

**REPORTS AS REQUESTED BY WAC 480-123-070
AND WAC 480-123-080**

The Toledo Telephone Co., Inc. (the “Company”) hereby submits the following reports in accordance with WAC 480-123-070 and WAC 480-123-080.¹

Report 1: WAC 480-123-070(1)(a): Attached is a copy of the Company’s NECA Report for the calendar year 2011, that, as of the date of the report, the Company has reported as the expected basis for support from the federal high-cost fund.

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

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 high quality telecommunications services to customers in the service area for which the Company is designated as an ETC.² 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 service area. In addition, during 2011, the Company was engaged in several critical investment projects within its designated ETC service area as described below:

The company replaced aging copper facilities within the City of Toledo with Fiber Optic Cable which will serve residential, business, governmental, K-12 and recreational customers.

Report 3: WAC 480-123-070(4): The Company reports that the Company is aware of one complaint, regarding call completion issues and was contacted during calendar year 2011 by the Federal Communications Commission or the Consumer Protection Division. We responded to the FCC and they understand the problem was not under our control.

Report 4: WAC 480-123-080(1)(b): The Company reports as follows:

¹ It is the Company’s understanding that it is not required to submit the reports described in WAC 480-123-070(2) and (3).

² The term “ETC” is used in the same sense as the term is used in Chapter 480-123 WAC.

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, 2012, through December 31, 2013, that the Company expects to use as a basis to request federal high-cost support are expected to have relatively similar expenses the Company has set forth in its information filed under Report 1. The Company expects that levels of expenses will see a similar increase as those it experienced in calendar year 2011, 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's investment plans directly affecting federal high-cost supported services offered by it in its designated ETC service area include several major construction projects at the present time: Phase one, currently underway consists of overbuilding the downtown Toledo area with fiber optic cable to replace aging and failing copper plant. Over the next five years, the Company plans to built-out fiber to those areas currently served by copper facilities that have reached full depreciation and/or are known to be degrading service due to the age of the facilities. Funding for these projects will be provided through the UDSA RUS Loan Program and is expected to total \$18 million upon the completion target date of December 31, 2016. However, recent FCC changes to USF and ICC have placed this project in peril, as the company has no reliable means to determine if USF will provide adequate support to continue or complete the effort.

With the exception of the construction projects described, above, 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 2011. The Company has completed its budgeting process and provides final numbers prepared for investment and construction expense levels for 2012 and 2013 as attachment "2012 ETC Budget and 2013 ETC Budget"

The expected benefit to customers from the anticipated investment and expenditures is that customers will continue to receive a high level of telecommunications service and have access to advanced services delivered via fiber optics.

Report 5: WAC 480-123-080(1)(a) and WAC 480-123-080(2): Existing copper facilities for the Company have been in use beyond reasonable life expectancy. In most cases, the copper has been in use over 25 years and is beyond usefulness. Thus, the Company has begun overbuilding our entire exchange with fiber optic facilities. Phase 1 is currently underway and is located within the City of Toledo. Phase 2 will include the area immediately surrounding the City of Toledo. Subsequent phases will be identified around the existing CSA's the Company has currently established. The overall project will consist of 100% buried fiber facilities to all our subscribers. This will require a significant investment in fiber, electronics, optical terminals and labor. Without access to federal high-cost support funds The Company would not be able to undertake even a small portion of a project with this scope. Without these upgrades to The Company's

facilities, our customers would likely never have access to the opportunities that fiber to the home has to offer.

The Company expects that it will continue use federal high-cost support funds in 2012 & 2013 in a manner that will enable the Company to continue to provide the supported services at rates that are comparable to the rates for such services in urban areas.

Major Outage Report

On June 28th, 2011 Toledo Telephone customers experienced a major outage that eliminated our ability to access 911 and Operator Services due to a Qwest fiber cut. 911 calls were re-routed to the local Toledo Fire department. The City of Toledo and the Mayor for the City of Toledo were notified. WUTC was notified via email (see text below).

The outage was caused by damage to Qwest fiber facilities in the Castle Rock area.

Dear Mr. Weidman,

Yesterday, June 28th at approximately 10:00 Qwest suffered a fiber cut near Castle Rock WA that affected 100% of our customers. All of our Tandem Trunks, 911 and SS7 circuits are routed via this fiber. Qwest has no redundant facilities for this route. We have experienced similar issues along the route several times in the six years I have been with the company. An interruption such as this would have prohibited our customers from making any calls outside of our exchange including 911. However, we have been testing VoIP trunking and SS7 over IP for several months, which enabled us to maintain an IP SS7 link and re-route 911 calls directly to the PSAP in Olympia. Although 100% of long distance termination was affected, our customers were able to maintain limited communications.

Due to the volatility of this route, I have on several occasions engaged Qwest in discussions on moving our meet point to PTLDOR69 and utilize our own fiber between Toledo and the Qwest Tandem. Our fiber route was not affected. Qwest has so far, been reluctant to discuss the issue.

Service was fully restored at 18:56 last night.

Respectfully,

Dale Merten
C.O.O.
The Toledo Telephone Co., Inc
360-864-2044