



July 18, 2014

BY WUTC WEB PORTAL

Mr. Steven V. King
Executive Director and Secretary
Washington Utilities and
Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Dear Mr. King:

Re: 2014 ETC Certification
Request for Certification Pursuant to
WAC 480-123-060 and 47 C.F.R. § 54.314

Pursuant to WAC 480-123-060, Kalama Telephone Company (“Company”) hereby requests that the Washington Utilities and Transportation Commission certify to the Federal Communications Commission and the Universal Service Administrative Company that the Company has met the requirements of 47 C.F.R. § 54.314 for eligibility for continued receipt of federal high-cost funds.

The certifications and reports that are specified in WAC 480-123-060, WAC 480-123-070 and WAC 480-123-080 are enclosed.¹

Sincerely,

Steven D. Hanson
President

Enclosures

¹ Item (1) of the enclosed certifications also includes a certification (in addition to those that have been furnished in prior years) that corresponds to a new certification required of the Commission by 47 C.F.R. § 54.314(a).

**CERTIFICATIONS PURSUANT TO
WAC 480-123-060 AND WAC 480-123-070**

I, Steven D. Hanson, being of lawful age, state that I am President of Kalama Telephone Company (“Company”), that I am authorized to execute this Affidavit on behalf of the Company, and that the facts set forth in this Affidavit are true to the best of my knowledge, information and belief. On this basis, I hereby certify to the Washington Utilities and Transportation Commission (“Commission”) for use by the Commission in providing the certification to the Federal Communications Commission and Universal Service Administrative Company required by 47 C.F.R. § 54.314, as follows:

(1) That the Company will use federal high-cost universal service fund support only for the provision, maintenance and upgrading of the facilities and services for which the support is intended, and that all federal high-cost support provided to the Company within the State of Washington has been used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance and upgrading of facilities and services for which the support is intended;¹

(2) That during the 2013 calendar year, the Company met substantially the applicable service quality standard found in WAC 480-123-030(1)(h);

(3) That during the 2013 calendar year, the Company maintained the ability to function in emergency situations under the standard found in WAC 480-123-030(1)(g), as such standard relates to functionality of wireline carriers in emergency situations; and

(4) That during the 2013 calendar year, the Company publicized the availability of its applicable telephone assistance programs in a manner reasonably designed to reach those likely to qualify for service and in a manner which, in the Company’s judgment, included advertisements likely to reach those who are not current customers of the Company within the Company’s designated service area.

I certify under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

Dated this 18th day of July, 2014 at Tenino, Washington.

Company: Kalama Telephone Company



By: _____

Its: President

¹ As used herein, the terms “preceding calendar year” and “coming calendar year” are intended to have the same meaning as those terms have in 47 C.F.R. § 54.314(a).

**REPORTS AS REFERENCED IN WAC 480-123-070
AND WAC 480-123-080**

Kalama Telephone Company (the “Company”) hereby submits the following reports in accordance with WAC 480-123-070 and WAC 480-123-080.¹

Report 1: WAC 480-123-070(1)(a): Attached is a copy of the Company’s NECA-1 Report for the calendar year 2013,² that, as of the date of the report, the Company has reported as the basis for support from the federal high-cost fund. That report also includes certain data for the calendar year 2012.

Report 2: WAC 480-123-070(1)(b): The Company reports that the investments and expenses reported under Report 1, above, benefited customers as follows:

Through the expenditure of these funds, the Company was able to continue to provide services at a level that the Company believes meets the intent set forth in 47 U.S.C. § 254 of providing high quality telecommunications services to customers in the service area for which the Company is designated as an ETC.³ The Company has made substantial expenditures and investments over the past several years, which allow it to provide quality telecommunications services to its customers in its designated ETC service area. Those expenditures and investments, including those reflected in Report 1 above, generally benefit all customers receiving the federal high-cost fund supported services⁴ from the Company within its designated service area. In addition, during 2013, the Company was engaged in a number of major investment projects within its designated ETC service area, including the following:

- (1) The Company installed Digital Subscriber Line (DSL) equipment at a cost of approximately \$125,000. This equipment allows the Company to offer improved download speed and provided growth capacity.
- (2) The Company installed central office switching and DSL equipment at a cost of approximately \$108,400. This project improved service for approximately 240 customers, plus allowing for future growth.
- (3) The Company installed line test equipment in its central office and remotes at a cost of approximately \$55,400. This project improved service for all customers served.

¹ It is the Company’s understanding that it is not required to submit the reports described in WAC 480-123-070(2) and (3).

² The attached report replicates National Exchange Carrier Association, Inc. Universal Service Data Collection Form 2014-1.

³ The term “ETC” is used herein with the same meaning as the term is used in Chapter 480-123 WAC.

⁴ References herein to the services supported by the federal high-cost fund refer to the services designated for support as set forth in 47 C.F.R. § 54.101(a).

- (4) The Company installed exchange line circuit equipment at a cost of approximately \$171,100. This project improved service for approximately 240 customers, plus allowing for future growth in the area served.
- (5) The Company installed exchange line circuit equipment at a cost of approximately \$36,000. This project improved service for approximately 240 customers, plus allowing for future growth in the area served.
- (6) The Company completed 7 major cable and wire facilities projects. The total cost of these projects was approximately \$319,300. These projects improved service for approximately 1,572 customers, plus providing capacity for growth in the areas served.

Report 3: WAC 480-123-070(4): The Company reports that during the calendar year 2013, the Company did not receive from either the Federal Communications Commission or the Consumer Protection Division of the Office of the Attorney General of the State of Washington any complaints against the Company made to them by the Company's customers.

Report 4: WAC 480-123-080(1)(b) and (2): The Company reports as follows:

As they are known to the Company at the date of this Report, the planned investment and expenses related to Washington state for the period January 1, 2014, through December 31, 2014, that the Company expects to use as a basis to request federal high-cost support are expected to be relatively similar to those investments and expenses the Company has set forth in its information for calendar year 2013 filed under Report 1, above, taking into account normal fluctuations in investment and expense levels. The Company expects that levels of expenses will remain relatively the same as those it experienced in calendar year 2013, subject to the effects of inflation and other commonly experienced changes in cost of labor and materials. The Company does not anticipate major adjustments in staffing levels for the relevant period. The Company expects that during calendar year 2014 it will have relatively the same level of expenditure and investment related to maintenance, replacement and minor upgrades of equipment and plant as occurred in calendar year 2013. The Company's investment plans directly affecting federal high-cost supported services offered by it in its designated ETC service area also include the following major construction projects for 2014:

- (1) The Company plans to install central office transmission equipment at a cost of approximately \$32,200. This project will improve service and broadband capacity for approximately 390 customers, plus allowing for future growth in the area served.

- (2) The Company plans to install remote office transmission equipment at a cost of approximately \$22,100. This project will improve service and broadband capacity for approximately 48 customers, plus allowing for future growth in the area served.
- (3) The Company plans to install a major cable and wire facilities project. The total cost for this project will be approximately \$26,000. This projects improved service and broadband speeds for approximately 32 customers, plus providing capacity for growth in the area served.

As they are known to the Company at the date of this Report, the planned investment and expenses related to Washington state for the period January 1, 2015, through December 31, 2015, that the Company expects to use as a basis to request federal high-cost support are expected to be relatively similar to those investments and expenses the Company has set forth in its information filed under Report 1, above, taking into account normal fluctuations in investments and expense levels. The Company expects that levels of expenses will remain relatively the same as those experienced in calendar year 2013, subject to the effects of inflation and other commonly experienced changes in cost of labor and materials. The Company does not anticipate major adjustments in staffing levels for the relevant period. The Company's investment plans directly affecting federal high-cost supported services offered by it in its designated ETC service area do not include a major construction project at the present time. The Company expects that it will have a similar level of investment related to maintenance, replacement and minor upgrades of equipment and plant as occurred in calendar year 2013. The Company has not completed its budgeting process and does not have final numbers prepared for investment and expense levels for 2015.

The Company expects that the continued receipt of federal high-cost support will aide the Company's efforts to continue to provide the supported services at rates that are comparable to the rates for such services in urban areas. However, the Company projects that with reductions in intercarrier compensation and associated federal support, those efforts will need to be supplemented by support from the state universal service fund for the Company to be able to continue to maintain reasonably comparable rates. All customers in the Company's designated ETC service area will benefit from the expected level of support and other factors, such as support from the state fund, continuing to aide efforts to have available to the customers services that are comparable to the telecommunications services offered in urban areas at rates that are comparable to the rates for such services in urban areas.

Dated: July 18, 2014

STUDY AREA: 522426
NAME: Kalama Telephone Company
CONTACT: Rick Vitzthum
PHONE: 360-264-2915

| Description | Pending View 2014-1 Amount | Prior Year 2013-1 |
|---|-------------------------------|----------------------|
| II. WORKING LOOPS | | |
| 60 Total Loops (Cat 1.1, 1.2 and 1.3) | 2,329 | 2,472 |
| 70 Category 1.3 loops (excluding Cat 1.3 TWX Loops) | 2,312 | 2,454 |
| III. INVESTMENT, EXPENSE AND TAXES | | |
| NET PLANT INVESTMENT | | |
| 160 Acct 2001 – Telephone Plant in Service | 17,662,286 | 16,431,802 |
| 170 Acct 1220 – Material and Supplies | 38,719 | 64,120 |
| 190 Acct 3100 – Accumulated Depreciation | 14,831,479 | 13,771,244 |
| 195 Acct 3400 – Accumulated Amortization - Tangible | 0 | 0 |
| 210 Acct 4340 – Net Noncurrent Deferred Operating Income Taxes | -416,606 | -339,207 |
| 220 Net Plant Investment | <i>3,286,132</i> | <i>3,063,885</i> |
| SELECTED PLANT ACCOUNTS | | |
| 230 Acct 2210 – Central Office Switching Equipment | 1,451,504 | 1,325,628 |
| 235 Acct 2220 – Operator System Equipment | 0 | 0 |
| 240 Acct 2230 – Central Office Transmission Equipment | 4,145,247 | 3,633,219 |
| 245 Total Central Office Equipment | <i>5,596,751</i> | <i>4,958,847</i> |
| 250 Circuit Equipment - Category 4.13 | 2,857,120 | 2,450,960 |

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| Description | Pending View 2014-1 Amount | Prior Year 2013-1 |
|--|-------------------------------|----------------------|
| 255 Acct 2410 – Cable and Wire Facilities - Total | 8,981,042 | 8,415,737 |
| 260 Acct 3100 (2210) – Accumulated Depreciation - Central Office Switching Equipment | 1,283,536 | 1,260,447 |
| 265 Acct 3100 (2220) – Accumulated Depreciation - Operator System Equipment | 0 | 0 |
| 270 Acct 3100 (2230) – Accumulated Depreciation - Central Office Transmission Equipment | 3,963,193 | 3,471,050 |
| 275 Acct 3100 (2210 thru 2230) – Total Accumulated Depreciation - Central Office Equipment | 5,246,729 | 4,731,497 |
| 280 Acct 3100 (2410) – Accumulated Depreciation - Cable and Wire Facilities | 6,799,537 | 6,321,546 |
| 310 Acct 4340 (2210) – Net Noncurrent Deferred Operating Income Taxes – Central Office Switching Equipment | -34,339 | -27,454 |
| 315 Acct 4340 (2220) – Net Noncurrent Deferred Operating Income taxes – Operator System Equipment | 0 | 0 |
| 320 Acct 4340 (2230) – Net Noncurrent Deferred Operating Income Taxes – Central Office Transmission Equipment | -98,475 | -75,597 |
| 325 Acct 4340 (2210 thru 2230) – Net Noncurrent Deferred Operating Income Taxes – Central Office Equipment (Sum of 4340 (2210) through (2230)) | -132,814 | -103,051 |
| 330 Acct 4340 (2410) – Net Noncurrent Deferred Operating Income Taxes – Cable and Wire Facilities | -212,143 | -173,997 |

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| Description | Pending View 2014-1 Amount | Prior Year 2013-1 |
|--|-------------------------------|----------------------|
| PLANT SPECIFIC OPERATION EXPENSE | | |
| 335 Acct 6110 – Network Support Expense Total | 64,694 | 55,673 |
| 340 Acct 6110 – Benefits Portion of Network Support Expense | 7,183 | 6,259 |
| 345 Acct 6110 – Rents Portion of Network Support Expense | 0 | 793 |
| 350 Acct 6120 – General Support Expense Total | 179,817 | 224,496 |
| 355 Acct 6120 – Benefits Portion of General support Expense | 15,950 | 19,927 |
| 360 Acct 6120 – Rents Portion of General support Expense | 0 | 0 |
| 365 Acct 6210 – Central Office Switching Expense –Total | 152,161 | 231,695 |
| 370 Acct 6210 – Benefits Portion of Central Office Switching Expense | 7,238 | 20,204 |
| 375 Acct 6210 – Rents Portion of Central Office Switching Expense | 0 | 0 |
| 380 Acct 6220 – Operator System Expense – Total | 0 | 0 |
| 385 Acct 6220 – Benefits Portion of Operator System Expense | 0 | 0 |
| 390 Acct 6220 – Rents Portion of Operator System Expense | 0 | 0 |
| 395 Acct 6230 – Central Office Transmission Expense – Total | 344,001 | 260,979 |
| 400 Acct 6230 – Benefits Portion of Central Office Transmission Expense | 39,954 | 35,407 |
| 405 Acct 6230 – Rents Portion of Central Office Transmission Expense | 0 | 0 |

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| Description | Pending View 2014-1 Amount | Prior Year 2013-1 |
|---|-------------------------------|----------------------|
| 410 Acct 6210 – 6230 – Central Office Expense - Total | 496,162 | 492,674 |
| 430 Acct 6410 – Cable and Wire Facilities Expense – Total | 239,183 | 222,311 |
| 435 Acct 6410 – Benefits Portion of Cable and Wire Facilities Expense | 39,181 | 39,067 |
| 440 Acct 6410 – Rents Portion of Cable and Wire Facilities Expense | 8,181 | 0 |
| 445 Total Plant Specific Expense | 979,856 | 995,154 |
| PLANT NON-SPECIFIC EXPENSE | | |
| 450 Acct 6530 – Network Operations Expense – Total | 441,178 | 458,763 |
| 455 Acct 6530 – Benefits Portion of Network Operations Exp | 64,410 | 66,126 |
| DEPRECIATION & AMORTIZATION EXPENSE | | |
| 510 Acct 6560 (2210) – Depreciation and Amortization Expense – Central Office Switching Equipment | 115,346 | 122,718 |
| 515 Acct 6560 (2220) – Depreciation and Amortization Expense – Operator System Equipment | 0 | 0 |
| 520 Acct 6560 (2230) – Depreciation and Amortization Expense – Central Office Transmission Equipment | 401,767 | 312,745 |
| 525 Acct 6560 (2210 thru 2230) – Depreciation and Amortization Central Office Equipment | 517,113 | 435,463 |
| 530 Acct 6560 (2410) – Depreciation and Amortization Expense – Cable and Wire Facilities | 478,366 | 463,245 |

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| Description | Pending View 2014-1 Amount | Prior Year 2013-1 |
|---|-------------------------------|----------------------|
| CORPORATE OPERATIONS EXPENSE | | |
| 535 Acct 6710 – Executive and Planning Expense – Total | 104,598 | 109,821 |
| 540 Acct 6710 – Benefits Portion of Executive & Planning Exp | 14,585 | 14,176 |
| 550 Acct 6720 – General Administrative Expense – Total | 479,023 | 483,714 |
| 555 Acct 6720 – Benefits Portion of General Administrative Exp | 56,621 | 57,985 |
| 565 Total Corporate Operations Expense | <u>583,621</u> | <u>593,535</u> |
| OTHER EXPENSE | | |
| 600 Benefits Portion of All Operating Expenses – Total | 277,536 | 295,110 |
| 610 Rents Portion of Plant Specific Operating Expenses - Total | 8,181 | 793 |
| TAXES | | |
| 650 Acct 7200 – Operating taxes | -55,628 | -40,680 |
| IV. PART 36 – COST STUDY DATA | | |
| 700 Cost Study Average Cable And Wire Facilities - Acct 2410 | 8,698,393 | 8,363,393 |
| 710 Cost Study Average Cable and Wire Facilities Cat 1 – Total Exchange Line C&WF Excluding Wideband | 8,314,019 | 8,012,059 |
| V. AMORTIZABLE TANGIBLE ASSETS (REFER TO INSTRUCTIONS PRIOR TO COMPLETING THIS SECTION) | | |
| 800 Acct 2680 –Amortizable Tangible Assets | <u>0</u> | <u>0</u> |

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| Description | Pending View 2014-1 Amount | Prior Year 2013-1 |
|--|-------------------------------|----------------------|
| 805 2680 (2230) – Amortizable Tangible Assets – Central Office Transmission Equipment | 0 | 0 |
| 810 Acct 2680 (2230) – Amortizable Tangible Assets – Central Office Transmission Equipment Assigned To Category 4.13 | 0 | 0 |
| 815 Acct 2680 (2410) – Amortizable Tangible Assets – Cable and Wire Facilities | 0 | 0 |
| 820 Acct 2680 (2410) – Amortizable Tangible Assets – Cable and Wire Facilities Assigned to Category 1 | 0 | 0 |
| 830 Acct 6560 (2680) – Depreciation and Amortization Expense – Amortizable Tangible Assets | 0 | 0 |
| Check Total | 98,326,229 | 91,539,207 |

| |
|---------------------|
| Submitted By |
| RAV |
| July 15, 2014 |