

Agenda Date: May 17, 2006  
Item Number: A2

**Docket Number:** UT-060762  
Company Name: Westgate Communications (d/b/a WeavTel) (WeavTel)

Staff: Bob Shirley, Telecommunications Policy Analyst  
Tim Zawislak, Regulatory Analyst

### **Recommendation**

Issue an Order in Docket UT-060762 granting Westgate Communication's (d/b/a WeavTel) (WeavTel) petition for waiver of notice and filing dates as set forth in paragraph 8 of the Washington Carrier Access Plan as approved in Docket UT-971140, and establish an initial WECA pool revenue objective of \$738,443.

### **Background**

In 2000, the commission was contacted by a hotel owner and a few residents of Stehekin who requested assistance in obtaining telephone service. Staff went to Stehekin in February, 2001, and met with residents to discuss telephone service. Staff then contacted registered telephone companies in an attempt to identify a willing provider.

Westgate Communications, LLC, stated it would like to serve Stehekin. It created WeavTel to serve the area. It petitioned for, and was designated, as an eligible telecommunications carrier (ETC) to serve Stehekin.

WeavTel secured a RUS loan to finance the infrastructure to serve Stehekin.

WeavTel obtained permission to serve Stehekin from the National Park Service (NPS) in 2005. It has yet to reach an agreement with NPS concerning use of NPS right-of-way.

The community is divided over the prospect of wide-spread telephone communications (some residents have satellite telephones; the NPS serves its office with satellite service).

### **WeavTel's Network**

WeavTel has installed a Motorola Canopy system with two antennae. The system has been tested and is working, but not in use. The two antennae are capable of serving a majority of the buildings in Stehekin. WeavTel can reach the remainder with more antennae, but it would rather provide service by trenching cable in the NPS right-of-way.

WeavTel has a satellite link to Stehekin that has been tested and is working. WeavTel must complete its switching arrangements before it can begin operation. The company anticipates it will have a fully operational network by July 1, 2006.

WeavTel needs no permits for its antennae, or for installation of more antennae. The antennae are on private property and there is no NPS or county rule or code or ordinance that relates to the antennae in use or that may be used in the future.

If WeavTel and NPS come to an agreement over trenching, WeavTel will need no more permits; it will need no permits from the county for trenching because the trenching will be taking place in NPS roads.

#### Location and Customers

The area WeavTel will serve is at the north end of Lake Chelan. The exchange extends about ten miles from the ferry dock to Rainbow Bridge.

In addition to land owned by NPS and forest service, there are 200 privately owned parcels in Stehekin. Not all parcels are developed.

There are about 150 houses in Stehekin. About 100 are year-round households. Another 25 or so houses are used by seasonal workers. Of the remaining 25 or so homes, about half of those are rented by the week, month, or season; the other half are used only by owners as vacation (second) homes.

There are 10-15 year-round businesses. Those include air and water transportation, lodging, and food service businesses. There are another 10-15 seasonal businesses. These include cabin rental, horse packing, kayak rental, and similar seasonal, tourism businesses.

There is also the NPS, a school, and a post office. The PUD has a power generation facility.

WeavTel has projected a very conservative number of customers will be served with the Motorola Canopy. It submitted revenue estimates based on 20 customers. It can serve the entire telephone needs of Stehekin with the Canopy system. WeavTel expects to eventually to serve 75 homes and most businesses.

Local calling (non-toll) will be in the Stehekin exchange only.

#### Discussion

WeavTel expects its annual expenses to be \$959,752. This is a projected amount because the company is not yet operating. It anticipates earning 0.8% of that amount from end-use customers through local service rates similar to those charged by Verizon in Chelan. Access charge revenue and federal and state universal service support are the available sources to meet the remaining cost of doing business. Federal high-cost loop support (HCL) will not be available to WeavTel until one calendar quarter after its first year of operation.

WeavTel seeks to enter the WECA pool to earn \$738,443 of its projected expenses for the first year of operation. Cost-based rates for originating and terminating access (inter- and intrastate), federal support known as local switching and interstate common line support, and revenue from features will raise the remaining revenue necessary to meet expenses and earn a reasonable return on investment.

The WECA pool serves to reduce per-minute access charges for small companies. CenturyTel's participation and its large number of long-distance minutes permit the WECA pool to meet member-company revenue objectives with a relatively low terminating access rate, just over 5.7 cents per minute. Many small companies in the pool would have to charge terminating access rates several times that amount per minute if they were not part of the pool (one company would have to charge nearly 10 times the WECA pool rate).

If WeavTel and another petitioner, Beaver Creek Telephone Company, are added to the WECA pool, the WECA terminating access rate may increase to 6.2 cents per minute for terminating access.

The WECA pool rate is as low as it is because most member companies receive substantial federal universal service support. If this petition is approved, for the first six quarters of operation, WeavTel will receive from the WECA pool an amount that equals what it expects to receive in federal support as well as the amount of WECA support it will need once WeavTel is receiving all available federal support.

If WeavTel is not permitted to enter the WECA pool, then to secure sufficient revenue to meet expenses WeavTel would have to charge approximately \$8.24 per-minute terminating access rates for more than a year from the time it begins service. Once federal HCL support is available, if WeavTel is still not admitted to the WECA pool, then WeavTel would have to charge approximately \$6.86 per-minute access rates to meet its expenses. This would be approximately 40 times the WECA pool rate. WeavTel has committed to revising its revenue objective as federal HCL is received. Staff recommends that an order granting the petition include an expiration date for the revenue objective for the company.

Finally, it is worth noting that if a larger company were providing service to Stehekin, then most of the cost of providing service would be similar, but the effect on access rates would be far less pronounced.