

ETC ANNUAL REPORT PER WAC 480-123-070 AND WAC 480-123-080
(Certifications Required by WAC 480-123-060 and 070 enclosed)
July 1, 2016

Inland Telephone Company (the "Company") hereby submits the following reports in accordance with WAC 480-123-070 and WAC 480-123-080.

1. Report 1: Report on use of funds: WAC 480-123-070(1)(a):

The Company used support from the federal high-cost fund in 2015 as follows:

For 2015, the Company's gross capital expenditures were approximately \$876,000. The Company's 2015 operating expenses were \$4,065,017, which includes depreciation and amortization expenses of \$1,093,971 and excludes Part 64 adjustments. Recent major projects were included in WAC 480-123-130(1)(b) as filed under Docket UT-151501.

Attached is a copy of the Company's NECA-1 Report for the collection period 2016 for the calendar year 2015 that, as of the date of the report, the Company will be reporting to the National Exchange Carrier Association ("NECA") and expects that it will be the basis for support from the federal high-cost fund.

2. Report 2: WAC 480-123-070(1)(b): The Company reports that the investments and expenses report under Report 1, above, benefited the customers as follows:

The customers served by the Company benefited from the use of high-cost fund support by continuing to receive high quality telecommunications services. The projects and benefits are described in the 5 year forecast and narrative (160719 522423 5 YEAR FORECAST.pdf) supplied for Report 6, WAC 480-123-080(1) and Report 7, WAC 480-123-080(2).

Through the expenditure of these funds, the Company was able to continue to provide services at a level that the Company believes meets the intent set forth in 47 U.S.C § 254 of providing quality telecommunications services to customers in the service area for which the Company is designated as an ETC.¹ The Company has made substantial investments over the past several years which allow it to provide quality telecommunications services to its customers in its designated ETC service area. Those expenditures and investments, including those reflected in Report 1 above, generally benefit all customers receiving the federal high-cost fund supported services from the Company within its designated ETC service area. The Company has expanded its network over the past several years so that it is capable of providing access to broadband services throughout most of the Company's designated ETC service area. The Company offers services that are comparable to services offered in urban areas at rates that are comparable to rates for such services in urban areas.

¹ The term "ETC" is used in the same sense as the term is used in Chapter 480-123 WAC.

3. Report 3: Local Services Outage Report: WAC 480-123-070(2):

PRESCOTT Exchange:

1/23/2015 at 3:00 pm – Fiber cut in Centurylink service territory; entire exchange (156 subscribers) was without the ability to dial long distance or access 911; isolated landline communications however did not affect broadband communications. As the fiber cut affected regional 911 service, the regional outage was reported by Centurylink. The Company does not have a solution to fiber cuts.

4. Report 4: Report on Failure to Provide Service: WAC 480-123-070(3):

None

5. Report 5: Report on Complaints per 1000 Connections: WAC 480-123-070(4):

The Company reports that during calendar year 2015, the Company did not receive from the Federal Communications Commission or the Consumer Protection Division of the Office of the Attorney General of the State of Washington any complaints against the Company concerning the services provided to its customers by the Company that are either subject to the regulatory jurisdiction of the Washington Utilities and Transportation Commission or among the services supported by the federal high-cost fund.²

6. Report 6: Annual Plan: WAC 480-123-080(1):

As they are known to the Company at the date of this Report, the planned investment and expenses related to Washington State for the period January 1, 2017, through December 31, 2017, are projected to be \$650,000 for gross capital expenditures and \$4,670,672 for operating expenses, which includes \$1,613,122 of depreciation expense. Attached is a five year forecast and narrative. With the exception of depreciation expense created by capital projects, the Company expects that levels of expenses to increase from 2015 levels until efficiencies are realized; fiber generally involves less maintenance. However, the effects of inflation and other commonly experienced changes in cost of labor and materials cannot be anticipated. The Company does not anticipate major adjustments in staffing levels for the relevant period. .

7. Report 7: Plan of Investments and Expenditures: WAC 480-123-080(2):

As they are known to the Company at the date of this Report, the planned investment and expenses related to Washington State for the period January 1, 2017, through December 31, 2017, are projected to be \$650,000 for gross capital expenditures and \$4,670,672 for operating expenses, which includes \$1,613,122 of depreciation expense. As explained in the narrative on the attached 5 year forecast, the projected upgrades should increase

² The references to the services supported by the federal high-cost fund is to the services designated for support as set forth in 47 C.F.R. §54.101(a).

bandwidth capacity to our subscribers in order to be in compliance with current Federal Communications Commission standards for broadband. With the exception of depreciation expense created by capital projects, the Company expects that levels of expenses to decline from projected 2016 levels as efficiencies are realized; fiber generally involves less maintenance. However, the effects of inflation and other commonly experienced changes in cost of labor and materials cannot be anticipated. The Company does not anticipate major adjustments in staffing levels for the relevant period. Enclosed is a five year forecast and narrative. The Company expects that the continued receipt of federal high-cost support will allow the Company to continue to provide the supported services at rates that are comparable to the rates for such services in urban areas. All customer in the Company's designated ETC service area will benefit from the expected level of support by continuing to have available to them services that are comparable to the telecommunications services offered in urban areas at rates that are comparable to the rates for such services in urban areas.