June 9, 2006

Ms. Carole J. Washburn, Executive Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

re: Docket UT-060670, Beaver Creek
Docket UT-060762, Westgate Communications d/b/a/ WeavTel

Dear Ms. Washburn:

During the Special Open Meeting on the above listed dockets on June 6, 2006 I spoke briefly on the concept of Corporate Operations Expense limits. My comments were in response to a Staff recommendation to limit each of the companies to $100,000 per year in recoverable unseparated Corporate Operations Expense through tariffs regulated by this Commission. I feel that further clarification of my remarks and my intent is in order.

First, a brief chronology of the events leading up to the adoption of a limitation for High Cost Loop Support is in order. The Federal Communications Commission (FCC) in the matter of the Federal-State Joint Board on Universal Service, CC Docket 96-45, issued a Report and Order effective 07/17/97 with a per loop cap on Corporate Operations Expenses that could be included for High Cost Loop Support. GVNW had an ex parte meeting with the FCC and successfully lobbied for a limit that recognized that certain Corporate Operations Expenses needed to be incurred regardless of a company's size. The FCC issued an Order on Reconsideration effective on 02/12/98 recognizing a minimum level of Corporate Operations Expense of $300,000 per year.

Subsequent to these two Orders, the Rural Task Force (RTF) engaged in an in-depth analysis of Rate of Return regulated Incumbent Local Exchange Carriers (ILECs), particularly what are known as rural high-cost companies. As a result of this analysis, the RTF developed several recommendations that it submitted to the FCC. One of those recommendations was to increase the Corporate Operations Expense limitation for High Cost Loop Support. As a result, the FCC revised its rules effective 06/05/01 to re-base the limitation to $50,000 per month (effectively $600,000 per year) for the smallest tier of ILECs, namely those with fewer than 6,000 working loops. There are other limitations on ILECs between 6,001 and 18,005 working loops and ILECs with 18,006 or more working loops. This amount is allowed to grow by the Gross Domestic Product-Chained Price Index (GDP-CPI). As of 12/31/05 the GDP-CPI is 1.137693 making the current Corporate Operations Expense limit for the smallest ILECs $56,885 per month, or $682,616 per year.

I realize that this Commission may set any requirements that it deems appropriate on these new ILECs, Beaver Creek Telephone Company and Westgate Communications d/b/a WeavTel. I request, however, that you include in your deliberations the considered opinions of the FCC and the various commenters, including former WUTC Commissioner Bill Gillis as Chair of the RTF, in the above mentioned FCC proceedings.

There are certain Corporate Operations Expenses that are required of ILECs and the appropriate maximum level for even the smallest is substantially higher than $100,000. On behalf of my clients I request that this Commission adopt, in its open meeting scheduled for June 14, 2006, an unseparated Corporate Operations Expense limit for developing their revenue objectives that mirrors the FCC limit of $50,000 per month grown by the GDP-CPI, currently $56,885 per month and that the limit is allowed to increase as allowed in the High Cost Loop Support computation. At the very least, the limitation should be set at $300,000 to recognize the management salaries, legal and accounting costs that are a reality for any operating company.

Respectfully submitted,

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cc: Chairman Mark Sidran, Washington Utilities and Transportation Commission
Commissioner Philip Jones, Washington Utilities and Transportation Commission
Commissioner Patrick Oshie, Washington Utilities and Transportation Commission
Mr. Richard L. Weaver, WeavTel
Mr. Garrin Bott, Beaver Creek
Mr. Bob Shirley, WUTC Staff
Mr. Tim Zawislak, WUTC Staff