

Attachments

Whidbey Telephone Company
FCC Form 481 (July, 2018), Line 610
Statement Describing Ability to Function in Emergency Situations
Per Instructions for Completing FCC Form 481

SUMMARY

Whidbey Telephone Company (the "Company") has a long-standing tradition of providing reliable voice telephony services. Since 1961, it has been and continues to be the Company's policy to bury all local distribution cable and wire. It is also the Company's policy and standard operating procedure to install, and use when necessary, back-up power systems at all network node installation sites. In regard to the Company's overall network design, the Company's practices are consistent with Rural Utility Service ("RUS") telecommunications industry best practices.

The Company operates and maintains transport transmission equipment of only the highest grade. Equipment specifications, which are consistent with the RUS specifications, require both redundant power and redundant circuit interfaces. All of the Company's transport and switching equipment is monitored 24x7x365(366) by trained staff located at the Company's network operations center.

NETWORK REDUNDANCY

The Company is a provider of voice telephony services to two geographically non-contiguous exchanges: the South Whidbey Exchange and the Point Roberts Exchange. The area of the Company's South Whidbey Exchange service area is more than 67 square miles, and the Company's Point Roberts Exchange service area includes approximately 6 square miles.

The Company has two Central Offices, South Whidbey and Point Roberts. The switch equipment is manufactured and supported by the manufacturer. The Point Roberts CO is connected to the Company's South Whidbey CO via multiple diversely routed redundant facilities and is configured to maintain service in the event of a facility failure to the South Whidbey CO. The primary paths consist of a diversely routed optical fiber ring utilizing Synchronous Optical Network ("SONET") technology. In addition, the Company operates a microwave transmission path between South Whidbey and Point Roberts, providing multiple DS-3s capacity which offers additional back-up capability.

The Company's voice telephony network has diversely routed paths to multiple points of interconnection with the networks of other voice telephony carriers. The Company also operates an Ethernet optical ring that connects its South Whidbey network with collocation facilities utilized by the Company outside its service area. The combination of the optical ring architecture and the DWDM capability of the Company's core transport equipment provides a highly reliable circuit network for voice telephony communications with substantial opportunity for augmentation, if demand volumes were to so require.

The Company's presence in collocation facilities allows for multiple points of interconnection with both local and regional carriers, giving the Company the flexibility to route traffic to multiple carriers. During service impairment created by physical damage or extraordinarily high traffic, the Company has the capability to reroute voice telephony traffic through any of those collocation facilities.

The network architecture within the Company's South Whidbey service area is comprised of a host CO and a number of core aggregation points, or Optical Remote Sites ("ORSs"). All of the ORS locations are connected by a physically diverse optical DWDM ring, with any of those locations being capable of maintaining service in the event of a failure of that physical fiber cable.

Connectivity to the end-user customer base is accomplished by the placement of a number of Broadband Loop Carrier remote terminals ("BLCs") that subtend the ORSs or host CO. Each of these BLCs has optical diversity between the main CO and serving ORS. Some of the BLCs also have physical route diversity connected to the CO or ORS that they subtend.

The Company's employees are trained to operate, maintain and/or repair the Company's network facilities. Qualified Company personnel are available for call-out 24x7x365(366) in the event of a service outage. The Company maintains an inventory of critical spare electronic/optronic cards, as well as cabinets, cable and other related materials necessary for restoration on site at both South Whidbey and Point Roberts.

BACK-UP POWER

The Company maintains a power plant at each CO, ORS, BLC and microwave site with batteries capable of carrying the power load for several hours with the load typically transitioning more immediately to a generator back-up power generation. For BLC sites without local generators, portable generators are deployed as needed.

In addition, the Company has installed back-up power generation at its COs, as well as at each of its ORSs and microwave installations. These generators range in size from 5kw to 750kw. Each generator has a dedicated fuel tank onsite designed to carry the power load for multiple days. All of these sites are equipped with automatic transfer switches and have monitoring equipment that provides monitoring visibility with respect to loss of external commercial power and transfer switch status. Upon recognition of loss of the commercial power source, the relevant automatic transfer switch is designed to automatically start the back-up generator and transfer the selected power source. Alarm messages are automatically reported to key personnel, as well as to the Company's 24x7x365(366) network operations center.

The Company has in-house staff trained to perform all maintenance of the power plant and has contract services available for support. Power distribution equipment within the Company's COs is inspected from time to time by vendor representatives to ensure proper maintenance. It is the Company's policy that all power plant maintenance be recorded and stored for future reference.

FCC FORM 481 (July 2018), Line 1010
 Descriptive Document for Compliance of Pricing of
 Fixed Voice Services with Required Relationship
 To Applicable National Average Urban Rate for Voice
 Service Benchmark, as required by 47 C.F.R. § 54.313(a)(10)
 Per Instructions for Completing FCC Form 481

Section 54.313(a)(10) of the rules of the Federal Communications Commission ("FCC") requires any recipient of high-cost support, such as Whidbey Telephone Company ("Company"), annually to certify that the pricing of the Company's voice services is no more than two standard deviations above the applicable national average urban rate for voice service, as specified in the most recent public notice issued by the Wireline Competition Bureau and Wireless Telecommunications Bureau.

The most recent such notice issued by the Wireline Competition Bureau is Public Notice DA 17-1093, released November 8, 2017, in WC Docket No. 10-90 ("Public Notice"). That public notice includes the following statements, "Based on the survey results, the 2018 rate floor for voice services is \$25.50, [footnote omitted] and the reasonable comparability benchmark for voice services is \$45.38. [footnote omitted] . . . In addition, each ETC, including competitive ETCs providing fixed voice services, [footnote omitted] must certify in the FCC Form 481 filed no later than July 16, 2018, that the pricing for its *basic residential voice services* is no more than \$45.38. [footnote omitted]" [Italics added.]

It is the Company's understanding that the above-mentioned comparability benchmark includes the recurring residential service rate, any applicable State subscriber line charge rate, any applicable State universal service fund rate, any applicable minimum mandatory Extended Area Service rate, and any applicable Federal subscriber line charge rate.¹

Those components for the Company's basic residential voice telephony service as of June 1, 2018, are as follows:

Recurring residential service rate	\$ 18.00
State subscriber line charge rate	0.00
State universal service fund rate	0.00
Minimum mandatory EAS rate	0.00
Federal subscriber line charge	<u>6.50</u>
Total	\$ 24.50

¹ See Note 5 on the "Data Dictionary" tab of 2016 Results [2016 URS Voice Data.xlsx] located from the FCC webpage having the following URL:

<https://www.fcc.gov/general/urban-rate-survey-data-resources>

The sum of the above-identified rates (\$25.50) is not more than the voice service comparability benchmark identified in the Public Notice (\$45.38).

FCC FORM 481 (July 2018), Line 1030
 Descriptive Document for Compliance of Pricing of
 Broadband Services with Required Relationship
 To Applicable National Average Urban Rate for Broadband
 Service Benchmark, as required by 47 C.F.R. § 54.313(a)(12)
 Per Instructions for Completing FCC Form 481

Section 54.313(a)(12) of the rules of the Federal Communications Commission ("FCC") requires any recipient of high-cost support, such as Whidbey Telephone Company ("Company"), annually to certify that the pricing of a service that meets the Commission's broadband public interest obligations is no more than the applicable benchmark to be announced annually in a public notice issued by the Wireline Competition Bureau, or is no more than the non-promotional price charged for a comparable fixed wireline service in urban areas in the states or U.S. Territories where the eligible telecommunications carrier receives support.

The most recent such notice issued by the Wireline Competition Bureau is Public Notice DA 17-1093, released November 8, 2017 in WC Docket No. 10-90 ("Public Notice"). That public notice includes the following: "Under the approach adopted by the Bureau in 2014, the reasonable comparability broadband benchmark varies, depending upon the supported service's download and upload bandwidths and usage allowance. [footnote omitted]"

The Public Notice includes a table showing the "benchmark" rate for certain broadband service offerings and provides a URL link to an FCC webpage at which a tool to calculate "benchmarks" for other broadband service offerings may be found. The following table summarizes the broadband service plans offered to consumers by the Company and the associated "benchmark," as determined from the Public Notice or the "tool" to which it refers:

Download Speed (Mbps) (up to)	Upload Speed (Mbps) (up to)	Usage Allowance (GB)	Benchmark	Company Pricing
10	3	Unlimited	\$88.49	\$43.00
20	3	Unlimited	\$92.26	\$50.00
30	3	Unlimited	\$96.50	\$60.00
30	10	Unlimited	\$97.70	\$70.00
50	10	Unlimited	\$107.36	\$80.00
50	20	Unlimited	\$108.83	\$90.00

As shown in the above table, each of the broadband service plans offered to consumers by the Company, for which "benchmark" rates are available, is offered at a price that is below the applicable "benchmark."



JOHNSON
STONE &
PAGANIO, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

April 25, 2018

Board of Directors and Management of
Whidbey Telephone Company and Subsidiaries
Langley, Washington

To Management and the Board of Directors:

We have audited the consolidated financial statements of Whidbey Telephone Company and Subsidiaries (the "Company") as of December 31, 2017, and have issued our report thereon dated April 25, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 9, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Whidbey Telephone Company and Subsidiaries are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting these consolidated financial statements include management's estimate of the useful lives of property, plant and equipment, recoverability of long-term assets, fair value of financial instruments and investments, collectability of related party receivables and interstate revenue requirements all of which are based on prior experience with similar assets, liabilities and interstate filing requirements. Also included is management's estimate of the future maturities of long-term debt which are based on minimum required payments at current levels of debt.

We evaluated these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Certain consolidated financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the consolidated financial statements were regarding investments (Note 4), property, plant and equipment (Note 5), notes payable and long-term debt (Note 6) and various related party transactions (Notes 4 and 10).

The consolidated financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the consolidated financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 25, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary

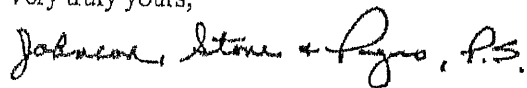
Board of Directors and Management of
Whidbey Telephone Company and Subsidiaries
April 25, 2018

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information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of management and the board of directors of Whidbey Telephone Company and Subsidiaries and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



JOHNSON, STONE & PAGANO, P.S.

FCC Form 481
 OMB Control No. 3060-0986
 July 2013

<010> Study Area Code
 <015> Study Area Name
 <020> Program Year
 <030> Contact Name - Person USAC should contact regarding this data
 <035> Contact Telephone Number - Number of person identified in data line <030>
 <039> Contact Telephone Email Address - Email Address of person identified in data line <030>

Files as reviewed single company
 Filed as reviewed consolidated company
 Filed as subsidiary of reviewed consolidated company

CERTIFICATION
 We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

Signature: _____ Date: 7/22/13

PART A. BALANCE SHEET		BALANCE PRIOR YEAR	BALANCE END OF PERIOD
ASSETS			
CURRENT ASSETS			
1. Cash and Equivalents			
2. Cash-RUS Construction Fund			
3. Affiliates:			
a. Telecom, Accounts Receivable			
b. Other Accounts Receivable			
c. Notes Receivable			
4. Non-Affiliates:			
a. Telecom, Accounts Receivable			
b. Other Accounts Receivable			
c. Notes Receivable			
5. Interest and Dividends Receivable			
6. Material-Regulated			
7. Material-Nonregulated			
8. Prepayments			
9. Other Current Assets			
10. Total Current Assets (1 thru 9)			
NONCURRENT ASSETS			
11. Investment in Affiliated Companies			
a. Rural Development			
b. Nonrural Development			
12. Other Investments			
a. Rural Development			
b. Nonrural Development			
13. Nonregulated Investments			
14. Other Noncurrent Assets			
15. Deferred Charges			
16. Jurisdictional Differences			
17. Total Noncurrent Assets (11 thru 16)			
PLANT, PROPERTY, AND EQUIPMENT			
18. Telecom, Plant-in-Service			
19. Property Held for Future Use			
20. Plant Under Construction			
21. Plant Add., Nonop. Plant & Goodwill			
22. Less Accumulated Depreciation			
23. Net Plant (18 thru 21, less 22)			
24. TOTAL ASSETS (10+17+25)			
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
25. Accounts Payable			
26. Notes Payable			
27. Advance Billings and Payments			
28. Customer Deposits			
29. Current Mat. L/T Debt			
30. Current Mat. L/T Debt-Rur. Dev.			
31. Current Mat.-Capital Leases			
32. Income Taxes Accrued			
33. Other Taxes Accrued			
34. Other Current Liabilities			
35. Total Current Liabilities (25 thru 34)			
LONG-TERM DEBT			
36. Funded Debt-RUS Notes			
37. Funded Debt-RTB Notes			
38. Funded Debt-FFB Notes			
39. Funded Debt-Other			
40. Funded Debt-Rural Develop. Loan			
41. Premium (Discount) on L/T Debt			
42. Recquired Debt			
43. Obligations Under Capital Lease			
44. Adv. From Affiliated Companies			
45. Other Long-Term Debt			
46. Total Long-Term Debt (36 thru 45)			
OTHER LIAB. & DEF. CREDITS			
47. Other Long-Term Liabilities			
48. Other Deferred Credits			
49. Other Jurisdictional Differences			
50. Total Other Liabilities and Deferred Credits (47 thru 49)			
EQUITY			
51. Cap. Stock Outstanding & Subscribed			
52. Additional Paid-In-Capital			
53. Treasury Stock			
54. Membership and Cap. Certificates			
55. Other Capital			
56. Patronage Capital Credits			
57. Retained Earnings or Margins			
58. Total Equity (51 thru 57)			
59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)			

<010> Study Area Code
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 <030> Contact Name - Person USAC should contact regarding this data
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 <039> Contact Telephone Email Address - Email Address of person identified in data line <030>

<010> 522452
 <015> Whidbey Telephone Company
 <020> 2019
 <030> Irish Mason
 <035> 800-321-0013
 <039> krist.mason@whidbeytel.com

ITEM	PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS	
	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues		
2. Network Access Services Revenues		
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues		
5. Miscellaneous Revenues		
6. Uncollectible Revenues		
7. Net Operating Revenues (1 thru 5 less 6)		
8. Plant Specific Operations Expense		
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)		
10. Depreciation Expense		
11. Amortization Expense		
12. Customer Operations Expense		
13. Corporate Operations Expense		
14. Total Operating Expenses (8 thru 13)		
15. Operating Income or Margins (7 less 14)		
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes		
19. Other Taxes		
20. Total Operating Taxes (17+18+19)		
21. Net Operating Income or Margins (15+16-20)		
22. Interest on Funded Debt		
23. Interest Expense - Capital Leases		
24. Other Interest Expense		
25. Allowance for Funds Used During Construction		
26. Total Fixed Charges (22+23+24-25)		
27. Nonoperating Net Income		
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income		
31. Total Net Income or Margins (21+27+28+29+30-26)		
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year		
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
39. Retained Earnings or Margins end-of-Period [(31+33+34)-(35+36+37+38)]		
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
43. Patronage Capital End-of-Year [(40+41-42)]		
44. Annual Debt Service Payments		
45. Cash Ratio [(14+20-10-11)/7]		
46. Operating Accrual Ratio [(14+20-26)/7]		
47. TIER [(31+26)/26]		
48. DSCR [(31+26+10+11)/44]		

<010> Study Area Code 522452
 <015> Study Area Name Whidbey Telephone Company
 <020> Program Year 2019
 <030> Contact Name - Person USAC should contact regarding this data Irish Mason
 <035> Contact Telephone Number - Number of person identified in data line <030> 360-321-0013
 <039> Contact Telephone Email Address - Email Address of person identified in data line <030> Irish.mason@whidbeytel.com

PART C. STATEMENTS OF CASH FLOWS

1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)

CASH FLOWS FROM OPERATING ACTIVITIES

2. Net Income	
3. Add: Depreciation	Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities
4. Add: Amortization	
5. Other (Explain)	Partnership Distributions, Noncash Operating Income
6. Decrease/(Increase) in Accounts Receivable	Changes in Operating Assets and Liabilities
7. Decrease/(Increase) in Materials and Inventory	
8. Decrease/(Increase) in Prepayments and Deferred Charges	
9. Decrease/(Increase) in Other Current Assets	
10. Increase/(Decrease) in Accounts Payable	
11. Increase/(Decrease) in Advance Billings & Payments	
12. Increase/(Decrease) in Other Current Liabilities	
13. Net Cash Provided/(Used) by Operations	

CASH FLOWS FROM FINANCING ACTIVITIES

14. Decrease/(Increase) in Notes Receivable	
15. Increase/(Decrease) in Notes Payable	
16. Increase/(Decrease) in Customer Deposits	
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	
20. Less: Payment of Dividends	
21. Less: Patronage Capital Credits Retired	
22. Other (Explain)	
23. Net Cash Provided/(Used) by Financing Activities	

CASH FLOWS FROM INVESTING ACTIVITIES

24. Net Capital Expenditures (Property, Plant & Equipment)	
25. Other Long-Term Investments	
26. Other Noncurrent Assets & Jurisdictional Differences	
27. Other (Explain)	Restricted Cash, Loan Advances to Affiliates
28. Net Cash Provided/(Used) by Investing Activities	
29. Net Increase/(Decrease) in Cash	
30. Ending Cash	