

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, 2015

Ellensburg Telephone Company d/b/a FairPoint Communications (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 2014 as follows:

In 2014 the Company invested \$406,065 to upgrade its Outside Plant network in the Ellensburg, Selah and Kittitas Exchanges. These upgrades provided for a platform to deliver more reliable local service and advanced telecommunications services to customers in these exchanges. Additionally, the company invested \$1,279,262 in its IP Infrastructure (core upgrade and augments) plus continued the process to migrate customers to the 2012 installed soft switch.

In addition to the foregoing, the Company has invested \$97,175 in outside plant infrastructure due to the road project. With past and current growth the local state, county and city entities have begun upgrading the transportation infrastructure. With a majority of these road projects, the Company finds its telecommunication infrastructure in conflict with the road design.

For 2014 the Company's gross capital expenditures were \$2,248,036.
The Company's 2014 operating expenses were \$9,887,834.

Per the direction of Commission Staff, the NECA -1 report will be provided as soon as it is available and no later than August 1, 2015.

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 ETC¹. 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

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

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 area at rates that are comparable to rates for such services in urban areas.

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):

The Company received 4 customer complaints in 2014. Of these, one was from the Commission, two from the Attorney General's office, and one from the FCC. Summaries of the complaints are detailed below:

UTC Complaint 121910 – The customer initially complained about a delay in service installation and a higher than expected bill. After working with the customer, complete Lifeline eligibility information was obtained and the customer's bill was adjusted appropriately and satisfactorily. The complaint was closed with a "company upheld" disposition.

Attorney Gen Complaint 444391 – The customer complained of connection issues over a number of days (7 total) and requested a new modem. FairPoint denied the request for a new modem as the troubles the customer was experiencing were the result of network issues in the area. This was explained to the customer and a credit for one's months broadband service was offered.

Attorney Gen Complaint 453265 – The customer complained of email connection issues. Several attempts to reach out to the customer were unsuccessful. However, the problem was related a third-party vendor, which was also causing problems for all users. The problem was confined to email and was repaired by the vendor. No credits were offered as no charges are applied for email usage.

FCC Complaint 629664 – The customer complained of incorrect billing. The customer service manager worked with the customer to assure that her account reflected the services she wanted and needed. The account billing was corrected and set up the way the customer expected. A follow call confirmed that the customer was now satisfied with the pricing and services.

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, 2016, through December 31, 2016, have not been established and approved for this budget cycle.

Major projects for 2016 are currently being reviewed, planned, engineered, and approved. The Company expects that levels of expenses will remain relatively the same as those it experience in calendar year 2014, 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. 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, 2016, through December 31, 2016, will remain relatively the same as those it experienced in calendar year 2014, 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. 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 2016. 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.