

**Washington Exchange Carrier
Association
2005 Annual Report**

FOREWORD

The Washington Exchange Carrier Association (WECA), a non-profit corporation, was formed May 28, 1987. WECA's membership consists of 24 Local Exchange Telecommunications Companies (LECs) operating within the state of Washington. WECA is involved in the development and filing of intrastate carrier common line and universal service fund access tariffs, pooling the revenues which are derived from those tariffs, and distributing those revenues to the member companies.

Effective May 27, 1992 the Washington Utilities & Transportation Committee approved rules of procedure allowing WECA to operate as a tariff bureau. Pursuant to these rules of procedure WECA provides an open forum for member companies and other interested parties to discuss and consider proposals affecting Washington intrastate telecommunications services.

On October 1, 1996 WECA became responsible for the administration of the Data Distribution Center (DDC) in the state of Washington. The DDC receives intralata originating access records from participating companies and produces and distributes intralata terminating access records to all LECs. These records are used to bill terminating access to certain intralata carriers. Prior to the implementation of the DDC, intralata terminating access was billed based upon terminating to originating minute ratios. With the advent of the DDC, terminating access is now billed based upon actual usage.

WECA MEMBER COMPANIES

Asotin Telephone Company
Beaver Creek Telephone Company (1)
CenturyTel of Cowiche, Inc.
CenturyTel of Inter-Island, Inc.
CenturyTel of Washington, Inc.
Computers 5*, Inc.
Ellensburg Telephone Company
Hat Island Telephone Company
Hood Canal Telephone Co. Inc.
Inland Telephone Company
Kalama Telephone Company
Lewis River Telephone Company, Inc.
M&L Enterprises, Inc.
Mashell Telecom, Inc.
McDaniel Telephone Company
Pend Oreille Telephone Company
Pioneer Telephone Company
St. John Telephone Company
Tenino Telephone Company
The Toledo Telephone Co., Inc.
Western Wahkiakum County Telephone Company
Westgate Communications. LLC (2)
Whidbey Telephone Company
YCOM Networks, Inc.

(1) Beaver Creek Telephone Company joined WECA effective July 1, 2006.

(2) Westgate Communications (d/b/a WeavTel) Joined WECA effective May 1, 2007.

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2005-2006 BOARD OF DIRECTORS

The WECA Board of Directors consists of ten individuals, elected by the membership. Each of the four member companies serving the greatest number of access lines in the state of Washington is entitled to one position on the Board of Directors. These positions are identified as Subset A Directors. All of the remaining member companies are entitled to six positions on the Board of Directors. These positions are identified as Subset B Directors. The following individuals were elected to Board positions at the June 3, 2005 annual membership meeting:

<u>INDIVIDUAL</u>	<u>AFFILIATION</u>
<u>Subset A Directors</u>	
TOM GORMAN	YCOM NETWORKS, INC.
JANA MANTEROLA	ELLENSBURG TELEPHONE COMPANY
JACKIE PHILLIPS	CENTURYTEL OF WASHINGTON, INC.
ROB SNYDER (WECA VICE-PRESIDENT)	WHIDBEY TELEPHONE COMPANY
<u>Subset B Directors:</u>	
STEVE APPELO	WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY
JAMES BROOKS	INLAND TELEPHONE COMPANY
RICHARD BUECHEL	HOOD CANAL TELEPHONE CO. INC.
STEVE HANSON (WECA SECRETARY/TREASURER)	TENINO TELEPHONE COMPANY
GAIL LONG	LEWIS RIVER TELEPHONE CO., INC.
BOB SMITH (WECA PRESIDENT)	KALAMA TELEPHONE COMPANY

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2006-2007 BOARD OF DIRECTORS

The following individuals were elected to Board positions at the June 27, 2006 annual membership meeting:

INDIVIDUAL

AFFILIATION

Subset A Directors

TOM GORMAN

YCOM NETWORKS, INC.

JANA MANTEROLA

ELLENSBURG TELEPHONE COMPANY

JACKIE PHILLIPS

CENTURYTEL OF WASHINGTON, INC.

ROB SNYDER
(WECA VICE-PRESIDENT)

WHIDBEY TELEPHONE COMPANY

Subset B Directors:

STEVE APPELO

WESTERN WAHIAKUM COUNTY
TELEPHONE COMPANY

JAMES BROOKS

INLAND TELEPHONE COMPANY

RICHARD BUECHEL

HOOD CANAL TELEPHONE CO. INC.

STEVE HANSON
(WECA SECRETARY/TREASURER)

TENINO TELEPHONE COMPANY

GAIL LONG

LEWIS RIVER TELEPHONE CO., INC.

BOB SMITH
(WECA PRESIDENT)

KALAMA TELEPHONE COMPANY

ADMINISTRATION

The administrative staff is responsible for managing the pooling and distribution of intrastate carrier common line and universal service fund access revenues, monitoring pool results, preparing and filing access tariffs and providing support to the Board of Directors and various WECA committees. The administrative staff also provides support for the Tariff Bureau activities of WECA, and oversees the administration of the Data Distribution Center. Administrative staff for the pool year ended December 31, 2005 were:

Craig Phillips	-	Administrator
Bob Kennedy	-	Analyst
Duane Vollrath	-	DDC Coordinator

UNIVERSAL SERVICE FUND AND NON-TRAFFIC SENSITIVE FUND COMMITTEES:

Committee members for the pool year ended December 31, 2005 were:

Bob Smith, Chairman
Steve Appelo
James Brooks
Richard Buechel
Tom Gorman
Steve Hanson
Gail Long
Jana Manterola
Jackie Phillips
Rob Snyder

The USF and the NTS Committees, which meet monthly, oversee the activities of the Traditional USF, the Interim USF and the CCL Pool, respectively.

Intrastate Telecommunications Plan (1987-2000)

The Washington Utilities and Transportation Commission (WUTC) adopted the Intrastate Telecommunications Plan (ITP) on December 30, 1986. WECA tariffs filed in accordance with the ITP became effective on April 1, 1987. The ITP established the USF and NTS Funds to provide for the pooling of revenues and expenses relating to the intrastate portion of non-traffic sensitive (NTS) costs. The NTS revenue requirements for the pools were based upon projected investment, expenses and separation factors. The revenues were collected through carrier common line and universal service fund access charges billed to long-distance carriers for access to the local network. On September 1, 2000, a new access plan, the Washington Access Carrier Plan (WCAP) was implemented.

Washington Access Carrier Plan (WCAP)

The WCAP, which replaced the ITP, was approved by the WUTC to become effective on September 1, 2000. The WCAP established three voluntary pools related to intrastate NTS costs. The first of these pools is the universal service support pool created in the ITP, which is referred to in the WCAP as the "Traditional USF." The second of these pools involves the interim universal fund element created to comply with the WUTC's terminating access rule. This pool is referred to in the WCAP as the "Interim USF." The third pool deals with revenues produced by the originating carrier common line (CCL) rates assessed by participating companies. This pool is referred to in the WCAP as the "CCL Pool."

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Traditional USF

The Traditional USF pool is not open to new participants. The Traditional USF rate will remain frozen at \$.00152, except as it may be modified by the withdrawal of a participating LEC. The distributions from the Traditional USF are based upon distribution ratios calculated using the actual distributions received by participating LECs for the 1999 pool year. Distribution ratios will be adjusted to reflect the exit of any participating LEC who leaves the Traditional USF pool.

All LECs operating within the state of Washington shall assess the Traditional USF rate at \$.00152 per access minute on all intrastate originating and terminating access minutes and shall remit the resulting revenues to WECA.

Interim USF

All Washington LECs are eligible to participate in the Interim USF. The distributions from the Interim USF are based upon distribution ratios calculated using the actual distributions received by participating LECs for the prior pool year. Distribution ratios will be adjusted to reflect the entry of a new participant, or the exit of any participating LEC from the Interim USF pool.

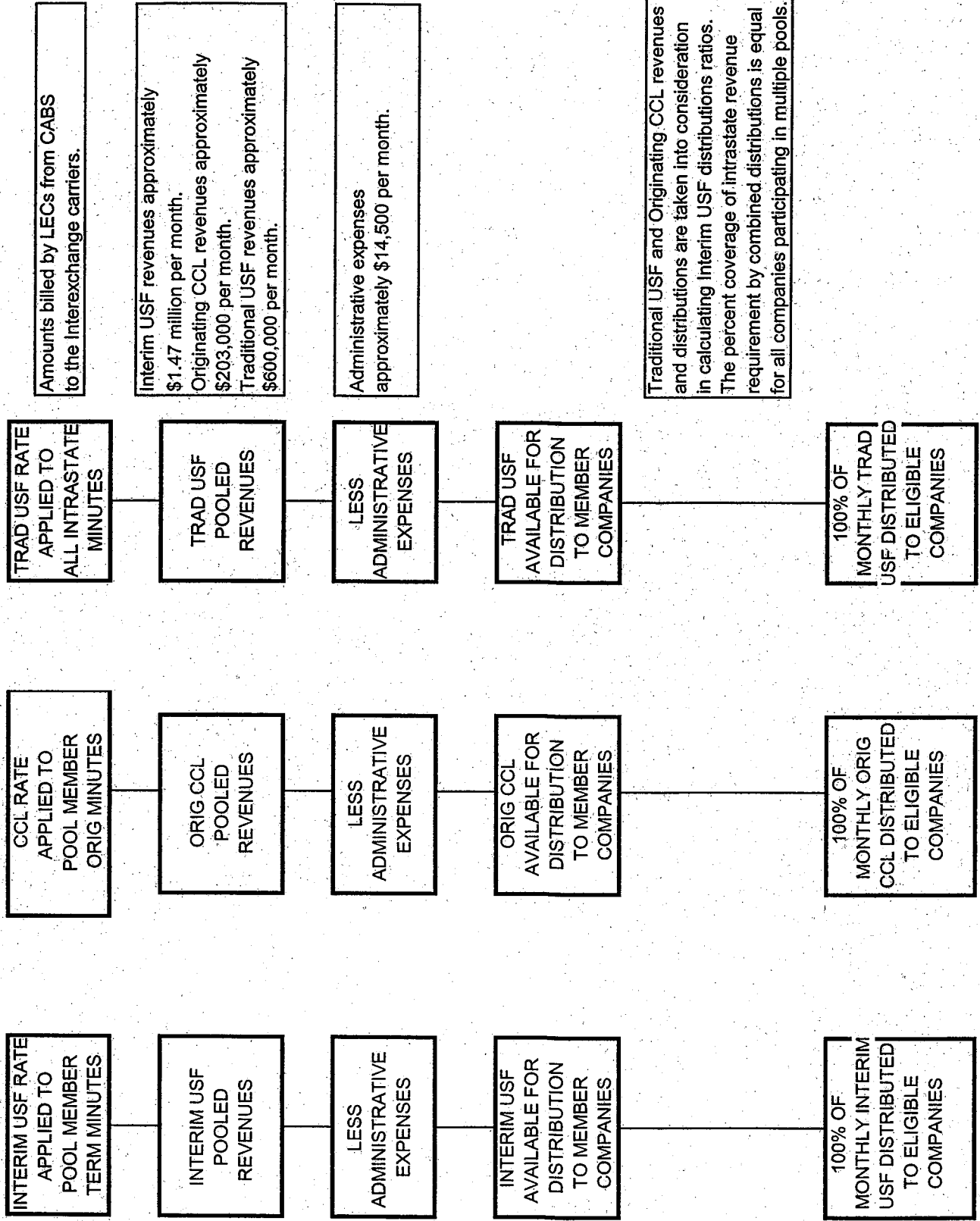
The Interim USF rate is applied to the terminating rated intrastate access minutes of pool participants. The resulting revenues are remitted to WECA and distributed to Interim USF pool participants monthly.

CCL Pool

All Washington LECs are eligible to participate in the CCL Pool. The distributions from the CCL Pool are based upon distribution ratios calculated using the actual distributions received by participating LECs for the prior pool year. Distribution ratios will be adjusted to reflect the entry of a new participant, or the exit of any participating LEC from the CCL Pool.

The CCL Pool rate is applied to the originating rated intrastate access minutes of pool participants. The resulting revenues are remitted to WECA and distributed to CCL Pool participants monthly.

2005 WASHINGTON SETTLEMENTS PROCESS



Amounts billed by LECs from CABS to the Interexchange carriers.

Interim USF revenues approximately \$1.47 million per month.
 Originating CCL revenues approximately \$203,000 per month.
 Traditional USF revenues approximately \$600,000 per month.

Administrative expenses approximately \$14,500 per month.

Traditional USF and Originating CCL revenues and distributions are taken into consideration in calculating Interim USF distributions ratios. The percent coverage of intrastate revenue requirement by combined distributions is equal for all companies participating in multiple pools.

WCAP MINUTE & REVENUE GROWTH

<u>YEAR</u>	<u>USF MINUTES</u>	<u>GROWTH FROM PRIOR YEAR</u>	<u>USF REVENUES</u>	<u>GROWTH FROM PRIOR YEAR</u>
2001	6,259,068,183	N/A	\$9,511,345	N/A
2002	5,240,157,419	(16.28%)	\$7,965,787	(16.25%)
2003	4,780,654,328	(8.77%)	\$7,267,721	(9.76%)
2004	5,177,143,838	8.29%	\$7,870,584	8.30%
2005	4,727,000,994	(8.69%)	\$7,187,921	(8.67%)
2001- 2005	(1,532,067,189)	(24.48%)	(\$2,323,424)	(24.43%)

<u>YEAR</u>	<u>INTERIM USF MINUTES</u>	<u>GROWTH FROM PRIOR YEAR</u>	<u>INTERIM USF REVENUES</u>	<u>GROWTH FROM PRIOR YEAR</u>
2001	305,789,252	N/A	\$17,449,705	N/A
2002	294,695,392	(3.63%)	\$16,827,108	(3.57%)
2003	327,219,846	11.04%	\$18,822,587	11.86%
2004	325,171,614	(0.63%)	\$18,701,577	(0.64%)
2005	305,693,571	(5.99%)	\$17,589,608	(5.95%)
2001- 2005	(95,681)	(0.03%)	\$139,903	(0.80%)

<u>YEAR</u>	<u>ORIG CCL MINUTES</u>	<u>GROWTH FROM PRIOR YEAR</u>	<u>ORIG CCL REVENUES</u>	<u>GROWTH FROM PRIOR YEAR</u>
2001	281,874,005	N/A	\$2,874,407	N/A
2002	234,169,956	(16.92%)	\$2,387,853	(16.93%)
2003	216,706,230	(7.46%)	\$2,532,660	6.06%
2004	212,321,258	(2.02%)	\$2,490,273	(1.67%)
2005	207,833,951	(2.11%)	\$2,436,341	(2.17%)
2001- 2005	(74,040,054)	(26.27%)	(\$438,066)	(15.24%)

TARIFF BUREAU

The WECA Tariff Bureau was formed to provide an open forum for member companies and other interested parties to jointly consider proposals for publication, amendment or cancellation of tariff schedules or related orders, rules, regulations and agreements governing Washington intrastate telecommunication services. The Tariff Bureau operates under Rules of Procedure that have been put in place by order of the WUTC. All proposals that are considered by WECA must be subject to WUTC jurisdiction. Any proposals that are approved by WECA, through its Tariff Bureau docket process, must be filed for approval by the WUTC.

The following dockets were addressed by WECA during 2005:

Docket #92-02 - Implementation and Oversight of the Data Distribution Center (DDC)

Verizon initiated this Docket on July 2, 1992, to develop a plan for implementing a Primary Toll Carrier Plan (PTC) environment in the state of Washington. As a result of the meetings held in this docket, the Data Distribution Center (DDC) became operational in Washington on October 1, 1996.

This docket remains open to provide oversight of DDC operations.

Docket #02-01 - Bypass of Terminating Access Charges

Docket #02-01 was initiated to investigate the bypass of terminating access charges through: (1) use of FGC termination of traffic originating from wireless and other carriers, (2) failure of interexchange carriers to modify PIUs and (3) other causes. At the docket meeting on April 29, 2002 it was determined that the docket would focus on FGC and EAS routing issues, along with wireless issues and PIUs. Docket work sessions were held during 2003, 2004 and early 2005 to address these issues.

A report and recommendation on docket issues was approved by the WECA Board at its September 27, 2005 meeting. The report and recommendation was filed with the WUTC requesting that they act on the report. WUTC Staff has taken no action on this request. This docket remains open.

POOL SUMMARY
For Year Ended December 31, 2005

POOLED REVENUES

TRADITIONAL USF POOL	\$ 7,187,921
INTERIM USF POOL	17,589,608
CCL POOL	<u>2,436,341</u>

TOTAL REVENUES **\$ 27,213,870**

DISTRIBUTIONS

TRADITIONAL USF DISTRIBUTIONS TO MEMBERS	\$7,080,778
INTERIM USF DISTRIBUTIONS TO MEMBERS	17,535,950
CCL DISTRIBUTIONS TO MEMBERS	2,423,491
ADMINISTRATIVE EXPENSES	<u>173,651</u>

TOTAL DISTRIBUTIONS **\$ 27,213,870**

WASHINGTON EXCHANGE CARRIER ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005

ASSETS

Cash	\$ 25,723
Accounts Receivable (Note 1)	2,069,368
Due From Administrator	<u>2,400</u>
TOTAL ASSETS	<u>\$2,097,491</u>

LIABILITIES & NET ASSETS

Distributions Payable To Members (Note 2)	\$2,062,927
Administrative Expense Payable	<u>32,064</u>
Total Liabilities	2,094,991
Net Assets	<u>2,500</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$2,097,491</u>

(UNAUDITED – FOR INTERNAL USE ONLY)
See accompanying notes

NOTES TO FINANCIAL STATEMENTS

Note 1: Accounts Receivable at December 31, 2005 consists of the following:

Traditional USF Pooled Revenues	\$ 695,588
Interim USF Pooled Revenues	1,068,925
CCL Pooled Revenues	<u>304,855</u>
TOTAL	<u>\$2,069,368</u>

Note 2: Distributions Payable To Members at December 31, 2005 consists of the following:

Traditional USF distributions payable	\$ 691,613
Interim USF distributions payable	1,066,935
CCL distributions payable	<u>304,379</u>
TOTAL	<u>\$2,062,927</u>

(UNAUDITED -- FOR INTERNAL USE ONLY)