

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

St. John Telephone, Inc. (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 [REDACTED]. The Company's 2015 operating expenses were [REDACTED]. The Company's 2015 loan payments were [REDACTED].

The Company has completed a fiber-to-the-home project in recent years. This project enabled the provisioning of improved telecommunications and broadband services to the Company's customers. A significant portion of operating expenses in 2015, were to repay portions of the loan that funded the fiber-to-the-home project. In addition, in 2015, the Company acquired a new vehicle for [REDACTED], upgraded its ethernet transport in the amount of [REDACTED] which will improve the Company's broadband capabilities to its customers and installed an additional interexchange fiber route in the amount of [REDACTED].

Per the direction of Commission Staff, the NECA -1 report for the calendar years 2014 and 2015 are included in this filing.

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.

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.<sup>1</sup> The Company has made substantial investments over the past several years (as noted above) 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 all 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.

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

**CONFIDENTIAL PER WAC 480-07-160**

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

None

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):

None

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 ██████████ for gross capital expenditures, ██████████ for operating expenses and ██████████ for repayment of loan funds that were used in previous years to complete the fiber-to-the-home project. Major projects are disclosed on FCC Form 481 filed with the Commission on June 30, 2014 in Docket No.UT-143013 which contains the Company's five year plan. The major projects consist of additions to vehicles for ██████████ and replacing obsolete central office transmission equipment for ██████████.

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, will remain relatively the same as those it experienced in calendar year 2015 except as noted below, subject to the effects of inflation, other commonly experienced changes in cost of labor and materials, and increased depreciation on new investment placed in service. In 2015, corporate operation expenses were significantly higher due to the transitioning of the general manager position during the year causing increased labor costs. Labor costs should revert back to 2014 levels for corporate operation expenses in 2016. The Company does not anticipate major adjustments in staffing levels for the relevant period. Major projects are disclosed on FCC Form 481 as referenced in Report 6, above. The Company has not completed its budgeting process and does not have final numbers prepared for investment and expense levels for 2017. 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 customers 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.