

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

In the Matter of the Petition of

HOOD CANAL TELEPHONE CO., d/b/a
HOOD CANAL COMMUNICATIONS,

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

DOCKET UT-230610

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 broadband service issues 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).¹ 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.²

¹ 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.”

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

2 The Washington Utilities and Transportation Commission (Commission) is allotted \$5
million for the 2024 program year,³ and it may distribute the \$5 million (less the
Commission’s administrative costs) to qualifying companies before June 30, 2024.⁴

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 5511.⁵

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 and the rule it
adopted establish four different eligibility criteria.⁶ To receive a distribution, a provider
must meet at least one of those eligibility requirements and also comply with the
prerequisites in WAC 480-123-100.⁷

5 A company, accordingly, must include in its petition a broadband plan for maintaining,
providing, or enhancing broadband service within the provider’s service area.⁸ It must
also provide one of the following:

³ This is the tenth and final year of the program. *See In re Amending WAC 480-123*, Docket UT-190437, Gen. Order R-598, (May 27, 2020) (General Order R-598).

⁴ 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, \$4,850,000 is available for distribution from the State USF Program based on the current appropriation and allotment.

⁵ 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.

⁶ General Order R-598 at 4-7 ¶¶ 16-22; WAC 480-123-110(1)(j)(i)-(iv).

⁷ 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.

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

- (i) A multiyear investment plan;

- 1) An unsworn 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) An unsworn 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) An unsworn 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; or
- 4) An unsworn 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.

(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;

(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.

- 6 On June 21, 2023, Hood Canal Telephone Co., d/b/a Hood Canal Communications (Hood Canal or Company) filed its State USF compliance report. In the report, Hood Canal states that support from the State USF program has contributed to the company's ability to maintain and enhance its voice and fiber services. The company has purchased work equipment tools, a server rack and computer equipment, central office batteries, and updated the building with land improvements. The process for a RUS loan has changed significantly and has taken much longer. This change has delayed the conversion process but is nearly finalized. Even with this slowdown, Hood Canal continues to work on other fiber to the home (FTTH) projects and fiber drops. The company has indicated that it deployed fiber to approximately 100 new locations and has continued converting coax cable subscribers to fiber to provide speeds up to 1 Gbps symmetrical. State USF Program support allows the company to maintain the offerings of voice and broadband services and enables the company to enhance services where appropriate. Based on Commission Staff's (Staff) review and several conversations with the company, Staff believes the report meets the requirements of WAC 480-123-130.
- 7 On July 26, 2023, Hood Canal filed its petition seeking State USF support under eligibility criterion four, and it filed a revised petition and exhibits on October 20, 2023. In its broadband plan, the company states there are currently 839 locations to convert from coax to fiber and Hood Canal estimates that it will convert 200 locations by the end of 2024. In addition, the company remains dedicated to maintaining its quality of service while enhancing its speeds through its FTTH projects. This maintenance includes plant specific expenses related to building costs, vehicle and equipment leases, computer support, central office switching, transport, performance testing monitoring, and fiber repairs.
- 8 Staff reviewed Hood Canal'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 Hood Canal 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 \$137,780 to be disbursed no later than December 31, 2023.

DISCUSSION AND DECISION

9 We agree with Staff that Hood Canal has demonstrated its eligibility for a distribution
from the State USF Program for fiscal year ending June 30, 2024.

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, Hood Canal has provided a broadband plan to maintain its
existing infrastructure while continuing to invest in capital improvements to enhance
broadband speed capability.

11 We find that a distribution in the amount of \$137,780 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) Hood Canal is a local exchange company as defined in WAC 480-120-021 and a
public service company subject to Commission jurisdiction.
- 14 (3) Hood Canal 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) Hood Canal has provided a broadband plan to maintain its existing infrastructure
while continuing to invest in capital improvements to enhance broadband speed
capability.
- 16 (5) Hood Canal is eligible to receive funding from the State USF Program in the
amount of \$137,780 to be disbursed no later than December 31, 2023.

ORDER

THE COMMISSION ORDERS:

- 17 (1) Hood Canal Telephone Co., Inc. d/b/a Hood Canal Communications' request for
funds from the State USF Program for fiscal year ending June 30, 2024, in the
amount of \$137,780 is granted.
- 18 (2) The funds will be disbursed by December 31, 2023.
- 19 (3) The Commission retains jurisdiction over this matter for purposes of effectuating
this order.

DATED at Lacey, Washington, and effective November 22, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner