

# COMMUNICATIONS ADVISORY COUNSEL LLC

5151 Wisconsin Avenue N.W.

Suite 311

Washington, D.C. 20016

Tel. 202-333-5273

Fax 202-318.3213

**Sylvia Lesse**

[sylvia@Independent-Tel.com](mailto:sylvia@Independent-Tel.com)

**REDACTED - FOR PUBLIC INSPECTION**

April 23, 2018

**VIA ECFS**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12th Street, S.W.  
Washington, DC 20554

**Re: WC Docket No. 18-95**

Domestic Section 214 Application Filed for the Transfer of Control of Tri-County Telephone Membership Corporation ("Tri-County") to Wilkes Telephone Membership Corporation ("WTMC") (the "Tri-County Application") (Tri-County and WTMC collectively, the "Parties")

## **Notice of Ex Parte Meeting**

Dear Madam Secretary:

On April 19, 2018, Madeleine Findley, Daniel Kahn, Suzanne Yelen, Jodi May Donovan, Dennis Johnson, and Joseph Sorresso of the Wireline Competition Bureau ("WCB") met with WTMC's Eric Cramer and its counsel, Daniel Higgins of Burns, Day & Presnell, PA and Sylvia Lesse, Communications Advisory Counsel, LLC. Messrs. Sorresso, Cramer, Higgins attended telephonically. The purpose of the meeting was to provide Commission additional information to assist the staff's consideration of the Tri-County Application and other related matters.<sup>1</sup>

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<sup>1</sup> The meeting was requested in the context of another proceeding currently pending before the WCB: WC Docket No. 17-365, Domestic Section 214 Application Filed for the Transfer of Control of Peoples Mutual Telephone Company and Peoples Mutual Long Distance Company (collectively, "Peoples") to RiverStreet Management Services, LLC ("RiverStreet," a wholly-owned subsidiary of WTMC) (the "Peoples Application"). Peoples' representatives, Michael Shultz and Garrett Van Osdell and its counsel, Brett Ferenchak of Morgan, Lewis & Bockius LLP, were also present at the meeting, with Messrs. Shultz and Van Osdell attending telephonically. RiverStreet is an applicant in a third proceeding currently pending before the WCB: WC Docket No. 18-94, Domestic Section 214 Application Filed for the Transfer of Control of Ellerbe Telephone Company to RiverStreet Management Services, LLC ("Ellerbe Application"). The discussion of the Tri-County Application also included information related to these dockets and, accordingly, notice of this meeting is being filed in all three proceedings.

WTMC expressed its appreciation for the opportunity to explain aspects of the Tri-County Application. At the outset, to clarify WTMC's post-acquisition corporate structure, WTMC representatives explained the relationship among current and proposed operating companies, and provided a color-coded version of the WTMC post-acquisition organizational chart to staff after the meeting. A copy of this document is attached hereto.

In addition, WTMC confirmed that upon grant of all pending applications (*see supra n. 1*), all currently-operating WTMC-affiliated ILECs, as well as the ILECs to be acquired in the pending Tri-County and Ellerbe transactions, are rate-of-return companies, with only Peoples Mutual Telephone Company, while treated as a rate-of-return company for access charge purposes, being treated as a price cap company for Connect America Fund ("CAF") purposes.

WTMC also elaborated upon its expectation that post-purchase management integration will result in the allocation of relatively steady costs over a larger customer base, likely reducing, rather than increasing, the operational expenses attributable to its rate-of-return companies. Because the calculation of overhead for all companies is conducted at the parent level counting each customer of both regulated and deregulated services equally, the increase in customers necessarily reduces per-customer allocations. To provide Commission staff with greater detail, WTMC attaches hereto a redacted version of pertinent sensitive commercial and financial material that WTMC holds in strict confidence and does not release to any element of the public, requesting that this information be afforded the full measure of confidential treatment provided by law.

Noting the overall decrease in federal support generally, WTMC emphasized that the contemplated expansions in operations are part of a plan to ensure the continuing health of all current and prospective operations, independent of federal support, by ensuring robust and predictable cash flow – bolstered by completion of the contemplated transactions. Moreover, WTMC's initiation of the upgrades and improvements necessary to implement this strategy is jeopardized by a prolonged Application approval process. In short, delay in the approval process has the potential to affect current and projected WTMC operations.

Marlene H. Dortch, Secretary  
April 23, 2018  
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The Parties invite staff to contact the undersigned with any questions regarding this filing, or other questions that might arise with respect to the Application.

Respectfully submitted,

/s/ Sylvia Lesse  
Sylvia Lesse

Counsel for WTMC

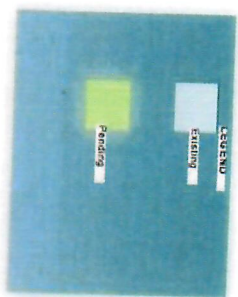
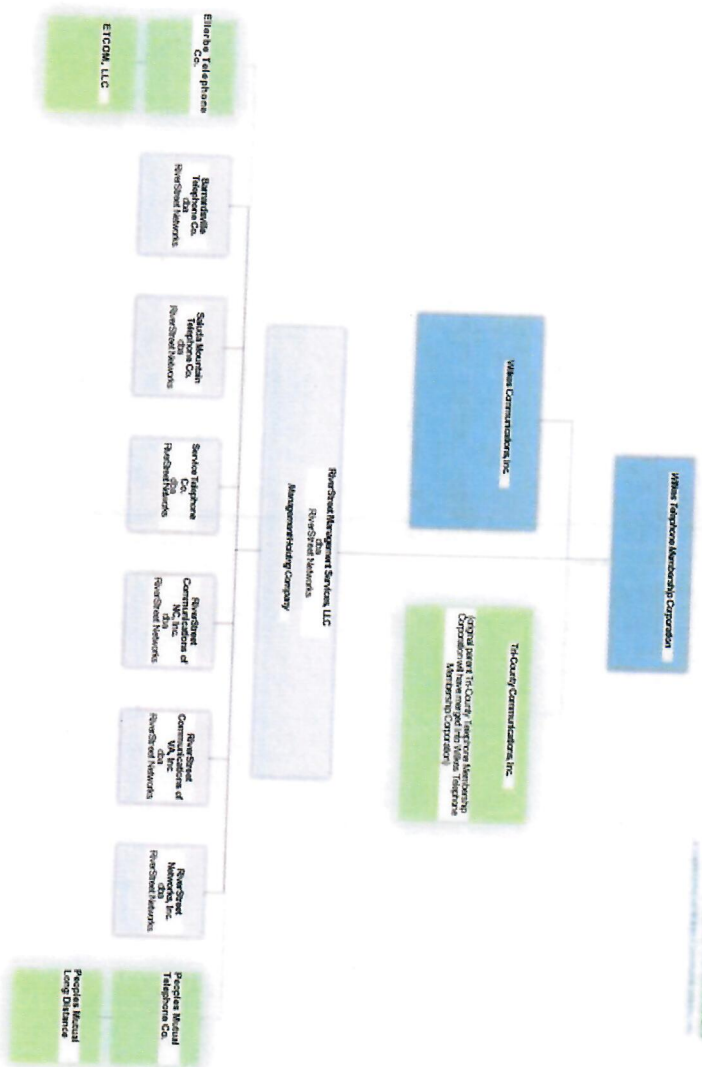
cc: (via email)

Madeleine Findley (WCB)  
Daniel Kahn (WCB)  
Suzanne Yelen (WCB)  
Jodie May Donovan (WCB)  
Dennis Johnson (WCB)  
Joseph Sorresso (WCB)  
Eric Cramer  
Daniel Higgins  
Michael Shultz  
Garrett Van Osdell  
Brett P. Ferencak





Exhibit B-2  
Post-Transaction Ownership





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## CONFIDENTIAL INFORMATION NOT FOR PUBLIC DISCLOSURE

April 23, 2018

*Redacted Version Filed Via ECFS*

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Re: **WC Docket No. 17-365**

Domestic Section 214 Application Filed for the Transfer of Control of Peoples Mutual Telephone Company and Peoples Mutual Long Distance Company to RiverStreet Management Services, LLC

**WC Docket No. 18-94**

Section 214 Application Filed for the Transfer of Control of Ellerbe Telephone Company, Inc. to RiverStreet Management Services, LLC

**WC Docket No. 18-95**

Section 214 Application Filed for the Transfer of Control of Tri-County Telephone Membership Corporation to Wilkes Telephone Membership Corporation

**Request for Confidential Treatment Pursuant to 47 C.F.R. § 0.459**

Dear Madam Secretary:

RiverStreet Management Services, LLC ("RiverStreet") and its parent, Wilkes Telephone Member Corporation ("WTMC") (collectively, the "Wilkes Companies") are submitting herewith sensitive financial information in support of the referenced proceedings. Accordingly, the Wilkes Companies request that the redacted portions of its submission, highlighted in this unredacted version and indicated by strikeouts in the redacted version, be granted confidential treatment pursuant to Section 0.459 of the Commission's Rules, 47 C.F.R. § 0.459, and pursuant to 5 U.S.C. § 552(b)(4). Specifically, the Wilkes Companies requests that the attached

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information be withheld from public disclosure to avoid competitive harm and maintain the confidentiality of sensitive company information.

The telecommunications industry is extraordinarily competitive. The services provided by the Wilkes Companies cut across industry segments, including voice, broadband, and video services. Voice and data services are available from a number of sources, and competition is keen in areas served by the Wilkes Companies and the three companies that the Wilkes Companies contemplates acquiring. The financial and operational information provided to herewith will assist Commission staff in reaching the decision that prompt grant of the referenced applications is in the public interest. However, this information is highly confidential, detailing operational business arrangements that can provide competitors with a virtual diagram of current company service strategies and, furthermore, allow derivation of the company's plans for future service provision. This information is held in strict confidence and is not customarily disclosed to the public or made available generally. Accordingly, confidential treatment should be granted.

The Wilkes Companies' request is consistent with the requirements of Section 0.459(b) of the Commission's Rules. Specifically, the Wilkes Companies demonstrates the following:

(1) Identification of the specific information for which confidential treatment is sought:

The Wilkes Companies specify that all dollar amounts and percentages in the attached pages constitute commercially sensitive information. The unredacted version bears the legend, "Confidential Information" on each page.

(2) Identification of the Commission proceeding in which the information was submitted or a description of the circumstances giving rise to the submission:

The specific information for which confidential treatment is submitted in the referenced proceedings.

(3) Explanation of the degree to which the information is commercial or financial, or contains a trade secret or is privileged;

As noted above, the Wilkes Companies operate in a highly competitive environment. The narrowly-defined information to be protected constitutes highly confidential commercial and financial information, the disclosure of which would cause competitive harm. In addition, disclosure of such information would likely impair the government's ability to obtain similar necessary information in the future. These two criteria are recognized as justifying the protection of confidential information. *See, e.g., Nat'l Parks and Conservation Ass'n v. Morton*, 498 F.2d 764 (D.C.Cir.1974).



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(4) Explanation of the degree to which the information concerns a service that is subject to competition:

Telecommunications services are provided in vigorously competitive markets.

(5) Explanation of how disclosure of the information could result in substantial competitive harm:

In highly competitive markets, such as telecommunications, competitors must react quickly to market forces. But because telecommunications is a capital-intensive industry, construction requirements introduce a substantial lag between identification of potential markets and service to those markets. In addition, information detailing costs and revenues associated with current and projected services can lead to "cherry-picking" via lease of facilities or deployment of less capital-intensive technologies, thus rendering sunk investment less productive, and undermining planning for and maintaining market position. Release of this information would, therefore, provide an unfair advantage to competitors.

(6) Identification of any measures taken by the submitting party to prevent unauthorized disclosure:

The Wilkes Companies do not release the subject information to the public. The Wilkes Companies utilize standard methods to protect this information from release or publication. In addition, access to this information within the Wilkes Companies is restricted to personnel with a need for such access.

(7) Identification of whether the information is available to the public and the extent of any previous disclosure of the information to third parties:

The information is not made available to the public and is not disclosed to third parties, except under confidentiality agreements or to confidential advisors, or pursuant to law under a request for confidential treatment.

(8) Justification of the period during which the submitting party asserts that material should not be available for public disclosure:

The Wilkes Companies requests that the information be afforded confidential treatment indefinitely. Such treatment is warranted due to the highly confidential nature of the information and its potential to give a rival an unfair advantage in a highly competitive market.

For the foregoing reasons, the Wilkes Companies request that the designated portion of the attached documents be treated as confidential under the Commission's Rules and shielded from public inspection. Furthermore, the Wilkes Companies requests that distribution within the Commission be limited to a "need to know" basis.



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In the event that access to this information is requested, the Wilkes Companies request immediate notification to allow it to register opposition, or to take such other steps as may be necessary to protect its interests.

Thank you for your attention to this matter. Should you or any member of the Commission Staff have any questions or comments, please do not hesitate to contact us at your convenience.

Respectfully submitted,



Sylvia Lesse  
Counsel for the Wilkes Companies

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Wilkes Communications / RiverStreet Networks  
Corporate Overhead Allocation Summary

Wilkes TMC Allocation	WCI Allocation	Barnardsville Allocation	Fair Bluff Allocation	Saluda Allocation	Est Close 5/1		Est Close 7/1		Est Close 5/1		Est Close 7/1		Total Allocation
					Allocation	Allocation	Allocation	Allocation	Allocation	Allocation	Allocation	Allocation	

FUTURE ANNUAL ESTIMATED ALLOCATION IMPACTS - POST MERGER AND ACQUISITIONS as of DECEMBER 2017													
Current Allocation													
Future Allocation													
Difference													

Peoples Overhead Allocation and Management Fees Reduction post acquisition

Reduction in Allocation Expenses to Wilkes/RiverStreet ROR Regulated entities

Total Non-Peoples	
Total Non-Peoples ROR	
Pre Acquisition	









**Wilkes Telephone Membership Corporation**

## 2016-2020 Forecast: Comparison

### Lean 5 Performance Objectives

### Source

2036

2017

2018

201

202

207

207

207

20

27

21

3

2

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[illegible]



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Service Telephone Company  
2016-2028 Farecast Comparison  
Line 9 Revenue Requirement @ Historical Phone Demand Levels

Line #	Computation Date	Source
1	Center Common Line (CAF MS Total)	
2	Center Common Line (CAF MS Base Only Line)	
3	KCS Interchange Settlement	To SW Access
4	KCS Interchange Settlement	To SW Access
5	Total Switched Access	Total of Line 3&4
6	Special Access	
7	Winlock Broadband Internet Service (Voice Data WNI Line)	
8	Winlock Broadband Internet Service (Voice Data WNI Transport)	
9	Winlock Broadband Internet Service (Data Only WNI Transport)	
10	Total Interchange Revenue Requirement	Line 1+2+3+5+6+7+8+9
11	KCS Support	
12	Total Budget Control	
13	Total	

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1													
2													
3												\$29,000	\$31,000
4												50	12
5													
6													
7													
8													
9													
10													
11													
12													
13													

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Peoples Natural Telephone Company  
2016-2028 Projections

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CA-ICC	2016												
	2017												
	2018												
	2019												
Special Access	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Interstate Access Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
CACM	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

\*DSL is offered on a private carriage basis and thus excluded from projections  
\*CACM replaces Common Line revenue requirement

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# Ellebze Telephone Company

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Ty-County Telephone Membership Corporation  
QAD Interstate Revenue Requirement Development Summary  
2016-2028 Analysis

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	Historical										Projected						
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028				
1. Projected Average Schedule Payments	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$				
2. Cost C- and TS Revenue Requirement	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$				
3. Estimated USF HCL Payments	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$				
4. Budget Control Mechanism	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$				
5. Total Cost Settlements	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$				
6. Average Schedule Settlements Above (Below) Cost	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$				
Frozen Switched Access : Interstate	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$				
Frozen Switched Access : Interstate	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$				
Total	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$				
Total Interstate	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$				