

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

YCOM Networks, Inc. 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 2015 as follows:

In 2015 the Company invested \$155,855 to upgrade its Outside Plant network. 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 \$315,972 in its IP Infrastructure (Clearwood Subdivision) plus continued the process to migrate customers to the 2012 installed soft switch.

In addition to the foregoing, the Company has invested \$89,073 in inside plant infrastructure accommodating normal Broadband growth.

For 2015 the Company's gross capital expenditures were \$1,264,232.
The Company's 2015 operating expenses were \$6,386,899.

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, 2016.

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 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

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

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 480-123-080(4):

The Company received 3 complaints from the Commission and 1 complaint from the FCC.

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, have not been established and approved for this budget cycle.

Major projects for 2017 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 2015, 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, 2017, through December 31, 2017 are expected to be relatively similar to those investments and expenses the Company has set forth in its information filed in 2015, taking into account normal fluctuations in investment (excluding the core upgrade) and expense levels. The Company expects that levels of expenses will increase as the level of construction activity has increased in relation to what was experienced in calendar year 2015, subject to the effects of inflation and other commonly experienced changes in cost of labor and materials. The Company does not anticipate major adjustments in staffing levels for the relevant period. The Company expects that it will have relatively the same level of investment related to maintenance, replacement and minor upgrades of equipment and plant as occurred in calendar year 2015 thus far. The Company has not completed its budgeting process and does not have final numbers prepared for investment and expense levels for 2017.

The expected benefit to customers from the anticipated investment and expenditures is that customers will continue to receive a high level of telecommunications service. As to the specific investment projects identified above, it is expected that customers will benefit by increased reliability of service and the increased availability of a broader range of telecommunications services, including, but not limited to, advanced services.

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 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 rates for such services in urban areas.

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