



July 25, 2013

Mr. David W. Danner, Executive Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Request for Certification Pursuant to WAC 480-123-060 and 47 C.F.R.
54.314

Dear Mr. Danner:

Pursuant to WAC 480-123-060, The Toledo Telephone Co., Inc. ("Company") hereby requests that the Washington State Utilities and Transportation Commission certify that the Company has met the requirements of 47 C.F.R. 54.314 for eligibility for continued receipt of federal high-cost funds.

The certifications and reports that are specified in WAC 480-123-060, WAC 480-123-070 and WAC 480-123-080 are enclosed.

Sincerely,

A handwritten signature in black ink, appearing to read "Dale Merten", with a long horizontal flourish extending to the right.

Dale Merten
Chief Operating Officer



**AFFIDAVIT CONTAINING CERTIFICATIONS
PURSUANT TO WAC 480-123-060 AND WAC 480-123-070**

I, Dale Merten, being of lawful age, state that I am C.O.O of The Toledo Telephone Company, Inc. ("Company"), that I am authorized to execute this Affidavit on behalf of the Company, and that the facts set forth in this Affidavit are true to the best of my knowledge, information and belief. On this basis, I hereby certify to the Washington Utilities and Transportation Commission ("Commission") for use by the Commission in providing the certification to the Federal Communications Commission and Universal Service Administrative Company required by 47 C.F.R. §54.314, as follows:

- (1) That the Company will use federal high-cost universal service fund support only for the provision, maintenance and upgrading of the facilities and services for which the support is intended;
- (2) That during the 2012 calendar year, the Company met substantially the applicable service quality standard found in WAC 480-123-030(1)(h);
- (3) That during the 2012 calendar year, the Company maintained the ability to function in emergency situations under the standard found in WAC 480-123-030(1)(g), as such standard relates to functionality of wireline carriers in emergency situations; and
- (4) That during the 2012 calendar year, the Company publicized the availability of its applicable telephone assistance programs in a manner reasonably designed to reach those likely to qualify for service and in a manner which, in the Company's judgment, included advertisements likely to reach those who are not current customers of the Company within the Company's designated service area.

I certify under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

Dated this 24th day of July, 2013

Company: The Toledo Telephone Company, Inc.

By: 
Its: Chief Operating Officer

**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 2012, 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 2012, 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 2012 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.

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.

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

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, 2013, 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 2012, 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 USDA RUS Loan Program and is expected to total \$18 million upon the completion target date of December 31, 2016. FCC changes to USF and ICC have placed our ability to repay the loan in peril, as the company has no reliable means to determine if USF will provide adequate support meet our fiduciary obligations.

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 2012. 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, located within the City of Toledo has been completed. Phase 2 is identified around the existing CSA's the Company has

currently established and is currently underway. 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, which exceeds 10 million dollars. Without access to federal high-cost support funds the Company would not be able to undertake even a small portion of a project of 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. 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, 2014, through December 31, 2014, that the Company expects to use as a basis to request federal high-cost support are expected to be relatively similar to those investments and expenses the Company has set forth in its information filed under Report 1, above, taking into account normal fluctuations in investments and expense levels. The Company expects that levels of expenses will increase from those experienced in calendar year 2012 due the scope and size of our fiber optic upgrade. Staffing levels decreased 10% due to attrition. The Company does not anticipate 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 do include a major construction project at the present time. The Company expects that it will have a similar level of investment related to maintenance, replacement and minor upgrades of equipment and plant as occurred in calendar year 2012. The Company has not completed its budgeting process and does not have final numbers prepared for investment and expense levels for 2014. The Company expects that the continued receipt of federal high-cost support will aide the Company's efforts to continue to provide the supported services at rates that are comparable to the rates for such services in urban areas. However, the Company projects that with reductions in intercarrier compensation and associated federal support, those efforts will need to be supplemented by support from the state universal service fund for the Company to be able to continue to maintain reasonably comparable rates. All customers in the Company's designated ETC service area will benefit from the expected level of support and other factors, such as support from the state fund, continuing to aide efforts to have available to the customers 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.

Major Outage Report

We pleased to report no major outages during 2012.

Respectfully,

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

2012 ETC Budget	2012
Central Office Additions Summary	
Central Office Equipment - (Additions)	12,500.00
FTTH Subscriber Premise Summary	
Gigabit Ethernet Optical Network Terminals	86,250.00
Outside Plant Summary	
Fiber Optic Cable	117,500.00
Ductwork	147,500.00
Conduit	185,000.00
Fiber Optic Subscriber Drops	75,000.00
Building Requirement Summary	
Land Acquisition	
Vehicle Storage Building	
Engineering Summary	
Pre-Fiber Construction Engineering	150,000.00
Post-Fiber Construction Engineering	67,525.00
Vehicle and Test Equipment Summary	
(1) Line Maintenance Truck	85,000.00
(6) FTTH Test Sets @ \$15,000 each	90,000.00
Misc. Test & Maintenance Equipment	33,000.00
Office Equipment Summary	
Billing Software	75,000.00
PC's Printers Etc.	5,000.00
PC Software	4,000.00
Computer Aided Drafting Software	18,000.00
Total	1,151,275.00

2013 TTC ETC Budget	2013
Central Office Additions Summary	
Central Office Equipment - (Additions)	\$81,000.00
Fiber Transport Electronics Summary	
DWDM Equipment	\$665,887.00
SONET Upgrades to Gig-E	\$0.00
FTTH Subscriber Premise Summary	
Gigabit Ethernet Optical Network Terminal (2300 @ 750.00)	\$431,250.00
Outside Plant Summary	
Fiber Optic Cable	\$2,529,638.00
Ductwork	\$977,197.00
Conduit	\$925,000.00
Fiber Optic Subscriber Drops	\$375,000.00
Engineering Summary - Allocate to Plant Additions	
Pre-Loan Engineering	\$0.00
Post-Loan Engineering	\$405,150.00
Vehicle and Test Equipment Summary	
Backhoe	
(6) Maintenance Vehicles @ \$38,000.00 each	
(3) Office Vehicles @ \$32,000.00 each	
(1) Line Maintenance Truck	
(6) FTTH Test Sets @ \$15,000 each	
Misc. Test & Maintenance Equipment	
Office Equipment Summary	
Billing Software	
PC's Printers Etc.	\$5,000.00
PC Software	\$4,000.00
Computer Aided Drafting Software	
 Grand Total	 \$6,399,122.00

SAC: 522447

SA Name: The Toledo Telephone Company

Region: Western

I. EXCHANGE CARRIER/DATA IDENTIFICATION

(010)	Study Area Code	(010)	<u>522447</u>
(020)	Contact Name	(020)	<u>Phil Cappalonga</u>
(030)	Contact Telephone Number	(030)	<u>360.864.2004</u>
(040)	USF Data Collection Period	(040)	<u>2013-1</u>

<u>Data Line</u>	<u>Description</u>	<u>Latest View 2012-1 Amount</u>	<u>Data Line</u>	<u>Pending View 2013-1 Amount</u>	<u>Data Source</u>
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II. WORKING LOOPS

(060)	Total Loops (Cat. 1.1, 1.2 and 1.3)	<u>1,951</u>	(060)	<u>1,830</u>	
(070)	Category 1.3 Loops (Excluding Cat. 1.3 TWX Loops)	<u>1,949</u>	(070)	<u>1,828</u>	

III. INVESTMENT, EXPENSE AND TAXES

Net Plant Investment

(160)	Acct. 2001 - Telephone Plant in Service	<u>20,788,068</u>	(160)	<u>21,078,615</u>	
(170)	Acct. 1220 - Materials and Supplies	<u>126,912</u>	(170)	<u>128,264</u>	
(190)	Acct. 3100 - Accumulated Depreciation	<u>13,359,022</u>	(190)	<u>13,762,952</u>	
(195)	Acct. 3400 - Accumulated Amortization Tangible	<u>757</u>	(195)	<u>827</u>	
(210)	Acct. 4340 - Net Noncurrent Deferred Operating Income Taxes	<u>650,203</u>	(210)	<u>648,835</u>	
(220)	Net Plant Investment (Sum of Lines 160 + 170 Minus Lines 190 Through 210)	<u>6,904,997</u>	(220)	<u>6,794,266</u>	Calculation

National Exchange Carrier Association, Inc.

Universal Service Fund
Data Collection Form

7/22/2013

SAC: 522447

SA Name: The Toledo Telephone Company

Region: Western

<u>Data Line</u>	<u>Description</u>	<u>Latest View 2012-1 Amount</u>	<u>Data Line</u>	<u>Pending View 2013-1 Amount</u>	<u>Data Source</u>
Selected Plant Accounts					
(230)	Acct. 2210 - Central Office Switching Equipment	<u>1,306,170</u>	(230)	<u>1,315,630</u>	
(235)	Acct. 2220 - Operator System Equipment	<u>0</u>	(235)	<u>0</u>	
(240)	Acct. 2230 - Central Office Transmission Equipment	<u>2,314,862</u>	(240)	<u>2,468,751</u>	
(245)	Total Central Office Equipment (Sum of Lines 230 Through 240)	<u>3,621,032</u>	(245)	<u>3,784,381</u>	Calculation
(250)	Circuit Equipment Category 4.13	<u>1,447,951</u>	(250)	<u>1,486,223</u>	
(255)	Acct. 2410 - Cable and Wire Facilities Total	<u>12,381,087</u>	(255)	<u>12,934,388</u>	
(260)	Acct. 3100 (2210) - Accumulated Depreciation Central Office Switching Equipment	<u>984,597</u>	(260)	<u>974,714</u>	
(265)	Acct. 3100 (2220) - Accumulated Depreciation Operator System Equipment	<u>0</u>	(265)	<u>0</u>	
(270)	Acct. 3100 (2230) - Accumulated Depreciation Central Office Transmission Equipment	<u>1,044,799</u>	(270)	<u>1,288,427</u>	
(275)	Acct. 3100 (2210-2230) - Total Accumulated Depreciation Central Office Equipment (Sum of Lines 260 Through 270)	<u>2,029,396</u>	(275)	<u>2,263,141</u>	Calculation
(280)	Acct. 3100 (2410) - Accumulated Depreciation Cable and Wire Facilities	<u>7,781,857</u>	(280)	<u>8,196,237</u>	

Universal Service Fund
Data Collection Form

7/22/2013

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<u>Data Line</u>	<u>Description</u>	<u>Latest View 2012-1 Amount</u>	<u>Data Line</u>	<u>Pending View 2013-1 Amount</u>	<u>Data Source</u>
(310)	Acct. 4340 (2210) - Net Noncurrent Deferred Operating Income Taxes - Central Office Switching Equipment	40,956	(310)	40,602	
(315)	Acct. 4340 (2220) - Net Noncurrent Deferred Operating Income Taxes - Operator System Equipment	0	(315)	0	
(320)	Acct. 4340 (2230) - Net Noncurrent Deferred Operating Income Taxes - Central Office Transmission Equipment	72,585	(320)	76,188	
(325)	Acct. 4340 (2210-2230) - Net Noncurrent Deferred Operating Income Taxes - Central Office Equipment (Sum of Lines 310 Through 320)	113,541	(325)	116,790	Calculation
(330)	Acct. 4340 (2410) - Net Noncurrent Deferred Operating Income Taxes - Cable and Wire Facilities	388,222	(330)	399,169	

Universal Service Fund
Data Collection Form

7/22/2013

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<u>Data Line</u>	<u>Description</u>	<u>Latest View 2012-1 Amount</u>	<u>Data Line</u>	<u>Pending View 2013-1 Amount</u>	<u>Data Source</u>
Plant-Specific Operation Expense					
(335)	Acct. 6110 - Network Support Expense Total	66,894	(335)	62,897	
(340)	Acct. 6110 - Benefits Portion of Network Support Expense	9,795	(340)	17,423	
(345)	Acct. 6110 - Rents Portion of Network Support Expense	0	(345)	0	
(350)	Acct. 6120 - General Support Expense Total	201,957	(350)	218,001	
(355)	Acct. 6120 - Benefits Portion of General Support Expense	30,438	(355)	36,448	
(360)	Acct. 6120 - Rents Portion of General Support Expense	0	(360)	0	
(365)	Acct. 6210 - Central Office Switching Expense - Total	180,064	(365)	126,630	
(370)	Acct. 6210 - Benefits Portion of Central Office Switching Expense	52,499	(370)	38,045	
(375)	Acct. 6210 - Rents Portion of Central Office Switching Expense	0	(375)	0	
(380)	Acct. 6220 - Operator System Expense - Total	0	(380)	0	
(385)	Acct. 6220 - Benefits Portion of Operator System Expense	0	(385)	0	
(390)	Acct. 6220 - Rents Portion of Operator System Expense	0	(390)	0	
(395)	Acct. 6230 - Central Office Expense - Transmission Equipment - Total	228,788	(395)	270,637	

Universal Service Fund
Data Collection Form

7/22/2013

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<u>Data Line</u>	<u>Description</u>	<u>Latest View 2012-1 Amount</u>	<u>Data Line</u>	<u>Pending View 2013-1 Amount</u>	<u>Data Source</u>
(400)	Acct. 6230 - Benefits Portion of Central Office Expense - Transmission Equipment	50,687	(400)	74,970	
(405)	Acct. 6230 - Rents Portion of Central Office Expense - Transmission Equipment	0	(405)	0	
(410)	Accts. 6210-6230 - Central Office Expense Total (Sum of Lines 365 + 380 + 395)	408,852	(410)	397,267	Calculation
(430)	Acct. 6410 - Cable and Wire Facilities Expense - Total	170,601	(430)	278,376	
(435)	Acct. 6410 - Benefits Portion Cable and Wire Facilities Expense	35,993	(435)	64,214	
(440)	Acct. 6410 - Rents Portion Cable and Wire Facilities Expense	7,132	(440)	65,852	
(445)	Total Plant-Specific Expense (Sum of Lines 335 + 350 + 365 + 380 + 395 + 415 + 430)	848,304	(445)	956,542	Calculation
Plant-Nonspecific Expense					
(450)	Acct. 6530 - Network Operations Expense - Total	149,269	(450)	177,583	
(455)	Acct. 6530 - Benefits Portion Network Operations Expense	35,710	(455)	44,489	

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<u>Data Line</u>	<u>Description</u>	<u>Latest View 2012-1 Amount</u>	<u>Data Line</u>	<u>Pending View 2013-1 Amount</u>	<u>Data Source</u>
Depreciation and Amortization Expenses					
(510)	Acct. 6560 (2210) - Depreciation and Amortization Expense - Central Office Switching Equipment	<u>130,760</u>	(510)	<u>123,759</u>	
(515)	Acct. 6560 (2220) - Depreciation and Amortization Expense - Operator System Equipment	<u>0</u>	(515)	<u>0</u>	
(520)	Acct. 6560 (2230) - Depreciation and Amortization Expense - Central Office Transmission Equipment	<u>233,691</u>	(520)	<u>265,287</u>	
(525)	Acct. 6560 (2210-2230) Depreciation and Amortization Central Office Equipment (Sum of Lines 510 Through 520)	<u>364,451</u>	(525)	<u>389,046</u>	Calculation
(530)	Acct. 6560 (2410) - Depreciation and Amortization Expense - Cable and Wire Facilities	<u>490,685</u>	(530)	<u>457,793</u>	
Corporate Operating Expenses					
(535)	Acct. 6710 - Executive and Planning Expense - Total	<u>302,425</u>	(535)	<u>276,996</u>	
(540)	Acct. 6710 - Benefits Portion Executive and Planning Expense	<u>98,825</u>	(540)	<u>103,187</u>	

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<u>Data Line</u>	<u>Description</u>	<u>Latest View 2012-1 Amount</u>	<u>Data Line</u>	<u>Pending View 2013-1 Amount</u>	<u>Data Source</u>
(550)	Acct. 6720 - General Administrative Expense - Total	<u>676,279</u>	(550)	<u>572,037</u>	
(555)	Acct. 6720 - Benefits Portion - General Administrative Expense	<u>106,821</u>	(555)	<u>131,263</u>	
(565)	Total Corporate Operations Expense (Sum of Lines 535 + 550)	<u>978,704</u>	(565)	<u>849,033</u>	Calculation
Other Expenses and Revenues					
(600)	Benefits Portion of All Operating Expenses - Total	<u>509,629</u>	(600)	<u>621,050</u>	
(610)	Rents Portion of All Operating Expenses - Total	<u>7,132</u>	(610)	<u>65,852</u>	
Taxes					
(650)	Acct. 7200 - Operating Taxes	<u>149,654</u>	(650)	<u>133,624</u>	
IV. PART 36 - COST STUDY DATA					
(700)	Acct. 2410 - Cost Study Average Cable and Wire Facilities	<u>12,218,674</u>	(700)	<u>12,657,738</u>	
(710)	Cost Study Average Cable and Wire Facilities Cat. 1 - Total Exchange Line C&WF Excluding Wide Band	<u>11,755,762</u>	(710)	<u>11,832,066</u>	

Universal Service Fund
Data Collection Form

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Data Line	Description	Latest View 2012-1 Amount	Data Line	Pending View 2013-1 Amount	Data Source
V. AMORTIZABLE TANGIBLE ASSETS (Refer to instructions prior to completing this section)					
(800)	Acct. 2680 - Amortizable Tangible Assets	0	(800)	0	
(805)	Acct. 2680 (2230) - Amortizable Tangible Assets - Central Office Transmission Equipment	0	(805)	0	
(810)	Acct. 2680 (2230) - Amortizable Tangible Assets - Central Office Transmission Equipment Allocated to Category 4.13	0	(810)	0	
(815)	Acct. 2680 (2410) - Amortizable Tangible Assets - Cable and Wire Facilities	0	(815)	0	
(820)	Acct. 2680 (2410) - Amortizable Tangible Assets - Cable and Wire Facilities Allocated to Category 1	0	(820)	0	
(830)	Acct. 6560 (2680) - Depreciation and Amortization Expense - Amortizable Tangible Assets	0	(830)	0	
	Sum of Data Collection Inputs	105,861,387		109,070,165	Sum of Line 060 - 830

VI. COMMENTS/SIGNIFICANT CHANGE EXPLANATION

VI. RENT REVENUE: OFFSET TO EXPENSE

(1)	Account 6120 - General Support Expense	0	0	Correct Year Input form
(2)	Account 6210 - Central Office Switching Expense	0	0	Correct Year Input form
(3)	Account 6220 - Central Office Operator Expense	0	0	Correct Year Input form
(4)	Account 6230 - Central Office Transmission Expense	0	0	Correct Year Input form
(5)	Account 6310 - Information Orig/Term Expense	0	0	Correct Year Input form
(6)	Account 6410 - Cable & Wire Facilities Expense	41,773	40,248	Correct Year Input form
	TOTAL	41,773	40,248	Ln 1-6