

August 31, 2018

VIA ELECTRONIC FILING SYSTEM

Mr. Mark L. Johnson, Executive Director and Secretary Washington
Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

Received
Records Management
09/04/18 13:46
State Of WASH.
UTIL. AND TRANSP.
COMMISSION

RE: **2019 Petition to Receive USF Support Replacement Pages**
Docket UT-180656

Dear Mr. Johnson:

MASHELL TELECOM, INC. DBA RAINIER CONNECT ("MASHELL"), a privately-held rate of return carrier receiving high cost support, has electronically submitted replacement pages to the 2017 Petition to Receive USF Support to the Commission.

Please feel free to contact me with any questions regarding this particular matter.

Sincerely,



Danielle Clausen, Controller
For Mashell Telecom Inc. dba Rainier Connect

Enclosures



1
2 Respectfully submitted this 27th day of July, 2018.
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5 Mashell Telecom, Inc.
6 d/b/a Rainier Connect
7

8
9 CERTIFICATION

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

15 

16 _____
17 By: Brian Haynes
18 Title: President/CEO
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EXHIBIT 3

DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The emergence of fast evolving digital technologies, increased regulatory pressure and global economic uncertainty are all key factors in the current risk in the telecommunications industry. Short innovation cycles are creating challenges for the Company to bring new products and services to end-users at shorter intervals. Company profitability and liquidity are at risk due to market competition, changing consumer spending and current financial conditions. With continued profitability decreases the Company will be unable to effectively and efficiently invest and upgrade the network and IT technology. The Company is facing a loss of traditional universal service fund revenues of approximately \$69,116 per year if its participation in the Program is not renewed.

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 2017, the Company's total regulated revenue increased by 15.4 percent from 2011 through 2018. This increase in regulated revenue is directly related to the company's significant capital investments. The Company experienced an increase in rate base over 2016 of \$5.0M; however, the Company maintains a negative rate of return at -4.46%. 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.

Over the past ten years, the Company has seen competition from low-cost providers and over the top service providers intensify. The Company continuously finds itself unable to compete against the price, network coverage, quality of product and customer relationship offered by market competitors such as cable companies and mobile service providers without significant investments in aging plant. Price deflation driven by competition for voice and data service in the fixed network result in reduced growth of revenue. Since 2011, the Company has lost 1,974 access lines, of which 1,287 were transitioned to Consumer Broadband Only (CBOL) service.

In an effort to maintain market share and remain competitive, the Company has taken steps to increase the availability and attributes of advanced services. This has resulted in the Company making considerable network investments over the past several years and an increase in long-term debt. Since 2011, the Company has made additional investments in regulated plant of approximately \$8,219,126; of which \$6.4M was invested over the past two years. The Company obtained additional debt of \$17M to fund a four-year plan (2015-2018) to upgrade aging portions of its outside plant and network infrastructure to a FTTP (Fiber-to-the-premise) architecture. The FTTP network architecture will provide customers' access to voice, multimedia, and data services over one unified access platform. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these projects, including, without limitation, the repayment of loan funds.

The Company continues to face financial uncertainty due to changes in telecommunication laws, rules, policies and regulations. The stringent regulation by the Federal Communications Commission since 2012 for carriers to increase local exchange rates in order to be in compliance with the national urban rate floor has exacerbated the disconnection of service by customers.¹

STATE USF FILING

FINANCIAL TEMPLATE

NON-"S CORP" COMPANIES

	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. Balance End of Year 2016 (C)		LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. End 2016
Fund	457,058		457,058		CURRENT LIABILITIES	729,595		
Receivable	1,239,651		1,239,651		25. Accounts Payable			
					26. Notes Payable	832		
					27. Advance Billings and Payments	912,534		
					28. Customer Deposits			
					29. Current Mat. L/T Debt	10,815		
					30. Current Mat. L/T Debt Rur. Dev.			
					31. Current Mat. - Capital Leases			
	219,365		219,365		32. Income Taxes Accrued	59,314		
	6,558		6,558		33. Other Taxes Accrued	366,107		
Receivable	207,918	(111,703)	96,215		34. Other Current Liabilities	2,079,197	0	
					35. Total Current Liabilities (25 thru 34)			
Thru 9)	87,644		87,644		LONG-TERM DEBT			
	2,218,194	(111,703)	2,106,491		36. Funded Debt-RUS Notes			
					37. Funded Debt-RTB Notes			
					38. Funded Debt-FFB Notes	9,129,783		
					39. Funded Debt-Other			
					40. Funded Debt-Rural Develop. Loan			
					41. Premium (Discount) on L/T Debt			
					42. Reacquired Debt			
					43. Obligations Under Capital Lease			
	0		0		44. Adv. From Affiliated Companies	1,071,602		
	210,837		210,837		45. Other Long-Term Debt			
					46. Total Long-Term Debt (36 thru 45)	10,201,385	0	
					OTHER LIAB. & DEF. CREDITS			
	0		0		47. Other Long-Term Liabilities			
	100,304		100,304		48. Deferred Income Taxes		(211,079)	
	5,610,239	(83,684)	5,526,555		49. Other Deferred Credits (D)	90,211		
	183,150		183,150		50. Other Jurisdictional Differences			
	537,494		537,494		51. Total Other Liab. & Def. Credits (47 thru 50)	90,211	(211,079)	
	6,642,024	(83,684)	6,558,340		EQUITY			
					52. Cap. Stock Outstanding & Subscribed	57,050		
	16,571,966	610,004	17,181,970		53. Additional Paid-in-Capital	8,093,354		
	1,666,824		1,666,824		54. Treasury Stock			
	(14,264,634)	(414,617)	(14,679,251)		55. Membership and Capital Certificates			
					56. Other Capital			
					57. Patronage Capital Credits			
					58. Retained Earnings or Margins (B2)	(7,686,823)	211,079	

	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. End 2017
Fund	1,091,624		1,091,624		CURRENT LIABILITIES	625,703		
Receivable	531,335		531,335		25. Accounts Payable			
Receivable					26. Notes Payable	700		
Receivable					27. Advance Billings and Payments	1,132,423		
Receivable					28. Customer Deposits			
Receivable					29. Current Mat. L/T Debt	0		
Receivable					30. Current Mat. L/T Debt Rur. Dev.			
Receivable					31. Current Mat. - Capital Leases			
Receivable	149,366		149,366		32. Income Taxes Accrued	60,364		
Receivable	8,708		8,708		33. Other Taxes Accrued	376,231		
Receivable					34. Other Current Liabilities			
Receivable	207,122	-	207,122		35. Total Current Liabilities (25 thru 34)	2,195,421	0	
Thru 9)	67,708		67,708		LONG-TERM DEBT			
Thru 9)	2,055,863	0	2,055,863		36. Funded Debt-RUS Notes			
Thru 9)					37. Funded Debt-RTB Notes			
Thru 9)					38. Funded Debt-FFB Notes	11,515,594		
Thru 9)					39. Funded Debt-Other			
Thru 9)					40. Funded Debt-Rural Develop. Loan			
Thru 9)					41. Premium (Discount) on L/T Debt			
Thru 9)					42. Reacquired Debt			
Thru 9)					43. Obligations Under Capital Lease			
Thru 9)					44. Adv. From Affiliated Companies	1,196,307		
Thru 9)	182,713		182,713		45. Other Long-Term Debt			
Thru 9)					46. Total Long-Term Debt (36 thru 45)	12,711,901	0	
Thru 9)					OTHER LIAB. & DEF. CREDITS			
Thru 9)	111,850		111,850		47. Other Long-Term Liabilities			
Thru 9)	4,927,932	(260,725)	4,667,207		48. Deferred Income Taxes		(151,386)	
Thru 9)	220,280		220,280		49. Other Deferred Credits (D)	99,730		
Thru 9)	470,307		470,307		50. Other Jurisdictional Differences			
Thru 9)					51. Total Other Liab. & Def. Credits (47 thru 50)	99,730	(151,386)	
Thru 9)	5,913,082	(260,725)	5,652,357		EQUITY			
Thru 9)					52. Cap. Stock Outstanding & Subscribed	57,050		
Thru 9)	22,525,811	1,045,463	23,571,274		53. Additional Paid-in-Capital	8,093,354		
Thru 9)					54. Treasury Stock			
Thru 9)	332,278		332,278		55. Membership and Capital Certificates			
Thru 9)					56. Other Capital			
Thru 9)	(15,250,941)	(784,738)	(16,035,679)		57. Patronage Capital Credits			
Thru 9)					58. Retained Earnings or Margins (B2)	(7,581,363)	151,386	

	Adjusted Prior Year Balance 2016	Adjusted Current Year Balance 2017		LIABILITIES AND STOCKHOLDERS' EQUITY	Adjusted Prior Year Balance 2016	Adjusted Current Year Balance 2017
				CURRENT LIABILITIES		
Fund	457,058	1,091,624		25. Accounts Payable	729,595	625,703
	1,239,651	531,335		26. Notes Payable	0	0
				27. Advance Billings and Payments	0	0
Receivable	0	0		28. Customer Deposits	832	700
able	0	0		29. Current Mat. L/T Debt	912,534	1,132,423
	0	0		30. Current Mat. L/T Debt Rur. Dev.	0	0
				31. Current Mat. - Capital Leases	10,815	0
Receivable	219,365	149,366		32. Income Taxes Accrued	0	0
able	6,558	8,708		33. Other Taxes Accrued	59,314	60,364
	0	0		34. Other Current Liabilities	366,107	376,231
Receivable	96,215	207,122		35. Total Current Liabilities (25 - 34)	2,079,197	2,195,421
	0	0		LONG-TERM DEBT		
	0	0		36. Funded Debt-RUS Notes	0	0
	0	0		37. Funded Debt-RTB Notes	0	0
Thru 9)	87,644	67,708		38. Funded Debt-FFB Notes	9,129,783	11,515,594
	2,106,491	2,055,863		39. Funded Debt-Other	0	0
				40. Funded Debt-Rural Develop. Loan	0	0
				41. Premium (Discount) on L/T Debt	0	0
				42. Reacquired Debt	0	0
id Companies	0	0		43. Obligations Under Capital Lease	0	0
	210,837	182,713		44. Adv. From Affiliated Companies	1,071,602	1,196,307
				45. Other Long-Term Debt	0	0
it				46. Total Long-Term Debt (36-45)	10,201,385	12,711,901
	0	0		OTHER LIAB. & DEF. CREDITS		
	100,304	111,850		47. Other Long-Term Liabilities	0	0
ts	5,526,555	4,667,207		48. Deferred Income Taxes	(211,079)	(151,386)
ts	183,150	220,280		49. Other Deferred Credits	90,211	99,730
ccess	537,494	470,307		50. Other Jurisdictional Differences	0	0
ts (11 thru 16)	0	0		51. Total Other Liab. & Def. Credits (47 thru 50)	(120,868)	(51,656)
	6,558,340	5,652,357		EQUITY		
EQUIPMENT				52. Cap. Stock Outstanding & Subscribed	57,050	57,050
ice	17,181,970	23,571,274		53. Additional Paid-in-Capital	8,093,354	8,093,354
ire Use	0	0		54. Treasury Stock	0	0
ion	1,666,824	332,278		55. Membership and Capital Certificates	0	0
t & Goodwill	0	0		56. Other Capital	0	0
tion (CR.)	(14,679,251)	(16,035,679)		57. Patronage Capital Credits	0	0
				58. Retained Earnings or Margins	(7,475,744)	(7,429,977)

Description	B/S Line #	Adj. Balance End of Year 2016	Adj. Balance End of Year 2017	Average Adj End of Year Balance
18: Adjusted Telecom Plant-In-Service	18	17,181,970	23,571,274	20,376,622
19: Adjusted for Future Use	19	0	0	0
22: Adjusted Accumulated Depreciation (CR)	22	(14,679,251)	(16,035,679)	(15,357,465)
Materials & Supplies	6	96,215	207,122	151,669
Taxes (CR) * - Manually input		211,079	151,386	181,233
Rate Base		2,810,013	7,894,103	5,352,058

of deferred operating income taxes and depreciation is a credit.
 e Taxes (Line 5) may not equal the
 rred Income Taxes (Line 48) if the later
 ating.
 e includes Part 64 adjustments

Description	Prior Year End of Yr. Balance - 2016	Current Year End of Yr. Balance - 2017	Difference	% Change
	1,999	620	(1,379)	-69.0%
	548	535	(13)	-2.4%
	2,547	1,155	(1,392)	-54.7%

qual last year's petition and template,

Description	Prior Year 2016 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2016 (C)
Services Revenues	644,596		644,596
Services Revenues	2,844,228		2,844,228
Work Services Revenues	172,777		172,777
Collection Revenues	3		3
Revenues	28,079		28,079
Revenues (Normal Balance is debit or in brackets)	(43)		(43)
Revenues (1 thru 6)	3,689,640	0	3,689,640
Depreciations Expense	1,528,858	(9,259)	1,519,599
Operations Expense (excluding Depreciation & Amort.)	616,202	(138,032)	478,170
Insurance	752,423	20,541	772,964
Insurance	8,629	1,652	10,281
Repairs Expense	1,048,963	0	1,048,963
Repairs	1,168,562	9,259	1,177,821
Expenses (8 thru 13)	5,123,637	(115,839)	5,007,798
Income or Margins (7 less 14)	(1,433,997)	115,839	(1,318,158)
Income and Expenses ()			0
Revenues	159,403	(2,592)	156,811
Expenses (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	(41,820)	195,204	153,384
			0
Expenses (17+18+19)	117,583	192,612	310,195
Income or Margins (15+16-20)	(1,551,580)	(76,773)	(1,628,353)
Interest Debt	158,639		158,639
Capital Leases	1,418		1,418
Expense			0
Assets Used During Construction (Record as a Credit)	(24,618)		(24,618)
Expenses (22+23+24+25)	135,439	0	135,439
Income	115,238		115,238
Expenses			0
Revenues			0
Income (B1)	1,137,068	76,773	1,213,841
Income or Margins (21+27+28+29+30-26)	(434,713)	0	(434,713)
Income			
Income or Margins Beginning-of-Year	(7,252,110)		(7,252,110)
Assets Year-to-Date			0
Liabilities (Common)			0
Liabilities (Preferred)			0
Assets Year-to-Date			0
Equity Capital			0

Effective tax rate from Cost study on Page 9, Income Statement

Footnote

must equal Column A, Line 58 of Page 2, Balance Sheet

from regulated to nonregulated

net offset to Nonregulated Net Income (No impact to

)

after Part 64 adjustments

Description	Current Year 2017 (A)	Part 64 Adj. to NonReg (B)	Current Year Adjusted 2017 (C)
Services Revenues	580,586	(80,460)	500,126
Services Revenues	3,986,226		3,986,226
Work Services Revenues	152,921	(152,921)	0
Collection Revenues	0		0
Revenues	20,646		20,646
Revenues (Normal Balance is debit or in brackets)	(2,364)		(2,364)
Revenues (1 thru 6)	4,738,015	(233,381)	4,504,634
Operations Expense	1,432,288	(161,320)	1,270,968
Operations Expense (excluding Depreciation & Amort.)	575,647	3,538	579,185
Expense	866,776	65,977	932,753
Expense	14,330	8,925	23,255
Operations Expense	1,104,628	(309,373)	795,255
Operations	1,016,929	(943)	1,015,986
Expenses (8 thru 13)	5,010,598	(393,196)	4,617,402
Income or Margins (7 less 14)	(272,583)	159,815	(112,768)
Income and Expenses ()	0		0
Revenues	147,829	(3,985)	143,844
Expenses (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	(76,870)	42,849	(34,021)
	0		0
Expenses (17+18+19)	70,959	38,864	109,823
Income or Margins (15+16-20)	(343,542)	120,951	(222,591)
Total Debt	254,128		254,128
Capital Leases	0		0
Expense	67,187		67,187
Assets Used During Construction (Record as a Credit)	(63,943)		(63,943)
Expenses (22+23+24+25)	257,372	0	257,372
Income	4,628		4,628
Expenses	0		0
Revenues	0		0
Income (B1)	701,746	(120,951)	580,795
Income or Margins (21+27+28+29+30-26)	105,460	0	105,460
Income			
Income or Margins Beginning-of-Year	(7,686,823)		(7,686,823)
Assets Year-to-Date	0		0
Liabilities (Common)	0		0
Liabilities (Preferred)	0		0
Assets Year-to-Date	0		0
Liabilities Year-to-Date	0		0
Equity	0		0

Effective tax rate from Cost study on Page 9, Income Statement

Footnote

must equal Column A, Line 58 of Page 3, Balance Sheet

t from regulated to nonregulated

tic offset to Nonregulated Net Income (No Impact to

)

after Part 64 adjustments

Description	Adjusted Prior Year 2016	Adjusted Current Year 2017
Services Revenues	644,596	500,126
Services Revenues	2,844,228	3,986,226
Work Services Revenues	172,777	0
Collection Revenues	3	0
Revenues	28,079	20,646
Revenues (Normal Balance is debit or in brackets)	(43)	(2,364)
Revenues (1 thru 6)	3,689,640	4,504,634
Operations Expense	1,519,599	1,270,968
Operations Expense (excluding Depreciation & Amort.)	478,170	579,185
Expense	772,964	932,753
Expense	10,281	23,255
Operations Expense	1,048,963	795,255
Operations	1,177,821	1,015,986
Expenses (8 thru 13)	5,007,798	4,617,402
Income or Margins (7 less 14)	(1,318,158)	(112,768)
Income and Expenses ()	0	0
Revenues	156,811	143,844
Expenses (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	153,384	(34,021)
	0	0
Expenses (17+18+19)	310,195	109,823
Income or Margins (15+16-20)	(1,628,353)	(222,591)
Total Debt	158,639	254,128
Capital Leases	1,418	0
Expense	0	67,187
Assets Used During Construction (Record as a Credit)	(24,618)	(63,943)
Assets (22+23+24+25)	135,439	257,372
Income	115,238	4,628
Assets	0	0
Revenues	0	0
Income	1,213,841	580,795
Income or Margins (21+27+28+29+30-26)	(434,713)	105,460
Income		
Income or Margins Beginning-of-Year	(7,252,110)	(7,686,823)
Assets Year-to-Date	0	0
Assets (Common)	0	0
Assets (Preferred)	0	0
Assets Year-to-Date	0	0
Equity Capital	0	0

2016

2017

Effective Tax Rate (2 decimal places):

Statement reflects Part 64 Adjustments (Regulated to

Description	Part 32 Account	Prior Year 2016	Current Year 2017
(SLC, ARC, etc.)	5081	394,045	324,797
excluding USF):	5082	97,508	100,537
es CAF)	5083	89,253	829,479
		21,203	18,204
ot CAF and ACAM/BLS)	Varies	771,603	946,397
(1 or BLS)	Varies	1,298,443	122,008
	Varies	172,173	1,454,863
			189,941
line 2 of Income Stmt.)		2,844,228	3,986,226
stmt.		2,844,228	3,986,226
		0	(0)

Access revenue total,
in below.

Amount of Out-of-Period (OOP) - 2017 (As Recorded) OR Amount for Current Year Petition or Reversing from Prior Year	Year	OOP or PF?	Part 32 Account	
			Debit	Credit