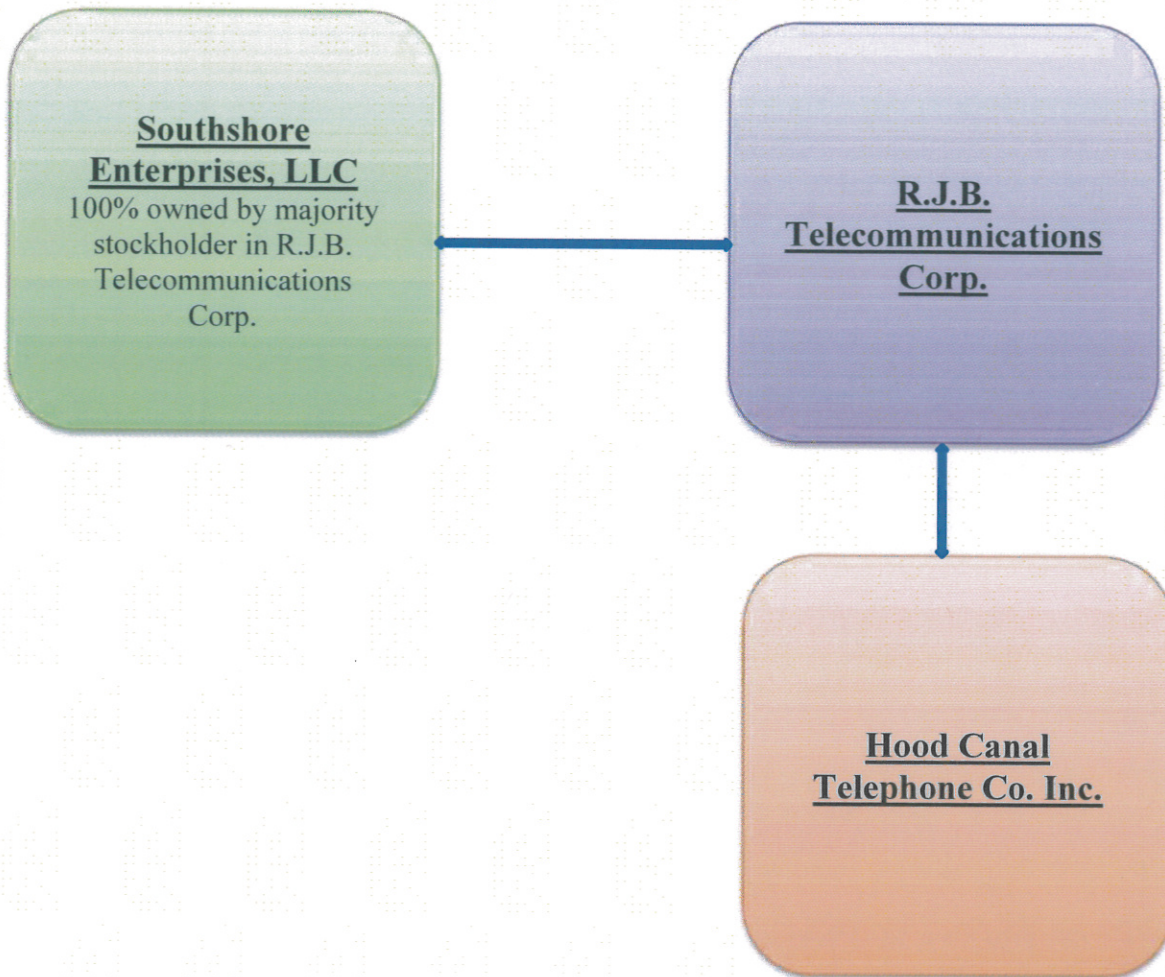


EXHIBIT 2

AFFILIATED TRANSACTIONS

The Company has affiliated transactions with its parent holding company R.J.B. Telecommunications Corp. These transactions consist of advances between the two entities. The Company records these transactions to the proper affiliated payable or receivable account.

The Company has transactions with Southshore Enterprises, LLC which is 100% owned by a majority stockholder of R.J.B. Telecommunications, Corp. These transactions consist of rents on certain real properties and equipment. The Company records these rents to the appropriate plant specific expense account and proper payable account.

Certain shareholders holding five percent or more of the stock, directly or indirectly, of the Company are also employees of the Company and receive from the Company employment compensation together with employment-associated benefits in accordance with benefit plans that are in place.

EXHIBIT 3

DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

There are two sets of forces at work that lead to a risk of rate instability or service interruption or cessation. One is the growing competition. The second is the financial environment.

The Company has been working over the past several years to address growing competition. The Company has taken steps to increase the availability and capacity of broadband services offered by the Company. This has resulted in the Company making additional investments in regulated plant of approximately \$3,690,000 during the period January 1, 2011 through December 31, 2018. As a result, the Company has a sizable debt obligation to cover the investment that has been made.

Even with this investment, the Company is seeing increased competition. More customers are choosing either wireless or wireline as their service of choice instead of using wireless services as a complement to wireline service. In Hood Canal's case, the Company has lost 248 access lines since 2011. This represents a 25 percent reduction in lines.

The Federal Communications Commission's ("FCC") requirement that the Company increase its rates to remain eligible for full federal USF support was a contributing factor to the access line loss. 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 FCC. However, those increases have been insufficient to fully replace the revenues that have been lost due to the reduction in access lines. In addition, those rate increases have tended to stimulate a rise in disconnection of service by customers. While the FCC has placed this upward movement in local rates on hold for the time being, the effect of rate increases has not been reversed.

As the Commission knows, a loss of customers equates to a loss of revenue without a corresponding reduction in expenses. Many of the expenses the Company has are fixed and do not vary with a reduction in access lines. The loss of revenue due to loss of access lines is just one of the negative financial factors for the Company.

It is clear that the Company is operating in an environment of financial uncertainty. Some of the financial uncertainty that the Company faces stems from the USF/ICC Transformation Order issued by the FCC.¹ The USF/ICC Transformation Order has built in an automatic decline in the

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 Fund*, 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-

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. 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, 2020, including reductions that will occur July 1, 2019, the Company has seen a reduction in support from the base line revenue of approximately \$141,155.

This example carries over to the Company's overall financial situation. The overall financial condition of the Company is detailed in Exhibits 4, 5 and 6 of the Petition. This information demonstrates that there is reason for concern. For example, 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 13 percent from 2011 through 2018. The Company has looked for ways to lower expenses. However, much of the Company's operating expenses are fixed obligations, such as debt-related payments. Annual debt payments of principle and interest are approximately \$318,000.

Then, as the Commission is aware, 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 off-set 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 \$39,400 per year if its participation in the Program is not renewed.

The Company is also subject to the new operating expense limitation for both high cost loop and the Connect America Fund Broadband Loop Support ("CAF-BLS").² The operating expense limitation for CAF-BLS began in 2017. Since high-cost loop uses historical data to be paid out two years later, the operation expense limitation, as it affects the Company, for high-cost loop starts in 2018 based on 2016 data. This limitation will cause reductions to federal support funding to the Company.

The Company continues to construct fiber-to-the-home to various areas within its study area. The Company projects to invest approximately \$400,000 in 2020 for these fiber-to-the-home projects.

208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011)(*USF/ICC Transformation Order*).

² CAF-BLS is a new mechanism used by the FCC. In part, CAF-BLS replaces the interstate common loop support, which is no longer available.

The combination of factors described above creates a situation in which the Company may be faced with a choice of increasing rates further or reducing service in order to be able to match expenses to revenues. Neither choice 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. Support from the state Universal Communications Services Program will help ameliorate this risk.

STATE USF FILING
FINANCIAL TEMPLATE
"S CORP" COMPANIES

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

Company Name: (Below)
HOOD CANAL TELEPHONE CO., INC.

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	1,625,224		1,625,224	25. Accounts Payable	348,950		348,950
2. Cash-RUS Construction Fund			0	26. Notes Payable	0		0
3. Affiliates:				27. Advance Billings and Payments			0
a. Telecom, Accounts Receivable			0	28. Customer Deposits	72,944		72,944
b. Other Accounts Receivable	83,615		83,615	29. Current Mat. L/T Debt	269,000		269,000
c. Notes Receivable			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	576,058		576,058	32. Income Taxes Accrued	0		0
b. Other Accounts Receivable	0		0	33. Other Taxes Accrued	110,683		110,683
c. Notes Receivable	10,200		10,200	34. Other Current Liabilities	701,520		701,520
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	1,503,097	0	1,503,097
6. Material-Regulated	202,001		202,001	LONG-TERM DEBT			
7. Material-Nonregulated	170,082		170,082	36. Funded Debt-RUS Notes	809,956		809,956
8. Prepayments	107,415		107,415	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)	2,774,595	0	2,774,595	39. Funded Debt-Other	0		0
				40. Funded Debt-Rural Develop. Loan	85,508		85,508
NONCURRENT ASSETS				41. Premium (Discount) on L/T Debt	0		0
11. Investment in Affiliated Companies				42. Reacquired Debt	0		0
a. Rural Development			0	43. Obligations Under Capital Lease	0		0
b. Nonrural Development			0	44. Adv. From Affiliated Companies	0		0
12. Other Investments				45. Other Long-Term Debt	0		0
a. Rural Development	151,462		151,462	46. Total Long-Term Debt (36 thru 45)	895,464	0	895,464
b. Nonrural Development	4,422,304	104,825	4,527,129	OTHER LIAB. & DEF. CREDITS			
13. Nonregulated Investments (B1)	358,568		358,568	47. Other Long-Term Liabilities	0		0
14. Other Noncurrent Assets	0		0	48. Deferred Income Taxes	139,182	(19,421)	119,761
15. Deferred Charges	0		0	49. Other Deferred Credits (D)	0		0
16. Jurisdictional Differences	0		0	50. Other Jurisdictional Differences	0		0
17. Total noncurrent Assets (11 thru 16)	4,952,334	104,825	5,037,159	51. Total Other Liab. & Def. Credits (47 thru 50)	139,182	(19,421)	119,761
PLANT, PROPERTY AND EQUIPMENT				EQUITY			
18. Telecom Plant-in-Service	7,652,604	(795,549)	6,857,055	52. Cap. Stock Outstanding & Subscribed	50,000		50,000
19. Property Held for Future Use	148,856	(64,881)	83,975	53. Additional Paid-in-Capital	0		0
20. Plant Under Construction	(6,571,835)	755,605	(5,816,230)	54. Treasury Stock	0		0
21. Plant Adj./Nonop Plant & Goodwill	1,229,625	(104,825)	1,124,800	55. Membership and cap. Certificates	515,689		515,689
22. Accumulated Depreciation (CR.)				56. Other Capital	0		0
23. Net Plant (18 thru 21, less 22)	8,936,554	0	8,936,554	57. Patronage Capital Credits	5,833,122	19,421	5,852,543
				58. Retained Earnings or Margins (B2)	6,398,811	19,421	6,418,232
				59. Total Equity (52 thru 58)	8,936,554	0	8,936,554
24. TOTAL ASSETS (10+17+23)				60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)			

Footnotes:

- (A) - As reported on RUS Form 479
- (B) - Part 64 adjustments from regulated to nonregulated.
- (C) - Adjusted Balance after Part 64
- (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)
HOOD CANAL TELEPHONE CO., INC.

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	1,502,837		1,502,837	25. Accounts Payable	420,471		420,471
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	75,682		75,682
b. Other Accounts Receivable	121,363		121,363	29. Current Mat. L/T Debt	174,829		174,829
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	498,752		498,752	32. Income Taxes Accrued			0
b. Other Accounts Receivable	19,300		19,300	33. Other Taxes Accrued	137,516		137,516
c. Notes Receivable			0	34. Other Current Liabilities	669,448		669,448
5. Interest and Dividends Receivable	262,116		262,116	35. Total Current Liabilities (25 thru 34)	1,477,946	0	1,477,946
6. Material-Regulated	682,894		682,894	LONG-TERM DEBT			
7. Material-Nonregulated	141,178		141,178	36. Funded Debt-RUS Notes	703,036		703,036
8. Prepayments			0	37. Funded Debt-RTB Notes			0
9. Other Current Assets			0	38. Funded Debt-FFB Notes			0
10. Total Current Assets (1 Thru 9)	3,228,440	0	3,228,440	39. Funded Debt-Other			0
				40. Funded Debt-Rural Develop. Loan			0
NONCURRENT ASSETS				41. Premium (Discount) on L/T Debt			0
11. Investment in Affiliated Companies				42. Recquired Debt			0
a. Rural Development			0	43. Obligations Under Capital Lease			0
b. Nonrural Development			0	44. Adv. From Affiliated Companies			0
12. Other Investments				45. Other Long-Term Debt			0
a. Rural Development	161,265		161,265	46. Total Long-Term Debt (36 thru 45)	703,036	0	703,036
b. Nonrural Development	4,095,996	437,134	4,533,130	OTHER LIAB. & DEF. CREDITS			
13. Nonregulated Investments (B1)	558,887		558,887	47. Other Long-Term Liabilities			0
14. Other Noncurrent Assets			0	48. Deferred Income Taxes	92,657	37,084	37,084
15. Deferred Charges			0	49. Other Deferred Credits (D)		(6,756)	85,901
16. Jurisdictional Differences			0	50. Other Jurisdictional Differences			0
17. Total noncurrent Assets (11 thru 16)	4,816,148	437,134	5,253,282	51. Total Other Liab. & Def. Credits (47 thru 50)	92,657	30,328	122,985
				EQUITY			
PLANT, PROPERTY AND EQUIPMENT				52. Cap. Stock Outstanding & Subscribed	50,000		50,000
18. Telecom Plant-in-Service	9,443,150	(1,489,343)	7,953,807	53. Additional Paid-in-Capital			0
19. Property Held for Future Use	351,082	(331,532)	19,550	54. Treasury Stock			0
20. Plant Under Construction	(7,792,262)	1,383,741	(6,408,521)	55. Membership and cap. Certificates			0
21. Plant Adj., Nonop Plant & Goodwill	2,001,970	(437,134)	1,564,836	56. Other Capital	515,689		515,689
22. Accumulated Depreciation (CR.)			0	57. Patronage Capital Credits			0
23. Net Plant (18 thru 21 less 22)	10,046,558	0	10,046,558	58. Retained Earnings or Margins (B2)	7,207,230	(30,328)	7,176,902
				59. Total Equity (52 thru 58)	7,772,919	(30,328)	7,742,591
24. TOTAL ASSETS (10+17+23)	10,046,558	0	10,046,558	60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	10,046,558	0	10,046,558

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
- Line 49 column A includes Deferred Compensation Payable \$55,123 and Deferred gain on property sale of \$37,534
- Line 49 Column B is Part 64 adjustment for the Deferred Compensation Payable portion

PETITION OF HOOD CANAL TELEPHONE CO., INC.
TO RECEIVE SUPPORT FROM STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM -
EXHIBIT 4-3

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

Company Name: (Below)
HOOD CANAL TELEPHONE CO., INC.

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	1,625,224	1,502,837	25. Accounts Payable	348,950	420,471
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	72,944	75,682
b. Other Accounts Receivable	83,615	121,363	29. Current Mat. L/T Debt	269,000	174,829
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	576,058	498,752	32. Income Taxes Accrued	0	0
b. Other Accounts Receivable	0	0	33. Other Taxes Accrued	110,683	137,516
c. Notes Receivable	10,200	19,300	34. Other Current Liabilities	701,520	669,448
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 - 34)	1,503,097	1,477,946
6. Material-Regulated	202,001	262,116	LONG-TERM DEBT		
7. Material-Nonregulated	170,082	682,894	36. Funded Debt-RUS Notes	809,956	703,036
8. Prepayments	107,415	141,178	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)	2,774,595	3,228,440	39. Funded Debt-Other	85,508	0
			40. Funded Debt-Rural Develop. Loan	0	0
			41. Premium (Discount) on L/T Debt	0	0
NONCURRENT ASSETS			42. Recquired Debt	0	0
11. Investment in Affiliated Companies	0	0	43. Obligations Under Capital Lease	0	0
a. Rural Development	0	0	44. Adv. From Affiliated Companies	0	0
b. Nonrural Development	0	0	45. Other Long-Term Debt	0	0
12. Other Investments			46. Total Long-Term Debt (36-45)	895,464	703,036
a. Rural Development	0	0	OTHER LIAB. & DEF. CREDITS		
b. Nonrural Development	151,462	161,265	47. Other Long-Term Liabilities	0	0
13. Nonregulated Investments	4,527,129	4,533,130	48. Deferred Income Taxes	0	37,084
14. Other Noncurrent Assets	358,568	558,887	49. Other Deferred Credits	119,761	85,901
15. Deferred Charges	0	0	50. Other Jurisdictional Differences	0	0
16. Jurisdictional Differences	0	0	51. Total Other Liab. & Def. Credits (47 thru 50)	119,761	122,985
17. Total noncurrent Assets (11 thru 16)	5,037,159	5,253,282	EQUITY		
			52. Cap. Stock Outstanding & Subscribed	50,000	50,000
PLANT, PROPERTY AND EQUIPMENT			53. Additional Paid-in-Capital	0	0
18. Telecom Plant-in-Service	6,857,055	7,953,807	54. Treasury Stock	0	0
19. Property Held for Future Use	0	0	55. Membership and cap. Certificates	0	0
20. Plant Under Construction	83,975	19,550	56. Other Capital	515,689	515,689
21. Plant Adj., Nonop Plant & Goodwill	0	0	57. Patronage Capital Credits	0	0
22. Accumulated Depreciation (CR.)	(5,816,230)	(6,408,521)	58. Retained Earnings or Margins	5,852,543	7,176,902
23. Net Plant (18 thru 21 less 22)	1,124,800	1,564,836	59. Total Equity (51 thru 57)	6,418,232	7,742,591
24. TOTAL ASSETS (10+17+23)	8,936,554	10,046,558	60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	8,936,554	10,046,558

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)
 HOOD CANAL TELEPHONE CO., INC.

Line #	B/S Line #	Description	Adj. Balance End of Year 2017	Adj. Balance End of Year 2018	Average Adj End of Year Balance
Average Rate Base:					
1	18	Total Regulated Adjusted Telecom Plant-in-Service	6,857,055	7,953,807	7,405,431
2	19	Total Property Held for Future Use	0	0	0
3	22	Total Regulated Adjusted Accumulated Depreciation (CR)	(5,816,230)	(6,408,521)	(6,112,376)
4	6	Total Regulated Materials & Supplies	202,001	262,116	232,059
5		Deferred Income Taxes (CR)*	(209,661)	(37,084)	(123,373)
6		Total Regulated Rate Base	1,033,165	1,770,318	1,401,742

Footnotes:

1. Normal balance of deferred income taxes and accumulated depreciation is a credit.
2. For "S Corp" companies, manual input required for Deferred Operating Income Taxes, Line 5.
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)
 HOOD CANAL TELEPHONE CO., INC.

Line #	Description	Prior Year End of Yr. Balance - 2017	Current Year End of Yr. Balance - 2018	Difference	% Change
Access Lines:					
1	Residential	573	562	(11)	-1.9%
2	Business	209	211	2	1.0%
3	Total	782	773	(9)	-1.2%

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)
 HOOD CANAL TELEPHONE CO., INC.

Line #	Description	Prior Year 2017 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2017 (C)
1	Local Network Services Revenues	203,329		203,329
2	Network Access Services Revenues	1,377,959		1,377,959
3	Long Distance Network Services Revenues	233,978	(200,252)	33,726
4	Carrier Billing and Collection Revenues			0
5	Miscellaneous Revenues	18,920		18,920
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(27,319)		(27,319)
7	Net Operating Revenues (1 thru 6)	1,806,867	(200,252)	1,606,615
8	Plant Specific Operations Expense	1,466,016	(398,710)	1,067,306
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	217,726	(16,918)	200,808
10	Depreciation Expense	233,795	(33,150)	200,645
11	Amortization Expense	6,560	(6,560)	0
12	Customer Operations Expense	653,950	(257,059)	396,891
13	Corporate Operations	819,358	(236,544)	582,814
14	Total Operations Expenses (8 thru 13)	3,397,405	(948,941)	2,448,464
15	Operating Income or Margins (7 less 14)	(1,590,538)	748,689	(841,849)
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	126,501	(11,343)	115,158
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)		0	0
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	126,501	(11,343)	115,158
21	Net Operating Income or Margins (15+16-20)	(1,717,039)	760,032	(957,007)
22	Interest on Funded Debt	42,674	(37,599)	5,075
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	3,441		3,441
25	Allowance for Funds Used During Construction (Record as a Credit)			0
26	Total Fixed Charges (22+23+24+25)	46,115	(37,599)	8,516
27	Nonoperating Net Income	118,189		118,189
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	2,537,659	(797,631)	1,740,028
31	Total Net Income or Margins (21+27+28+29+30-26)	892,694	0	892,694
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	4,940,428		4,940,428
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)	5,833,122	0	5,833,122
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	345,392		345,392
45	Cash Ratio ((14+20-10-11)/7)	1.8173	4.5971	1.4708
46	Operating Accrual Ratio ((14+20+26)/7)	1.9758	4.9831	1.6010
47	TIER ((31+26)/26)	20.3580	1.0000	105.8255
48	DSCR ((31+26+10+11)/44)	3.4140	#DIV/0!	3.1902

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)
- Line 3 column b, changed due to removing Interstate ILEC portion improperly last year in the amount of \$10,058.

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

Company Name: (Below)
HOOD CANAL TELEPHONE CO., INC.

Line #	Description	Current Year 2018 (A)	Part 64 Adj. to NonReg (B)	Current Year Adjusted 2018 (C)
1	Local Network Services Revenues	198,608		198,608
2	Network Access Services Revenues	1,556,314		1,556,314
3	Long Distance Network Services Revenues	254,948	(222,427)	32,521
4	Carrier Billing and Collection Revenues			0
5	Miscellaneous Revenues	18,460		18,460
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(4,713)		(4,713)
7	Net Operating Revenues (1 thru 6)	2,023,617	(222,427)	1,801,190
8	Plant Specific Operations Expense	1,605,519	(550,820)	1,054,699
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	240,398	(15,598)	224,800
10	Depreciation Expense	201,754	(23,158)	178,596
11	Amortization Expense	6,560	(6,560)	0
12	Customer Operations Expense	641,892	(177,078)	464,814
13	Corporate Operations	803,666	(200,284)	603,382
14	Total Operations Expenses (8 thru 13)	3,499,789	(973,498)	2,526,291
15	Operating Income or Margins (7 less 14)	(1,476,172)	751,071	(725,101)
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	103,137	(18,223)	84,914
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)		0	0
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	103,137	(18,223)	84,914
21	Net Operating Income or Margins (15+16-20)	(1,579,309)	769,294	(810,015)
22	Interest on Funded Debt	31,753		31,753
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	2,308		2,308
25	Allowance for Funds Used During Construction (Record as a Credit)			0
26	Total Fixed Charges (22+23+24+25)	34,061	0	34,061
27	Nonoperating Net Income	18,139		18,139
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	2,969,339	(769,294)	2,200,045
31	Total Net Income or Margins (21+27+28+29+30-26)	1,374,108	0	1,374,108
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	5,833,122		5,833,122
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)	7,207,230	0	7,207,230
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	318,352		318,352
45	Cash Ratio ((14+20-10-11)/7)	1.6775	4.3250	1.3506
46	Operating Accrual Ratio ((14+20+26)/7)	1.7973	4.4586	1.4686
47	TIER ((31+26)/26)	41.3426	#DIV/0!	41.3426
48	DSCR ((31+26+10+11)/44)	5.0777	#DIV/0!	4.9843

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)

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

Company Name: (Below)
 HOOD CANAL TELEPHONE CO., INC.

Line #	Description	Adjusted Prior Year 2017	Adjusted Current Year 2018
1	Local Network Services Revenues	203,329	198,608
2	Network Access Services Revenues	1,377,959	1,556,314
3	Long Distance Network Services Revenues	33,726	32,521
4	Carrier Billing and Collection Revenues	0	0
5	Miscellaneous Revenues	18,920	18,460
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(27,319)	(4,713)
7	Net Operating Revenues (1 thru 6)	1,606,615	1,801,190
8	Plant Specific Operations Expense	1,067,306	1,054,699
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	200,808	224,800
10	Depreciation Expense	200,645	178,596
11	Amortization Expense	0	0
12	Customer Operations Expense	396,891	464,814
13	Corporate Operations	582,814	603,382
14	Total Operations Expenses (8 thru 13)	2,448,464	2,526,291
15	Operating Income or Margins (7 less 14)	(841,849)	(725,101)
16	Other Operating Income and Expenses ()	0	0
17	State and Local Taxes	115,158	84,914
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	0	0
19	Other Taxes	0	0
20	Total Operating Taxes (17+18+19)	115,158	84,914
21	Net Operating Income or Margins (15+16-20)	(957,007)	(810,015)
22	Interest on Funded Debt	5,075	31,753
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	3,441	2,308
25	Allowance for Funds Used During Construction (Record as a Credit)	0	0
26	Total Fixed Charges (22+23+24+25)	8,516	34,061
27	Nonoperating Net Income	118,189	18,139
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	1,740,028	2,200,045
31	Total Net Income or Margins (21+27+28+29+30-26)	892,694	1,374,108
32	Total Taxes Based on Income		
33	Retained Earning or Margins Beginning-of-Year	4,940,428	5,833,122
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))	5,833,122	7,207,230
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	345,392	318,352
45	Cash Ratio ((14+20-10-11)/7)	1.4708	1.3506
46	Operating Accrual Ratio ((14+20+26)/7)	1.6010	1.4686
47	TIER ((31+26)/26)	105.8255	41.3426
48	DSCR ((31+26+10+11)/44)	3.19	4.9843

Footnote	2017	2018
(A1) S Corporation Effective Tax Rate (2 decimal places):	17.88%	11.73%

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

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

Company Name: (Below)
HOOD CANAL TELEPHONE CO., INC.

Line #	Description	Part 32 Account	Prior Year 2017	Current Year 2018
1	End User Revenue (SLC, ARC, etc.)	5081	108,019	105,248
2	Switched Access (excluding USF):	5082		
2a	Intrastate		51,762	51,599
2b	Interstate (includes CAF)		413,099	746,059
3	Special Access:	5083		
3a	Intrastate		1,223	1,223
3b	Interstate		97,860	132,240
4	Federal USF (ICLS/HCL/SN)	Varies	269,224	234,331
5	Federal USF (ACAM or BLS)	Varies	421,755	724,823
6	State USF	Varies	142,406	158,225
7	Other*	Varies	(127,389)	127,389
8	Total (must equal line 2 of Income Stmt.)		1,377,959	1,556,314
9	Line 2 of Income Stmt.		1,377,959	1,556,314
10	Difference		0	0

Footnote:

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

Line 8 Accrue Audit adjustment in 2017 and reversed in 2018 to recognize repayment of USF funding based on USAC audit

PETITION OF HOOD CANAL TELEPHONE CO., INC.
TO RECEIVE SUPPORT FROM STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM -
EXHIBIT 4-10

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

Company Name: (Below)
 HOOD CANAL TELEPHONE CO., INC.

Description of Out-of-Period - 2018 (As Recorded) OR Pro Forma (PF) Adjustments for Current Year or Reversing from Prior Year	Year	OOP or PDF?	Part 32 Account		Net Adj
			Debit	Credit	
Adjustment #1: BCM Refund July-Dec 2018 received in 2019 - Add to Network Access Revenues Tax of 21% on BCM Refund Accrued estimated BCM Refund on 2018 books for \$79,329, actual \$79,319	2018 PF 2018 PF		\$ 1	\$ 10	\$ 9
Adjustment #2: BCM Refund July-Dec 2017 received in 2018 - Remove from Network Access Rev Tax of 21% on BCM Refund	2017 PF 2017 PF		\$ 45,550	\$ 5,343	\$ (40,207)
Adjustment #3:					
Adjustment #4					
Adjustment #5					
			\$ 45,551	\$ 5,343	\$ (40,198)
					Net Total

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

Company Name:
HOOD CANAL TELEPHONE CO., INC.

Line #	Source(A)	Net Operating Income Inputted FIT Calculation	2018	
1	Page 9, Line 21 (CY)	Adjusted Net Operating Income	(810,015)	
2		Out-of-Period or Pro Forma Adjustments (Net of FIT)*	(40,198)	
3	Page 9, Line 26 (CY)	Total Fixed Charges	34,061	(A)
4	Sum	Adj. Taxable Operating Income (Line 1 + Line 2 - Line 3)	(884,274)	
5		Inputted S Corp. Tax Rate(B)	11.73%	
6	Calculated	Inputted FIT (Line 4* Line 5)	(103,725)	
7	Sum	Adj. Net Operating Income after FIT (Lines 1 + 2 - 6)	(746,488)	(B)
NonOperating Income Inputted FIT Calculation				
8	Page 9, Line 27 (CY)	Nonoperating net income	18,139	
9	Page 9, Line 30 (CY)	Nonregulated net income	2,200,045	
10	Sum	Sub-Total (Line 27+Line 30)	2,218,184	
11		Inputted S Corp. Tax Rate(B)	11.73%	
12	Calculated	FIT (Line 10 * Line 11)	260,193	
13	Sum	Nonop/Nonreg income after FIT (Line 10 - Line 12)	1,957,991	(C)
14	Sum	Adjusted Net Income w/inputted FIT	1,211,503	(B)+(C)**
Sanity Check:				
15	Page 9, Line 31 (CY)	Line 31 as reported	1,374,108	
16		Out-of-Period or Pro Forma Adjustments*	(40,198)	
17		Total	1,333,910	
18		Inverse of effective tax rate (100%-Line 10 percent)	88.27%	
19	Calculated	Adjusted Net Income (Line 17*Line 18)	1,177,442	(D)**
Regulated Rate of Return				
20	Page 5, Total (PY)	Regulated rate base Year End 2017	1,033,165	
21	Page 5, Total (CY)	Regulated rate base Year End 2018	1,770,318	
22	Sum	Total	2,803,483	
23	Calculated	Simple Avg.	1,401,742	(E)
24	Line 7 (above)	Adj Operating Income after inputted FIT	(746,488)	
27	Calculated	Regulated rate of return	-53.3%	(B)/(E)

Footnotes:

- * In addition to out-of-period or pro forma adjustments, if the company had any disallowed corporate operations expense, please record net of FIT on Line 2. (Line 16 will auto populate)
- ** The difference between Line 14 (B +C) and Line 19 (D) should be Total Fixed Charges (Line 3) Fixed charges are deductible for calculating FIT, but is not included in net operating income used to calculate the ROR. Net operating income mirrors Line 21 of the Income statement

State USF Petition Filing Requirement - WAC 480-123-110(e)
 Prior and Current Year Broadband and Gross Capital Expenditures
 Exhibit 4.1 - Statistics

SHADED INFORMATION IS
 DESIGNATED AS CONFIDENTIAL
 PER WAC 480-07-160

Company Name: (Below)
 HOOD CANAL TELEPHONE CO., INC.

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

Broadband Connections by Type:	
DSL/FTTH	
Cable Modem	
Total	

PETITION OF HOOD CANAL TELEPHONE CO., INC.
 TO RECEIVE SUPPORT FROM STATE UNIVERSAL
 COMMUNICATIONS SERVICES PROGRAM -
 EXHIBIT 4.1 ATTACHMENT