



July 29, 2014

Mr. Steven V. King, Acting Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: 2014 Petition to Receive USF Support

Dear Mr. King:

Enclosed you will find Mashell Telecom, Inc.'s 2014 Petition to Receive USF Support. If you have any questions regarding this information feel free to call me at 360-832-4130.

We are requesting confidentiality under WAC 480-07-160 for the attached information due to the fact that disclosure could cause financial harm to the Company. Please note that portion of the information in the Petition is filed on a confidential basis pursuant to WAC 480-07-160 and the original and one copy of such confidential information is included in a separate envelope marked "Confidential per WAC 480-07-160." Pursuant to agreement with Commission Staff, only one copy of the confidential (unredacted) version of the material being filed on a confidential basis is provided, notwithstanding WAC 480-07-160(3)(c)(iii).

Sincerely,

A handwritten signature in black ink, appearing to read "Danielle Clausen", with a stylized flourish at the end.

Danielle Clausen
Controller

Enclosures

www.rainierconnect.com

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360.832.6161 • Fax 360.832.8817

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Centralia, WA 98531
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**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

IN RE

PETITION OF MASHELL TELECOM, INC.
TO RECEIVE SUPPORT FROM THE
UNIVERSAL SERVICE
COMMUNICATIONS PROGRAM

DOCKET NO.

PETITION FOR SUPPORT

COMES NOW MASHELL TELECOM INC. DBA RAINIER CONNECT (the "Company") and, pursuant to Chapter 480-123 of the Washington Administrative Code ("WAC"), including, but not limited to, WAC 480-123-110, hereby petitions the Washington Utilities and Transportation Commission (the "Commission") to receive support from the Universal Service Communications Program (the "Program") for the Program year 2015.

I. Demonstration of Eligibility under WAC 480-123-100

1. WAC 480-123-100(1)(a): The Company is a local exchange company as defined in WAC 480-120-021 that serves less than forty thousand access lines within the state.
2. WAC 480-123-100(1)(b): The Company is an incumbent local exchange carrier as defined in 47 U.S.C. Sec. 251(h) or has been designated as an incumbent local exchange carrier by

1 the Federal Communications Commission.

2 3. WAC 480-123-100(1)(c): The Company offers basic residential and business exchange
3 telecommunications services as set forth in WAC 480-120-021 and RCW 80.36.630.

4 4. WAC 480-123-100(1)(d): The Company's rates for residential local exchange service, plus
5 mandatory extended area service charges, are no lower than the local urban rate floor
6 established by the Commission as the benchmark rate based on the Federal Communications
7 Commission's national local urban rate floor pursuant to 47 C.F. R. Sec. 54.318 in effect on
8 the date of this Petition.

9 5. WAC 480-123-100(1)(e): The Company has been designated by the Commission as an
10 eligible telecommunications carrier for purposes of receiving federal universal services
11 support pursuant to 47 C.F.R. Part 54 Subpart D - Universal Service Support for High Cost
12 Areas with respect to the service areas for which the Company is seeking Program support.

13 **II. Demonstration of Eligibility under WAC 480-123-110**

14 1. WAC 480-123-110(1)(a): The name of the legal entity that provides communications
15 services and is seeking Program support is as follows: Mashell Telecom, Inc.

16 2. WAC 480-123-110(1)(b): A corporate organization chart showing the relationship between
17 the Company and all affiliates as defined in RCW 80.16.010 is attached hereto as Exhibit 1.
18 A detailed description of any transactions between the Company and the affiliates named in
19 Exhibit 1 recorded in the Company's operating accounts is attached hereto as Exhibit 2.

20 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet Nos.
21 Fifth Revised Sheet No. 105 and Original Sheet No. 105.1 of the Company's Tariff WN U-
22 3.

23 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate
24 instability or service interruption or cessation in the absence of support from the Program is
25
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1 attached as Exhibit 3.

2 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached as Exhibit 4,
3 are copies of the Company's balance sheet as of December 31, 2013, and December 31,
4 2012, and copies of the Company's statements of income and retained earnings or margin for
5 the years ended December 31, 2013, and December 31, 2012.

6 6. WAC 480-123-110(1)(e)(ii): A copy of the Company's consolidated annual financial
7 statements for the years ended December 31, 2012, and December 31, 2013, are
8 attached as Exhibit 5.

9 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of
10 return on a total Washington unseparated regulated operations basis for each of the two prior
11 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4.

12 8. WAC 480-123-110(1)(e)(iv): Information demonstrating the Company's earned return on
13 equity on a total company (regulated and non-regulated) Washington basis for each of the
14 two prior years, calculated in the manner prescribed by the Commission, is provided in
15 Exhibit 4.

16 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's revenues from the
17 statements of income and retained earnings or margin section in the same format and detail
18 as is required to complete RUS Form 479 for the prior two years is attached as Exhibit 6.

19 10. WAC 480-123-110(1)(e)(vi): Information detailing the amounts of any corporate operations
20 adjustment to existing high-cost loop and interstate common line support mechanisms
21 required of the Company by the Federal Communications Commission for the past two
22 years is attached as Exhibit 7.

23 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 contains additional supporting information
24 requested by the Commission.

1 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company
2 officer with personal knowledge and responsibility certifying that the Company complies
3 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to
4 incumbent local exchange companies is attached as Exhibit 8.

5 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or
6 on its behalf with the Federal Communications Commission for the calendar year preceding
7 the current year has already been filed with the Commission. See the Company's filing in
8 Docket No. UT-143013 filed on or about July 1, 2014.


9 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines served by
10 the Company as of December 31, 2013, was 2,306. The number of residential local
11 exchange access lines served by the Company as of December 31, 2012, was 2,455. The
12 number of business local exchange access lines served by the Company as of December 31,
13 2013, was 523. The number of business local exchange access lines served by the Company
14 as of December 31, 2012, was 547. The monthly recurring rate charged by the Company for
15 residential local exchange access service on December 31, 2013, was \$14.00. The monthly
16 recurring rate charged by the Company for residential local exchange access service on
17 December 31, 2012, was \$13.75. The rate charged by the Company for single line business
18 local exchange access service on December 31, 2013, was \$24.00. The rate charged by the
19 Company for single line business local exchange access service on December 31, 2012, was
20 \$24.00.

21 15. WAC 480-123-110(1)(h): The requested statement is attached as Exhibit 9.

22 16. All exhibits attached hereto are incorporated into this Petition as though fully set forth.
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1 Respectfully submitted this 30th day of July, 2014.

2 MASHELL TELECOM, INC.

3 
4 By _____
5 Brian Haynes / President & CEO

6 CERTIFICATION

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

12 
13 _____
14 Brian Haynes / President & CEO

EXHIBIT 1

CORPORATE ORGANIZATION CHART

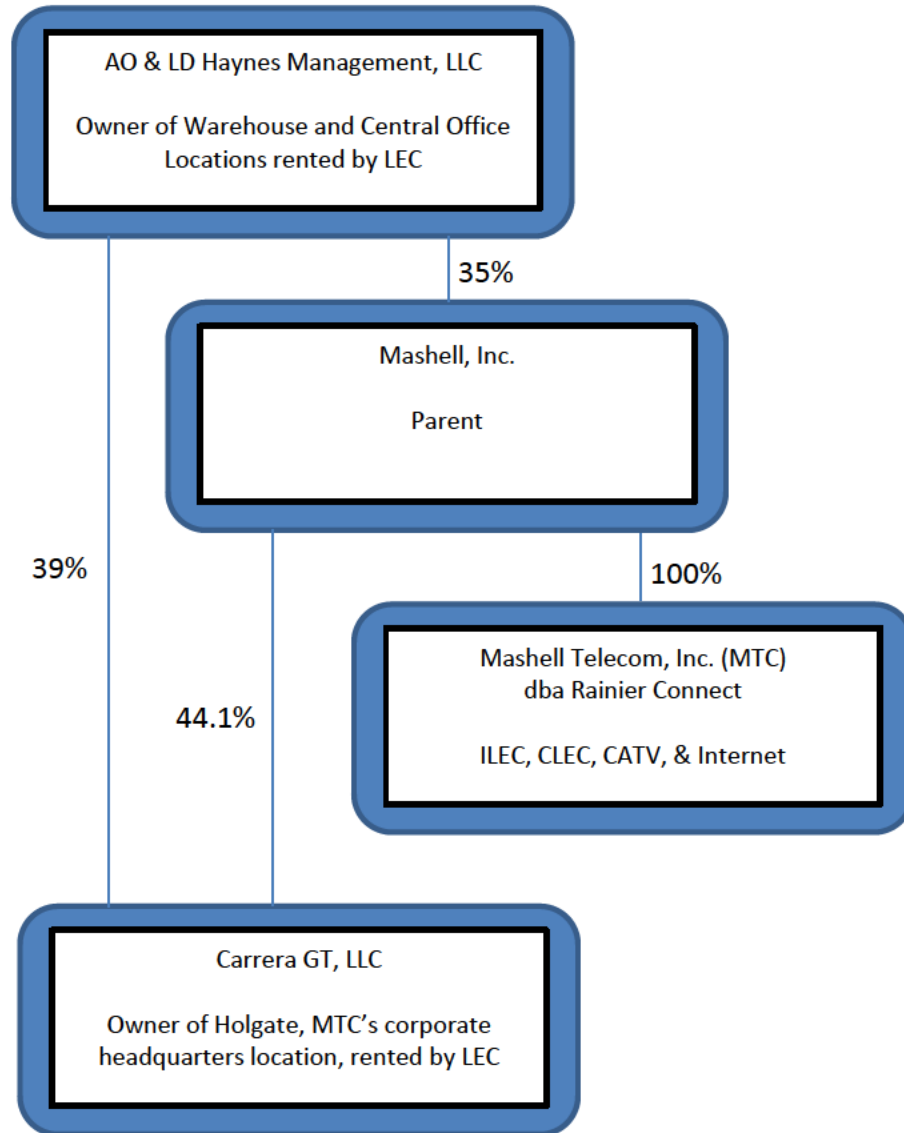


EXHIBIT 2

AFFILIATED TRANSACTIONS

Mashell Telecom, Inc. leases a warehouse and central office facility building from its majority owner, AO and LD Haynes Management, LLC. The lease is a noncancellable operating lease expiring in 2019. These leased properties facilitate both the ILEC and CLEC operations of the business and are appropriately allocated between regulated and nonregulated operations using Part 64 factors and recorded in account 6121-3, Land & Building Expense-Rents.

The Company also rents office space, utilized as corporate headquarters and network operations center, from its affiliate, Carrera GT, LLC. This leased property facilitates both the ILEC and CLEC operations of the business and is appropriately allocated between regulated and nonregulated operations using Part 64 factors and recorded in account 6121-3, Land & Building Expense-Rents.

Certain shareholders holding five percent or more of the stock, directly or indirectly, of the Company are also employees of the Company and receive from the Company employment compensation together with employment-associated benefits in accordance with benefit plans that are in place.

EXHIBIT 3

DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The operating environment in which the Company finds itself is one of great financial uncertainty. In large part, this financial uncertainty stems from the Transformation Order issued by the Federal Communications Commission.¹ The Transformation Order has built in an automatic decline in the Company's intrastate and interstate access revenues. The intercarrier compensation portion of the Transformation Order introduces a concept of a base line year for calculating revenues and provides support from the Connect America Fund ("CAF") based on the base line year. However, the base line year revenues (i.e. CAF support) are reduced by five percent each year. The Company had been exploring ways of addressing access bypass to increase access revenues. However, any increase in access revenues under the Transformation Order would simply be a reduction in CAF support and no new net revenues would be produced. The CAF support reduction began July 2012. Projecting through the calendar year 2015, including additional reductions that will occur July 1, 2015, the Company has seen a reduction in support from the base line revenue amount of approximately \$19,000 annually.

In addition, by order of this Commission, the traditional universal service access rate element and related pooling fund have been terminated effective July 1, 2014. Using 2012 as a base line, which is the latest year with final pool numbers, the Company is facing a loss of traditional universal service fund revenues of approximately \$ 69,000 per year.

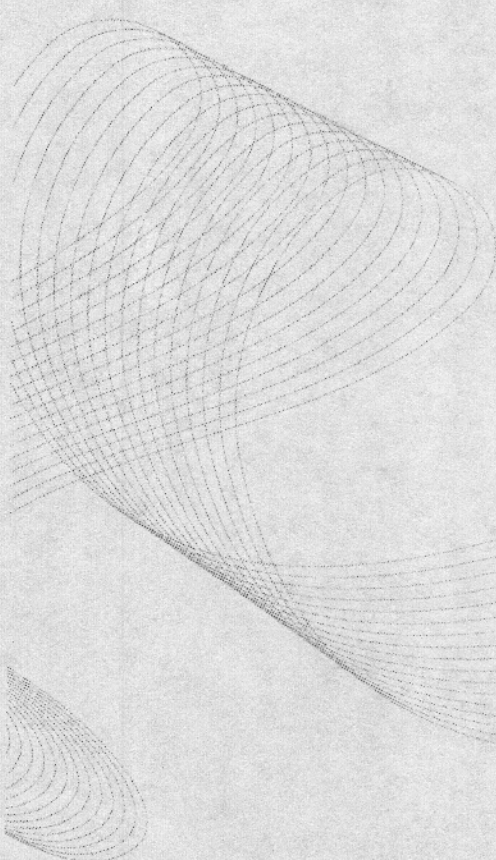
In addition, the Company has seen some migration of customers "cutting the cord" to move to wireless or other service as their sole method of telecommunications. Further, in moving to the federal urban rate floor, the Company has seen an accelerated pace of customers giving up their land line telephone service subscribership. A loss of customers easily equates to a loss of revenue without a corresponding reduction in expenses.

In addition, during the three-year period ended December 31, 2013, the Company has seen its Federal high cost loop support undergo a significant reduction declining from \$1,392,951 in 2011 to \$852,435 in 2013.

These factors have led to the risky financial condition of the Company, as reflected in the financial reports that are part of the Petition.

¹ *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform - Mobility Fun*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011)(*USF/ICC Transformation Order*).

The combination of factors noted above creates a situation in which, without support from the state universal service communications program, the Company may be faced with a choice of increasing rates further, which may drive more customers away, or cutting service in order to be able to match expenses to revenues. Neither choice presents a viable path for providing good service to customers. The dilemma presented by these choices reflects the risk of rate instability or service interruption or cessation to which the Company is subject.



Report of Independent Auditors and
Consolidated Financial Statements

Mashell, Inc. and Subsidiary
dba Rainier Connect

December 31, 2013 and 2012

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders
Mashell, Inc. and Subsidiary
dba Rainier Connect

We have audited the accompanying consolidated financial statements of Mashell, Inc. and its subsidiary, dba Rainier Connect (Company), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

**REPORT OF INDEPENDENT AUDITORS
(continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mashell, Inc. and its subsidiary, dba Rainier Connect, as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Spokane, Washington
April 29, 2014

EXHIBIT 8

FINANCIAL ACCOUNTING CERTIFICATE

I, Brian Haynes, an officer of Mashell Telecom, Inc. with personal knowledge and responsibility, based upon my discussions with Company staff and outside consultants retained by the Company to handle such matters, under penalty of perjury, state that the Company complies with state and federal accounting, cost allocation and cost adjustment rules pertaining to incumbent local exchange companies.

Dated this 30th day of July, 2014.

A handwritten signature in blue ink, appearing to read "Brian Haynes", is written above a horizontal line.

Brian Haynes / President and CEO

EXHIBIT 9

CONTINUED OPERATIONS CERTIFICATE

I, Brian Haynes, an officer of the Company, under penalty of perjury, hereby certify that if the Company receives Program support, the Company will continue to provide communications services pursuant to its tariffs on file with the Commission throughout its service territory in Washington for which the company is seeking and receives Program support during the entirety of 2015.

Dated this 30th day of July, 2014.



Brian Haynes / President & CEO