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

8 IN RE

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10 PETITION OF WESTERN WAHKIAKUM  
11 COUNTY TELEPHONE COMPANY, TO  
12 RECEIVE SUPPORT FROM THE STATE  
13 UNIVERSAL COMMUNICATIONS  
14 SERVICES PROGRAM

DOCKET NO.

PETITION FOR SUPPORT

15 COMES NOW Western Wahkiakum County Telephone Company, d/b/a Wahkiakum West  
16 Telephone, (the "Company"), and, pursuant to Chapter 480-123 of the Washington Administrative  
17 Code ("WAC") including, but not limited to, WAC 480-123-110, hereby petitions the Washington  
18 Utilities and Transportation Commission (the "Commission") to receive support from the State  
19 Universal Communications Services Program established in RCW 80.36.650 (the "Program") for  
20 the fiscal year ending June 30, 2017.

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22 **I. Demonstration of Eligibility under WAC 480-123-100**

- 23 1. WAC 480-123-100(1)(a): The Company is a local exchange company as defined in WAC  
24 480-120-021 that serves less than forty thousand access lines within the state.

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26 PETITION OF WESTERN WAHKIAKUM  
COUNTY TELEPHONE COMPANY, D/B/A  
WAHKIAKUM WEST TELEPHONE, TO  
RECEIVE SUPPORT FROM THE STATE  
UNIVERSAL COMMUNICATIONS SERVICES  
PROGRAM - 1

- 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.
- 10 5. WAC 480-123-100(1)(e): The Company has been designated by the Commission as an  
11 eligible telecommunications carrier for purposes of receiving federal universal services  
12 support pursuant to 47 C.F.R. Part 54 Subpart D - Universal Service Support for High Cost  
13 Areas with respect to the service area for which the Company is seeking Program support.  
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## 16 **II. Demonstration of Eligibility under WAC 480-123-110**

- 17 1. WAC 480-123-110(1)(a): The name of the legal entity that provides communications  
18 services and is seeking Program support is as follows: Western Wahkiakum County  
19 Telephone Company, d/b/a Wahkiakum West Telephone.
- 20 2. WAC 480-123-110(1)(b): A corporate organization chart showing the relationship  
21 between the Company and all affiliates as defined in RCW 80.16.010 is attached  
22 hereto as Exhibit 1. A detailed description of any transactions between the Company  
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1 and the affiliates named in Exhibit 1 recorded in the Company's operating accounts is  
2 attached hereto as Exhibit 2.

- 3 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet  
4 Nos. 21 and 21.1 of the Company's Tariff WN U-4.
- 5 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk  
6 of rate instability or service interruption or cessation in the absence of support from the  
7 Program is attached as Exhibit 3.
- 8 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached as  
9 Exhibit 4, are copies of the Company's balance sheet as of December 31, 2015, and  
10 December 31, 2014, and copies of the Company's statements of income and retained  
11 earnings or margin for the years ended December 31, 2015 and December 31, 2014.
- 12 6. WAC 480-123-110(1)(e)(ii): A copy of the Company's consolidated annual financial  
13 statements for the years ended December 31, 2015 and December 31, 2014, are  
14 attached as Exhibit 5.
- 15 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate  
16 of return on a total Washington unseparated regulated operations basis for each of the  
17 two prior years, calculated in the manner prescribed by the Commission, is provided in  
18 Exhibit 4.
- 19 8. WAC 480-123-110(1)(e)(iv): Information demonstrating the Company's earned return  
20 on equity on a total company (regulated and non-regulated) Washington basis for each  
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1 of the two prior years, calculated in the manner prescribed by the Commission, is  
2 provided in Exhibit 4.

3 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's revenues  
4 from the statements of income and retained earnings or margin in the same format and  
5 detail as is required to complete RUS Form 479 for the prior two years is presented on  
6 Exhibit 6.

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8 10. WAC 480-123-110(1)(e)(vi): Information detailing the amounts of any corporate  
9 operations adjustments to existing high-cost loop and interstate common line support  
10 mechanism required by the Federal Communications Commission applied to the  
11 Company for the prior two years is attached hereto as Exhibit 7.

12 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 contains additional supporting information  
13 requested by the Commission.

14 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company  
15 officer with personal knowledge and responsibility certifying that the Company  
16 complies with state and federal accounting, cost allocation, and cost adjustment rules  
17 pertaining to incumbent local exchange companies is attached as Exhibit 8.

18 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the  
19 Company or on its behalf with the Federal Communications Commission for the  
20 calendar year preceding the current year has already been filed with the Commission.

21 See the Company's filing in Docket No. UT-160030 filed on or about July 1, 2016.  
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1 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines  
2 served by the Company as of December 31, 2015, was 838 all of which were within  
3 the geographic area for which the Company is seeking support. The number of  
4 residential local exchange access lines served by the Company as of December 31,  
5 2014, was 835, all of which were within the geographic area for which the Company is  
6 seeking support.  
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8 The number of business local exchange access lines served by the Company as of  
9 December 31, 2015, was 207, all of which were within the geographic area for which  
10 the Company is seeking support. The number of business local exchange access lines  
11 served by the Company as of December 31, 2014, was 218, all of which were within  
12 the geographic area for which the Company is seeking support.

13 The monthly recurring rate charged by the Company for residential local exchange  
14 access service on December 31, 2015, was \$16.00. The monthly recurring rate  
15 charged by the Company for residential local exchange access service on December  
16 31, 2014, was \$ 16.00.  
17

18 The rate charged by the Company for single line business local exchange access  
19 service on December 31, 2015, was \$16.80. The rate charged by the Company for  
20 single line business local exchange access service on December 31, 2014, was \$16.80.  
21 (The Company has other business local exchange service rates, but the Company  
22 understands that WAC 480-123-110(1)(g) is requesting the single line business local  
23 exchange access service rate.)  
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1 15. WAC 480-123-110(1)(h): The requested statement is attached as Exhibit 9.

2 16. The amount on Line 4, labeled 2011 ROR Carrier Base Period Revenue, of the CAF  
3 ICC Data Collection Report for the period 7/1/2016 – 6/30/2017, as provided in the  
4 June 2016 CAF ICC data collection, is \$672,355. This figure differs from the  
5 corresponding figure for the period 7/1/2015 – 6/30/2016 that was provided in the June  
6 2015 CAF ICC data collection and was in effect as of September 15, 2015 (the date of  
7 the Company's updated pages to its petition for support filed in Docket No. UT-  
8 151521) – namely, \$610,024. Since September 15, 2015, the latter figure has been  
9 retroactively revised upward to \$672,355, the same amount as is shown in the first  
10 sentence of this Item 16. The difference between the earlier figure (\$610,024) and the  
11 more recent figure (\$672,355) is \$62,331. This difference was attributable to revisions  
12 in the CAF ICC base period revenue calculation to reflect (1) removal of State  
13 traditional USF revenue (\$.00152 per access minute) as applied to intrastate  
14 terminating access minutes (other than intrastate originating 800-type access minutes  
15 treated as terminating), (2) improved calendarization of previously reported base  
16 period intrastate terminating access revenue and (3) inclusion of revenue derived from  
17 per-minute access charges applied to base period intrastate originating 800-type access  
18 minutes.  
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21 17. All exhibits attached hereto are incorporated in this Petition as though fully set forth.  
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1 Respectfully submitted this 29<sup>th</sup> day of July, 2016.

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4 Western Wahkiakum County Telephone Company  
5 d/b/a Wahkiakum West Telephone  
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8 CERTIFICATION

9 I Steven M. Appelo, an officer of the Company that is responsible for the Company's  
10 business and financial operations, hereby certify under penalty of perjury that the information and  
11 representations set forth in the Petition, above, are accurate and the Company has not knowingly  
12 withheld any information required to be provided to the Commission pursuant to the rules  
13 governing the Program.

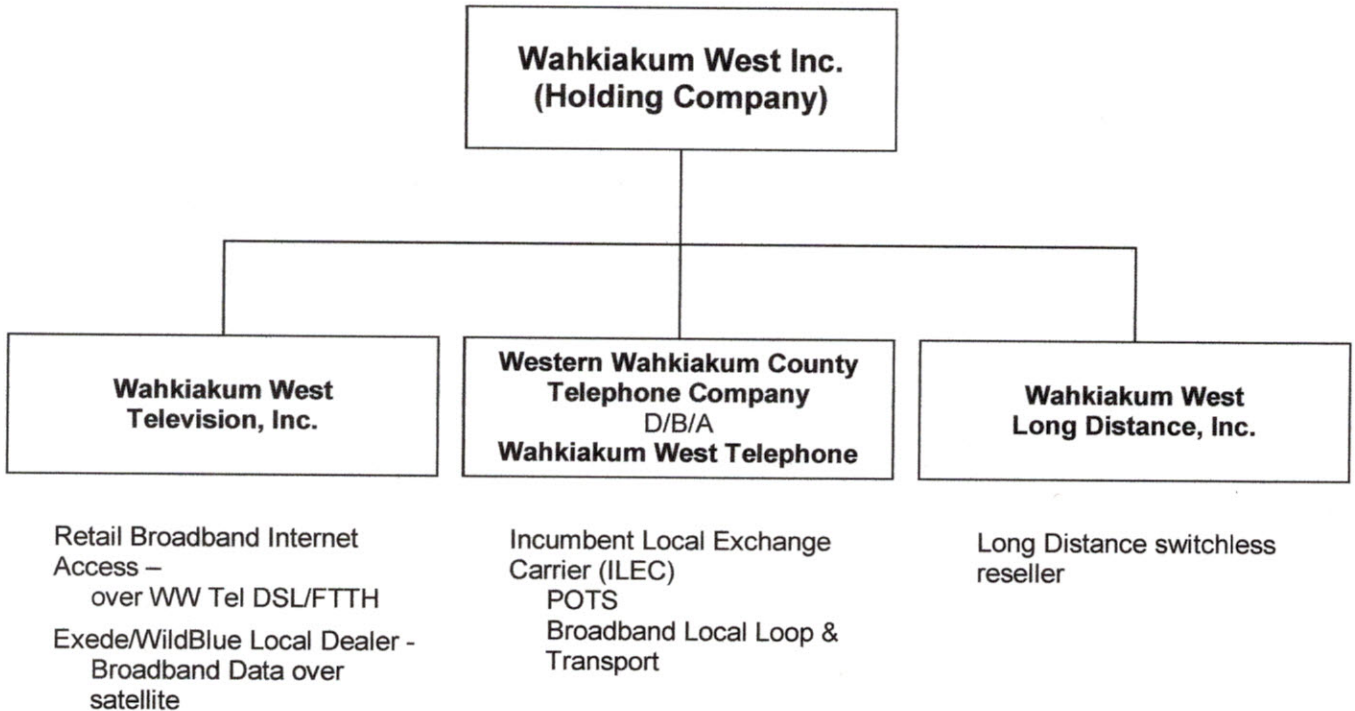
14 By:   
15 Title: President \_\_\_\_\_  
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EXHIBIT 1

CORPORATE ORGANIZATION CHART

**Western Wahkiakum County Telephone Company  
Corporate Structure**



PETITION OF WESTERN WAHAKIUM COUNTY TELEPHONE COMPANY, D/B/A WAHAKIUM WEST TELEPHONE, TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM - EXHIBIT 1



## EXHIBIT 2

### AFFILIATED TRANSACTIONS

Western Wahkiakum County Telephone Company, doing business as Wahkiakum West Telephone, is affiliated with Wahkiakum West Long Distance, Inc. ("WWLDI") and Wahkiakum West Television, Inc. ("WWTVI"). All three companies are wholly-owned subsidiaries of Wahkiakum West, Inc. Wahkiakum West Telephone has transactions with each of WWLDI, WWTVI and Wahkiakum West, Inc. that are recorded on Wahkiakum West Telephone's books of account.<sup>1</sup>

#### **Wahkiakum West Long Distance, Inc. (WWLDI)**

WWLDI is a switchless toll reseller, which purchases toll from various interexchange carriers and resells it to Wahkiakum West Telephone and its end user customers. The toll appears on the monthly telephone statements of end user customers who have chosen WWLDI as their toll provider. Wahkiakum West Telephone provides billing and collection services for WWLDI, for which Wahkiakum West Telephone charges WWLDI the same tariffed (intrastate service) or contracted (Interstate service) rates that Wahkiakum West Telephone charges any other carrier who uses Wahkiakum West Telephone to do their toll billing and collection. Wahkiakum West Telephone purchases the toll billing receivables from WWLDI. The billing and collection charges are collected each month by being netted against the purchase of accounts receivable. Wahkiakum West Telephone also charges Wahkiakum West Long Distance a fully loaded labor rate for any employee time spent on WWLDI's behalf above and beyond what is included in the billing and collection function, such as providing customer service or marketing. The employee time, if any, is tracked via daily time sheets and reimbursed quarterly so that all applicable benefits and payroll taxes are included in the reimbursement. The billing and collection charges are booked by Wahkiakum West Telephone as interstate or intrastate regulated access revenue, as applicable. The reimbursement for loaded labor charges is booked by Wahkiakum West Telephone as a reduction to regulated customer operations expense.

As noted above, WWLDI also provides toll service to Wahkiakum West Telephone. Wahkiakum West Telephone pays WWLDI WWLDI's price listed rates for such toll service, and books the amounts so incurred to the applicable expense account.

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<sup>1</sup> Wahkiakum West Telephone also pays per-meeting director's fees to the members of its board of directors for their attendance at board meetings.

**Wahkiakum West Television, Inc. (WWTVI)**

WWTVI no longer provides television services, but is a retail Internet service provider with the DBAs of Wahkiakum West Internet, Wahkiakum West, and wwest.net. WWTVI is also an Excede/WildBlue Satellite internet service retailer. Wired broadband services are purchased by WWTVI from Wahkiakum West Telephone at the NECA tariffed wholesale rates and sold by WWTVI to end users under the above Wahkiakum West Television, Inc. DBAs. Wahkiakum West Television purchases its satellite services and equipment directly from an independent third-party vendor. WWTVI pays Wahkiakum West Telephone a monthly billing and collection fee based on the number of customers billed each month. WWTVI also pays Wahkiakum West Telephone a fully loaded hourly rate for all other employee time spent on behalf of Wahkiakum West Television and any of its services. Employee time, if any, is tracked via daily time sheets and reimbursed quarterly so that all related employee benefits and taxes are included in the reimbursement. The reimbursement for loaded labor charges is booked by Wahkiakum West Telephone as a reduction to regulated customer operations expense.

WWTVI also provides a small retail computer repair service. Employee time of Wahkiakum West Telephone devoted to this activity, if any, is tracked via daily time sheets and reimbursed quarterly so that all related employee benefits and taxes are included in the reimbursement. The reimbursement for loaded labor charges is booked by Wahkiakum West Telephone as a reduction to regulated customer operations expense. WWTVI also directly purchases all of its own additional supplies and equipment.

**Wahkiakum West, Inc.**

Wahkiakum West, Inc. files a consolidated Federal income tax return that includes Wahkiakum West Telephone. Quarterly income tax payments are made by Wahkiakum West Telephone. Wahkiakum West Inc. and each affiliate reimburse Wahkiakum West Telephone for their respective allocated share of any Federal income tax liability.

From time to time, Wahkiakum West Telephone pays dividends with respect to its issued and outstanding common stock, with such payments being made to Wahkiakum West, Inc.

Additionally, from time to time, Wahkiakum West, Inc. may lend funds, primarily for construction, to Wahkiakum West Telephone. These loans, if any, are interest-bearing and are reflected on the books of Wahkiakum West Telephone.

### EXHIBIT 3

#### DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The operating environment in which the Company finds itself has created a climate of great financial uncertainty. The Company has been working over the past several years to address growing competition. The Company has taken steps to increase the availability and attributes of advanced services offered by the Company, including broadband. This has resulted in the Company making additional investments in regulated plant of approximately \$5,600,000 during the period January 1, 2011 through December 31, 2015. As a result, the Company has a substantial debt obligation to cover the investment that has been made.

The overall financial condition of the Company is detailed on other Exhibits to this Petition. What this information demonstrates is that, when adjusted to eliminate the support from the state Universal Communications Services Program that the Company received or accrued in 2015, the Company's total regulated revenue decreased by 6.57 percent from 2011 through 2015. The Company has looked for ways to lower expenses including reductions in office staff. However, much of the Company's operating expenses are fixed obligations, such as debt-related payments in an approximate amount of \$280,000 annually on its construction debt.

At the same time, the Company is seeing increased competition. For example, the Company has seen some migration of customers "cutting the cord" to move to wireless or other service as their sole method of telecommunications. Since 2011, the Company has lost 1.9% of its total access line count. A loss of customers equates to a loss of revenue without a corresponding reduction in expenses or corresponding increase in rates. This trend of access line loss is exacerbated by the Federal Communications Commission's requirement that the Company increase its rates to remain eligible for full federal USF support. 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 Federal Communications Commission ("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 surge in disconnection of service by customers.

During the 2011-2015 time period, the Company has also experienced a decline in the number of special access lines it provides, resulting in a difference of approximately \$30,000 less special access annual revenue received in 2015 in comparison to 2011 special access revenue receipts.

As an example of why State Universal Communications Services Program support is needed, the Company's receipt of revenue from the State 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 State 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 State traditional universal service fund revenues of approximately \$143,007 per year if its participation in the Program is not renewed.

As another example, some of the financial uncertainty that the Company faces stems from the USF/ICC Transformation Order issued by the Federal Communications Commission.<sup>1</sup> The USF/ICC Transformation Order has built in an automatic decline in the Company's intrastate and interstate access revenues. The inter-carrier compensation ("ICC") 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 ICC support is derived) are reduced iteratively by five percent each year. The CAF ICC support reduction began in July 2012. Projecting through the fiscal year ending June 30, 2017, including 2016 reductions of approximately \$27,382 that occurred beginning July 1, 2016, the Company has seen a reduction in annual support from its most recently revised base line revenue of approximately \$152,100 and of approximately \$251,683 from its original base line revenue..

On top of all this, during the four-year period ended December 31, 2015, the Company has seen its total federal high cost support undergo a significant reduction, declining from \$1,156,662. in 2011 to \$1,151,772 in 2015. Additional uncertainty has been introduced to this source of funding by a recent order of the Federal Communications Commission restructuring support for rate-of-return local exchange carriers.<sup>2</sup>

These factors, among others, have led to the strained financial condition of the Company as reflected in the financial reports that are part of the Petition.

The combination of factors noted above creates a situation in which, without support from the State Universal Communications Services Program, 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.

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<sup>1</sup> *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 a Unified Inter-carrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform - Mobility Fun*, 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. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011)(*USF/ICC Transformation Order*).

<sup>2</sup> *In the Matter of Connect America fund, ETC Annual Reports and Certifications, Developing a Unified Inter-carrier Compensation Regime*, WC Docket No. 14-58, CC Docket No. 01-92, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 16-33 (rel.Mar.30, 2016).

The dilemma presented by these choices reflects the risk of rate instability or service interruption or cessation to which the Company is subject.