

UT-021453
Ⓟ N/A

Petition

Petitioner:
Computers 5* , Inc., A Washington Corporation
D/B/A LocalTel

Petitions

Washington State Utilities Commission

RE: Acceptance of WCAP Revenue Objectives

Dated November 6, 2002

Purpose: This document is intended to define, document and support the stated WCAP revenue objective shown herein as petitioned to the Washington State Utilities Commission (WUTC hereafter). Petitioner, a rural CLEC (Competitive Local Exchange Carrier) operating in the State of Washington wishes to gain acceptance in to the Washington Carrier Access Plan (WCAP) as described in WUTC Docket # UT-971140. As a Prerequisite of entry, all possible entrants into WCAP must first submit and gain approval by the WUTC of a Stated Revenue Objective. The petitioner herein will define and present documentation for the requested Revenue Objective.

Background: The petitioner LocalTel Communications filed and received in CLEC status with the State of Washington under UT-991795. LocalTel is a Facilities based CLEC that also utilizes Resale and UNE-P Platforms when conditions dictate these platforms. LocalTel operates primarily in the rural service area known as North Central Washington. We service customers that reside in a variety of Verizon and Qwest exchanges throughout central Washington.

Revenue Objective: The petitioner hereby submits the following WCAP Revenue Objective for the Year 2003. The petitioned amount is \$1,305,912 for the Year 2003.

Supporting Documentation: The attached supporting documentation is confidential in nature and is marked Confidential and should be treated with confidentiality standards. Each document has a corresponding Exhibit number with ties to various supporting documents. The petitioner has used its own costs, which includes Zone 3,4 and 5 loop and UNE rates as described and adopted in Docket NO. UT-960369. These represent the current cost of doing business in these area's.

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WASHINGTON STATE UTILITIES COMMISSION
1000 4TH AVENUE
SEASIDE WA 98138

Introduction

LocalTel Communications is a Facility based CLEC operating in rural cities in North Central Washington in and around Wenatchee, home of our Class 5 switch. We offer residential and business class services, along with T1's, DSL, Broadband and Long Distance services. We utilize a facility-based platform as well as UNE-P and Resale for the provisioning of customer services. All of our customers are located in Zone 3, Zone 4 and Zone 5 areas as designated in Washington State Utilities Docket # UT-960369. LocalTel was granted CLEC status in December of 1999 under WUTC Docket # 991795. Upon becoming a CLEC we adopted into the AT&T agreement with Verizon and commenced operation. This agreement had an aggregated loop price of approximately \$14.00 and a Resale Avoided Cost Discount of 18.8%. Based on these rates and other factors within the agreement, LocalTel built a business plan, arranged financing, pledged personal assets and began obtaining customers and building a network. Our network has grown and our customer base continues to grow to where we currently have moved about 3800 lines to our platform. (See WCAP worksheet for breakdown).

Recently through its Docket process the WUTC has handed down decisions over the past year that have greatly harmed and made it impossible for a rural CLEC to compete in rural area's. The recent decision to de-average wholesale loop costs without de-averaging retail prices has not only created barriers of entry into rural area's of Washington but has also created an environment in which wholesale costs are in some cases over 256% higher than the retail service price. The financial ramifications of these decisions have been devastating to CLEC's like LocalTel. A business model with a loop cost of \$14.00 has now been changed to reflect loops costs starting at \$20.11 (a 44% increase) and going as high as \$49.85 (a 256% increase). All this during a time period when residential service rates have remained level and business service rates have declined.

As a CLEC, LocalTel has only a couple of options as we see it. One is to raise our retail rates above the current retail rates as set by the ILEC's, however we feel we would loose all our customers rather quickly. We doubt that many customers would like to subsidize our customers in higher cost Zones. Another option would be to ask the State for a High Cost subsidy, which is not available at this time, so we are turning to the next available option and that would be entry into WECA (Washington Exchange Carriers Association). Entry into WECA allows LocalTel the possibility to recoup some of the high costs we have been burdened with as a rural CLEC. LocalTel is therefore preparing this document to create and show support of why we should be granted the WCAP Revenue Objective asked for herein. This document and the attached exhibits and following support show the real costs of a rural CLEC and demonstrates the need for the WCAP revenue objective asked for. We greatly appreciate your consideration in this matter and look forward to any comments or questions you might have.