

Agenda Date: March 27, 2014  
Item Number: A4

**Docket:** UT-060762  
Company Name: Westgate Communications, LLC, dba WeavTel

Staff: Tim Zawislak, Regulatory Analyst  
Betty Erdahl, Regulatory Analyst  
Kristen Russell, Regulatory Analyst

### **Recommendation**

Issue a Complaint and Order to suspend this petition and set this matter for hearing.

### **Background**

On February 20, 2014, Westgate Communications, LLC, dba WeavTel (WeavTel or company) filed a petition with the Washington Utilities and Transportation Commission (UTC or commission) requesting the commission to grant a successor permanent Revenue Objective of \$226,000 to replace the current Revenue Objective of approximately \$39,000 that was set in 2009. If the commission grants the company's petition, the Washington Exchange Carriers Association (WECA) would then need to file for an increase to its intrastate originating access pooled rate charged by WECA members in order to increase WeavTel's distribution from the pool.

### **Discussion**

The landscape in the telecommunications industry has substantially changed from 2009 for intrastate access charges and federal universal service funding. The Federal Communications Commission (FCC) released its Reform Order<sup>1</sup> on November 18, 2011. Based upon the financial information the company filed with its petition and the changes occurring in the telecommunications industry, staff has the following concerns:

- a. The FCC's Reform Order has effectively reduced WECA's intrastate terminating access rates which therefore limits WECA's ability to generate and disburse funds to its members.
- b. The FCC's Reform Order has also capped the amount of federal Universal Service Fund (USF) high cost support to \$250.00 per month or \$3,000.00 per year per working loop which will significantly reduce the amount of interstate high cost support WeavTel will receive based upon its existing customer count.
- c. Staff is concerned that the magnitude of the changes to intrastate access charges threatens the existence of WECA and could result in a dissolution of WECA. Should this occur, WeavTel does not have enough customers or intrastate access minutes to recover the Revenue Objective it has requested.

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<sup>1</sup> In the Matter of Connect America Fund, et al, FCC 11-161, Report and Order and Further Notice of Proposed Rulemaking (adopted October 27, 2011; released Nov. 18, 2011).

- d. WeavTel is out of compliance with the debt held by the Rural Utilities Service (RUS). However, the RUS has not taken any action against the company at this time.
- e. The Revenue Objective requested by the company includes a 15.00 percent rate of return on its intrastate net plant. The FCC's authorized rate of return for interstate is 11.25 percent and there is discussion at the FCC that the return should be reduced to a rate of 8.50 percent which would further reduce interstate access revenues distributed to the company.
- f. Other items to be considered as part of the evidentiary process include an examination of the appropriate level of corporate operations expense, as well as an analysis of cash flow and the viability of the company.

### **Additional Considerations**

While WeavTel is not the only ETC in Washington state to be affected by the changes in the federal Reform Order, it does have the fewest number of subscribers and the highest cost per subscriber of any company operating in our state. Therefore, commission staff recommends the prudent course of action is to set this matter for hearing so the commission may have the necessary facts, evidence, arguments, and time, to more fully address this petition.

### **Conclusion**

For these reasons, staff recommends that the commission suspend the company's petition requesting a successor permanent Revenue Objective and set this matter for hearing.