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**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

IN RE

PETITION OF KALAMA TELEPHONE
COMPANY TO RECEIVE SUPPORT
FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES
PROGRAM

DOCKET NO.

PETITION TO RECEIVE SUPPORT

COMES NOW Kalama Telephone Company (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 state Universal Communications Services Program established by RCW 80.36.650 (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.

- 1 2. WAC 480-123-100(1)(b): The Company is an incumbent local exchange carrier as defined
2 in 47 U.S.C. Sec. 251(h) or has been designated as an incumbent local exchange carrier by
3 the Federal Communications Commission.
- 4 3. WAC 480-123-100(1)(c): The Company offers basic residential and business exchange
5 telecommunications services as set forth in WAC 480-120-021 and RCW 80.36.630.
- 6 4. WAC 480-123-100(1)(d): The Company's rates for residential local exchange service, plus
7 mandatory extended area service charges, are no lower than the local urban rate floor
8 established by the Commission as the benchmark rate based on the Federal Communications
9 Commission's national local urban rate floor pursuant to 47 C.F. R. Sec. 54.318 in effect on
10 the date of this Petition.
- 11 5. WAC 480-123-100(1)(e): The Company has been designated by the Commission as an
12 eligible telecommunications carrier for purposes of receiving federal universal services
13 support pursuant to 47 C.F.R. Part 54 Subpart D - Universal Service Support for High Cost
14 Areas with respect to the service areas for which the Company is seeking Program support.

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

- 16 1. WAC 480-123-110(1)(a): The name of the legal entity that provides communications
17 services and is seeking Program support is as follows: Kalama Telephone Company.
- 18 2. WAC 480-123-110(1)(b): A corporate organization chart showing the relationship between
19 the Company and all affiliates as defined in RCW 80.16.010 is attached hereto as Exhibit 1.¹
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24 ¹ Pursuant to agreement with the Commission Staff, Exhibit 1 is limited to those affiliates having
25 transactions with the Company that are to be identified in Exhibit 2.

1 A detailed description of any transactions between the Company and the affiliates named in
2 Exhibit 1 recorded in the Company's operating accounts is attached hereto as Exhibit 2.²

- 3 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet No.
4 20 in Schedule 6 of the Company's Tariff WN U-1.
- 5 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate
6 instability or service interruption or cessation in the absence of support from the Program is
7 attached as Exhibit 3.
- 8 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached as Exhibit 4,
9 are copies of the Company's balance sheet as of December 31, 2013, and December 31,
10 2012, and copies of the Company's statements of income and retained earnings or margin for
11 the years ended December 31, 2013, and December 31, 2012.
- 12 6. WAC 480-123-110(1)(e)(ii): A copy of the Company's annual financial statements for the
13 years ended December 31, 2013, and December 31, 2012, are attached as Exhibit 5. For the
14 Parent and non-ILEC affiliates, internally generated final statements for the years ended
15 December 31, 2013, and December 31, 2012, for each of the affiliated companies and parent
16 company are included in Exhibit 5. For the ILEC affiliate, Tenino Telephone Company,
17 annual financial statements for the years ended December 31, 2013, and December 31, 2012,
18 are included in Exhibit 5 of the PETITION OF TENINO TELEPHONE COMPANY TO
19 RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS
20 SERVICES PROGRAM being filed contemporaneously herewith.

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24 ² Pursuant to agreement with the Commission Staff, Exhibit 2 is limited to transactions other than
employment compensation and benefits pursuant to employee benefit plans.

- 1 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of
2 return on a total Washington unseparated regulated operations basis for each of the two prior
3 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4.
- 4 8. WAC 480-123-110(1)(e)(iv): Information demonstrating the Company's earned return on
5 equity on a total company (regulated and non-regulated) Washington basis for each of the
6 two prior years, calculated in the manner prescribed by the Commission, is provided in
7 Exhibit 4.
- 8 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's revenues from the
9 statements of income and retained earnings or margin section of RUS Form 479 for the prior
10 two years is attached as Exhibit 6.
- 11 10. WAC 480-123-110(1)(e)(vi): A statement under penalty of perjury from a Company with
12 personal knowledge and responsibility certifying that no corporate operations adjustment to
13 existing high-cost loop and interstate common line support mechanisms required by the
14 Federal Communications Commission applied to the Company for the two prior years is
15 attached hereto as Exhibit 7.
- 16 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 contains additional supporting information
17 requested by the Commission.
- 18 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company
19 officer with personal knowledge and responsibility certifying that the Company complies
20 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to
21 incumbent local exchange companies is attached as Exhibit 8.
- 22 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or
23 on its behalf with the Federal Communications Commission for the calendar year preceding
24

1 the current year has already been filed with the Commission. See the Company's filing in
2 Docket No. UT-143013 filed on or about July 1, 2014.

3 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines served by
4 the Company as of December 31, 2013, was 1,781. The number of residential local
5 exchange access lines served by the Company as of December 31, 2012, was 1,836. The
6 number of business local exchange access lines served by the Company as of December 31,
7 2013, was 531. The number of business local exchange access lines served by the Company
8 as of December 31, 2012, was 618. The monthly recurring rate charged by the Company for
9 residential local exchange access service on December 31, 2013, was \$14.00. The monthly
10 recurring rate charged by the Company for residential local exchange access service on
11 December 31, 2012, was \$13.00. The monthly recurring rate charged by the Company for
12 single line business local exchange access service on December 31, 2013, was \$21.00. The
13 monthly recurring rate charged by the Company for single line business local exchange
14 access service on December 31, 2012, was \$19.50. (The Company has other business local
15 exchange service rates, but the Company understands that WAC 480-123-110(1)(g) is
16 requesting the single line business local exchange access service rate.)

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

18 16. All exhibits attached hereto are incorporated into this Petition as though fully set forth.

19 Respectfully submitted this 31st day of July, 2014.

20 KALAMA TELEPHONE COMPANY

21 

22 By _____

23 Steven D. Hanson, President

CERTIFICATION

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



Steven D. Hanson, President

EXHIBIT 1

CORPORATE ORGANIZATION CHART

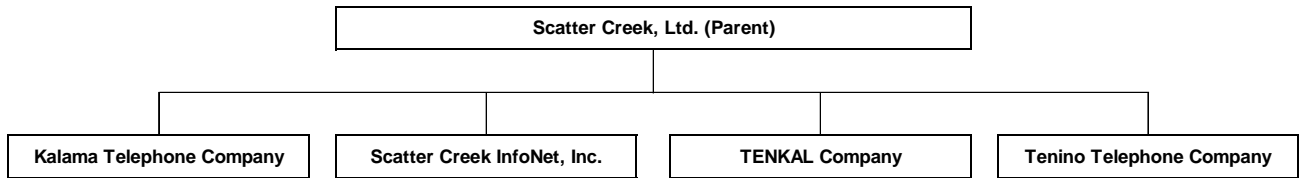


EXHIBIT 2

AFFILIATED TRANSACTIONS

SCATTTTER CREEK, LTD (Parent): Scatter Creek, Ltd (Parent) acts as a common paymaster for the Kalama Telephone Company (Company) and some of its affiliates. The Parent also provides billing and operational systems support for the Company. Certain shareholders holding, directly or indirectly, five percent or more of the stock of the Company are also employees of the Company and receive from the Company's employment compensation together with employment-associated benefits in accordance with benefit plans that are in place.

Scatter Creek InfoNet, Inc. (affiliate): Scatter Creek InfoNet, Inc. (SCIN) is an affiliate of the Company that is an internet service provider. SCIN purchases from the Company DSL service on a wholesale basis, Ethernet Transport Service, and Special Access Service. The pricing for these services is set by the National Exchange Carrier Association (NECA) Tariff FCC No. 5. SCIN purchases local business access lines from the Company. These lines are used for customer service and dial-up internet service. The rates charged to SCIN by the Company for these lines are set forth in the Company's Tariff WN U-1. The Company purchases from SCIN web hosting service, email delivery and internet access at rates equivalent to the rates SCIN charges to its similarly situated retail customers.

TENKAL Company (affiliate): TENKAL Company (TENKAL) provides long distance service to customers in the Company's service territory using the DBA of Scatter Creek Communications. TENKAL purchases local business access lines from the Company. These lines are used for customer service. The rates charged to TENKAL by the Company for these lines are set forth in the Company's Tariff WN U-1. The Company purchases long distance service from TENKAL at rates equivalent to those TENKAL charges to its similarly situated retail customers. The Company provides billing and collection service for TENKAL. The cost of these services is identified through the Company's FCC Part 64 procedures, charged to TENKAL, and reflected on the Company's books of account as a reduction of operating expense.

Tenino Telephone Company (affiliate): On occasion an employee of either Telephone Company will perform work for the other Telephone Company. The actual payroll and overheads associated with the hours worked are reimbursed by the Telephone Company benefitting from the work performed.

EXHIBIT 3

DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The operating environment in which the Kalama Telephone Company ("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 (from which the level of CAF support is derived) are reduced iteratively 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 is seeing a reduction in annual support from the base line revenue amount of approximately \$285,900.

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 \$79,400 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 declining from \$473,244 in 2011 to \$408,945 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 Fund*, 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.

Company Name: (Below)
 Kalama Telephone Company

ASSETS	Balance End of Year 2012 (A)	Part 64 Adj to NonReg 2012 (B)	Adj. Balance End of Year 2012	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance Prior Year 2012 (A)	Part 64 Adj to NonReg 2012 (B)	Adj. Balance End of Year 2012
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents	695,528		695,528	25. Accounts Payable	31,299		31,299
2. Cash-RUS Construction Fund			0	26. Notes Payable			0
3. Affiliates:				27. Advance Billings and Payments			0
a. Telecom, Accounts Receivable			0	28. Customer Deposits			0
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt	169,800		169,800
c. Notes Receivable			0	30. Current Mat. L/T Debt Rur. Dev.			0
4. Non-Affiliates:				31. Current Mat. - Capital Leases			0
a. Telecom, Accounts Receivable	36,574		36,574	32. Income Taxes Accrued			0
b. Other Accounts Receivable	195,159		195,159	33. Other Taxes Accrued	15,188		15,188
c. Notes Receivable			0	34. Other Current Liabilities	1,777,613		1,777,613
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	1,993,900		1,993,900
6. Material-Regulated	64,120		64,120	LONG-TERM DEBT			
7. Material-Nonregulated			0	36. Funded Debt-RUS Notes			0
8. Prepayments			0	37. Funded Debt-RTB Notes	992,670		992,670
9. Other Current Assets	22,144		22,144	38. Funded Debt-FFB Notes			0
10. Total Current Assets (1 Thru 9)	1,013,525	-	1,013,525	39. Funded Debt-Other			0
NONCURRENT ASSETS				40. Funded Debt-Rural Develop. Loan			0
11. Investment in Affiliated Companies				41. Premium (Discount) on L/T Debt			0
a. Rural Development			0	42. Reacquired Debt			0
b. Nonrural Development			0	43. Obligations Under Capital Lease			0
12. Other Investments				44. Adv. From Affiliated Companies			0
a. Rural Development			0	45. Other Long-Term Debt			0
b. Nonrural Development			0	46. Total Long-Term Debt (36 thru 45)	992,670		992,670
13. Nonregulated Investments (B1)		4,224	4,224	OTHER LIAB. & DEF. CREDITS			
14. Other Noncurrent Assets	8,068		8,068	47. Other Long-Term Liabilities			0
15. Deferred Charges	340,720		340,720	48. Other Deferred Credits (C)			0
16. Jurisdictional Differences			0	49. Other Jurisdictional Differences			0
17. Total noncurrent Assets (11 thru 16)	348,788	4,224	353,012	50. Total Other Liab. & Def. Credits (47 thru 49)	0	0	0
PLANT, PROPERTY AND EQUIPMENT				EQUITY			
18. Telecom Plant-In-Service	16,491,019	(39,737)	16,451,282	51. Cap. Stock Outstanding & Subscribed	35,000		35,000
19. Property Held for Future Use			0	52. Additional Paid-in-Capital			0
20. Plant Under Construction	389,320		389,320	53. Treasury Stock			0
21. Plant Adj., Nonop Plant & Goodwill			0	54. Membership and cap. Certificates			0
22. Accumulated Depreciation (CR.)	(13,821,570)	35,513	(13,786,057)	55. Other Capital			0
23. Net Plant (18 thru 21 less 22)	3,058,769	(4,224)	3,054,545	56. Patronage Capital Credits			0
TOTAL ASSETS (10+17+23)	4,421,082	0	4,421,082	57. Retained Earnings or Margins (B2)	1,399,512	0	1,399,512
				58. Total Equity (51 thru 57)	1,434,512	-	1,434,512
				59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	4,421,082	0	4,421,082

(A) - As reported on Form 481
 (B) - Part 64 adjustments to rate base from regulated to nonregulated.
 (B1) - Part 64 offset to nonreg investment
 (B2) - Part 64 offset to retained earnings
 (C) - Part 64 Adj. for line 48 is only for deferred taxes.

Company Name: (Below)
 Kalama Telephone Company

ASSETS	Balance End of Year 2013 (A)	Part 64 Adj to NonReg 2013 (B)	Adj. Balance End of Year 2013	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance Prior Year 2013 (A)	Part 64 Adj to NonReg 2013 (B)	Adj. Balance End of Year 2013
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents	598,846		598,846	25. Accounts Payable	178,707		178,707
2. Cash-RUS Construction Fund			0	26. Notes Payable			0
3. Affiliates:				27. Advance Billings and Payments			0
a. Telecom, Accounts Receivable			0	28. Customer Deposits			0
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt	181,200		181,200
c. Notes Receivable			0	30. Current Mat. L/T Debt Rur. Dev.			0
4. Non-Affiliates:				31. Current Mat. - Capital Leases			0
a. Telecom, Accounts Receivable	31,572		31,572	32. Income Taxes Accrued			0
b. Other Accounts Receivable	267,457		267,457	33. Other Taxes Accrued	16,967		16,967
c. Notes Receivable			0	34. Other Current Liabilities	2,111,895		2,111,895
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	2,488,769		2,488,769
6. Material-Regulated	38,719		38,719	LONG-TERM DEBT			
7. Material-Nonregulated			0	36. Funded Debt-RUS Notes			0
8. Prepayments			0	37. Funded Debt-RTB Notes	811,146		811,146
9. Other Current Assets	62,775		62,775	38. Funded Debt-FFB Notes			0
10. Total Current Assets (1 Thru 9)	999,369	-	999,369	39. Funded Debt-Other			0
NONCURRENT ASSETS				40. Funded Debt-Rural Develop. Loan			0
11. Investment in Affiliated Companies				41. Premium (Discount) on L/T Debt			0
a. Rural Development			0	42. Reacquired Debt			0
b. Nonrural Development			0	43. Obligations Under Capital Lease			0
12. Other Investments				44. Adv. From Affiliated Companies			0
a. Rural Development			0	45. Other Long-Term Debt			0
b. Nonrural Development			0	46. Total Long-Term Debt (36 thru 45)	811,146		811,146
13. Nonregulated Investments (B1)		3,126	3,126	OTHER LIAB. & DEF. CREDITS			
14. Other Noncurrent Assets	6,723		6,723	47. Other Long-Term Liabilities			0
15. Deferred Charges	418,090		418,090	48. Other Deferred Credits (C)			0
16. Jurisdictional Differences			0	49. Other Jurisdictional Differences			0
17. Total noncurrent Assets (11 thru 16)	424,813	3,126	427,939	50. Total Other Liab. & Def. Credits (47 thru 49)	0	0	0
PLANT, PROPERTY AND EQUIPMENT				EQUITY			
18. Telecom Plant-In-Service	17,719,333	(37,651)	17,681,682	51. Cap. Stock Outstanding & Subscribed	35,000		35,000
19. Property Held for Future Use			0	52. Additional Paid-in-Capital			0
20. Plant Under Construction	177,357		177,357	53. Treasury Stock			0
21. Plant Adj., Nonop Plant & Goodwill			0	54. Membership and cap. Certificates			0
22. Accumulated Depreciation (CR.)	(14,883,809)	34,525	(14,849,284)	55. Other Capital			0
23. Net Plant (18 thru 21 less 22)	3,012,881	(3,126)	3,009,755	56. Patronage Capital Credits			0
TOTAL ASSETS (10+17+23)	4,437,063	0	4,437,063	57. Retained Earnings or Margins (B2)	1,102,148	-	1,102,148
				58. Total Equity (51 thru 57)	1,137,148	-	1,137,148
				59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	4,437,063	0	4,437,063

(A) - As reported on Form 481
 (B) - Part 64 adjustments to rate base from regulated to nonregulated.
 (B1) - Part 64 offset to nonreg investment
 (B2) - Part 64 offset to retained earnings
 (C) - Part 64 Adj. for line 48 is only for deferred taxes.

Company Name: (Below)
Kalama Telephone Company

ASSETS	Adjusted Prior Year Balance 2012	Adjusted Current Year Balance 2013	LIABILITIES AND STOCKHOLDERS' EQUITY	Adjusted Prior Year Balance 2012	Adjusted Prior Year Balance 2013
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	695,528	598,846	25. Accounts Payable	31,299	178,707
2. Cash-RUS Construction Fund	0	0	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	0	31,572	28. Customer Deposits	0	0
b. Other Accounts Receivable	0	267,457	29. Current Mat. L/T Debt	169,800	181,200
c. Notes Receivable	0	0	30. Current Mat. L/T Debt Rur. Dev.	0	0
4. Non-Affiliates:			31. Current Mat. - Capital Leases	0	0
a. Telecom, Accounts Receivable	36,574	0	32. Income Taxes Accrued	0	0
b. Other Accounts Receivable	195,159	0	33. Other Taxes Accrued	15,188	16,967
c. Notes Receivable	0	0	34. Other Current Liabilities	1,777,613	2,111,895
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 - 34)	1,993,900	2,488,769
6. Material-Regulated	64,120	38,719	LONG-TERM DEBT		
7. Material-Nonregulated	0	0	36. Funded Debt-RUS Notes	0	0
8. Prepayments	0	0	37. Funded Debt-RTB Notes	992,670	811,146
9. Other Current Assets	22,144	62,775	38. Funded Debt-FFB Notes	0	0
10. Total Current Assets (1 Thru 9)	1,013,525	999,369	39. Funded Debt-Other	0	0
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan	0	0
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	0
a. Rural Development	0	0	42. Recquired Debt	0	0
b. Nonrural Development	0	0	43. Obligations Under Capital Lease	0	0
12. Other Investments			44. Adv. From Affiliated Companies	0	0
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	0	0	46. Total Long-Term Debt (36-45)	992,670	811,146
13. Nonregulated Investments	4,224	3,126	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	8,068	6,723	47. Other Long-Term Liabilities	0	0
15. Deferred Charges	340,720	418,090	48. Other Deferred Credits (B)	0	0
16. Jurisdictional Differences	0	0	49. Other Jurisdictional Differences	0	0
17. Total noncurrent Assets (11 thru 16)	353,012	427,939	50. Total Other Liab. & Def. Credits (47 thru 49)	0	0
PLANT, PROPERTY AND EQUIPMENT			EQUITY		
18. Telecom Plant-in-Service	16,451,282	17,681,682	51. Cap. Stock Outstanding & Subscribed	35,000	35,000
19. Property Held for Future Use	0	0	52. Additional Paid-in-Capital	0	0
20. Plant Under Construction	389,320	177,357	53. Treasury Stock	0	0
21. Plant Adj., Nonop Plant & Goodwill	0	0	54. Membership and cap. Certificates	0	0
22. Accumulated Depreciation (CR.)	(13,786,057)	(14,849,284)	55. Other Capital	0	0
23. Net Plant (18 thru 21 less 22)	3,054,545	3,009,755	56. Patronage Capital Credits	0	0
TOTAL ASSETS (10+17+23)	4,421,082	4,437,063	57. Retained Earnings or Margins	1,399,512	1,102,148
			58. Total Equity (51 thru 57)	1,434,512	1,137,148
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	4,421,082	4,437,063

Note:
Adjusted Balances represents balances after current year Part 64 adjustments
(B) - Provide Deferred Taxes on separate rate base schedule

Company Name: (Below)
 Kalama Telephone Company

	Line #	Adj. Balance End of Year 2012	Adj. Balance End of Year 2013	Average Adj End of Year Balance
Average Rate Base:				
Total Regulated Adjusted Telecom Plant-In-service	18	16,451,282	17,681,682	17,066,482
Total Property Held for Future Use	19	0	0	0
Total Regulated Adjusted Accumulated Depreciation (CR)	22	(13,786,057)	(14,849,284)	(14,317,671)
Total Regulated Materials & Supplies	6	64,120	38,719	51,420
Deferred Income Taxes (CR)		339,207	416,606	377,907
Total Regulated Rate Base		3,068,552	3,287,723	3,178,138

- Note:
1. Normal balance of deferred income taxes and accumulated depreciation is a credit.
 2. Adjusted balance includes current year Part 64 adjustments

Company Name: (Below)
 Kalama Telephone Company

Description	Prior Year End of Yr. Balance - 2012	Current Year End of Yr Balance - 2013	Difference	% Change
Access Lines:				
Residential	1,836	1,781	(55)	-3.0%
Business	618	531	(87)	-14.1%
Total	2,454	2,312	(142)	-5.8%
<hr/>				
	End of Yr. Balance - 2012	End of Year Balance -2013	Difference	% Change
Broadband Connections - DSL based	1,332	1,335	3	0.2%
<hr/>				
	Prior Yr. 2012	Current Yr. 2013	Difference	% Change
Total Annual Amount:				
Gross Capital Expenditures	816,469	1,016,351	199,882	24.5%
<hr/>				

FCC Form 481
 Part B Statement of Income and Retained Earnings Statement

Company Name: (Below)
 Kalama Telephone Company

Line #	Item	Prior Year 2012 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2012
1	Local Network Services Revenues	535,101		535,101
2	Network Access Services Revenues	2,521,537		2,521,537
3	Long Distance Network Services Revenues			0
4	Carrier Billing and Collection Revenues	21,352		21,352
5	Miscellaneous Revenues	38,789		38,789
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(5,138)		(5,138)
7	Net Operating Revenues (1 thru 6)	3,111,641	0	3,111,641
8	Plant Specific Operations Expense	1,002,328	(7,173)	995,155
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	523,443		523,443
10	Depreciation Expense	993,761	(1,628)	992,133
11	Amortization Expense			0
12	Customer Operations Expense	248,315	(3,593)	244,722
13	Corporate Operations	596,703	(3,168)	593,535
13a	Less: Corporate Operations Adjustment (FCC 36.621) report in ()			0
13b	Adjusted Corporate Operations Expense (Line 13 minus Line 13a)	596,703	(3,168)	593,535
14	Total Operations Expenses (8 thru 12 +13b)	3,364,550	(15,562)	3,348,988
15	Operating Income or Margins (7 less 14)	(252,909)	15,562	(237,347)
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	80,887	(149)	80,738
18	Federal Income Taxes (A1)	(140,758)	2,426	(138,332)
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	(59,871)	2,277	(57,594)
21	Net Operating Income or Margins (15+16-20)	(193,038)	13,285	(179,753)
22	Interest on Funded Debt	81,040		81,040
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	1,345		1,345
25	Allowance for Funds Used During Construction (CR)			0
26	Total Fixed Charges (22+23+24-25)	82,385	0	82,385
27	Nonoperating Net Income	11,452		11,452
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	21,798	(13,285)	8,513
31	Total Net Income or Margins (21+27+28+29+30-26)	(242,173)	0	(242,173)
32	Total Taxes Based on Income	(29,407)	2,426	(26,981)
33	Retained Earning or Margins Beginning-of-Year	1,641,685		1,641,685
34	Miscellaneous Credits Year-to-Date			0
35	Dividends Declared (Common)			0
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38)	1,399,512	0	1,399,512
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments	240,483		240,483
45	Cash Ratio ((14+20-10-11)/7)	0.7427	#DIV/0!	0.7389
46	Operating Accrual Ratio ((14+20+26)/7)	1.0885	#DIV/0!	1.0842
47	TIER ((31+26)/26)	(1.9395)	#DIV/0!	(1.9395)
48	DSCR ((31+26+10+11)/44)	3.4679	#DIV/0!	3.4611

Notes:

- (A) As reported on Form 481
- (A1) S Corporations provide effective tax rate on Income Statement Summary Schedule footnote, Page 8
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Part 64 offset to nonregulated income (No Impact to retained earnings)

Company Name: (Below)
 Kalama Telephone Company

Line #	Item	Prior Year 2013 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2013
1	Local Network Services Revenues	533,443		533,443
2	Network Access Services Revenues	2,456,445		2,456,445
3	Long Distance Network Services Revenues			0
4	Carrier Billing and Collection Revenues	13,370		13,370
5	Miscellaneous Revenues	38,077		38,077
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(7,870)		(7,870)
7	Net Operating Revenues (1 thru 6)	3,033,465	0	3,033,465
8	Plant Specific Operations Expense	986,538	(6,683)	979,855
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	508,301		508,301
10	Depreciation Expense	1,064,182	(632)	1,063,550
11	Amortization Expense			0
12	Customer Operations Expense	235,441	(3,434)	232,007
13	Corporate Operations	588,548	(4,927)	583,621
13a	Less: Corporate Operations Adjustment (FCC 36.621) report in ()			0
13b	Adjusted Corporate Operations Expense (Line 13 minus Line 13a)	588,548	(4,927)	583,621
14	Total Operations Expenses (8 thru 12 +13b)	3,383,010	(15,676)	3,367,334
15	Operating Income or Margins (7 less 14)	(349,545)	15,676	(333,869)
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	88,330	(147)	88,183
18	Federal Income Taxes (A1)	(171,154)	6,346	(164,808)
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	(82,824)	6,199	(76,625)
21	Net Operating Income or Margins (15+16-20)	(266,721)	9,477	(257,244)
22	Interest on Funded Debt	70,359		70,359
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	1,345		1,345
25	Allowance for Funds Used During Construction (CR)			0
26	Total Fixed Charges (22+23+24-25)	71,704	0	71,704
27	Nonoperating Net Income	5,514		5,514
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	35,547	(9,477)	26,070
31	Total Net Income or Margins (21+27+28+29+30-26)	(297,364)	0	(297,364)
32	Total Taxes Based on Income	(72,631)	6,346	(66,285)
33	Retained Earning or Margins Beginning-of-Year	1,399,512		1,399,512
34	Miscellaneous Credits Year-to-Date			0
35	Dividends Declared (Common)			0
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38)	1,102,148	0	1,102,148
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments	240,483		240,483
45	Cash Ratio ((14+20-10-11)/7)	0.7371	#DIV/0!	0.7342
46	Operating Accrual Ratio ((14+20+26)/7)	1.1116	#DIV/0!	1.1084
47	TIER ((31+26)/26)	(3.1471)	#DIV/0!	(3.1471)
48	DSCR ((31+26+10+11)/44)	3.4868	#DIV/0!	3.4842

Notes:

- (A) As reported on Form 481
- (A1) S Corporations provide effective tax rate on Income Statement Summary Schedule footnote, Page 8
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Part 64 offset to nonregulated income (No Impact to retained earnings)

Company Name:
 Kalama Telephone Company

Line #	Item	Adjusted Prior Year 2012	Adjusted Current Year 2013
1	Local Network Services Revenues	535,101	533,443
2	Network Access Services Revenues	2,521,537	2,456,445
3	Long Distance Network Services Revenues	0	0
4	Carrier Billing and Collection Revenues	21,352	13,370
5	Miscellaneous Revenues	38,789	38,077
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(5,138)	(7,870)
7	Net Operating Revenues (1 thru 6)	3,111,641	3,033,465
8	Plant Specific Operations Expense	995,155	979,855
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	523,443	508,301
10	Depreciation Expense	992,133	1,063,550
11	Amortization Expense	0	0
12	Customer Operations Expense	244,722	232,007
13	Corporate Operations	593,535	583,621
13a	Less: Corporate Operations Adjustment (FCC 36.621) report in ()	0	0
13b	Adjusted Corporate Operations Expense (Line 13 minus Line 13a)	593,535	583,621
14	Total Operations Expenses (8 thru 12 +13b)	3,348,988	3,367,334
15	Operating Income or Margins (7 less 14)	(237,347)	(333,869)
16	Other Operating Income and Expenses ()	0	0
17	State and Local Taxes	80,738	88,183
18	Federal Income Taxes	(121,203)	(143,655)
19	Other Taxes	0	0
20	Total Operating Taxes (17+18+19)	(40,465)	(55,472)
21	Net Operating Income or Margins (15+16-20)	(196,882)	(278,397)
22	Interest on Funded Debt	81,040	70,359
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	1,345	1,345
25	Allowance for Funds Used During Construction	0	0
26	Total Fixed Charges (22+23+24-25)	82,385	71,704
27	Nonoperating Net Income	11,452	5,514
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	25,642	47,223
31	Total Net Income or Margins (21+27+28+29+30-26)	(242,173)	(297,364)
32	Total Taxes Based on Income	(26,981)	(66,285)
33	Retained Earning or Margins Beginning-of-Year	1,641,685	1,399,512
34	Miscellaneous Credits Year-to-Date	0	0
35	Dividends Declared (Common)	0	0
36	Dividends Declared (Preferred)	0	0
37	Other Debits Year-to-Date	0	0
38	Transfers to Patronage Capital	0	0
39	Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))	1,399,512	1,102,148
40	Patronage Capital Beginning-of-Year	0	0
41	Transfers to Patronage Capital	0	0
42	Patronage Capital Credits Retired	0	0
43	Patronage Capital End-of-Year (40+41-42)	0	0
44	Annual Debt Service Payments	240,483	240,483
45	Cash Ratio ((14+20-10-11)/7)	0.7444	0.7412
46	Operating Accrual Ratio ((14+20+26)/7)	1.0897	1.1154
47	TIER ((31+26)/26)	(1.9395)	(3.1471)
48	DSCR ((31+26+10+11)/44)	3.46	3.4842

Footnote (A1)
 S Corporation Effective Tax Rate (2 decimal places):

2012 2013

Company Name: (Below)
 Kalama Telephone Company _____

Description	Part 32 Account	2012	2013
End User Revenue (SLC, ARC, etc.)	5081	280,910	292,573
Switched Access (excluding USF):	5082		
Intrastate		258,071	186,025
Interstate		275,519	60,546
Special Access:	5083		
Intrastate		11,066	10,354
Interstate		383,105	588,402
Federal USF (ICLS/CAF/HCL/SN)	Varies	1,312,866	1,318,545
Total (must equal line 2 of Income Stmt.)		2,521,537	2,456,445
Line 2 of Income Stmt.		2,521,537	2,456,445
Difference		0	0

**WASHINGTON 544 KALAMA
KALAMA TELEPHONE
COMPANY, INC.**

(A Wholly-Owned Subsidiary of
Scatter Creek, Ltd.)

Audited Financial Statements

December 31, 2013 and 2012

**WASHINGTON 544 KALAMA
KALAMA TELEPHONE COMPANY, INC.**
(A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

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1501 Regents Blvd., Suite 100
Fircrest, WA 98466-6060

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Johnson, Stone & Pagano, P.S.

JOHNSON, STONE & PAGANO, P.S.

April 9, 2014



**WASHINGTON 544 KALAMA
KALAMA TELEPHONE COMPANY, INC.**
(A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

[REDACTED]
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	<u>2013</u>	<u>2012</u>
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USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0544 PERIOD ENDING December, 2013
INSTRUCTIONS- See RUS Bulletin 1744-2	

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	535,101	533,443
2. Network Access Services Revenues	2,521,537	2,456,445
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues	21,352	13,370
5. Miscellaneous Revenues	38,789	38,077
6. Uncollectible Revenues	5,138	7,870
7. Net Operating Revenues (1 thru 5 less 6)	3,111,641	3,033,465
8. Plant Specific Operations Expense	1,002,328	986,538
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	523,443	508,301
10. Depreciation Expense	993,761	1,064,182
11. Amortization Expense		
12. Customer Operations Expense	248,315	235,441
13. Corporate Operations Expense	596,703	588,548
14. Total Operating Expenses (8 thru 13)	3,364,550	3,383,010
15. Operating Income or Margins (7 less 14)	(252,909)	(349,545)
16. Other Operating Income and Expenses		
17. State and Local Taxes	80,887	88,330
18. Federal Income Taxes	(123,629)	(150,001)
19. Other Taxes		
20. Total Operating Taxes (17+18+19)	(42,742)	(61,671)
21. Net Operating Income or Margins (15+16-20)	(210,167)	(287,874)
22. Interest on Funded Debt	81,040	70,359
23. Interest Expense - Capital Leases		
24. Other Interest Expense	1,345	1,345
25. Allowance for Funds Used During Construction		
26. Total Fixed Charges (22+23+24-25)	82,385	71,704
27. Nonoperating Net Income	11,452	5,514
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	38,927	56,700
31. Total Net Income or Margins (21+27+28+29+30-26)	(242,173)	(297,364)
32. Total Taxes Based on Income	(29,407)	(72,631)
33. Retained Earnings or Margins Beginning-of-Year	1,641,685	1,399,512
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	1,399,512	1,102,148
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
43. Patronage Capital End-of-Year (40+41-42)	0	0
44. Annual Debt Service Payments	240,483	240,483
45. Cash Ratio [(14+20-10-11) / 7]	0.7482	0.7441
46. Operating Accrual Ratio [(14+20+26) / 7]	1.0940	1.1185
47. TIER [(31+26) / 26]	-1.9395	-3.1471
48. DSCR [(31+26+10+11) / 44]	3.4679	3.4868

EXHIBIT 7

CORPORATE OPERATIONS EXPENSE ADJUSTMENT CERTIFICATE

I, Steven D. Hanson, an officer of Kalama Telephone Company with personal knowledge and responsibility, under penalty of perjury, hereby certify that no corporate operations adjustment to existing high-cost loop and interstate common line support mechanisms, as required by the Federal Communications Commission, applied to the Company for 2013 and 2012.

Date this 31st day of July, 2014.



Steven D. Hanson
President

EXHIBIT 8

FINANCIAL ACCOUNTING CERTIFICATE

I, Steven D. Hanson, an officer of Kalama Telephone Company with personal knowledge and responsibility, based upon my discussions with Company staff that 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 31st day of July, 2014.



Steven D. Hanson
President

EXHIBIT 9

CONTINUED OPERATIONS CERTIFICATE

I, Steven D. Hanson, an officer of Kalama Telephone 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 31st day of July, 2014.



Steven D. Hanson
President