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February 3, 2006

VIA E-FILING AND HAND DELIVERY

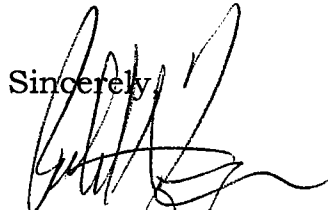
Ms. Carole J. Washburn, Executive Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Docket No. UT-050606; Inland Telephone Company

Dear Ms. Washburn:

Enclosed are the original and six copies of the Reply Testimony of John P. Coonan and Certificate of Service.

Sincerely,



RICHARD A. FINNIGAN

RAF/km
Enclosures

cc: Service List (via e-mail and U.S. mail)
James Brooks (via e-mail)
Greg Maras (via e-mail)
John Coonan (via e-mail)

RECEIVED
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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

1
2 **WASHINGTON UTILITIES AND TRANSPORTATION**
3 **COMMISSION,**
4
5 **COMPLAINANT,**
6 **V.**
7 **INLAND TELEPHONE COMPANY,**
8
9 **RESPONDENT.**

10
11
12 **DOCKET NO. UT-050606**

13
14 **REPLY TESTIMONY**
15 **OF JOHN P. COONAN**
16 **ON BEHALF OF INLAND TELEPHONE COMPANY**

17
18 **February 3, 2006**
19

1 **Q: PLEASE STATE YOUR NAME AND GIVE YOUR BUSINESS**
2 **ADDRESS FOR THE RECORD.**

3 A. John P. Coonan. My business address is 103 South Second Street, Roslyn, WA
4 98941.

5 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS**
6 **DOCKET?**

7 A. Yes, I submitted direct testimony dated October 21, 2005.

8 **Q. WHAT IS THE PURPOSE OF YOUR REPLY TESTIMONY?**

9 A. The purpose of my reply testimony is to reply to certain aspects of the testimony
10 submitted on behalf of Commission Staff in this matter.

11 **Q. HAVE YOU REVIEWED THE TESTIMONY SUBMITTED BY MR.**
12 **SHIRLEY?**

13 A. Yes. As I understand his testimony, he is stating that it is an open question as to
14 whether a competitive ETC continues to have the status as an ETC for an area if the
15 incumbent removes the geographical area from the incumbent's service territory.

16 **Q. DOES MR. SHIRLEY'S TESTIMONY CHANGE YOUR POSITION IN**
17 **ANY WAY?**

18 A. No. Mr. Shirley states that it is an unresolved issue. If the issue is resolved so
19 that the area remains within the service area for ETC purposes of the competitive
20 ETCs, then there are still three wireless ETCs that are designated to serve the Suncadia
21 Resort property. If it is determined that because Inland removed the Suncadia Resort
22 area from its service territory, that results in an automatic change in the designated
23 service areas for the competitive ETCs, then the Commission still has the authority, if it

1 feels it important to do so, to designate a carrier for the service area for ETC purposes.

2 This authority is found in 47 U.S.C. §214(e)(3).

3 **Q. ARE YOU FAMILIAR WITH MS. REYNOLDS' TESTIMONY IN THIS**
4 **DOCKET?**

5 A. Yes.

6 **Q. ARE YOU FAMILIAR WITH THE STATEMENT THAT IS MADE**
7 **BEGINNING AT PAGE 3, LINE 15 OF MS. REYNOLDS' TESTIMONY AS**
8 **FOLLOWS: "WHILE IT IS PROPER FOR INLAND TELEPHONE**
9 **COMPANY AND SUNCADIA TO SEEK PREDICTABILITY AND TO MAKE A**
10 **PROFIT, IT IS IMPROPER FOR EITHER ONE OR BOTH TO SEEK A**
11 **CHANGE THAT WILL INCREASE UNCERTAINTY ABOUT THE**
12 **AVAILABILITY AND RELIABILITY OF LOCAL TELEPHONE SERVICE AT**
13 **REASONABLE CHARGES OR INCREASE PROFIT POTENTIAL WHEN THE**
14 **RESULT IS TO DECREASE CERTAINTY AND OPTIONS FOR THE**
15 **CONSUMER TO OBTAIN TELECOMMUNICATIONS SERVICES AT**
16 **REASONABLE CHARGES"?**

17 A. Yes. A substantially similar statement also appears beginning at page 15, line
18 24 and carrying over to page 16 of Ms. Reynolds' Testimony.

19 **Q. WHAT IS YOUR UNDERSTANDING OF COMMISSION STAFF'S**
20 **POSITION AS SET FORTH ABOVE?**

21 A. It is very difficult to tell what is meant by this statement. As a result, Inland
22 propounded a data request to Commission Staff. A copy of that data request and the
23 response are attached as Exhibit No. _____ (JPC-6).

1 **Q. DID THE DATA REQUEST RESPONSE CLARIFY COMMISSION**
2 **STAFF’S POSITION?**

3 A. Not really. Commission Staff seems to have a misunderstanding of the
4 situation. Perhaps the best way to explain that misunderstanding is to break down the
5 components of the statement contained in Ms. Reynolds’ Testimony.

6 As a starting point, Ms. Reynolds states that it is improper if either Inland
7 Telephone Company or Suncadia seeks a change that “will increase uncertainty about
8 the availability and reliability of local telephone service at reasonable charges.” That is
9 not what is happening in this case.

10 What the filing in this docket represents is a reflection of reality. Inland
11 Telephone Company cannot provide service within the Suncadia Resort area today,
12 with the exception of a very limited set of business services provided directly to
13 Suncadia Resort as an entity and not provided to residential lot owners or other
14 businesses within Suncadia. Inland Telephone Company is not able to provide service
15 for the foreseeable future. There is no increase in uncertainty about the availability and
16 reliability of local telephone service by approving the tariff filed in this docket.

17 The second component of Ms. Reynolds’ statement is that it is improper for
18 Inland to “increase profit potential when the result is to decrease certainty and options
19 for customers to obtain telecommunications services at reasonable charges.” Again,
20 Staff does not understand the situation. There is no increase in profit potential caused
21 by this tariff filing. Further, there is no decrease in certainty or options for the
22 consumer. As stated, Inland cannot serve that area today and has no likely prospect of

1 serving the Suncadia Resort area in the foreseeable future. There is no basis for
2 Commission Staff's statements.

3 **Q. DID STAFF'S EXPLANATION IN ITS RESPONSE TO THE DATA**
4 **REQUEST PROVIDE ANY FURTHER INSIGHT INTO STAFF'S POSITION?**

5 A. A little. Commission Staff states that removing the Suncadia Resort area from
6 Inland's service area "will have the effect of creating greater certainty about its
7 [Inland's] obligations (which decreases risk while maintaining the same profit level – a
8 more advantageous situation for the shareholders)." There is nothing about this
9 statement that is accurate from a financial standpoint. There is nothing about the
10 inability to serve the Suncadia Resort area that decreases risk while maintaining the
11 same profit level. In actuality, given the expected service densities in the Suncadia
12 Resort area, there would be less risk in providing service in that area, if it was
13 physically possible to do so, than in the remainder of Inland's service territory. Now, it
14 is true that some degree of greater certainty is gained through the approval of the tariff
15 filing; that is, that Inland knows that it does not have an obligation to serve the
16 Suncadia Resort area. However, the relationship of "certainty" to "profit" is just not
17 one that ties together.

18 **Q. IS THERE ANYTHING ELSE ABOUT THE DATA REQUEST**
19 **CONTAINED IN EXHIBIT NO. _____ (JPC-6) THAT PROVIDES INSIGHT**
20 **TO COMMISSION STAFF'S POSITION?**

21 A. I am not sure whether it provides greater insight, but the response states that
22 Inland could serve as a CLEC within the Suncadia area if its ILEC obligations were
23 lifted and experience increased levels of profit. That statement makes no sense. If

1 Inland cannot get an easement to serve the Suncadia Resort area as an ILEC, what
2 expectation would there be that Inland can get an easement to serve the area as a
3 CLEC? Inland, whether as an ILEC or CLEC, has no way to physically access the
4 Suncadia Resort area to provide service.

5 Further, Staff's statement ignores the transactional costs associated with
6 becoming a CLEC. There are fairly high initial costs associated with an ILEC
7 becoming a CLEC. Different accounting systems have to be put in place. Cost
8 allocation mechanisms have to be developed. Agreements have to be negotiated with
9 ILECs for the exchange of traffic. None of these are inexpensive. Further, it is just idle
10 speculation that Inland could charge rates higher than its tariffed rates if it wanted to
11 serve the Suncadia Resort area as a CLEC. It is even greater speculation to assume that
12 Inland could make an increased profit by serving as a CLEC given the initial
13 transactional costs that have to be taken into account. Further, as noted above, it is
14 simply physically impossible for Inland to serve the Suncadia Resort area, whether as a
15 CLEC or an ILEC.

16 Finally, I want to assure the Commission that Inland has no plans to serve the
17 Suncadia Resort area as a CLEC.

18 **Q. AT PAGE 14 OF MS. REYNOLDS' PRE-FILED TESTIMONY, SHE**
19 **MAKES THE FOLLOWING STATEMENT: "AT STAKE IS WHETHER**
20 **MEMBERS OF THE PUBLIC WHO PURCHASE LOTS FROM SUNCADIA**
21 **WILL HAVE ACCESS TO INLAND'S SERVICES IN THE FUTURE IF**
22 **SUNCADIA EVER FAILS AS A BUSINESS OR OTHERWISE CHANGES ITS**
23 **BUSINESS MODEL SUCH THAT IT NO LONGER CONCERNS ITSELF**

1 **WITH THE AVAILABILITY OF TELECOMMUNICATIONS TO PROPERTY**
2 **OWNERS.” DO YOU KNOW OF ANY BASIS THAT THERE SHOULD BE A**
3 **CONCERN ABOUT SUNCADIA FAILING AS A BUSINESS?**

4 A. No. In addition, we asked Commission Staff to identify all studies, reviews or
5 other investigation undertaken by them on the likelihood of Suncadia failing as a
6 business. They responded that they had no such studies, reviews or other
7 investigations. Thus, there is no basis for this statement.

8 **Q. DO YOU KNOW OF ANY LIKELIHOOD OF SUNCADIA CHANGING**
9 **ITS BUSINESS PLAN?**

10 A. No. In addition, we requested such information from Commission Staff and
11 they responded that they had no study, review or investigation of the likelihood of
12 Suncadia changing its existing business model. Again, that means that there is no basis
13 for Commission Staff’s statement.

14 **Q. AT PAGE 18 OF MS. REYNOLDS’ PRE-FILED TESTIMONY, SHE**
15 **MAKES THE FOLLOWING STATEMENT: “IF THE PROPOSED TARIFF IS**
16 **NOT APPROVED, THEN A RESIDENT OF SUNCADIA MIGHT BE IN A**
17 **POSITION TO SUE SUNCADIA IN CIVIL COURT FOR AN EASEMENT**
18 **ACROSS THE PRIVATE ROADS OF THE RESORT. IF AN EASEMENT**
19 **WERE GRANTED, THE RESIDENT COULD DEMAND SERVICE FROM**
20 **INLAND, AND IF INLAND REFUSED SERVICE AT THAT TIME, THE**
21 **COMMISSION COULD ACT TO COMPEL INLAND TO PROVIDE**
22 **SERVICE.” ARE YOU AWARE OF ANY SUCH THEORY BY WHICH A**

1 **RESIDENT MAY OBTAIN AN EASEMENT IF SOME FORM OF**
2 **TELECOMMUNICATIONS SERVICE IS AVAILABLE?**

3 A. No, I know of no such theory. In addition, data requests were propounded to
4 Commission Staff on this subject. Commission Staff objected to the data requests as
5 calling for a legal conclusion, even though the matter is set forth in Ms. Reynolds'
6 Testimony, and objected that the matter is attorney work product or attorney-client
7 privileged information. Commission Staff did provide a response that was subject to its
8 prior objection. Until that objection is ruled upon, I am precluded from commenting
9 further.

10 **Q. WHAT DO YOU UNDERSTAND FROM MS. REYNOLDS'**
11 **STATEMENT AT PAGE 18 THAT INLAND COULD BE COMPELLED TO**
12 **PROVIDE SERVICE UNDER THE HYPOTHESIS SET FORTH BY**
13 **COMMISSION STAFF?**

14 A. I just don't know. This is a concern to Inland given Staff's explanation of its
15 position. It may well mean that Inland is required to keep on hand significant extra
16 facilities should some customer be able to obtain an easement that would allow the
17 customer to compel Inland to provide service. That would seem to be an unnecessary
18 expense.

19 We did try to get clarification from Commission Staff as to what they meant by
20 this obligation. However, each of those data requests met with an objection. In light of
21 those objections, Inland can only assume that it must maintain some level of investment
22 in facilities on hand on the abstract chance that Inland will have to provide service if
23 the tariff filing is not approved. Commission Staff's position came as a surprise to

1 Inland. It is not clear to Inland what this level of cost would be. But any level of cost
2 is a burden to Inland's other customers that they should not have to bear when it is
3 highly speculative that service may need to be provided in the Suncadia Resort area.

4 While Inland has not done a full analysis to determine the cost to provide
5 service throughout the Suncadia Resort area, our preliminary estimates show that the
6 cost is quite substantial. Given the densities in the Suncadia Resort area, if Inland were
7 allowed to serve all customers throughout the Suncadia Resort area, the actual cost per
8 customer would be less than in other areas that Inland serves. However, the thought
9 that Inland could be compelled to serve one or two customers out of the 2,800
10 residential lots, at a substantial investment expense, is clearly a concern that Staff's
11 testimony raises. Under the scenario Commission Staff posits, Inland Telephone
12 Company may have to spend tens of thousands of dollars to serve just one customer.
13 Our prior response to a Staff Data Request and attachments, discussing estimates of the
14 cost to provide service in the Suncadia Resort area are attached as Exhibit No. _____
15 (JPC-7). If those costs have to be spread to the remainder of Inland's customer base, on
16 the theory that some day a customer in the Suncadia Resort area desires service, that
17 does not appear to Inland to be in the public interest. Further, under Staff's theory,
18 Inland may need to keep all of this equipment and facilities on hand -- an immediate
19 expense -- to satisfy the obligation to serve an area Inland has little realistic chance of
20 serving.

21 **Q. IF THIS TARIFF FILING IS NOT APPROVED, IS THERE ANY**
22 **LIKELIHOOD THAT INLAND AND SUNCADIA, LLC WILL ENGAGE IN**

1 **NEGOTIATIONS THAT WILL ALLOW INLAND TO PROVIDE SERVICE**
2 **THROUGHOUT THE SUNCADIA RESORT AREA?**

3 A. No.

4 **Q. MS. REYNOLDS BRIEFLY DESCRIBES THE PROSPECT OF**
5 **INTELLIGENT COMMUNITY SERVICES OR ICS PROVIDING SERVICE**
6 **TO THE SUNCADIA RESORT AREA AT PAGES 18 AND 19 OF HER**
7 **TESTIMONY. DO YOU HAVE ANY CONCERNS ABOUT THE PROPOSAL**
8 **FOR ICS TO PROVIDE SERVICE?**

9 A. Yes. This raises a policy issue that Inland believes the Commission should give
10 careful consideration. As noted by Commission Staff, under the scenario where ICS
11 and Suncadia, LLC negotiate to allow ICS to be the preferred provider, ICS could
12 become a *de facto* monopoly without any restraints imposed by competition or by
13 Commission review of tariff filings. Further, ICS would be eligible to seek designation
14 as an ETC for the Suncadia Resort area. If granted, ICS would obtain support, not
15 based on ICS' cost to serve in the relatively more dense area of the Suncadia Resort,
16 but on Inland's per line support which takes into account serving the less dense areas in
17 Inland's other service areas. This raises the possibility of ICS receiving a windfall.

18 **Q. DOES THAT CONCLUDE YOUR REPLY TESTIMONY?**

19 A. For the present, it does.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: January 5, 2006
CASE NO.: UT-050606
REQUESTER: Inland

WITNESS: Deborah Reynolds
RESPONDER: Deborah Reynolds
TELEPHONE: (360) 664-1255

1. **At Pages 15 and 16 of Ms. Reynolds' Testimony, the statement is made as follows: "While it is proper for Inland Telephone Company and Suncadia to seek predictability and to earn a profit, it is improper for either one or both to seek a change that will increase uncertainty for consumers while increasing potential profit for the company." As it relates to this statement, please explain in detail how removing the Suncadia Resort area from the Inland Telephone Company service area will increase potential profit for Inland Telephone Company.**

Response:

Only Inland can give a full explanation of its reasons for filing the tariff, and in particular why the tariff is in its business interest. However, Inland has, in its testimony, detailed its business negotiations with Suncadia which were presumably aimed at creating a profit opportunity for Inland. The failure of that profit opportunity to arise from the negotiations appears to be the reason the tariff was filed. Removing Suncadia from the Inland Telephone Company service territory will have the effect of creating greater certainty about its obligations (which decreases risk while maintaining the same profit level – a more advantageous situation for shareholders). In addition, as with any other telecommunications company in the state, Inland would be able to provide telecommunications services as a CLEC within the Suncadia area if its ILEC obligations were lifted. Therefore, Inland will be able to provide telecommunications services at whatever rates it sets, rather than the tariff rates that apply now. Assuming Inland would charge higher rates given the opportunity, it is reasonable to assume increased profits.

WUTC STAFF DATA REQUEST NO. 12

Please provide an estimate of the costs associated with serving Suncadia's residential customers over the next two years, including cost of service and construction of new plant.

RESPONSE:

It is our understanding that Suncadia has installed fiber infrastructure or is in the process of installing fiber infrastructure for the purpose of providing service to residential customers. In a document presented by Suncadia at the WUTC Open Meeting, Suncadia states, "We will extend telephone lines (fiber cable) to vaults assigned to service lots in conjunction with road construction and the installation of the other utilities." In that document, Suncadia further states, "We will bear the cost of construction and extension of the telephone lines to the property line of all lots in the offering" and "Telephone facilities will be extended to the lots at no cost to the lot owners. At the time you request service, you will be required to pay a connection fee to the utility company that will include the cost of extending the fiber cable from the property line to the communications panel (also known as an "Exterior Media Conversion Enclosure") at your dwelling, which may vary based on the distance of your dwelling from the property line. The connection cost is determined by the utility company at the time of connection." A copy of the referenced document is attached.

Accordingly, if Inland were able to use this fiber, at no cost to Inland, a major portion of the cost to provide service would be avoided. Providing service would still be predicated on obtaining easements for providing service in order to protect the customers as well as any investment made by Inland. Part of the easements that would be required would be for placing Passive Optical Network (PON) cabinets. Providing service may also be predicated on modifying Inland's tariff to allow Inland to charge for the buried fiber drop and the Optical Network Interface Device (ONID) or "Exterior Media Conversion Enclosure". Placing of the PON cabinets should be based upon an engineering study for optimum efficiency and not on the developer. Inland currently does not charge for a drop if it is within 300 feet from the main

distribution line and since Inland does not have fiber-to-the-premises today, Inland does not have a provision within its tariff for charging for a ONID.

Providing service to the first customer through customer number 128 utilizing the existing fiber cable and not requiring a PON cabinet is estimated at \$110,000.00. This does not include the ONID estimated at \$600.00 per customer, the fiber drop or any fiber splicing for the ONID (approximately \$1,000 per customer). The \$110,000.00 primarily represents central office equipment. If a PON cabinet were required (or multiple cabinets), the cost per cabinet serving up to 128 customers would be \$110,000.00, plus the cost of a hardened cabinet (between \$8,000 to \$10,000). This means that given the way the Suncadia Resort is being constructed, the minimum equipment investment to serve the area is \$228,000 to \$230,000. In addition, the customer ONID and other customer service costs add approximately \$128,000 of investment needed to serve the first 128 customers. This cost does not include engineering, or installation or power. As stated above, it also assumes use of the existing fiber network at no cost. For cabinet placement, Inland would need the cooperation of Suncadia and also the cooperation of Puget Sound Energy, in providing power. There are issues of maintenance of the fiber that would also have to be addressed as well as trouble shooting during initial installation (e.g. bad light, bad fiber and degraded signal).

If Inland were able to utilize the existing conduit system within Suncadia, and copper were pulled in, providing service would still be predicated on obtaining easements for providing service in order to protect the customers as well as any investment made by Inland. Part of the easements that would be required would be for placing Subscriber Carrier cabinets. Placing of these cabinets should be based upon an engineering study for optimum efficiency. The cost of extending a copper solution is difficult to determine at this time. Suncadia is not a "block by block" development and it would take an engineering study to determine the actual cost. What is meant by the reference to Suncadia not being a "block by block" development is that homes are being constructed in widely dispersed areas, not in one consolidated phase at a time. This means

being constructed in widely dispersed areas, not in one consolidated phase at a time. This means that most likely, initial service will require multiple PON cabinets at an equipment only cost of \$118,000 to \$120,000 per cabinet.

Inland did have an engineering study performed in mid 2002 by the Martin Group, an engineering firm based out of Mitchell, South Dakota. The overview from the study is attached. The estimated costs for outside plant (OSP) and electronics are for the entire project as it was laid-out in 2002 by MountainStar (Suncadia's predecessor), and include some costs for electronics that would benefit Inlands existing customers (e.g. new switch).

Inland cautions that the above figures are not precise. Because no agreement to provide service to the Suncadia residential customers was reached with Suncadia, exact figures have never been developed by Inland. The figures set out above represent rough estimates and may not be used as a calculation of the actual cost to provide service.

Person preparing response: James Brooks

Date: September 13, 2005

Puget Sound Energy the usual, regulated connection fees to obtain service, as well as any costs charged by Puget Sound Energy for extending service lines from the lot line to your dwelling.

In compliance with the requirements of the contract for electric service with Puget Sound Energy, electricity will be limited to service for lighting and appliances. Propane (or natural gas, if and when it becomes available) must be used for heat and hot water. However, exemptions from gas use may be granted by us, through the Design Review Committee, in our sole discretion. Consistent with the requirements of Puget Sound Energy, the total number of exemptions granted will not exceed 10% of all residential uses at any time. Exemptions from gas use will be considered at the time application is made to the Design Review Committee for design approvals for the home you intend to build on your lot. See pages 37-38 for more information on the availability of natural gas or propane service.

TELEPHONE

Telephone service will be available to the subdivision and will be supplied by Intelligent Community Services, Inc., ("ICS") a competitive local exchange company or "C-LEC", or an equivalent service provider. ICS will be reselling services supplied by a Washington Utilities and Transportation Commission regulated utility to be determined by ICS.

We will extend telephone lines (fiber cable) to vaults assigned to service lots in conjunction with road construction and the installation of the other utilities. Upon request for service by a lot owner, ICS will extend fiber cable from the vault servicing such lot to the property line in front of, or adjacent to, the lot requesting the service. The status of construction of the telephone lines to the vaults serving lots is indicated in the chart below:

PLAT	ESTIMATED STARTING DATE (month/year)	PERCENTAGE OF CONSTRUCTION COMPLETE	ESTIMATED SERVICE AVAILABILITY DATE (month/year)
Division 1	8/02	80%	8/05*
Division 2	5/04	80%	8/05*
Division 3	4/05	5%	7/06
Tumble Creek	7/04	20%	1/06 **

*Construction of conduits has been completed; however, pulling of fiber cable through the conduits has been completed to a limited number of lots in Division 1, and has yet to be completed to remaining lots in Division 1 and to lots in Division 2. Due to construction and

contracting delays, the original estimated completion dates of April 2004 and December 2004 for Division 1 and June 2004 and December 2004 for Division 2 for such work were not met.

** Extension of the telephone service lines in front of, or adjacent to each of the lots in Tumble Creek is estimated for completion in October 2005; however, telephone service will not be available until the utility crossing is completed over the Tumble Creek Bridge as previously described and estimated for January 2006.

We will bear the cost of construction and extension of the telephone lines to the property line of all lots in the offering. A Financial Guaranty Agreement has been provided to Kittitas County to provide financial assurance of completion of the trenching, conduits and backfill for the telephone lines in Tumble Creek and Division 3 (trenching and conduit installation has been completed to lots in Division 1 and Division 2). We will bear the cost of extending the telephone lines to the lots in Divisions 1 – 3 and Tumble Creek.

HOWEVER, NO FUNDS HAVE BEEN SET ASIDE IN AN ESCROW OR TRUST ACCOUNT NOR HAVE ANY OTHER FINANCIAL ARRANGEMENTS BEEN MADE TO ASSURE THE EXTENSION OF TELEPHONE LINES TO THE LOTS IN THIS OFFERING.

Telephone facilities will be extended to the lots at no cost to the lot owners. At the time you request service, you will be required to pay a connection fee to the utility company that will include the cost of extending the fiber cable from the property line to the communications panel (also known as an "Exterior Media Conversion Enclosure") at your dwelling, which may vary based on the distance of your dwelling from the property line. The connection cost is determined by the utility company at the time of connection. Connection fees for basic telephone services will be competitive with fees charged by a regulated service provider.

FUEL OR OTHER ENERGY SOURCE

In compliance with the requirements of the contract for electric service with Puget Sound Energy, electricity will be limited to service for lighting and appliances. Propane (or natural gas, if and when it becomes available) must be used for heat and hot water.

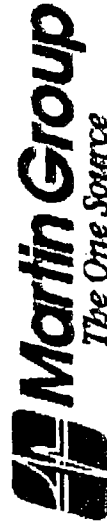
Propane gas is available as an energy source from various suppliers in this area, including Northern Energy located in Ellensburg, Washington; AmeriGas, located in Ellensburg, Washington; and A-1 Petroleum located in Ellensburg, Washington. Based on information provided by Northern Energy, the estimated cost to purchase an above-ground storage tank is approximately \$539.00 for a 250-gallon tank and \$875.00 for a 500-gallon tank. The estimated cost to purchase an underground tank is \$830.00 for a 250-gallon tank and \$1,130.00 for a 500-gallon tank. The estimated cost to lease an above-ground storage tank is approximately \$50.00 per year for a 250-gallon tank and \$65.00 per year for a 500-gallon tank. An installation fee of \$75.00 for an underground line up to 100 feet and a trenching fee at \$50.00 per hour are also charged in connection with both rental and purchase of a storage tank. These charges are subject to change by Northern Energy. We recommend that you contact the other suppliers for their charges.

Preliminary Technical Overview

For Inland Telephone Company

Phone: 605-996-9646

Fax: 605-995-2577



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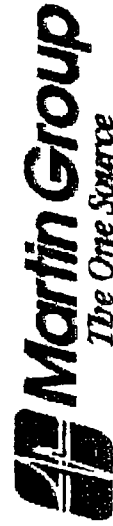
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STUDY DONE IN MAR 2002

- **The following estimates are based on previous Martin Group projects and studies.**

- **These numbers are based on a "10,000" foot overview assuming:**
 - **Greenfield construction**
 - **3000 access lines**
 - **15 miles of Outside Plant (OSP) construction plus 3000 drops @ 150' each.**
 - **Customer Serving Areas (CSAs) fit the technology.**

- **A detailed cost estimate can be provided based on formal architectural plans**



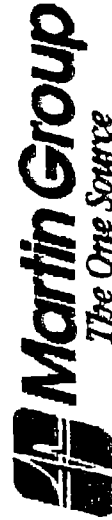
The One Source

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• **This study evaluates the following technologies:**

- **VDSL**
- **ADSL Plus**
- **Hybrid Fiber Coax (HFC)**
- **Fiber To The Home (FTTH)**



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The Table below shows the capabilities of each technology with relationship to each other.

Technology	Bandwidth	No. of Video Channels	Loop Length
VDSL	15 Meg	3	4,000 ft
ADSL Plus	10 Meg	2	10,000 ft
HFC	Variable depends on subscriber counts	>3	Variable Generally 3,500 ft past last amplifier
FTTH	100 meg	>3	25,000 ft



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VDSL

• VDSL Pros • VDSL Cons

- It is an integrated system
- Offers the most channels of the DSL flavors
- Needs a Switched Digital Video (SDV) head end signal
- Has a 4kft. loop limit for 3 video channels
- Highly proprietary



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VDSL Pricing

- **OSP Costs**
 - **\$3,800,000**
 - Includes all copper, drops, fiber to each node, and ductwork.
- **Electronics Costs**
 - **\$3,300,000**
 - Includes COE and field electronics.
 - Includes Residential Gateway for each subscriber

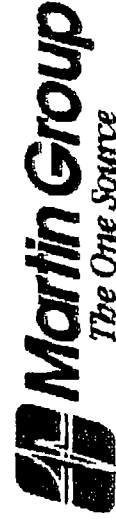


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ADSL

- **ADSL Pros**
 - Longer loop lengths than VDSL
 - Standards based
- **ADSL Cons**
 - Requires Middleware
 - Lowest bandwidth
 - Set top box for each TV
 - Requires Switched Digital Video Head End



ADSL Pricing

- **OSP Pricing**
- **\$3,500,000**
- Includes all copper, drops, fiber to each node, and ductwork.
- **Electronic Pricing**
- **\$2,700,000**
- Includes COE and field electronics.
- Includes one set top per household

HFC

- **HFC Pros**
 - Can use existing head end signal.
- **HFC Cons**
 - System design greatly affect performance.

HFC Pricing

- **OSP Pricing**
- **5,500,000**
- Includes twisted pair copper and COAX
- **Electronic Pricing**
- **400,000**
- Includes active and passive CATV equipment



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FTTH

- **FTTH Pros**
 - Can use existing Head end signal.
 - High bandwidth capacity.
 - May not need set top at each customer.
- **FTTH Cons**
 - Proprietary technology.
 - Costly CPE.
 - Maintenance (both OSP and CPE).



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FTTH Pricing

- **OSP Pricing**
 - **\$3,800,000**
 - Includes all fiber, splicing, and ductwork.
- **Electronic Pricing**
 - **\$4,500,000**
 - Includes COE, CPE, and splitters.

Pricing Summary

- **VDSL** **7.1 Million**
- **ADSL** **6.2 Million**
- **HFC** **5.9 Million**
- **FTTH** **8.3 Million**



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Contacts

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WUTC STAFF DATA REQUEST NO. 13

Please provide an estimate of costs associated with serving an average residence at Suncadia over the next two years, including cost of service and construction of new plant.

RESPONSE:

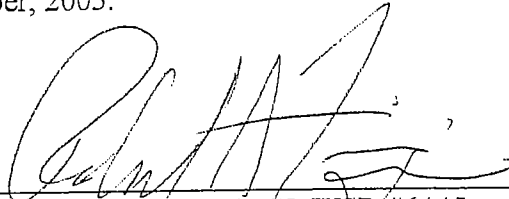
Inland objects to this data request as overly burdensome. To respond to the data request would require Inland to perform a special study, most likely through the hiring of an outside engineering firm. Without waiving this objection, Inland incorporates the response to the Data Request 12.

Inland cautions that the figures in Data Request 12 are not precise. Because no agreement to provide service to the Suncadia residential customers was reached with Suncadia, exact figures have never been developed by Inland. The figures set out above represent rough estimates and may not be used as a calculation of the actual cost to provide service.

Person preparing response: Richard A. Finnigan

Date: September 13, 2005

DATED this 13th day of September, 2005.



RICHARD A. FINNIGAN, WSB #6445
Attorney for Inland Telephone Company

CERTIFICATE OF SERVICE
UT-050606

I certify that I have this day served the Reply Testimony of John P. Coonan upon all parties of record in this proceeding by sending a copy by the method stated below, and by electronic mail, to the following parties or attorneys of parties:

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Dated at Olympia, WA this 3rd day of February, 2006.

By: 
Kathy McCrary