

**WeavTel and JSP RESPONSE TO WUTC QUESTION REGARDING
WEAVTEL FILING
9/28/2010**

STAFF's follow-up Qs to #1, 2 and 10: 5/19/10

1.a. Should the adjustment to the Nortel balance above of \$283,636.13 tie to the COE categorization spreadsheet adjustment of \$313,925.97 and/or \$298,229.67?

1.b. If not, what makes up the difference of \$30,289.84 and/or \$14,593.54?

1a and 1b. The adjustment to Nortel balance of \$283,636.13 does tie to the COE categorization spreadsheet. The COE categorization spreadsheet shows the adjustment of -\$313,925.97 which was needed to tie to the clients book balance as of 12/31/08 plus the SSA adjustment of adding back in the Nortel sales tax of \$26,173.44 totals to \$287,752.53, causing a difference of \$4,116.40. This difference was due to a 2007 accrual for the Nortel invoices of \$221,227.72 but the actual total for those invoices was \$217,111.32. See packet labeled 1a.

1.c. Is there a balance owing for JSP? (Per e-mail from Doug N. on 12/4/09)

The balance that was shown owing on 12/4/09 has been paid.

1.d. If so, how much, and what is the monthly payment expected?

WeavTel expects its monthly average payment for JSP to be \$4,750.00

2.a. If the \$200,405.03 difference is depreciation, why does accumulated depreciation increase when investment is decreasing? (We would expect accumulated depreciation to decrease therefore increase rate base.)

Accumulated depreciation increase despite investment decrease because JSP did not do a depreciation adjustment for the Nortel overcharge.

See packet 2a showing how depreciation was calculated.

STAFF's follow-up Qs to #3: 5/19/10

3.a. What is the status of the balances in dispute?

Balances shown owing OR Colan and GVNW have been disputed by WeavTel. WeavTel's position is we will not be paying them.

STAFF's follow-up Q to #3b: 5/19/10

3.b.i. Please explain why the company chose to use the intrastate cost study versus the interstate cost study?

WeavTel used the intrastate cost study versus interstate because WeavTel's filing is for the intrastate jurisdiction and this is how the filings have been submitted historically to the WUTC.

3.b.ii. What does the intrastate column “total” figure of \$370,491 on the intrastate cost study that was used represent?

The Total figure of \$370,491 represents the Intrastate Access. The Other column represents the Interstate and Local. See packet 3bii.

a) Does it represent intrastate and local revenue requirement?

No, see 3bii.

STAFF’s follow-up Qs regarding #5: 5/19/10

5.c. Please explain the adjustments in JE #15 that were made in each account?

The adjustments in JE #15 were made as follows for Plant additions and Plant Retirements:

Plant additions

Account 2116, OWE had an addition of \$10,000 for construction Trailer

Account 2212, dig-switching had an addition of \$1,000 for pro forma Nortel switch related plant equipment items

Account 2332, IX/Trk CXR had an addition of \$2,000 for pro forma interexchange/trunk carrier equipment related to satellite transmission items.

Account 2332, sub CXR had an addition of \$6,000 for pro forma subscriber loop plant transmission equipment items.

Plant retirements

Account 2112, Vehicles had a retirement of \$16,000 for sale of vehicle

The net plant addition for the year was \$3,000.

See packet 5c showing support for the 2009 proforma additions.

5.d. Were corresponding adjustments made to depreciation expense and accumulated depreciation? (If these were provided in previous documents, please identify where.)

No corresponding adjustments for depreciation expense and accumulated depreciation were made for the Proforma 2009 plant additions.

STAFF’s follow-up Qs regarding #6: 5/19/10

6.a. How much is the revenue adjustment that was made, and where is that adjustment reflected?

JSP did not separately state the revenue adjustment on the Proforma 2009 plant additions.

6.b. In regards to the pro forma investment adjustments and adjustment for the Nortel switch, did the company make adjustments to Depreciation Expense and Accumulated Depreciation?

No corresponding adjustment for depreciation expense and accumulated depreciation were made for the Nortel overcharge adjustment.

6.c. If adjustments to Dep. Exp. And Acc. Dep. were made, please identify where in the documents these adjustments are reflected.

No corresponding adjustment for depreciation expense and accumulated depreciation were made for the Nortel overcharge adjustment.

STAFF's follow-up Qs regarding #9: 5/19/10

9.c. Does WeavTel have an I-Direct Hub?

WeavTel does not have an iDirect hub.

9.d. If so, it is used in conjunction with satellite modems to provide telephone service?

No

9.e. If so, how is the I-Direct hub used to provision telephone service.

WeavTel does not have an iDirect hub.

STAFF's follow-up Qs regarding new Qs #8, 9 & 10: 5/19/10

8.a. Provide a full and detailed schedule of all investment by account and by location that ties to the total investment included in the cost study.

See packet 8a Tax Depreciation Report showing grouped assets by year as of 12/31/08.

8.b. Detailed analysis of adjustments to remove Holden Village (some accounts removed Holden Village, but it didn't appear as if all accounts removed Holden Village, i.e. switching, central office equipment, etc.)

JSP only removed the Plant under Construction amount of \$18,967.69 and rent expense of \$2,400 from the cost study for Holden Village. No other expenses or plant balances were removed for Holden Village. The Holden Village costs could be restated to be included in the study. WeavTel petitioned the Commission and received authorization to add Holden Village to its Study area.

8.c. Please provide the related depreciation expense and accumulated depreciation for each asset by location.

JSP only removed the Plant under Construction amount of \$18,967.69 and rent expense of \$2,400 from the cost study for Holden Village. No other expenses or plant balances were removed for Holden Village. WeavTel petitioned the WUTC to include Holden Village into its study area. The Holden Village costs could be restated to be included in the study.

STAFF's Brand New Questions: 5/19/10 (new #ing sequence)

- 20. Please provide a detailed printout of operating expenses by account and sub-account for the year ended 12/31/2008 (similar to the 2006 budget work-papers)**

Please see packet 20 for the detailed operating expenses by account for 2008.

- 21. The audited financials that were provided by JSP identify a debt forgiveness amount of \$49,573.**

The \$49,573 amount was debt that was forgiven by the vendors. The following vendors forgave debt: \$25,000 SES Americom, \$6,973.84 Capital One credit card #9852, \$6,148.59 Capital One credit card #4072, \$8,873.92 Chase Bank credit card, \$2,126.45 Paine Hamblen and \$450 WeavNet. Since the debt was forgiven it would no longer belong on the debt schedule.

- 22. JSP provided a current depreciation schedule, please provide additional information regarding actual assets by location other than what is being provided in 8.c. above (show account detail if available), identifying the following:**

- a) Assets**
- b) Life of the asset**
- c) Depreciation per year of the asset**
- d) Depreciation to date of each asset**
- e) All adjustments related to depreciation and accumulated depreciation**

Please see packet 8a. for assets information

- 23. On the cost study, there is an amount for plant under construction of \$224.**
a) On the trial balance, \$18,968 was removed for Holden Village which left a balance of \$447 identified as Stehekin, what does this consist of?

The \$447 was an antenna for Stehekin, see packet 23a.

- b) Why is \$224 being used on the cost study? (the average per study figure)**

The cost study only used the average balance rather than end of period.

- c) Is this long term or short term?**

This is short Term.

- 24. On the cost study, there is an amount for working capital of \$18,135.**
a) Please provide the supporting documentation showing how this figure was calculated.

The working capital calculation is an Interstate calculation not intrastate. For the intrastate study the \$18,135 should be removed. Note from 8b and 8c above, Holden Village should be added in which would offset this reduction (\$18,967.69).

- 25. According to the diagram included in part-x non-regulated/regulated allocation document; of the 896 sq. feet, 198 sq. feet houses the COE.**

- a) What is the remaining square footage of 698 used for?**

The remaining square footage of 698 was used for storage.

26) Long Term Debt payments to members – is it appropriate to have these figures on the debt schedule that was provided to staff from Carol/Rick?

Yes it's appropriate to have member debt on the long term debt schedule which was stated by JSP and Moss Adams.

27) How much gets paid to Nortel monthly (on average) based on the below question and response?

"3. Why are there no required payments listed for GVNW, Mike Arch, Nortel Networks and O.R. Colan Associates?

Debt to Nortel Networks will be paid off in full with loan funds released from RUS. In the interim, WeavTel pays Nortel what it can monthly. "

WeavTel paid Nortel approximately 11,200 in 2009. WeavTel has paid Nortel 4,500 year to date. If WeavTel is allowed to draw down its remaining funds from the RUS loan, the Nortel debt will be paid in full and there will be no monthly payments to Nortel. If WeavTel is not allowed to draw remaining funds, WeavTel monthly payment to Nortel will be approximately \$11,800 a month for three years.

28) Confirm the amount owing SES Americom of \$2,386 in 2008 is gone. (Mentioned on JSP's financials on page 14).

The amount owing for SES Americom for 12/31/08 of \$2,386 was paid in 2009. Note that there is a Cash Secured Letter of Credit of \$10,880 to cover the debt.

29) What's happening with Wells Fargo – monthly required amount should be \$1,350 total, but actual amount is \$0.00?

WeavTel intends to start making payments on this debt once it knows what its available funds from WUTC are.

30) This is just confirmation from our discussion from this morning (6/1/10) about the switch (numbers from JSP's financials on page 14):

\$ 1,433,951 (2007 COE)
- 1,146,198 (2008 COE pre pro-forma of \$9,000)
287,753
283,636 (adjustment on Rick's monthly payment scheduled under #1 above)
\$ 4,117

The \$4,117 is the over-accrued figure – is this correct?

The calculations indicated by WUTC are correct. Please see 1a and 1b above.

31) This question is from JSPs financial document on page 16, regarding the Bank of America balance that was transferred to Great Plains.

\$ 512,499 (principal balance)
504,003 (old balance from Rick's monthly payment schedule under #1 above)
\$ 8,496

- a) **Does the difference of \$8,496 figure represent the unpaid interest that was waived?**

The \$8,496 were principal payments amounts made in 2007 to bring the balance owing down to \$504,003.

- b) **The agreed upon repayment figure was identified as \$5,500 but Rick's monthly payment schedule says \$3,500. Which amount is actually paid on a monthly basis?**

WeavTel negotiated a new promissory note with Great Plains in 2010 to do monthly payments of \$3,500 with no interest being paid on the unpaid principal balance starting February 2010.

- 32) Is the hearing regarding the complaint against Chelan County for compensatory damages of \$2,000,000 still schedule for July 2010, or what is the status of this issue?**

The complaint against Chelan County is scheduled for trial on May 9, 2011.

Agenda and questions for conference call on 8/10/10

- 1) Technical aspects of how network functions (using the drawing from the 2006 filing)**

Rick Weaver of WeavTel discussed network with WUTC engineers. WUTC understood network once it was aware that there is a CSU/DSU in Stehekin and not a Telephone Switch.

- 2) Discuss how investment in network ties to the total that is recorded on the books
Providing supporting documentation for this information**

JSP discussed this with WUTC staff in conference call. Please see *WeavTel COE detail* file attached

- 3) Discuss all expenses that support the network, i.e. rent for use of property, satellite, etc.
Providing supporting documentation for this information**

JSP discussed this with WUTC staff in conference call.

Please see *WeavTel Plant expense detail 2008* attachment.

- 4) Explain the charges to the following that was were included on the Transaction Detail by Account that was provided to staff (Attachment 20):**

- a) **Coleman Oil** – vehicle fuel and propane for generator
- b) **Chelan Plaza** – rent for 246 W. Manson Hwy building space
- c) **Silver Bay** – Stehekin remote location rent for COE and Satellite
- d) **Rent in Holden** – rent for space for network equipment and satellite.

- 5) List of *all* items being stored in the building in Manson**

Items stored in Manson CO were discussed with WUTC staff. WeavTel is storing spares for network and CO equipment; equipment parts, tools, and supplies to maintain site; and furnishings for future Manson business office and Stehekin bunk house.

6) Detail of what makes up the total cost of \$340,183.00 for buildings/site prep/engineering/etc.:

- a) Manson (prior to part X)**
- b) Stehekin (prior to part X)**

JSP discussed this with WUTC staff in conference call. Please see *WeavTel Building detail*.

8/11/10 Additional questions

A few additional questions that didn't get covered on yesterday's conference call:

- a) Please specifically identify what the \$10,000 of office equipment id that is listed on JE #15 as a pro forma adjustment.**

The 10,614.81 was for the Construction/Maintenance trailer currently at Manson. The trailer was purchased for \$10,000 and the 614.81 was for install charges. The trailer currently provides restroom facilities in Manson and overnight accommodations when long term network maintenance and monitoring is needed. It is in the master plan to move this trailer to Stehekin once facilities are constructed in Manson.

- b) What is the annual amount that should be paid to National Farmers?**

The annual insurance premium for National Farmers is \$5,085.00.

- c) In previous conversations the company mentioned that it changed how it was provisioning internet service, and there appears to be several payments to multiple internet entities, and payments appear to overlap. Please explain.**

In previous conversations, it was stated that WeavTel no longer resold access to WeavNet through Chelan PUD fiber last mile. WeavTel contracts with Northwest Internet as its ISP for internet access at the WeavTel business office. WeavTel contracts with Verizon/Frontier for internet access at the Manson CO.

- d) Please explain the payments to "One Source Net....", and what the total annual amount should be.**

As Verizon would not sell access to WeavTel across Lata Lines, WeavTel leased facilities from an interconnect to the Bothell and Everett STP for SS7 services. Qwest declined to lease facilities to their STPs as WeavTel was an ILEC and there needed to be an interconnect between Qwest and WeavTel. The yearly total amount for interconnect services from One Source Network is approximately \$43,200.

- e) Please explain the \$1,700 payment to "Aegis Consulting Gr....", and is this an annual payment or a one-time expense?**

This was a onetime consulting fee for programming assistance and traffic report analysis.