

**Network Essentials, Ltd.**  
**326 S. Cedar Street**  
**Moses Lake, WA 98837**  
**509-764-5007**  
**October 18, 2005**

Washington State Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, Washington 98504-7250

RECEIVED  
RECORDS MANAGEMENT  
05 OCT 20 PM 12:14  
STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

Network Essentials, Ltd., having, on August 30, 2005, duly notified the Grant County Public Utility District Number 2 of Ephrata, Washington of its intention to file a petition with the Washington State Utilities and Transportation Commission for a review of its rates pertaining to telecommunications does hereby request and petition that the WUTC undertake a review and investigation of the rates and rate policies of that PUD.

The 30-day notice carried a preliminary report listing the specifics of the complaints Network Essentials, Ltd has concerning the rate policies of the GCPUD. However, in those intervening days the Corporation has discovered and been provided with new information that slightly changes the details of the complaint. That additional information created a need for logical presentation and more work. Please consider this an amendment to the original notification letter and the actual and complete complaint.

1. Under the terms of RCW 54.16.340 and RCW 80.04.110 I, Craig R. Jungers as President of Network Essentials, Ltd. a Corporation registered in Grant County in the State of Washington and operators of subsidiary Internet Service Providers Sliderule.Net and ENetplus.Net (the "Corporation") does hereby file on behalf of Network Essentials, Ltd. this petition to the Washington State Utilities and Transportation Commission to review rates, terms and conditions of wholesale telecommunications service applied to Network Essentials, Ltd. and its subsidiaries by the Grant County Public Utility District Number 2 (the "District" or "GCPUD").

2. The District is authorized under the terms of RCW 54.16.330 to provide wholesale telecommunications service provided that it ensures that: "that rates, terms, and conditions for such services are not unduly or unreasonably discriminatory or preferential. Rates, terms, and conditions are discriminatory or preferential when a public utility district offering rates, terms, and conditions to an entity for wholesale telecommunications services does not offer substantially similar rates, terms, and conditions to all other entities seeking substantially similar services."

3. The District is also prohibited from offering telecommunications service to "end users".

4. The "customers" of the District are the various Internet Service Providers which have partnered with the District to provide retail telecommunications service to end users.

5. The District furnishes data gateways which contain "ports" for the purpose of connecting the customers (Internet Service Providers) to the infrastructure and for connecting the end-users to the customers. All "Zipp Customers" (ISPs) are charged for these ports.

6. The District's wholesale telecommunications system's major function is, basically, two-fold when applied to end-users:

a) To provide an infrastructure that allows for transport of data packets (or "bandwidth") to move from end-users to the Internet and back by way of a point of demarcation owned and operated by Northwest Open Access Network (NoaNet). This point of demarcation has been, at least until recently, the "Columbia Hut". According to recent reports by Min Chin, GCPUD Telecommunications Engineer, the Columbia Hut is the only point of egress and ingress for data packets to/from the Internet.

b) To provide interconnection between points inside the Zipp Fiber "cloud" by means of virtual local area networks (VLANs) which are two (or more) ports connected in such a way as to appear to be one local network and by routing packets between "Zipp Customers" inside the system.

7. The Zipp fiber network has, since its inception, offered two means of delivering data to/from the Columbia hut.

a) Routed transport (called "Layer-3"); and,

b) Unrouted transport (Layer-2).

8. As of August 31, 2005 (according to a report by GCPUD Telecommunications Engineer Min Chin given to the GCPUD Commissioners on September 6, 2005) end-users for 18 of the 27 "Zipp Customers" (including the Corporation) typically connect a port at their home or business location to the VLAN which terminates at the port at their Internet Service Provider (ISP). The Internet Service Provider then routes packets destined to other ISPs or to the Internet via another port which connects the ISP's router with the routers at the GCPUD's facilities in Ephrata.

a) Packets which are destined for other Internet Service Providers inside the Zipp fiber "cloud" are sent to the routers for those ISPs via a District router in Ephrata.

b) Packets which are destined for the Internet are forwarded to the Columbia Hut point of demarcation controlled by NoaNet by that same router.

c) All packets are counted and the "Zipp Customer" is charged at \$350 per average megabit regardless of destination.

9. According to that same report, there are 9 "Zipp Customers" which connect their end-users directly to the NoaNet Columbia Hut via a VLAN (Layer 2). They are:

- a) Apple Capital (dba Firefly)
- b) Chelan County PUD
- c) CliniTech Information Resources, LLC
- d) Columbia Inland Financial Corp
- e) Donobi, Inc
- f) IKANO Communications Inc
- g) NCI Datacom Corporation
- h) NoaNet
- i) OAC Networks LLC

10. These two services are substantially similar under the terms of RCW 54.16.330 in that customers and end-users cannot discern any material differences between one and the other.

a) Bandwidths (the amount of data that can be carried over a given period of time) are substantially identical for layer-2 and layer-3;

b) Latencies (delays in the system caused by equipment or other factors) are substantially similar.

c) The destinations of the data are not substantially different between one and the other.

d) The data packets of both Layer-2 and Layer-3 (at least in the context of the Zipp fiber network) contain both IP (internet protocol) and MAC (the unique identifiers assigned to all network cards) addresses.

e) Even an engineer would have difficulty discerning between a packet leaving from the Zipp gateway of, say, a Donobi user and a packet from the Zipp gateway of a Sliderule.net or Bigdam user.

11. A substantial difference between the packets the GCPUD fiber system carries is that those which are transported Layer-2 are not charged anything - that is zero dollars - for such transport and those which are transported Layer-3 are charged \$350 per average megabit regardless of the destination.

a) A Layer-3 ISP pays \$350 per average megabit for data that goes to another Layer-3 ISP even inside the Zipp "cloud".

b) A Layer-3 ISP pays \$350 per average megabit for data that goes to the Grant County PUD's web site.

c) A Layer-3 ISP can be charged for bandwidth for packets from a customer of a Layer-2 ISP while the Layer-2 ISP is not charged.

d) A layer-3 customer pays for one port at each end-user's location.

e) A layer-2 customer pays for one port at each end-user's location and for one port (and one port only regardless of the number of end-users) at the Columbia Hut point of demarcation.

12. All of these "Zipp Customers" are charged only for one port at each end-users location and one (and only one) port at the Columbia Hut - and nothing whatsoever for the costs incurred by the District in transporting that data across the Zipp fiber infrastructure.

13. GCPUD pays NoaNet \$20,900 per month for a 100 megabit "pipe" to the Internet beginning, typically, at the Columbia Hut which equates to \$209 per megabit. All packets which are counted as "upstream internet" and billed by the District transit the Columbia Hut and cost the District \$209 per megabit.

14. GCPUD Zipp business managers have testified that the total bandwidth carried by the Zipp system across the Columbia Hut interface is substantially less than the 100 megabits they are paying for.

15. Under a cost-based pricing situation (as opposed to one which earns a profit) if one ISP is charged \$350 for "upstream" Internet traffic but the actual costs imposed upon the District are only \$209.

a) The difference of approximately \$141 per megabit appears to be a charge to offset the costs to the District of internal transport of those packets. The \$350 per average mb is charged regardless of destination.

b) The Corporation believes and alleges that the GCPUD is charging some "Zipp Customers" for transporting their data packets across the Zipp fiber infrastructure but not charging NoaNet and NoaNet's customers.

16. One of these "Zipp Customers" is Donobi, Inc. which controls approximately 40% of all the end-users on the Zipp fiber network. Donobi pays only port charges; one port (and one port only) at the Columbia Hut and one port charge for every end-user connected to that port.

a) Donobi controls the largest block of end-users on the Zipp system.

b) Donobi competes directly with the Corporation and other "Zipp Customers" for end-users.

c) The Corporation believes and alleges that by not charging Donobi for transport of its data packets across the Zipp fiber infrastructure it subsidizes Donobi's private business interests with public monies.

d) The Corporation also believes and alleges that substantially similar services are provided to both the Corporation and to Donobi but at different rates.

e) The Corporation further believes and alleges that by not charging Donobi anything for packet transport it effectively reduces the rates charged for substantially similar service.

f) The Corporation requests that the WUTC review and adjust the rates, retroactively if necessary, to bring them into conformance with state law.

17. Another of the "Zipp Customers" is NoaNet which controls every Public School District in Grant County except two. NoaNet pays only port charges; one port (and one port only) at the Columbia Hut and one port charge for every end-user (including school districts and hospitals) which connect to that port.

18. The Corporation feels that it and the other 17 service providers named in the report by Min Chin on September 6, 2005 have been overcharged because at least some charges should have been applied to the bandwidth of such a substantial percentage of the District's Zipp fiber system to help recover costs.

a) Much of the traffic (for instance one circuit belonging to Local Tel of Wenatchee) has been carried across Sonet nodes but charged (if charged at all) at ethernet prices.

b) The District maintains that this was a "mistake" and that they are now correcting it, but this rate inequity harmed the other ISPs inasmuch as they had to compete with those other ISPs which got more reliable service and committed bandwidth at ethernet prices.

c) Just the equipment for Sonet nodes is much more expensive than for ethernet only thus subsidizing those Zipp Customers which were given access to them.

d) The Corporation believes and alleges that the use of higher quality equipment and interconnections constitutes a subsidy of those private businesses with public monies.

e) The Corporation also believes and alleges that the Sonet services GCPUD provided to some "Zipp Customers" was unavailable to all "Zipp Customers" at the ethernet rates.

19. Approximately \$141 per average megabit is being charged to the Corporation and 17 other "Zipp Customers" to help cover the District's costs of transport of these packets while NoaNet, Donobi and the other 7 "Zipp Customers" pay only for port charges and nothing towards the District's costs associated with that transport.

a) Many customers were given Sonet connections at ethernet pricing.

b) Sonet costs are much higher than those for ethernet reflecting the higher costs for equipment and the "commitment" of bandwidth.

20. The Corporation believes and alleges that the rates designed by the GCPUD staff and implemented in 2003 and thereafter were intended to be prejudicial to the business interests of the Corporation and to other "Zipp Customers" in Grant County and requests that the WUTC review the rates and adjust them, retroactively if necessary, so that they conform with state law.

21. Additionally, the Corporation believes and alleges that GCPUD has illegally used public money to subsidize the private business interests of NoaNet and other "Zipp Customers".

a) By not charging some "Zipp Customers" (e.g.: NoaNet, Donobi, Local Tel) for services but charging others (e.g.: the Corporation, BigDam, etc.), the District has acted arbitrarily and unfairly and outside the scope of the legislative authority.

b) By providing enhanced services to some "Zipp Customers" at rates designed for lesser services the District has created an unfair rate environment.

22. From at least January of 2002 through July of 2003 NoaNet, owned and controlled by a consortium of PUDs in Washington State, was billed by the Grant County PUD only for connections to ports, including SONENT nodes, at the Columbia Hut, the Grand Coulee Hut and between the "Ephrata Central Office" and the "Coulee Dam Central Office".

23. Nearly coincident to the signing of the a Rate Schedule 100 in July of 2003 and the "Feet on the Street" contract in August of 2003, NoaNet began to connect their Columbia Hut demarcation point to end-users inside the Zipp

network via Virtual Local Area Networks (VLANs). They connected the Ephrata office of the Washington State Department of Fish and Wildlife and the Moses Lake offices of Lukins & Annis.

a) Rate schedules prior to August of 2003 included costs involved in transport of data packets to/from the Columbia Hut demarcation point controlled by NoaNet.

b) The elimination of transport charges gave NoaNet the incentive to enter Grant County in search of business customers.

c) The Corporation believes and alleges that the elimination of the rates for transport were done to enable NoaNet compete more effectively with the Corporation and other "Zipp Customers" and that the rates for such service should be adjusted, retroactively if necessary, to bring them into conformance with state law.

24. Shortly after the signing of the new Rate Schedule 100 in July of 2003, Grant County PUD Commissioners approved a "Feet on the Street" contract which obligated GCPUD to maintain NoaNet's circuits. This contract, which took effect in August of 2003, specified that technicians must be on the scene within 3 hours if the problem area was close to the District's facilities or 4 hours if not. The contract also stipulated that any charges under this contract were not to be paid by NoaNet for a period of 365 days after the signing of the contract... with no interest to be charged.

a) If NoaNet is a private non-profit Corporation then a no-interest loan for any period of time is directly contrary to the Washington State Constitution because it involves a gifting of public monies to a private corporation.

b) If NoaNet is a public municipality by virtue of the fact that 100% of the ownership of NoaNet is comprised of Public Utility Districts in the State of Washington, then the contract must be part of a inter-local agreement under Washington State law.

c) In either case, providing a subsidy to a business competitor in the Telecommunications sector of Grant County amounts to a rate change which allows NoaNet to effectively pay less than other "Zipp Customers" for substantially similar services.

25. Between August of 2003 and December of 2004 NoaNet steadily added customers until, at the end of 2004, it controlled data paths for hospitals, school districts, state agencies and private telephone companies while paying only the associated port charges regardless of the considerable amount of packet traffic carried across the GCPUD's Zipp infrastructure.

a) If NoaNet is a private non-profit Corporation then such a rate structure constitutes an illegal subsidy of a business with public monies.

b) If NoaNet is a public municipality then using public funds to compete against private businesses in the telecommunications arena is against Washington State law.

c) The Corporation believes and alleges that not charging NoaNet for the costs incurred by the GCPUD for the transport of NoaNet's customers data across the Zipp infrastructure amounts to a subsidy of NoaNet's private business interests with public monies.

d) The Corporation further believes and alleges that such subsidies effectively reduced the rates paid by NoaNet and NoaNet's customers for services under Rate Schedule 100 and that rates charged to NoaNet or the Corporation should be adjusted, retroactively if necessary, to conform with state law.

26. The GCPUD's telecommunications policies for customer service state that they only "attempt" to provide a Zipp connection; meanwhile at least one contract between the District and NoaNet spelled out stringent service guidelines unavailable to any other Zipp Customer.

a) On or about June 25, 2005 GCPUD Director Dawn Woodward repeatedly denied before witnesses that there were any contracts between the District and NoaNet.

b) Director Woodward stated at that time that there were only "unwritten understandings" between GCPUD and NoaNet and that these "understandings" could have been obtained by any ISP.

c) The Corporation believes and alleges that the "Feet on the Street" contract amounts to a "Service Level Agreement" available to NoaNet and to no other "Zipp Customer".

d) The Corporation believes and alleges that the "Feet on the Street" contract has the effect of reducing the rates charged to NoaNet for "substantially similar" services in comparison with other GCPUD Zipp Customers by requiring GCPUD technicians to react faster to NoaNet's network problems even to the extent of pulling them off existing jobs being performed for other "Zipp Customers".

27. It is the belief of the Corporation that the staff of the Grant County Public Utility District Number 2 acted purposefully to create a framework in which the District could use public monies to facilitate the private business ventures of NoaNet in the expectation that when NoaNet was finally successful in a commercial way there would be monetary rewards to the District by virtue of its 14% ownership in NoaNet.



28. The Corporation also believes and alleges that monies forwarded to NoaNet each month as part of an "assessment" are used by NoaNet to offset any charges they incur in their pursuit of private business interests in Grant County in competition with private "Zipp Customers", effectively reducing the rates charged to them by the District and requests that the WUTC review and adjust the rates, retroactively if necessary, to bring them into conformance with state law.

29. The GCPUD's staff and employees have acted in such a manner before.

a) The Washington State Auditor has found that the District improperly subsidized Benton REA's foray into the telecommunications market in Grant County with public cash, technical assistance, and favored treatment thereby reducing the rates paid by this "Zipp Customer."

b) The Washington State Auditor has also documented improper reductions in amounts owing the District by Vib.tv which acted as an Internet Provider in Grant County until early 2005. These improper reductions effectively reduced the rates paid by Vib.tv to the PUD for Zipp services..

c) The Washington State Auditor has also documented improper no-bid purchases of software from a company owned by Vib.TV that the staff of the GCPUD knew would filter back to Vib.TV so it could pay some \$150,000 in overdue charges. This \$150,000 was used by Vib.TV to pay that over-due Zipp bill. The SAO also determined that the software did not work.

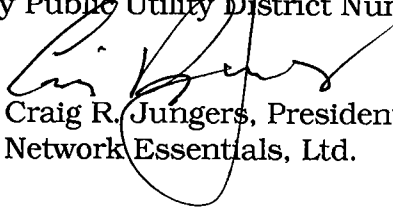
d) GCPUD staff signed a contract with terms to Vib.TV in 2003 which included an interest rate of 2.5% per year; far below market rates and even below the rates charged for loans between one division of the GCPUD to another division. This contract offered monthly payments which were intended to repay the District for monies which VIB.TV owed GCPUD and effectively put the District in the position of financing – at below market interest rates – the private business interests of a private company with public money.

e) Documentary evidence submitted to the GCPUD Commissioners shows that GCPUD Chief Telecommunications Engineer Jon Moore was acting as the Chief Engineer for Vib.TV for at least one year prior to his leaving the District. Upon his departure in 2004 he immediately took a job with Vib.TV with that title (or similar). The Corporation believes and alleges that Jon Moore's activities on behalf of Vib.TV were encouraged by the Management and staff of the GCPUD which effectively reduced the rates Vib.TV had to pay for services from the District.

f) The Corporation believes and alleges that all these actions were intended to reduce the rates charged to Vib.TV and Benton REA to facilitate their private business interests in competition with other "Zipp Customers" which were not offered and, indeed, did not even know of such deals.

30. The Corporation feels that these actions by the Staff and management of the Grant County PUD number 2 were intentionally designed to affect the Corporation and the other 18 "Zipp Customers" by effectively reducing the rates charged to NoaNet, Donobi and other NoaNet customers below the levels published in Rate Schedule 100 and, in fact, have significantly harmed the Corporation and the other 18 Internet Service Providers as well as the electrical power rate-payers of Grant County.

31. The Corporation hereby petitions the Washington Utilities and Transportation Commission to examine and investigate the rate policies of Grant County Public Utility District Number 2.



Craig R. Jungers, President  
Network Essentials, Ltd.

#### Appendices

Appendix I. Report by Harold Wiley, GCPUD Telecommunications Engineering Supervisor to Larry Jones, GCPUD HR/SS Director, dated July 12, 2005

Appendix II. Draft Audit finding of Washington State Auditor Describing "The District did not provide adequate internal controls over monitoring of contracts....". The paragraph beginning "Computer software..." refers to a purchase of software from "DMS". See Appendix III.

Appendix III. Summary of 2003 Audit Issues by local Auditor Carol Ehlinger. First sentence of the first paragraph labeled "Contract" states: "DMS Company was formed as a front for VIB."

Appendix IV. Email from GCPUD Zipp Business Manager Coe Hutchison to two other GCPUD staff members in which Hutchison states that they are "working" on a contract with a company "called DMS" which, if it goes through will "filter" to VIB and "be available for paying" the considerable bill Vib.TV had at that time.

Appendix V. Draft Audit finding of Washington State Auditor describing "The District made unsupported and unauthorized adjustments...". This finding describes a "credit adjustment" of \$178,397.54 to Vib.TV without approval from the GCPUD Commissioners.

Appendix VI. Draft Audit finding of Washington State Auditor describing "The District did not follow its own policy on collecting overdue accounts...". This finding describes a payment plan to Vib.TV that allowed it to make monthly

payments of \$3,000 per month on an overdue bill of \$196,406.61 at 2.5 percent per year over four years. The finding also describes similar payment plans to other Zipp Customers.

Appendix VII. Report to GCPUD Commissioners by GCPUD Engineering staff on September 6, 2005. Report describes how data travels through the Zipp infrastructure, which "Zipp Customers" do not pay for bandwidth, pricing for "ports", and GCPUD costs for "upstream" Internet via NoaNet.

Appendix VIII. "Official ZIPP Network Price Sheet", revision copy dated May 1, 2003 showing NoaNet Ethernet Transport crossed out on page 7.

# APPENDIX I

Memorandum

July 12, 2005

To: Larry Jones, HR/SS Director  
From: Harold Wiley, Telecommunications Engineering Supervisor *HW*  
Subject: Zipp Rate Issues

## Discussion:

Larry, you asked me to review the Zipp rate schedule and analyze it in the context of are we receiving fair value for our telecommunications products in response to questions from the public. I find there are significant problems that need to be addressed. I did not review the rate schedule for video issues, as we are moving out of that arena.

One only has to compare the published NOAnet rates to rate schedule 100 to see that we do not charge enough for our service. It is obvious that our rates are intentionally designed to subsidize NOAnet at the expense of Grant County PUD ratepayers.

Every ISP on our system has and will exploit every weakness in our rate schedule to minimize their cost. This is good practice on their part. Only a savvy business person will survive and we are not savvy. Any change that impacts their bottom line will be very upsetting.

As we discussed, I was reluctant to prepare this memo, as it will place me in contention with staff, some ISP's and NOAnet. You have directed me to do this and I am following your instructions. There are two attachments. Attachment 1 is a memo from Min Chen listing all traffic at the Columbia Hut. Attachment 2 is proposed changes to the rate schedule.

## Zipp Rate Issues:

The Zipp network does not adequately charge for it's service. The NOAnet system either uses or commits considerable bandwidth on the District's communications network and billing for equivalent service is unequal. The rate schedule that the PUD has adopted is not adequate. There are no T-1's<sup>1</sup> listed, the rates for STS-1/DS-3 and higher services are grossly under priced, the charges for special VLAN<sup>2</sup> services are under priced and have the effect of reducing other income. The ability of a publicly funded agency to aggregate services on their infrastructure that is not

---

<sup>1</sup> For simplicity a T-1 has a data rate of 1.544 Mbps, 28 T-1's make up a DS-3 circuit and maps into a SONET STS-1/OC-1 circuit. An OC-2 consists of 2 OC-1 circuits and so on.

<sup>2</sup> Short for virtual LAN, a local area network. Computers behave as if they are connected to the same wire even though they may actually be physically located on different segments of a network. VLANs are configured through software rather than hardware, which makes them extremely flexible.

available to the private providers counters the open access goal of the Zipp network. The desire is to make the Zipp system viable and take no actions that will harm it's existence.

**Analysis:**

There are several major problems with the Zipp billing rates:

The first area of concern is aggregated VLANS<sup>3</sup> that bypass the District for upstream service using a 100 Mb VLAN.

If an ISP using a special VLAN elects to connect to the internet through the District he pays the following PUD charges:

- Residential Internet per subscriber \$22.50 or VLAN Charge \$30
- Metered Upstream

If an ISP bypasses the PUD via NOAnet for internet he pays the following PUD charges:

- VLAN Charge \$30

The effect of this is that it reduces the potential gateway revenue for the District. This is a substantial long term loss to the financial viability of the Zipp network. This situation also allows NOAnet to market this service cheaper than the District can offer it to other ISP's on Zipp. Special VLAN's should not be set up to allow avoidance of bandwidth charges that ingress or egress the District's Zipp infrastructure. We are trying to provide a postage stamp approach to service that is taken outside the County. Other ISP's transport data through our system and avoid bandwidth charges for transport. This is a severe weakness in our system. Each port delivered to a subscriber should have a charge as we are providing the pipeline; we should not be providing switching capacity to the customers. If a customer orders two DSL connections he charged for two ports.

I would recommend that any ingress/egress to our Zipp network should have an associated metered bandwidth charge. NOAnet provides to the District a 100 Mb metered circuit which we are charged about \$25,000 per month or \$300,000 per year. We provide NOANET with three similar circuits that are presently not metered which we charge only \$400 each. It is assumed that NOAnet makes significant revenue from these three circuits based on the rates they charge us. It should be understood that metered charges would catch all ISP's that send data in our out of Zipp via an edge or Border device.

NOAnet has to be aware of the market value of these services. For example, NOAnet would charge the District a fixed 100 Mb port charge of \$10,000/month.<sup>4</sup> NOAnet also gives an option of a metered port. One of these circuits (the K20 pipeline) was measured with a six month history which shows an average of 8 Mb/month of use. Using a NOAnet chart for billing for this one circuit they would charge us \$1,420/month or \$17,040/year. For three circuits this would be \$51,120 where today we get \$7,200/yr.

---

<sup>3</sup> This is done by calling it a VLAN port charge

<sup>4</sup> Noanet published 100 MB member port priced

An interesting observation about K20 is that it is a Qwest operation that uses NOAnet to aggregate service because our service is so under priced they can't compete with their own system.

This is a significant imbalance. If it became fully loaded they would charge us \$4,360 month/circuit<sup>5</sup>. It can be argued by NOAnet that they have over sized pipes and do not use the full 100 Mb capacity. The problem with this argument is that as the customer base grows so does this utilization. Metering will help balance this out fairly. As a starting point we should start charging the same rates that NOAnet uses for tiered Intranet Ports.

NOAnet Published Tiered Rate for 100 Mbps:

0-6 Mbps	\$1,210/month
7-12 Mbps	\$1,420/month
13-18 Mbps	\$1,630/month
Each increment	Add \$210/month
85-90 Mbps	\$4,150/month
91-100 Mbps	\$4,360/month

Note: Additional software may have to be purchased for adequate metering.

Special VLAN charges are a value added service. They should not be used to replace the gateway or port charges. The desire of the District is to recover the investment of it's fiber system and provide a public service at the same time. This can best be achieved by charging enough for service to recoup costs. Each gateway or port delivered to the customer should have a monthly recurring cost associated with it. The cost for A BORDER or EDGE device port should be higher than a residential gateway port. We meet NOAnet on Border or Edge Devices. These devices include SONET Nodes, Hub's and switch devices that connect the Zipp network to outside networks located at Midway, Columbia and Grand Coulee NOAnet Huts.

A second major area of concern is that T-1 rates are not on the schedule: There should be a T1 charge of \$800 on the rate schedule. For example Local Tel would pay 14 x \$800 x 12 Months/Year or \$134,400.00 for what they now pay \$2,400.00. This value is still @ 80% of what it would cost the PUD to order the same service from Qwest or Verizon for a point to point T1. At present if a T1 is ordered through Zipp the customer is given a full STS-1 and charged \$400/month. If he orders 28 T1's, he still pays only \$400/month.

The cheapest quote the District got for DS3 service for a single point or port was \$14,483/month. Metered bandwidth was additional. NOAnet has ten STS-1 circuits that they pay \$400/month each, or a total of \$48,000/year. The market rate that would be charged for this bandwidth<sup>6</sup> is \$28,966/month/STS-1. For the ten circuits that NOAnet uses this would total \$3,475,920/year.

It is unlikely that NOAnet could survive this additional charge at this time, however, the effect of not charging the cost of service is that the ratepayers of Grant county are subsidizing service to other areas reducing their burden. The District does not at

---

<sup>5</sup> Fully loaded these three circuits would result in a revenue potential of \$156,960.

<sup>6</sup> Two ports for each circuit

this time charge for increased increments greater than an STS-1/OC-1 rate. That is not an industry standard. Once the bandwidth is allocated, whether it is used or not it is a capacity no longer available. This is analogous to what the situation is with irrigation loads, the irrigators pay for the pipe size, not what is consumed because the infrastructure is built to a higher capacity. It is a more direct cost of service.

Using the T-1 price structure above an STS-1 would cost \$22,400.00/month. It is a common practice to give a price break on larger pipes or bandwidth. It would not be invalid to use 16 T-1's worth of bandwidth as a break point. This would set the STS-1/OC1 price at \$12,800.00/month. If this value was immediately charged to NOAnet it is doubtful that they would continue service or survive. It might well prove prudent to implement this and the T-1 schedule in two steps.

If a continued subsidy of NOAnet is required, setting an STS-1 rate lower than \$11,200.00 as a starting point for these changes would also start subsidizing LocalTel a private company and that should be evaluated by the attorney for legality. This is because 14 T1's could be aggregated into a single STS-1.

A third area of concern with the rate schedule is special connection fees are not adequately addressed. Nonrecurring charges should be added for Edge/Border devices and gateways. These charges should be based upon the material and labor costs to install the required service.<sup>7</sup>

#### **Options:**

1. Continue with existing rate structure
2. Adjust Rate Schedule

#### **Risks & Results:**

Option 1 results in continued subsidy of the Zipp network by the electric system. This subsidy will make it difficult for any ISP unaffiliated with NOAnet to survive. A substantial subsidy on T-1's also exists for LocalTel to market telephone service in Grant County. This option will make us vulnerable to legal attack because of the subsidy. They are riding our superhighway without paying a gas tax.

Option 2 results in NOAnet having a more difficult financial situation but the chances for Zipp to start recovering losses are enhanced thereby increasing its chance of survival significantly. It also will eliminate gifting of services. There is a possibility that there will be complete loss of NOAnet revenue with this option.

#### **Conclusions:**

1. Currently the amount of revenue that NOAnet brings to the system is insignificant (\$5,500/month).
2. The smallest Zipp impact will be to adjust the rates of the SONET transport with NOAnet and LocalTel being the most affected.
3. There is no agreement with Douglas County PUD. A great deal of traffic is passed through Columbia Substation. This is a major problem for the District. It should

---

<sup>7</sup> This would include built out Hub areas.

be clearly understood that metering traffic at Columbia that passes to Douglas will have a significant Zipp impact.

4. All these recommendations will be very upsetting to people affected.
5. It should be noted that several VLANS are mapped to the SONET system which is part of the backbone infrastructure and not part of Zipp. Special VLAN charges should also be charged for SONET connections. This would be the case for point to point circuits that are not extending the Zipp cloud. For example, the District can extend Zipp VLAN's to a Hub and this is not considered point to point delivery. VLAN's that pass through our system should be charged. They should be charged a set up fee of \$50.00/circuit. The monthly STS-1 fees are considered sufficient.
6. The changes will be very political because of the effect on the schools and K20 system who are technically not our customer.

### **Recommendations:**

- T-1 pricing should be added to the rate schedule. A point to point T-1 would cost \$800.00. Nonrecurring charges for installation should also be included.
- STS-1 rates should be adjusted closer to the market value. This can be done in two steps. This will insure that no alternative service is cheaper and still provide additional revenue potential to the District.
- A gateway recurring cost should be added to the rate schedule for Ethernet ports. VLAN charges would be a value added service on top of the gateway port charge.
- VLAN charges within Zipp from a gateway should remain at the present rate. BORDER or EDGE device VLAN charges should be set at a higher rate. \$100/10 Mb VLAN is recommended, and \$200/100 Mb VLAN. Port charges are additional. Any port that transitions the Zipp that leaves or enters our network boundaries (within Grant County as defined by law) should have a metered charge also.<sup>8</sup>
- Fees for routing should be established.
- Circuits that commit bandwidth on our system should be charged as if the bandwidth is no longer available to us, in example a circuit that uses OC-12 bandwidth should not be sold as individual STS1's. All ports should be paid for. There should be no in and out circuits that are not paid for as they consume bandwidth on our system.

---

<sup>8</sup> Unlike gateways which are in the thousands, there is a very small number of Edge/Border devices and therefore their charges should be higher. It is also presumed their aggregate bandwidth is higher.



## MEMORANDUM

**Date:** June 27, 2005

**To:** Larry Jones, Director of HR & Support Services  
Harold Wiley, Telecommunications Engineering Supervisor

**From:** Min Hsao Chen, Telecommunications Engineer

**Subject:** Grant County PUD's data connections in NOAnet's Columbia Hut

### Overview

The purpose of this memo will discuss Grant County PUD's data connections in NOAnet's Columbia Hut. The discussion will include the Ethernet and SONET connections in Columbia Hut.

### Discussion

NOAnet's Columbia Hut is one of Grant County PUD's interconnect with the surrounding counties and to the rest of the world. Currently, Grant County PUD has one Cisco Catalyst 4006 layer 3 switch and two Cisco 15454 SONET nodes in Columbia Hut.

The 4006 layer 3 switch provides connectivity to the ZIPP fiber ethernet system. The 15454 SONET nodes provide connectivity to the ZIPP and District users on the District's SONET system.

The following services demarcates on the Cisco 4006 in Columbia hut.

Interface	Description	Connect to	VLAN
Fa3/1	Choicenet	NOAnet 4507	265
Fa3/2	NCESD Down St	NCESD Cabletron	275
Fa3/3	Amerion EPH Col	Amerion 3550	330
Fa3/4	NCESD Upstream	NCESD Cabletron	276
Fa3/5	Lukins Annis	180 Network	803
Fa3/6	WA ST Wildlife	180 Network	804
Fa3/7	ML/Wen Clinitech	MVMC Foundry Switch	802
Fa3/8	Genext	Douglas County Summit Switch	235
Fa3/9	Donobi	NOAnet 3550	250
Fa3/11	NCI Datacom	Douglas County Summit Switch	762
Fa3/13	Genext upstream	Douglas County Summit Switch	236
Fa3/14	Donobi	NOAnet 3550	240
Fa3/15	Genext-Northland	Douglas County Summit Switch	237
Fa3/16	Spokane Video <sup>1</sup>	NOAnet 4507	653
Fa3/17	Aging and Adult Care of Central Washington	Douglas County Summit Switch	813

<sup>1</sup> Spokane Video to support the District's Video headend

Fa3/19	Apple Capitol connection to	NTI SONET	390
Fa3/20	Grand Coulee Hospital	Douglas County Summit Switch	821
Fa3/22	American West Bank	180 Network	824
Fa3/23	HomenetNW_DHCP	Douglas County Cabletron	287
Fa3/24	HomenetNW_Static	Douglas County Cabletron	705
Fa3/25	OAC_Network	Chelan 3524	825
Fa3/26	<i>Emergency SONET Bypass<sup>2</sup></i>	<i>NOAnet GCPUD upstream</i>	<i>107</i>
Fa3/27	<i>K20 bypass</i>	<i>NOAnet 4507</i>	<i>797</i>
Fa3/28	<i>Localtel VLAN 220</i>	<i>GCPUD SONET</i>	<i>220</i>
Fa3/29	<i>Skill Source VLAN 293</i>	<i>GCPUD SONET</i>	<i>293</i>
Fa3/30	<i>Skill Source VLAN 292</i>	<i>GCPUD SONET</i>	<i>292</i>
Fa3/31	Quincy Valley Hospital VLAN		826
Fa3/32	Samaritan Hospital VLAN		827

The following services are in on the SONET nodes

Type of service	Connections	Service Provider
Protected	1 plus 1 (2) OC12	Qwest's interconnect with NOAnet to EPH
Not Protected	1 OC12	Interconnect with Localtel to EPH
	With 7 - T1	Ephrata
	With 7 - T1	Moses Lake
	With 1 - STS3	VLAN 221
	With 1 - STS3	VLAN220,292,293
Not Protected	1 OC12	Interconnect with NOAnet
	With 2 STS1	LocalTel to NOAnet turnaround
Not Protected	1 OC12	Interconnect with NTI to EPH
	With 3 - STS1	Columbia to Moses Lake Local Office
Not Protected	10/100 Ethernet (STS3)	Connection for K-20 to NOAnet from EPH
Not Protected	T1	Interconnect with Chelan from EPH
Not Protected	10/100 Ethernet (STS3)	Spokane Local Channel Content from EPH
Not Protected	10/100 Ethernet (STS3)	Internet Uplink with NOAnet from EPH

Columbia hut is the point of presence for many regional entities. For example, Douglas County PUD, Chelan County PUD, NCESD, NTI, 180 Networks, and NOAnet all have a presence in the NOAnet Columbia hut.

<sup>2</sup> Italicized listings are temporary by pass for the SONET system. Once the SONET repair is complete these connections will move back to SONET.

## Conclusion

Currently, Columbia Hut is one of the most important interconnect site for the District. It provides connections not only for customer's use on the ZIPP system, but also for Grant County Public Utility District's use as well. Other sites for interconnection with regional entities maybe available, but additional feasibility research are required.

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON

**PROPOSED RATE SCHEDULE 100  
FIBER OPTIC NETWORK SERVICE**

**AVAILABLE:** To service providers desiring to use the District's Zipp® fiber optic network. District reserves the right at its sole option to discontinue services listed in this rate schedule at any time.

**EFFECTIVE: DRAFT ONLY**

**BILLING RATES:** Use of the Zipp® Network shall be billed in accordance with the charges listed below.

Service:	Non-Recurring Charge	Monthly Charge
<b>Standard Services</b>		
Residential Ethernet Service Per Port*		\$22.50
Commercial Ethernet Service Per Port*		\$30.00
Video Service Per Subscriber		\$5.00
Phone Service (per POTS port)		\$5.00
*Upstream not included		
<b>Connections For Apartments and Hotels:</b>		
LE-22 or equivalent equipment		\$3.00 per port, minimum of \$25 per building
LE-211 or equivalent equipment		\$2.50 per port, minimum of \$28 per LE-211.
<b>Special VLANs/Edge-Border Device:</b>		
Set Up Fee per Connection	\$50.00	
Monthly Fee (10 Mbps) per Connection*		\$100.00
Monthly Fee (100 Mbps) per Connection*		\$200.00
*Metered Ethernet Port Fees additional		Tiered Rate for Ethernet <b>100 Mb Rate</b> 0-6 Mbps \$1,210/month 7-12 Mbps \$1,420/month 13-18 Mbps \$1,630/month Each increment Add 210/month 85-90 Mbps \$4,150/month 91-100 Mbps \$4,360/month  <b>10 Mb Rate</b> 0-3 Mbps \$805/month 4-6 Mbps \$910/month 7-10 Mbps \$1,015/month
<b>Special VLANs</b>		
Set Up Fee Per Port	\$50.00	
Monthly Fee (10 Mbps) Per Port		\$30.00
Monthly Fee (100 Mbps) Per Port		\$200.00
Monthly Fee (1,000 Mbps) Per Port		\$1,200.00

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON

**PROPOSED RATE SCHEDULE 100  
FIBER OPTIC NETWORK SERVICE  
CONTINUED**

	<b>Non-Recurring Charge</b>	<b>Monthly Charge</b>
<b>Set up of New Service Provider</b>	\$500.00	-
<b>Colocation of Customer Equipment in District Facilities</b> (when space and appropriate facilities are available (prices for single 19" rack):		
Without UPS or Backup Generation		\$200.00
With UPS and Backup Generation		\$300.00
<b>Dark Fiber</b> -per strand mile- (Limited to fiber availability. Capacity planning will reserve fiber for future District use that will not be available for dark Fiber use.)		\$30.00
<b>Special Fiber Construction</b> to any location other than to the electric meter inside a released hub area or all construction to provide service outside a released hub area.	Prepayment of 100% of estimated District cost	
<b>Upstream Internet Service:</b> (if a service provider desires to purchase upstream Internet transport from the District the following options available):		
1. <b>Fixed Bandwidth Charges:</b> charge per 1Mbps- (Under this option, the service provider chooses the amount of upstream bandwidth that they wish to purchase to serve their customers and the District will lock down the service provider's port so that no more than the chosen bandwidth will be available.)		\$250.00
2. <b>Metered Bandwidth:</b> charge per each 1 Mbps of average metered use. (Under this option, the service provider's port will NOT be locked down or capped and the service provider's customers can burst to the total amount of bandwidth available to the PUD. These charges are based on the monthly average megabits per second use and are calculated as follows. (1) District equipment will take readings every five minutes of the bits traveling outward and inward over the customer's connections to the District's equipment, (2) The inward readings shall be averaged to calculate an inward monthly Mbps average, (3) The outward readings shall be averaged to calculate an outward monthly Mbps average, and, (4) The higher of the inward or outward monthly averages will be used for billing.)		<7 Mbps avg - \$350.00 7.1-10 Mbps avg - \$290.00 10.1 - 25.0 Mbps avg - \$280.00 25.1 - 50.0 Mbps avg - \$260.00 50.1 -100.0 Mbps avg - \$250.00

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON

**PROPOSED RATE SCHEDULE 100  
FIBER OPTIC NETWORK SERVICE  
CONTINUED**

	<b>Non-Recurring Charge</b>	<b>Monthly Charge</b>
<u>Each T-1 Sonet Pt-Pt</u>	Payment of 100% of estimated District cost	\$800.00
<u>Each STS-1 Sonet Pt-Pt *</u>	Payment of 100% of estimated District cost	\$12,800.00
<u>Special VLAN</u>	\$50.00	
*can be used to accumulate 28 individual T1's on a STS-1		
<u>Use of District-Owned Video Head End</u> - per video subscriber		\$3.00
<u>Use of Video Encoder for Public Access Programming</u>		\$55 per month or \$10.00 per day
<u>Set Top Box Lease</u> - per box		\$5.00
<u>Use of Myrio Middleware</u> - per video subscriber		\$2.00
<u>Use of shared TV Data Contract Myrio Middleware</u> - per video subscriber		\$0.50

**SERVICE:** Service under this Schedule is subject to the terms and conditions in the District's Telecommunications Policies, as the same may be amended from time to time.

**TAX ADJUSTMENT:** The amount of any tax levied by any city or town, in accordance with RCW 54.28.070 of the Laws of the State of Washington, will be added to the above charges.

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON

**PROPOSED RATE SCHEDULE 100**  
**FIBER OPTIC NETWORK SERVICE**  
**CONTINUED**

**Minimum Bill:**

After a six month initial startup period, service providers will be charged a minimum monthly bill according to the following timeline. Existing providers will go through the same steps starting August 1, 2004.

1-6 Months	No Minimum
7-18 Months	\$500.00 Minimum
18+	\$1,000. 00 Minimum

**Late Payment Charges:**

Bills that remain unpaid 25 days after the billing date shall be assessed a late payment on the unpaid balance. The late payment charge will be applied on the 26<sup>th</sup> day after billing and will be calculated using the US Prime Lending Rate as determined by the Federal Reserve and published in the Wall Street Journal as of the preceding March 15, divided by four (4), rounded to two digits and applied as a monthly percentage interest rate to the accrued outstanding balance. The applicable monthly percentage rate will be adjusted each March 15<sup>th</sup> based on this same formula. If March 15 falls on a non-business day, the District will use the prime rate published in the Wall Street Journal on the next business day. In no event however shall the minimum monthly late payment charge be less than \$50.00. Late payments shall continue to accrue until such time as the bill and all accumulated charges have been paid in full.

## APPENDIX II

### Draft Schedule of Audit Findings

Grant County Public Utility District No. 2  
January 1, 2003 through December 31, 2003

The District did not provide adequate internal controls over monitoring of contracts, which included failure to adhere to bid requirements.

#### Description of Condition:

During our audit of the District, we noticed several instances in which it did not adequately monitor the contracting process. The total amount of the contracts identified is approximately \$808,000. We reviewed procedures including bid law compliance, monitoring and disbursements and noted:

**Computer software/server** In March of 2003, the District entered into a \$150,000 purchase agreement for computer software and a server used to bring video/cable to television set-top boxes through its Zipp fiber optic network. The agreement was presented to the District Board of Commissioners as a professional services contract, which would not require a competitive bid process. However, this agreement was not for professional services and should have been bid in compliance with state law (RCW 39.04.270). In addition, a payment of \$50,000 was made prior to testing the server and software and the remaining \$100,000 was released even though the software did not meet the contract specifications.

**Set top boxes** The District telecommunications staff determined 400 set-top boxes were needed for retail service providers to give to customers so they could receive cable service. Set top boxes are considered telecommunications equipment and per state law (RCW 39.04.270) should have been purchased through a competitive bid process. E-mail we reviewed showed the Telecommunications Manager intentionally split the purchases into smaller increments to avoid the bid process. The District's auditor confirmed that separate purchases were kept below \$35,000 per month. For telecommunications purchases, utility district employees can spend \$35,000 per month without having to obtain Board approval. The total amount of these purchases was approximately \$300,000.

**Maintenance** The District's contracting officer signed a purchase order for \$228,000 for services and maintenance on telephones one month before the Board approved the expenditure and prior to the review by District legal staff as required by District policy.

**Certified public accounting contract** The District failed to monitor a professional services contract for auditing services, which included an annual audit of the District's financial statements as well as individual systems. The District received audits of only individual systems and did not receive a combined financial statement opinion as required by the \$130,000 contract.

#### Cause of Condition:

The District has policies and procedures in place to ensure it complies with state laws and regulations and its own policies and procedures. However, the District lacked sufficient monitoring to ensure these policies and procedures were followed.

#### Effect of Condition:



Because it did not provide adequate monitoring of its contracting process, the District cannot ensure that it received the best and lowest bids for the projects and that all services paid for were received.

Recommendations:

We recommend the District:

Adequately monitor contracts and payments on contracts.  
Adhere to its established procurement policies.  
Comply with state law.

District's Response:

Auditor's Remarks:

Applicable Laws and Regulations:

RCW 54.04.070

Contracts for work or materials -- Notice -- Exemptions.

Any item, or items of the same kind of materials, equipment, or supplies purchased, the estimated cost of which is in excess of ten thousand dollars, exclusive of sales tax shall be by contract: PROVIDED, That a district may make purchases of the same kind of items of materials, equipment and supplies not exceeding five thousand dollars in any calendar month without a contract, purchasing any excess thereof over five thousand dollars by contract. Any work ordered by a district commission, the estimated cost of which is in excess of ten thousand dollars exclusive of sales tax, shall be by contract, except that a district commission may have its own regularly employed personnel perform work which is an accepted industry practice under prudent utility management without a contract. Prudent utility management means performing work with regularly employed personnel utilizing material of a worth not exceeding fifty thousand dollars in value without a contract: PROVIDED, That such limit on the value of material being utilized in work being performed by regularly employed personnel shall not include the value of individual items of equipment purchased or acquired and used as one unit of a project. Before awarding such a contract, the commission shall publish a notice once or more in a newspaper of general circulation in the district at least thirteen days before the last date upon which bids will be received, inviting sealed proposals for the work or materials; plans and specifications of which shall at the time of the publication be on file at the office of the district subject to public inspection. Any published notice ordering work to be performed for the district shall be mailed at the time of publication to any established trade association which files a written request with the district to receive such notices. The commission may at the same time and as part of the same notice, invite tenders for the work or materials upon plans and specifications to be submitted by the bidders.

All contract projects equal to or in excess of one hundred thousand dollars shall be let by competitive bidding unless the public utility district lets contracts using the small works roster process under RCW 39.04.155.

Whenever equipment or materials required by a district are held by a governmental agency and are available for sale but such agency is

unwilling to submit a proposal, the commission may ascertain the price of such items and file a statement of such price supported by the sworn affidavit of one member of the commission and may consider such price as a bid without a deposit or bond.

The commission may waive the competitive bidding requirements of this section pursuant to RCW 39.04.280 if an exemption contained within that section applies to the purchase or public work.

RCW 39.04.270 (2) A municipality may acquire electronic data processing or telecommunication equipment, software, or services through competitive negotiation rather than through competitive bidding.

(3) "Competitive negotiation," for the purposes of this section, shall include, as a minimum, the following requirements:

(a) A request for proposal shall be prepared and submitted to an adequate number of qualified sources, as determined by the municipality in its discretion, to permit reasonable competition consistent with the requirements of the procurement. Notice of the request for the proposal must be published in a newspaper of general circulation in the municipality at least thirteen days before the last date upon which proposals will be received. The request for proposal shall identify significant evaluation factors, including price, and their relative importance.

(b) The municipality shall provide reasonable procedures for technical evaluation of the proposals received, identification of qualified sources, and selection for awarding the contract.

(c) The award shall be made to the qualified bidder whose proposal is most advantageous to the municipality with price and other factors considered. The municipality may reject any and all proposals for good cause and request new proposals.

RCW 39.04.280  
Competitive bidding requirements -- Exemptions.

This section provides uniform exemptions to competitive bidding requirements utilized by municipalities when awarding contracts for public works and contracts for purchases. The statutes governing a specific type of municipality may also include other exemptions from competitive bidding requirements. The purpose of this section is to supplement and not to limit the current powers of any municipality to provide exemptions from competitive bidding requirements.

(1) Competitive bidding requirements may be waived by the governing body of the municipality for:

(a) Purchases that are clearly and legitimately limited to a single source of supply;

(b) Purchases involving special facilities or market conditions;

(c) Purchases in the event of an emergency;

(d) Purchases of insurance or bonds; and

(e) Public works in the event of an emergency.

(2) (a) The waiver of competitive bidding requirements under subsection (1) of this section may be by resolution or by the terms of written policies adopted by the municipality, at the option of the governing body of the municipality. If the governing body elects to waive competitive bidding requirements by the terms of written policies adopted by the municipality, immediately after the award of any contract, the contract and the factual basis for the exception must be recorded and open to public inspection. RCW 43.09.200 Local government accounting--Uniform system of accounting states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

RCW 42.24.080 Municipal corporations and political subdivisions--Claims against for contractual purposes--Auditing and payment--Forms--Authentication and certification states:

All claims presented against any county, city, district or other municipal corporation or political subdivision by persons furnishing materials, rendering services or performing labor, or for any other contractual purpose, shall be audited, before payment, by an auditing officer elected or appointed pursuant to statute or, in the absence of statute, an appropriate charter provision, ordinance or resolution of the municipal corporation or political subdivision. Such claims shall be prepared for audit and payment on a form and in the manner prescribed by the state auditor. The form shall provide for the authentication and certification by such auditing officer that the materials have been furnished, the services rendered or the labor performed as described, and that the claim is a just, due and unpaid obligation against the municipal corporation or political subdivision; and no claim shall be paid without such authentication and certification: PROVIDED, That the certificates as to claims of officers and employees of a county, city, district or other municipal corporation or political subdivision, for services rendered, shall be made by the person charged with the duty of preparing and submitting vouchers for the payment of services, and he or she shall certify that the claim is just, true and unpaid, which certificate shall be part of the voucher.

**Jasen McEathron**

---

**From:** Carol Ehlinger  
**Sent:** Wednesday, October 27, 2004 3:08 PM  
**To:** Jasen McEathron  
**Subject:** Grant PUD  
**Attachments:** Grant County PUD.doc

Jasen,

Attached is a summary of the Grant PUD audit issues. Let me know the questions you will have. The reporting levels are negotiable, somewhat.

Carol

# Grant County PUD Findings Summary for 2003 audit

## **Bid Laws Compliance**

The District purchased software for set top boxes for \$150,000 from DMS without following bid requirement.

The District purchased set top boxes from Myrio for approximately \$300,000 in total without a contract and following the bid process.

The District accepted a shipment of automatic meter reading devices before the bidder submitted performance bond and subsequently the District found the devices did not meet the specification. This contract is under dispute.

## **Contract**

DMS Company was formed as a front for VIB. Per our review of the information from Arizona, DMS was formed by VIB and the above contract was awarded to DMS days after the company was formed. The District entered into a \$150,000 contract with DMS for purchase of software. Per review of various internal emails, we noted the District awarded the contract to DMS which is owned by VIB, one of the service providers; so that, VIB could have access to funds to pay the District for its delinquent balance.

## **Contract**

The District purchased a phone system from NEC Business Solution for approximately \$228,000 prior to obtaining approval from the Commission.

## **Statute Authority**

The District provides direct service to an end-user, US Bureau of Reclamation for several years. It continues to provide such service.

The District provides services to Douglas County video service providers without an interlocal agreement with Douglas County PUD.

The District provides ESPN and Turner Broadcast channels on District-owned equipment to a service providers without an agreement with ESPN and Turner to provide such services. ESPN and Turner have internal policies which do not allow them to enter inter agreements with wholesale telecommunications providers only RSP's. Essentially, the PUD is stealing cable. They do not have the access code and is obtaining the access codes from the services providers and then providing the services provides with the channels. The agreements with ESPN and Turner require the RSP's to have their own equipment (satellite) to transmit the signals for the channels.

## **Gift of Public Fund**

The District provides ESPN on District-owned equipment to a service provider and additional channels without charge.

A virtual network was authorized by a technician for the purpose of providing gaming activities to be used by non-PUD employees and these activities went undetected by the District for several months without charge.

## APPENDIX IV

**From:** Coe Hutchison  
**To:** Briggs, Eric; Lowe, Debbie  
**Date:** 2/5/03 11:58AM  
**Subject:** Re: VIB

Surrreeeee, lots of thoughts. Many of which are not printable.

Here is where we are at this point.

1. VIB has provided us their bill reconciliations for the Sept - Dec bills. When Terry has had a chance to review those we should have agreement on what the right customer billings were for that period.
2. VIB had additionally disputed those bills because they say there were sufficient video problems that they couldn't bill customers.
3. Eric and I want to present them another settlement offer where we spread out the payments as before and they are required to pay their regular bill plus the payment plan amount.
4. In addition, we are working on a contract with a company called DMS to buy the middleware that VIB is using. If that goes through some of all of that money will filter to VIB and be available for paying us and other VIB bills. That contract should be completed in another three weeks or so.
5. So, if Terry can agree with VIB on the amount owing, and Eric and I can reach an agreement on a payment plan, and we can complete the middleware agreement then I think there is a better chance of them paying.

Lots of if, ands, or buts. I think that if we can't get all of those done pretty quickly that the Commission will tell us to turn them off in any case.

Does that help you at least feel better that we are working on something. Please say you feel okay, pleeeeeeassee.

Thanks,

Coe Hutchison  
Fiber Business Manager  
Grant Co. PUD  
PO Box 878  
Ephrata, WA 98823  
(509) 754-6742 office  
(509) 754-6813 fax  
(509) 750-5239 cell  
chutchi@gcpud.org

>>> Debbie Lowe 02/05/03 11:47AM >>>

I'm finding it difficult to believe that VIB can't pay *anything* on their Zipp bill. It would show a good faith effort on their part if they'd make some sort of a payment each month, even if it is measly. My comfort level with this situation is decreasing and I guess I'm venting a bit. Any new thoughts?

**CC:** McKenzie, Terry

## Draft Schedule of Audit Findings

Grant County Public Utility District No. 2  
January 1, 2003 through December 31, 2003

The District made unsupported and unauthorized adjustments of accounts receivable billings.

## Description of Condition:

In March of 2003, a retail telecommunication services provider had a delinquent balance of approximately \$400,000. The account was delinquent for approximately nine months. The telecommunications staff made credit adjustments to the company's accounts receivable balance of approximately \$178,397.54 without sufficient supporting documentation. The adjustments reduced the balance owed. This action was taken without the District Board's approval or a legal review.

## Cause of Condition:

The District has procedures to ensure it complies with state laws and regulations and its own policies addressing accounts receivable write-off and other adjustments. However, the District did not perform sufficient monitoring to ensure these policies and procedures were followed.

## Effect of Condition:

## Recommendation:

We recommend the District:

- Retain itemized documentation supporting credits and adjustments
- Require independent review and approval of adjustments made to the
- Seek recovery of the adjustments in the amount of \$178,397.54.

## District's Response:

## Auditor's Remarks:

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

## Applicable Laws and Regulations:

## District Customer Service Procedures ( Account Receivable write offs)

In order to get to the write off process an account goes through multiple processes. After an account is closed whether by the customer or for some other reason, such as a disconnect for non-payment, a closing letter is sent 5 days after the closing event. If the customer does not respond within 25 days, a second closing letter is sent. If we still get no responses in 60 days after the closing event the account goes into our write off process, the account's District credit score is reduced by 200 points and they get assigned to our contracted outside collection agency

The collection agency attempts to collect the debt owed to the District

for one full year. At the end of the year, if the account is still uncollected, a write off packet is prepared. The write off packet contains all accounts that fall into the above category and is obtained by running an accounting system query. At the end of each quarter, the detail is put together with an analysis and a resolution and is presented to the Commission for input. After approval by the Commission, General Accounting makes the appropriate journal entry based on the resolution.

Although technically written off, the detail of these accounts is still held in the Customer Information System in the event that the person or company that has been written off requests service again. In that event the person or company would be required to pay the written off amount as well as any other required deposits before service would be established in their name.

RCW 42.24.080 states:

All claims presented against any county, city, district...by persons furni

RCW 43.09.200 Local government accounting--Uniform system of accounting

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.



1.  
Draft Schedule of Audit Findings

Grant County Public Utility District No. 2  
January 1, 2003 through December 31, 2003

The District did not follow its own policy on collecting overdue accounts receivable payments.

## Background:

VIB was the largest telecommunications provider on the District's Zipp network, serving 1118 customers. As of January 31, 2003, VIB had an outstanding accounts receivable balance of \$374,914.15. The average monthly bill for VIB was \$32,000 a month and by April 1, 2003, the balance had grown to \$405,541.90. The District then adjusted VIB's account receivable balance by \$178,397.54, reducing the balance due to \$227,144.36. At this time, the District entered into a payment plan with VIB whereby VIB would pay off \$196,406.61 of the balance at 2.5 percent interest over four years with a balloon payment of approximately \$65,000 in February 2007. The payments are at \$3,000 per month. VIB has remained current on these payments. However, as of September 2004, VIB was 90 days in arrears on payments for the building it sub-leases from the District. VIB made a payment of \$9,625.63 in December 2004, which caught up the sub-lease payments.

Donobi, another high volume service provider on the ZIPP network, purchased telecommunications provider PowerTelNet and assumed the \$46,227.29 it owed to the District. The District allowed Donobi to pay off this balance on a short-term, no interest loan, which it did in December of 2003. However, it did not maintain regular payments on its monthly telecommunications account, and by January 2004, Donobi owed \$127,285.76. In July 2004, Donobi was put on a payment plan and was to pay \$79,507.99 at 7.25 percent interest with payments of \$6,900 per month. Donobi has not been making payments in accordance with this payment plan nor has it been paying for current network usage. As a result, Donobi has until February 11, 2005, to make a payment of \$211,481.39 or service will be shut off.

Other telecommunications providers' payment plans are:

Big Dam: Plan began January 2004 on a balance of \$5,896.64 at 4.2 percent interest with payments of \$255.84 a month. Pipeline: Plan began April 2004 on a balance of \$7,338.75 at 4.2 percent interest with payments of \$318.28 a month. Pullman: Plan began August 2004 on a balance of \$363.34 at 7.25 percent interest with payments of \$75 a month.

## Description of the Condition:

The District failed to begin collecting amounts due as required by District resolution. The policy was to take effect April 19, 2004 but staff failed to enforce it until September 2004. In addition, the payment plans are inconsistent in the amounts charged for interest, thus charging different rates to competing retail service providers in violation of state law (RCW 54.16.330).

## Cause of Condition:

The telecommunications staff did not understand they were to begin using the collection policy as soon as it was adopted. Staff members stated they

waited until September because they were waiting for the new telecommunication rate schedule. The staff failed to inform the Board of the payment plans and failed to get Board approval for the payment plans. The Telecommunication staff's failure to provide the same rate structure to each retail service provider was a result of lack of knowledge of state law.

Effect of Condition:

The District did not receive all revenue due to it in a timely manner.

Recommendation:

We recommend the District adhere to its established collection policies and state law.

District's Response:

Auditor's Remarks:

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations:

RCW 54.16.330 Telecommunications facilities--Construct, purchase, acquire, etc.--Purposes--Limitations--Eminent domain.

From Resolution #7703 passed by the Board of Commissioners of Grant County PUD #2 on April 19, 2004:

...#3 The District's Manager and Interim Director of Telecommunications recommend that the District's Commission adopt the attached Telecommunications Customer Service policies. Now therefore be it resolved by the Commission of Public Utility District #2 of Grant County Washington that the Telecommunications Customer Service Policies attached hereto are hereby adopted and shall become effective immediately...

From Telecommunications Customer Service Policies (Rev. 4/19/04)

5.3 PAYMENT

All monthly bills for services are due and payable when rendered and become delinquent after 20 days.

5.5 PAYMENT OPTIONS

A Wholesale Customer may make payment to the District by cash, check, automatic checking and savings account withdrawal and other District approved electronic means.

**PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON**



**OFFICIAL ZIPP® NETWORK PRICE SHEET**

Last Revised September 1, 2002 May 1, 2003

The following bandwidth charges shall include, for each home or business, one standard 10/100Mbps network interface card or equivalent adapter if required for connection of a personal computer to the network.

The amount of any tax levied by any city or town, in accordance with RCW 54.28.070 of the Laws of the State of Washington, will be added to the above charges.

<b>Within Grant County:</b>	<b>Monthly Charge</b>
<b>Service</b>	<b>Monthly Charge</b>
<b>Bandwidth per VLAN per device:</b>	
1 Mbps	\$15.00
10 Mbps	\$20.00
100 Mbps	\$150.00
1000 Mbps	\$1,200.00
Single Plain Old Telephone Service (POTS) port on LE-22 or equivalent device	\$10.00
Two POTS ports on LE-22 or equivalent device	\$15.00
<b>Bundling Options:</b> (the following prices are for ports on an LE-22 or equivalent device)~	
Single POTS port with a single 1Mbps connection	\$15.00
Two POTS ports with a single 1Mbps connection	\$20.00
Single POTS port with a single 10Mbps connection	\$25.00
Two POTS ports with a single 10Mbps connection	\$35.00
<b>Connections For Apartments and Hotels:</b>	
LE-22 or equivalent equipment	\$2.50 per port, minimum of \$20 per building
LE-211 or equivalent equipment	\$2.00 per port, minimum of \$28 per LE-211.
<b>Upstream Internet Service:</b> (if a service provider desires to purchase upstream Internet transport from the District there are three options available)	
1. Residential or Commercial subscriber based charges: (available to service providers offering basic service connections to residential or commercial subscribers served on a fiber optic network inside or outside Grant County for retail Internet services. Not available for dial-up customers or connections larger than basic service. If the District determines that a service provider's customers are using significantly more bandwidth than is being paid for under this flat rate, the District reserves the right, after providing reasonable notice to the service provider to move the service provider off the flat rate and onto one of the other upstream Internet service options.)	\$5.00 per residential subscriber
2. Fixed Bandwidth Charges: charge per 1Mbps of upstream bandwidth. (Under this option, the service provider chooses the amount of upstream bandwidth that they wish to purchase to serve their customers and the District will lock down the service provider's port so that no more than the chosen bandwidth will be available.)	\$250.00 for each 1Mbps of upstream access

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON

OFFICIAL ZIPP® NETWORK PRICE SHEET

Last Revised September 1, 2002 May 1, 2003

<p>3. <u>Metered Bandwidth: charge per each 1 Mbps of average metered USE.</u> (Under this option, the service provider's port will NOT be locked down or capped and the service provider's customers can burst to the total amount of bandwidth available to the PUD. These charges are based on the monthly average megabits per second use and are calculated as follows. (1) District equipment will take readings every five minutes of the bits traveling outward and inward over the customer's connections to the District's equipment. (2) The inward readings shall be averaged to calculate an inward monthly Mbps average. (3) The outward readings shall be averaged to calculate an outward monthly Mbps average, and. (4) The higher of the inward or outward monthly averages will be used for billing.)</p> <p style="text-align: right;"> <u>&lt;7 Mbps avg</u>  <u>7.1 – 10.0 Mbps avg</u>  <u>10.1 – 25.0 Mbps avg</u>  <u>25.1 – 50.0 Mbps avg</u>  <u>50.1 – 100.0 Mbps avg</u> </p>	<p> <u>\$350/Mbps avg</u>  <u>\$290/Mbps avg</u>  <u>\$280/Mbps avg</u>  <u>\$260/Mbps avg</u>  <u>\$250/Mbps avg</u> </p>
<p><u>Set Top Box Lease</u> (monthly charge for each box)</p>	<p>\$5.00</p>
<p><u>Use of District-Owned Video Head End:</u></p>	
<p><u>Receipt of Analog Signal</u> (charge is per subscriber per channel per month)</p>	<p>\$0.07</p>
<p><u>Receipt of Digital Video Signal</u> (charge is per subscriber per channel per month)</p>	<p>\$0.01</p>
<p><u>Receipt of Digital Music Signal</u> (charge is per subscriber per channel per month)</p>	<p>\$0.001</p>
<p><u>Any service provider who was billed at the prior head end prices may receive a credit against future bills reflecting the difference between the charges at prior rates and what they would have been charged under these prices.</u></p>	
<p><u>Any service provider who was billed at head end prices in effect prior to 9/1/02 may receive a credit against future bills reflecting the difference between the charges at prior rates and what they would have been charged under these prices.</u></p>	
<p><u>Use of Video Encoder for Public Access Programming</u></p>	<p>\$200.00 per month or \$6.66 per day</p>
<p><u>Use of Video Encoder for Public Access Programming</u></p>	<p>\$55.00 per month or \$10.00 per day</p>
<p><u>Video Storage On District-Owned VOD Server</u></p>	<p>\$0.125 per minute of storage</p>
<p><u>Use of Telephone Soft Switch:</u></p>	
<p><u>Per T1 Line</u></p>	<p>\$44.80</p>
<p><b>Monthly Charge</b></p>	
<p><u>Use of V-Packets Boxes for Multi-Line Telephone Service:</u></p>	
<p><u>V-Packet 5100, 8 Ports, No Lifeline</u></p>	<p>\$40.00</p>
<p><u>V-Packet 6100, 8 Ports</u></p>	<p>\$50.00</p>
<p><u>V-Packet 6100, 24 Ports</u></p>	<p>\$90.00</p>
<p><u>Collocation of Customer Equipment in District Facilities</u> (prices for single 19" rack):</p>	

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON

OFFICIAL ZIPP® NETWORK PRICE SHEET

Last Revised September 1, 2002 May 1, 2003

Without UPS or Backup Generation		\$200.00
With UPS and Backup Generation		\$300.00
<u>Dark Fiber</u> (per strand per mile)		\$3025.00
		<b>Upfront Charge</b>

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON

OFFICIAL ZIPP® NETWORK PRICE SHEET

Last Revised September 1, 2002 May 1, 2003

	<b>Upfront Charge</b>
<u>Special Fiber Construction</u> (anything other than electric meter)	Prepayment of 75% of actual cost
<u>Set Up of New Service Provider</u>	\$500.00
	<b>Monthly Charge</b>
<u>Each STS-1 Sonet Pt-Pt Data Path</u> (sold in increments of STS-1, but provisioned using OC-3, OC-12, OC-48, & OC-192 line rates)	\$200.00
<u>Each STS-1 Sonet Pt-Pt Data Path</u> (sold in increments of STS-1, but provisioned using OC-3, OC-12, OC-48, & OC-192 line rates)	\$400.00
<u>Network Operations Center (NOC) Monitoring Services:</u> (The District's NOC is available to provide network-monitoring services to service providers and their subscribers. Various levels of service, including customized services are available for competitive prices. Prices will be quoted upon request and work will be done under a separate service contract.)	<u>Customized Pricing Available Upon Request</u>

<b>Wholesale Video Content:</b>	<b>Price Per Month Per Subscriber</b>
KREM CBS Spokane	\$0.10
KXLY ABC Spokane	\$0.10
KHQ NBC Spokane	\$0.10
KSPS PBS Spokane	\$0.10
KAYU Fox Spokane	\$0.10
KCTS PBS Seattle	\$0.10
KWPX PAX Seattle	\$0.10
KSKN WB Spokane	\$0.10
KSTW UPN Seattle	\$0.10
TVW Olympia	\$0.05
Use of shared TV Data Contract	\$0.50
Use of Myrio Middleware	\$2.00
Myrio Middleware License Fees	\$2.00
<u>Myrio Service Bundle Fees</u> (The service bundle fees only apply if the service provider is using the shared servers, otherwise these fees are paid directly to Myrio. These fees cover the PPV, VOD, DMX and Web browsing services provided by Myrio.)	\$2.50
There are a number of additional charges that will be assessed by Myrio directly to the service provider. The service provider should make sure that they understand all of these charges before starting to use the Myrio services.	

**PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON**

**OFFICIAL ZIPP® NETWORK PRICE SHEET**

Last Revised ~~September 1, 2002~~ May 1, 2003

Any additional charges that the District incurs as a result of the service provider's use of Myrio services will be passed through to the service provider. In addition, there are charges that may be assessed by Myrio directly to the service provider. The service provider should make sure that they understand all of these charges before starting to use the Myrio services.

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON

OFFICIAL ZIPP® NETWORK PRICE SHEET

Last Revised September 1, 2002 May 1, 2003

NoaNet Charges Applicable to Certain Users of Zipp® Network

Outside Grant County:	Monthly Charge Per Avg Mbps
<b>NoaNet Upstream Internet Access &amp; Transport</b>	
<7 Mbps avg	\$790/Mbps avg
7.1 – 10.0 Mbps avg	\$660/Mbps avg
10.1 – 25.0 Mbps avg	\$630/Mbps avg
25.1 – 50.0 Mbps avg	\$600/Mbps avg
50.1 – 100.0 Mbps avg	\$570/Mbps avg
<p>The monthly average megabits per second use is calculated as follows:</p> <ol style="list-style-type: none"> <li>1. District equipment will take readings every five minutes of the bits traveling outward and inward over the customer's connections to the District's equipment.</li> <li>2. The inward readings shall be averaged to calculate an inward monthly Mbps average.</li> <li>3. The outward readings shall be averaged to calculate an outward monthly Mbps average.</li> <li>4. The higher of the inward or outward monthly averages will be used for billing.</li> </ol>	
<p><b>ALTERNATIVE:</b> As an alternative to the above, service providers offering 1 Mbps connections to customers served on a fiber optic network inside or outside Grant County for retail Internet services may choose to pay a flat fee of \$3.00 per month per subscriber for NoaNet upstream service. This flat rate is not available for dial up customers nor is it available for connections larger than 1 Mbps. If the District determines that a service provider's customers are using significantly more bandwidth than is being paid for under this flat rate, the District reserves the right, after providing reasonable notice to the service provider, to move the service provider off the flat rate and onto the metered service described above.</p>	
Site Collocation at NoaNet hut per 23" rack	\$300 monthly charge



PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON

OFFICIAL ZIPP® NETWORK PRICE SHEET

Last Revised September 1, 2002 May 1, 2003

<b>NoaNet Ethernet Transport</b>			
<p><b>Product Summary:</b> Layer 2, Ethernet transport product point to point anywhere on NoaNet's infrastructure. Connection to the Ethernet transport product is achieved by interfacing customer local loop connections to a NoaNet owned SONET node or Layer 2 switch infrastructure using the Ethernet standard. Backbone transport facilities will be allocated in increments of STS 1 channels and priced to consumers accordingly.</p>			
	<b>Port Charge</b>	<b>Non-Recurring Cost</b>	<b>Monthly Charge</b>
	Fast Ethernet	\$2,500	\$372
	Gigabit Ethernet	\$2,500	\$600
	<b>Mb/s</b>		<b>Price Per Mb 95<sup>th</sup> Percentile</b>
	1 - 10		\$17.10
	11 - 25		\$16.80
	26 - 50		\$16.50
	51 - 100		\$16.20
	101 - 250		\$15.90
	251 - 500		\$15.60
	501 - 1000		\$15.30
<b>Notes:</b>			
<p><b>Fast Ethernet Port:</b>  <input type="checkbox"/> Minimum per port bandwidth charge is based on 1 Mb/s rate.</p> <p><b>Gigabit Ethernet Port:</b>  <input type="checkbox"/> Minimum per port bandwidth charge is based on 26 Mb/s rate.  <input type="checkbox"/> Additional charges may be incurred for special equipment and provisioning.  <input type="checkbox"/> Prices are per month  <input type="checkbox"/> Billed for each port (minimum of 2) into NoaNet  <input type="checkbox"/> Route protection available at 1.5x ingress rate  <input type="checkbox"/> Billed 95<sup>th</sup> percentile on ingress traffic at each port.</p>			

# GCPUD Zipp Customers and Services

Commission Presentation

September 6, 2005

# Zipp Customer Matrix As of August 31, 2005

Fiber Optic Network Services

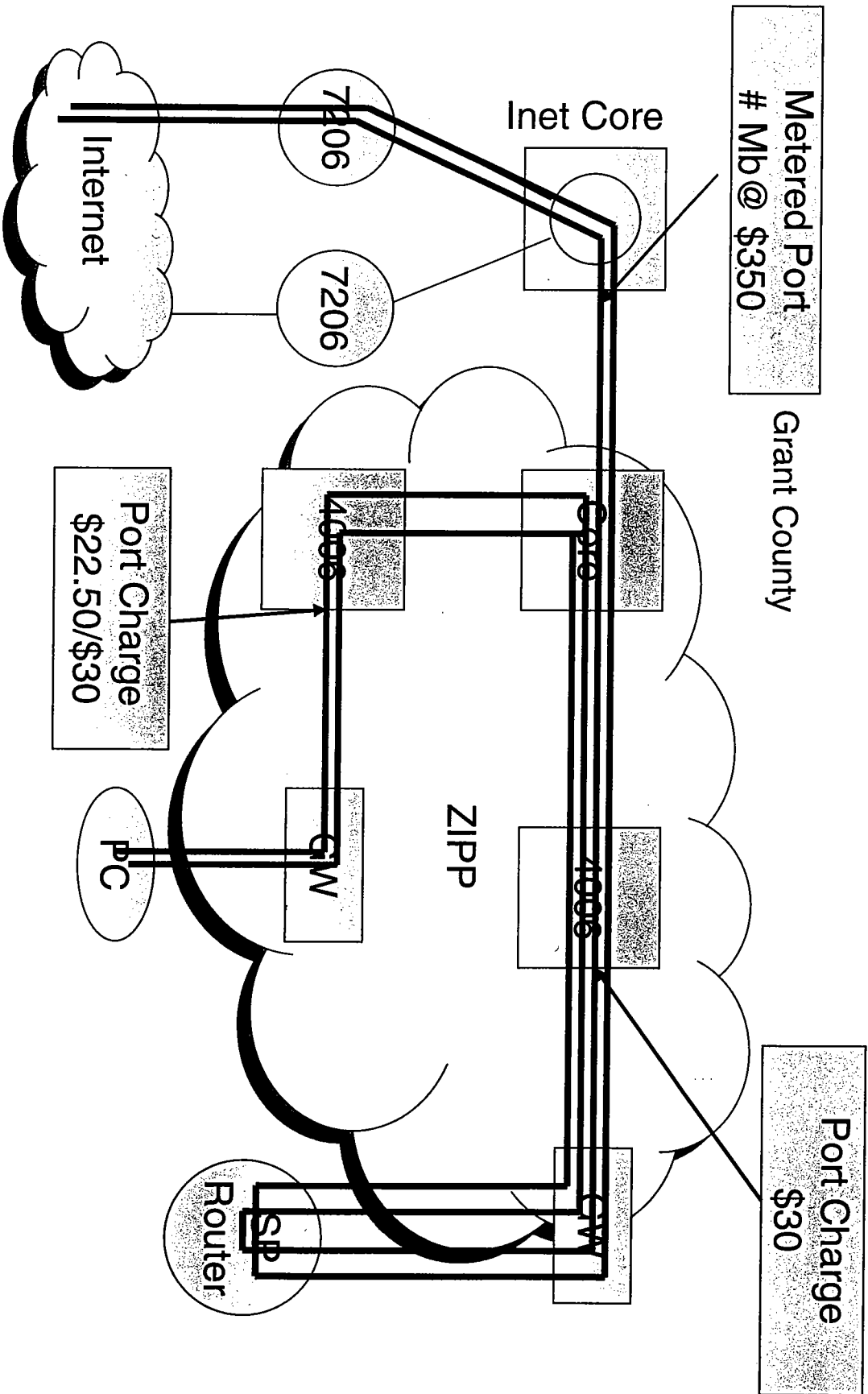
Customer	Internet Commercial	Internet Residential	Video Service	Phone Service	Apartment/Hotel LE-22	Apartment/Hotel LE-211	Special VLAN - 10 Mbps	Special VLAN - 100 Mbps	Special VLAN - 1,000 Mbps	Collocation w/out UPS	Collection W/ UPS	Dark Fiber	Upstream Internet - Fixed	Upstream Internet - Metered	STS-1 SONET Pt-Pt	Video Costs	In compliance with Sch 100
Aspedynet, Inc	X						X										Yes
Basin Broadband	X	X					X										Yes
Basin Networking	X	X					X										Yes
Basin Networking Wireless	X	X					X										Yes
Big Dam ISP	X	X					X										Yes
Computer Professionals Unlimited	X	X					X										Yes
GC Powernet	X	X					X										Yes
Genext.net	X	X					X										Yes
HomeNet Northwest, Inc	X	X					X										Yes
LocalTel	X	X			X		X					X					Yes
NCW Online Internet Service	X	X					X										Yes
Netplus Consulting	X	X					X										Yes
Network Essentials	X	X					X										Yes
Odessa Office Supplies	X	X					X										Yes
Pipeline	X	X					X										Yes
Saddle Mountain Wireless	X	X					X										Yes
SecureWEB	X	X					X										Yes
Spectrum Communications	X	X					X										Yes
Community Cable Service, LLC	X												X				Yes
Country Cable LLC							X										Yes
Apple Capital (dba Firefly)	X						X										Yes
Chelan County PUD															X		Yes
CliniTech Information Resources, LLC									X								Yes
Columbia Inland Financial Corp	X	X					X										Yes
Donobi, Inc	X	X					X									X	Yes
IKANO Communications Inc	X	X					X										Yes
NCI Datacom Corporation							X										Yes
NoaNet							X								X		Yes
OAC Networks LLC							X										Yes

In compliance with Sch 100

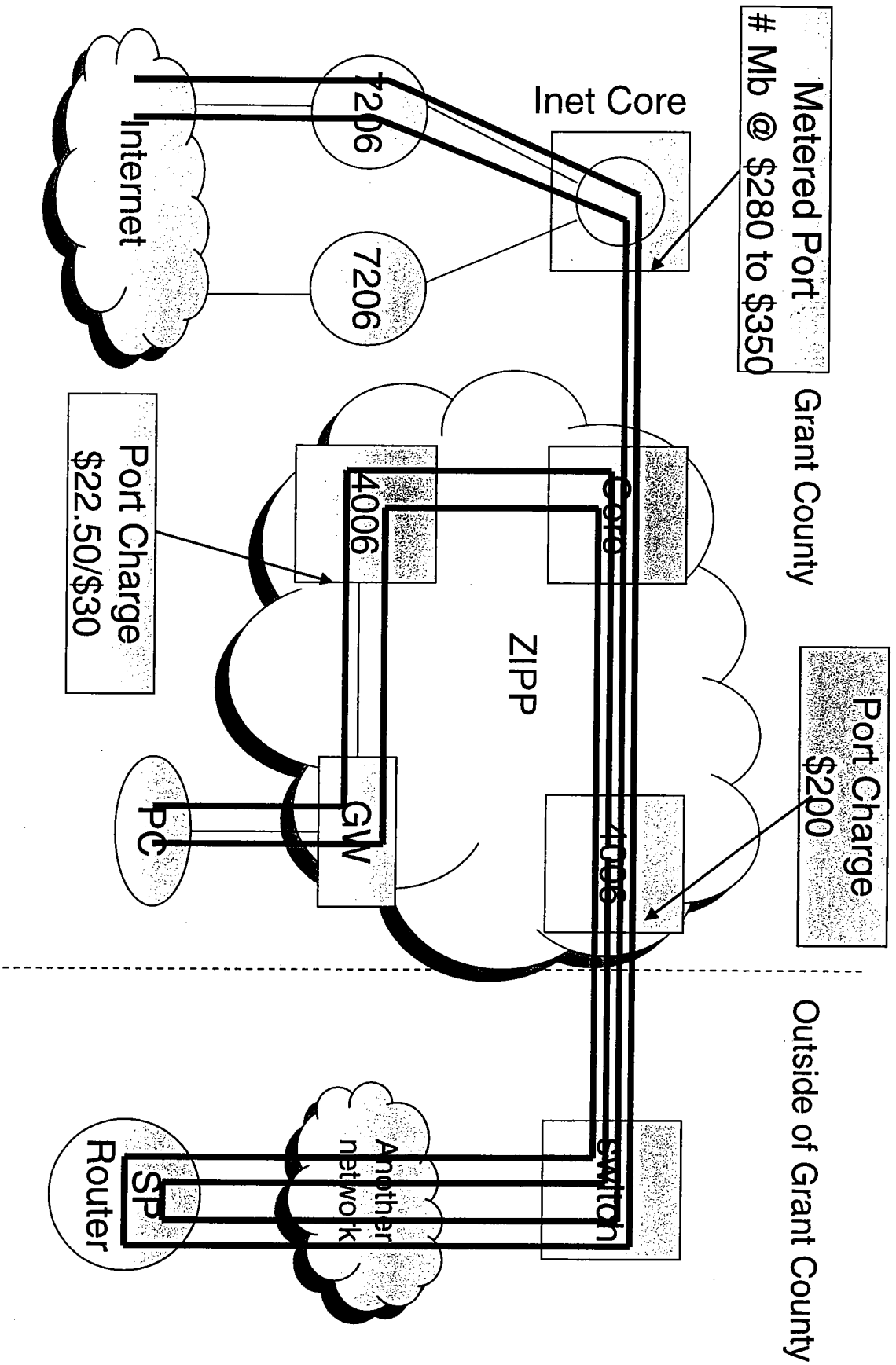
# Zipp SP Ports at Columbia Hut

Customer	Average	95th Percentile
Apple Capital (dba Firefly)	0.09	0.58
Aspedynet, Inc		
Basin Broadband		
Basin Networking		
Basin Networking Wireless		
Big Dam ISP		
Chelan County PUD		
Clinitech Information Resources, LLC	0.49	2.33
Columbia Inland Financial Corp	0.01	0.02
Community Cable Service, LLC		
Computer Professionals Unlimited		
Country Cable LLC		
Donobi, Inc	9.07	18.53
GC Powernet		
Genext.net	6.84	14.95
Homenet Northwest, Inc	1.06	4.43
IKANO Communications Inc	5.28	15.61
LocalTel	27.46	48.75
NCI Datacom Corporation	0.60	5.70
NCW Online Internet Service		
Netplus Consulting		
Network Essentials		
NoaNet	1.34	4.44
OAC Networks LLC	0.15	0.55
Odessa Office Supplies		
Pipeline		
Saddle Mountain Wireless		
SecureWEB		
Spectrum Communications		
	52.39	115.89

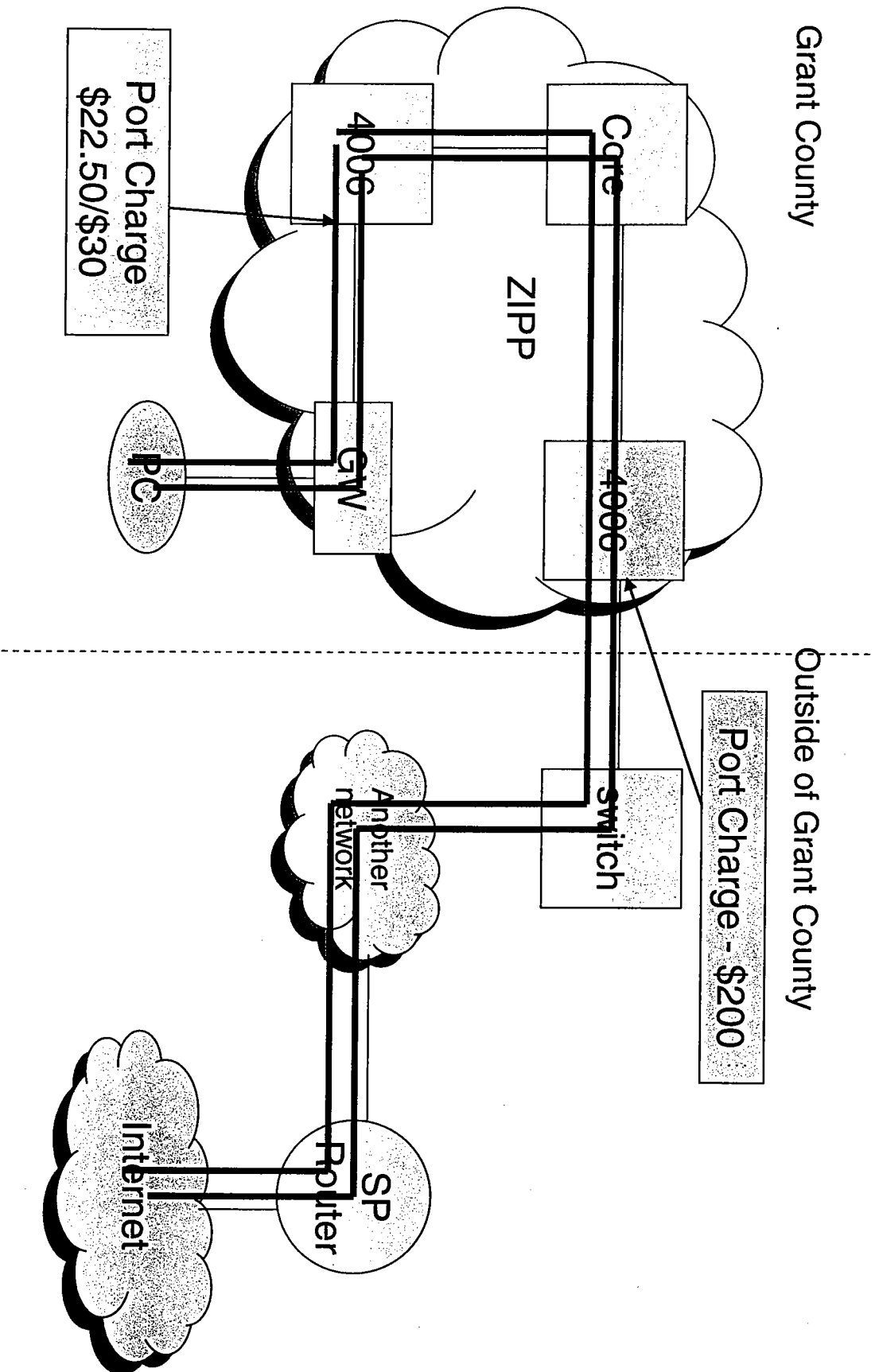
# Service Provider Inside of Grant County using GCPUD Internet Upstream – 17 SP



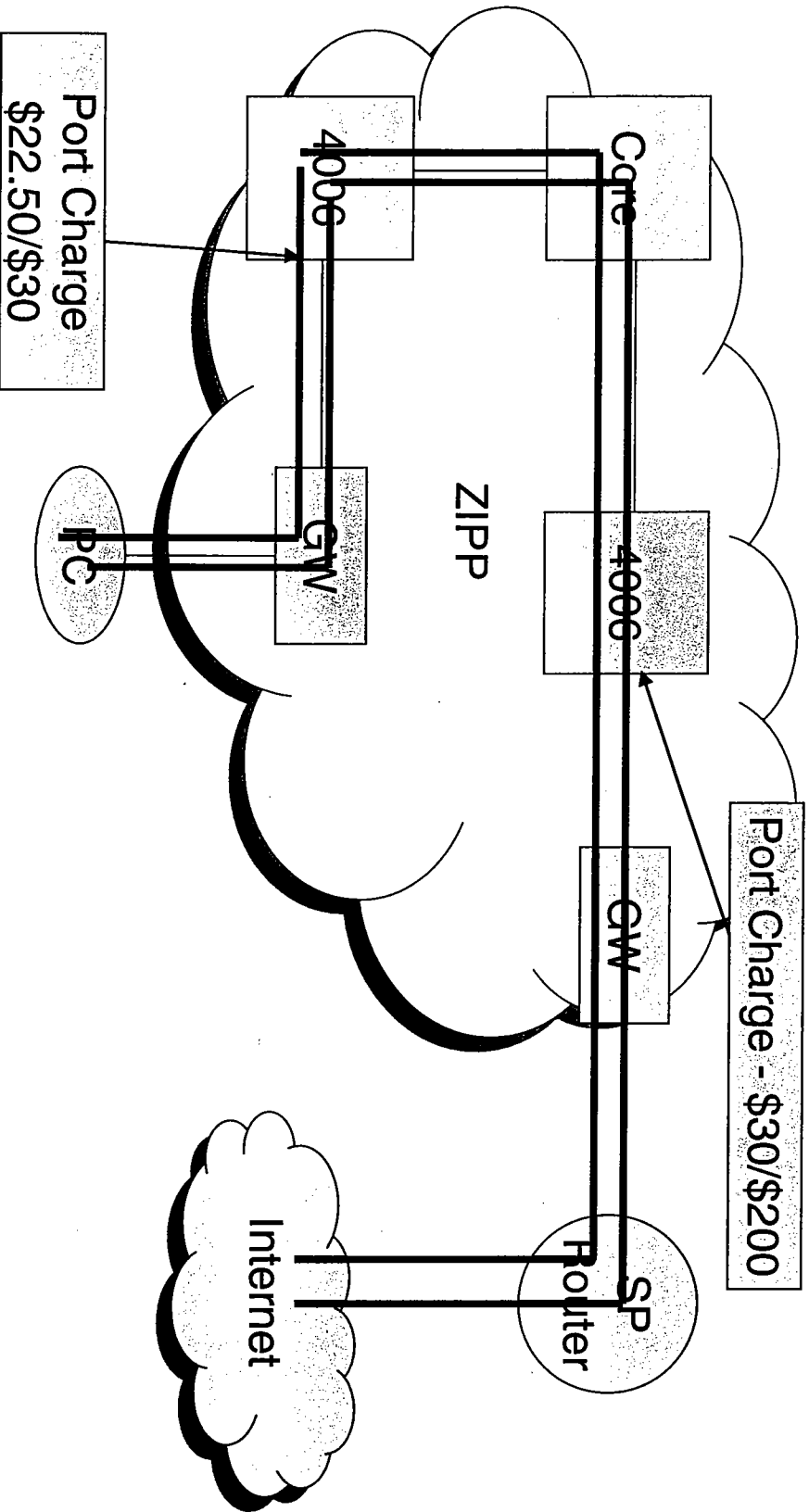
# Service Provider Outside of Grant County using GCPUD Internet Upstream – 3 SP



# Service Provider Outside of Grant County NOT using GCPUD Internet Upstream – 8 SP



# Service Provider inside of Grant County NOT using GCPUD Internet Upstream – 1 SP





# Upstream Cost vs Zipp SP Invoiced Upstream

	June-05	July-05	August-05	
	\$ 20,909.00	\$ 20,909.00	\$ 20,909.00	District Upstream Expense
	<u>\$ (15,777.10)</u>	<u>\$ (16,740.90)</u>	<u>\$ (17,774.80)</u>	less Zipp SP Invoiced Upstream
	\$ 5,131.90	\$ 4,168.10	\$ 3,134.20	Upstream Expense Not Recovered Through Zipp Invoices