

EVILSIZER LAW OFFICE

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RECEIVED
JUN 29 2016
MONT. P.S. COMMISSION

June 29, 2016

Mr. Will Rosquist, Administrator
Montana Public Service Commission
Regulatory Division
P.O. Box 202601
Helena, MT 59620-2601

**RE: Ronan Telephone Company 2014 and 2015 Annual Reports -
Docket No. N2015.2.17 and Docket No. N2016.2.16**

Dear Will:

Enclosed are the 2014 and 2015 Annual Reports for Ronan Telephone Company, pursuant to Section 69-3-203, MCA and ARM 38.5.2602. One bound copy and one unbound copy are enclosed and they will be e-filed with the Commission. These reports were only recently completed, due to an ongoing audit for 2014 that was only recently concluded; and issues regarding accounts receivable (unpaid carrier access charges), which potentially adversely affect the company's financial condition. RTC regrets that it was not able to file these reports in a timely manner.

2014 Report. Please note that although RTC's 2014 Report shows a net operating income of \$328,726, this number fails to reflect the unpaid accounts receivable from carrier access bills. In particular, 2014 "Network Access Revenues" (Item #3 on Schedules 1 and 3, which includes both USF and Access) is shown as \$2,158,799. This is correctly reported pursuant to accrual accounting principles. However, as of December 31, 2014, an estimated \$111,000 of that amount was (and mostly remains) unpaid by the long distance carriers and recovery depends on the outcome of litigation. If not recovered, this would reduce the company's 2014 regulated net income from \$328,726 to an estimated \$262,000; reducing the regulated rate of return from 8.8% to 7.1%.

In 2014, AT&T, Verizon and Level 3 began withholding all or part of access bill payments and continue to withhold most or all payments billed every month. The issues in these disputes are currently being raised in a pending Docket before the Commission, *In the Matter of the Petition of Ronan Telephone Co. For Declaratory Ruling Re: the interpretation of RTC's*

Montana Switched Access Charges, Docket No. D2016.3.31.¹ The recovery of these amounts, and therefore, accurate RTC's financial statements, are contingent upon the outcome of this case.

2015 Report. Essentially, it is impossible to file an accurate report at this time, until the Declaratory Ruling Petition in Docket No. D2016.3.31 is decided, and the amounts recoverable are determined. Note also, that even after a Commission ruling, a court action may be necessary to recover the charges, since the Commission lacks legal authority to order payment of damages. Therefore, the 2015 Report is not completed at this time. In particular, "Network Access Revenues" in 2015 were accrued in the amount of \$2,110,000; however, approximately \$359,000 of this amount were unpaid accounts receivable at year end and may not be recovered. Knowledge of the exact amounts recoverable after litigation is crucial to the filing of an accurate report.

So far for the first six months of 2016, the total amount at risk has grown to over \$420,000. Furthermore, if all carriers are successful in potential claims for refunds, the total potential liability to the company could be as much as \$2,500,000 (eight years of refunds), \$1,095,000 (four years of refunds), or \$667,100 (two years of refunds). Obviously the company will dispute these claims, and if successful, the liability could be zero, subject to being able to recover the unpaid amounts.

Also enclosed are the Executive Compensation Schedules for the years 2010, 2011, 2012, and 2013, pursuant to PSC Order 7386, which was required following the Commission's final action on the protective order motions. The 2014 and 2015 Compensation Schedules are attached with those enclosed Annual Reports. Note that RTC does not have any employees that meet the \$100,000 threshold. RTC's holding company, CommunityTel, Inc. employs the upper level management (since the holding company was formed in 2004).

Please contact the undersigned with any questions. We would like to set a meeting with the Commission staff to review these reports and explain the problems RTC is facing.

Thank you.

Sincerely,



Ivan (Chuck) Evilsizer

Attorney for Ronan Telephone Company

Enclosures

¹ Another issue, regarding intra-MTA calling, which was also an alleged basis for withholding access charges was recently resolved in favor of RTC and other ILECs, by the U.S. District Court, Northern District of Texas, Dallas Division, *Memorandum Opinion and Order*, Civil Action No. 3:14-MD-2587-D (MDL No. 2587) (Nov. 17, 2015). However, RTC has not received full payment pursuant to this Order, the case is still pending with respect to counter-claims, late fees and attorneys fees, and may eventually be appealed.

General Information

Year: 2015

1	Legal Name of Respondent:	RONAN TELEPHONE COMPANY
2	Name Under Which Respondent Does Business:	ACCESS MONTANA
3	Date of Incorporation:	1971
4	Address to send Correspondence Concerning Report:	312 MAIN STREET S.W. RONAN MT 59864
5	Person Responsible for This Report:	JAY WILSON PRESTON
5a.	Telephone Number:	406 676-2751
Control Over Respondent		
1	If direct control over the respondent was held by another entity at the end of year provide the following:	
	1a. Name and address of the controlling organization or person:	COMMUNITYTEL INC. 312 MAIN STREET SW RONAN MT 59864
	1b. Means by which control was held:	HOLDING COMPANY
	1c. Percent Ownership:	100%

Montana Total State Income Statement YEAR: 2015

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues		950,007
3	5080	Network Access Revenues		2,158,799
4	* 5100	Long Distance Message Revenue		82,776
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	YEAR	0
10	^ 5230	Directory Revenue	END	
11	^ 5240	Rent Revenue	FINANCIAL	
12	^ 5250	Corporate Operations Revenue	STATEMENTS	
13	^ 5260	Miscellaneous Revenue	NOT	
14	^ 5270	Carrier Billing and Collection Revenue	YET	
15	^ 5280	Nonregulated Revenue	COMPLETE	
16	5300	Uncollectible Revenue		(57,811)
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)		3,133,771
18		OPERATING EXPENSES:		
19	6110	Network Support Expense		
20	6120	General Support Expense		389,114
21	6210	Central Office Switching Expense		339,173
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		2,566
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		190,231
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		95,542
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		569,718
32	6610	Marketing		84,954
33	6620	Services		415,461
34	6710	Executive and Planning		73,999
35	6720	General and Administrative		381,077
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.24)		2,541,835
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		263,210
40		Net Operating Income (L.17-L.37+L.38-L.39)		328,726

^ Subaccount of the account marked with a *.

Montana Intrastate Income Statement

YEAR: 2015

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues		
3	5080	Network Access Revenues		
4	* 5100	Long Distance Message Revenue		
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue		
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue		
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)		0
18		OPERATING EXPENSES:		
19	6110	Network Support Expense		
20	6120	General Support Expense		
21	6210	Central Office Switching Expense		
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		
32	6610	Marketing		
33	6620	Services		
34	6710	Executive and Planning		
35	6720	General and Administrative		
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.37)		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		Net Operating Income (L.17-L.37+L.38-L.39)		

^ Subaccount of the account marked with a *.

Montana Intrastate Regulated Income Statement YEAR: 2015

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues		950,007
3	5080	Network Access Revenues		2,158,799
4	* 5100	Long Distance Message Revenue		82,776
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	YEAR	0
10	^ 5230	Directory Revenue	END	
11	^ 5240	Rent Revenue	FINANCIAL	
12	^ 5250	Corporate Operations Revenue	STATEMENTS	
13	^ 5260	Miscellaneous Revenue	NOT	
14	^ 5270	Carrier Billing and Collection Revenue	YET	
15	^ 5280	Nonregulated Revenue	COMPLETE	
16	5300	Uncollectible Revenue		(57,811)
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)		3,133,771
18		OPERATING EXPENSES:		
19	6110	Network Support Expense		
20	6120	General Support Expense		389,114
21	6210	Central Office Switching Expense		339,173
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		2,566
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		190,231
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		95,542
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		569,718
32	6610	Marketing		84,954
33	6620	Services		415,461
34	6710	Executive and Planning		73,999
35	6720	General and Administrative		381,077
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.37)		2,541,835
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		263,210
40		Net Operating Income (L.17-L.37+L.38-L.39)		328,726

^ Subaccount of the account marked with a *.

Average Rate Base - Total State YEAR: 2015

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	YEAR END FINANCIAL STATEMENTS NOT YET COMPLETE	14,791,445
2	3100	Accumulated Depreciation		(9,730,981)
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		81,019
6	4340	Noncurrent Deferred Operating Income Taxes		(1,425,400)
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7)		3,716,083

Average Rate Base - Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	NOT REQUIRED	
2	3100	Accumulated Depreciation		
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7)		

Average Rate Base - Regulated Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	NOT REQUIRED	
2	3100	Accumulated Depreciation		
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7)		

COMPANY NAME:

YEAR:

2015 SCHEDULE 5

Ronan Telephone Company

Executive Compensation - Montana-Based Employees

Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)
None				0
				0
				0
				0
				0
				0
				0

INSTRUCTIONS: Complete this schedule for each executive or manager based in Montana whose total annual compensation exceeded \$100,000. Executives and managers include company presidents, chief executive officers, chief financial officers, vice presidents, and other upper-level managers.