

**2017 ETC CERTIFICATION - ELIGIBLE TELECOMMUNICATIONS
CARRIERS' ANNUAL RE-CERTIFICATION ON HIGH COST FUND
SUPPORT PURSUANT TO WAC 480-123-060, 070, AND 080**

**INLAND TELEPHONE COMPANY - SAC 522423
DUE JULY 1, 2017**

ETC ANNUAL REPORT
PER WAC 480-123-070 AND WAC 480-123-080
INLAND TELEPHONE COMPANY - SAC 522423

ETC ANNUAL REPORT PER WAC 480-123-070 AND WAC 480-123-080
(Certifications Required by WAC 480-123-060 and 070 enclosed)
July 1, 2017

Inland Telephone Company (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 2016 as follows:

For 2016, the Company's gross capital expenditures, after any appropriate allocations to its Idaho operations, were approximately \$11,896,600. The Company's 2016 operating expenses, after any appropriate allocations to its Idaho operations were \$4,130,881, which includes depreciation and amortization expenses of \$1,189,346 and excludes Part 64 adjustments. Recent major projects are enumerated and/or described in the five (5) year forecast and narrative (522423 5 YEAR FORECAST.pdf) supplied for Report 6, WAC 480-123-080(1) and Report 7, WAC 480-123-080(2).

The Company's final NECA-1 Report for the collection period 2017 for the calendar year 2016, is not available at this time. It will be provided as soon as it is available and no later than August 1, 2017.

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. The projects and benefits are described in the 5 year forecast and narrative (522423 5 YEAR FORECAST.pdf) supplied for Report 6, WAC 480-123-080(1) and Report 7, WAC 480-123-080(2).

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 ETC.¹ 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 areas 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 reports that during calendar year 2016, the Company did not receive from the Federal Communications Commission or the Consumer Protection Division of the Office of the Attorney General of the State of Washington any complaints against the Company concerning the services provided to its customers by the Company that are either subject to the regulatory jurisdiction of the Washington Utilities and Transportation Commission or among the services supported by the federal high-cost fund.²

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, are projected to be \$844,000 for gross capital expenditures and \$4,419,174 for operating expenses, which includes \$1,529,346 of depreciation expense. Attached is a five year forecast and narrative (522423 5 YEAR FORECAST.pdf). With the exception of depreciation expense created by capital projects, the Company expects that levels of expenses to decrease from 2016 levels. However, the effects of inflation and other commonly experienced changes in cost of labor and materials cannot be anticipated. 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, 2018, through December 31, 2018, are projected to be \$667,700 for gross capital expenditures and \$4,508,956 for operating expenses, which includes \$1,669,346 of depreciation expense. As explained in the narrative on the attached 5 year forecast, the projected upgrades should increase bandwidth capacity to our subscribers in order to be in compliance with current Federal Communications Commission standards for broadband. With the exception of

² The references to the services supported by the federal high-cost fund is to the services designated for support as set forth in 47 C.F.R. §54.101(a).

depreciation expense created by capital projects, the Company expects that levels of expenses to decline from projected 2017 levels as efficiencies are realized; fiber generally involves less maintenance. However, the effects of inflation and other commonly experienced changes in cost of labor and materials cannot be anticipated. The Company does not anticipate major adjustments in staffing levels for the relevant period. Enclosed is a five year forecast and narrative. 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.

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

INLAND TELEPHONE COMPANY - SAC 522423

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

I, James K. Brooks, being of lawful age, state that I am the Treasurer/Controller of Inland Telephone Company ("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 in 2016, used and in the coming calendar year will use federal high-cost universal service fund support provided to the Company in the State of Washington only for the provision, maintenance and upgrading of the facilities and services for which the support is intended;

(2) That during the 2016 calendar year, the Company met substantially the applicable service quality standard and consumer protection rules found in WAC 480-123-030(1)(h);


(3) That during the 2016 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 2016 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 29th day of July, 2017, at Roslyn, Washington.

Company: Inland Telephone Company

By: 
James K. Brooks

Its: Treasurer/Controller

**522423 5 YEAR FORECAST
(SUPPORT FOR ETC ANNUAL REPORT)**

INLAND TELEPHONE COMPANY - SAC 522423

INLAND TELEPHONE COMPANY								54.313(a)(1)
WASHINGTON OPERATIONS - SAC 522423								
FIVE YEAR FORECAST - NETWORK ADDITIONS								

As they are known to the Company at the date of this Report, the planned investments and forecasted expenses related to Washington operations (Study Area Code 522423) for the period January 1, 2017 through December 31, 2021, are listed below. The Company expects to use all Universal Service Fund support received in order to fund the provisioning, maintenance and services provided over these upgraded facilities as well as existing facilities and to service the debt with the Rural Utility Service created in order to make these improvements; improving service quality, coverage and capacity. The Company (SAC 522423) received \$1,792,682 in federal high-cost support for the calendar year ended December 31, 2016; which includes \$636,186 for Connect America Funds. The Company expects that the continued receipt of Universal Service Fund support will aid 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 of which all customers and potential customers in the Company's designated ETC service area will benefit.

DEWATTO - In the previous year's submission, the Company forecasted for 2016, that upgrades to the facilities in its Dewatto exchange would be \$650,000; upgrading fiber-to-the-node ("FTTN"). This project was not completed by the end of 2016. The Company completed the fiber cable portion; capitalizing \$507,616 in Aerial and Buried fiber optic cable. The Company anticipates replacing the five (5) existing nodes (carrier cabinets) and adding an additional five (5) nodes to decrease loop lengths and increase broadband speeds; quoted price of \$274,000. The Company did not anticipate replacing the switch in 2016, however, the Company received a notice from the manufacturer that the model that we own would be end-of-life in September 2016; specifically, due to the manufacturer of the main processor cards discontinuing production; should it go bad, the switch would be down and a replacement card may not be available. The Company had this switch at each of its four (4) Washington exchanges. Inland investigated other possible switch replacements and alternative networking however, it came down to cost and personnel familiarity.

PRESCOTT - The Company is planning the upgrades in its Prescott exchange to be in compliance with the FCC broadband standard. At this point in time, the upgrades that were anticipated for 2017 have been delayed by the Roslyn FTTH project.

ROSLYN - In the previous year's submission, the Company forecasted for 2016, that the upgrades to the facilities in its Roslyn exchange would total \$8,123,800; improving the network by upgrading to fiber-to-the-home ("FTTH"). The Company closed \$10,048,015 in workorders for FTTH. The FTTH project is not completed; approximately 1/3rd of the Roslyn exchange subscribers were connected to the system by the end of 2016. The Company anticipates that the connection to all subscriber on FTTH may not be completed until 2019. The Company also anticipated that the new switch for the Roslyn exchange would be \$180,000; actual closing of \$272,527. Besides improving voice grade service, these improvements will enable the Company to offer broadband Gigabit Ethernet service in the future.

UNIONTOWN - The Company is planning the upgrades in its Uniontown exchange to be in compliance with the FCC broadband standard. At this point in time, the upgrades that were anticipated for 2017 have been delayed by the Roslyn FTTH project.

GROSS PLANT ADDITIONS - CURRENT ACTUAL AND FUTURE ESTIMATED							
(NOTE: 2016 Actual is after any allocation to Idaho and before any Part 64 allocations; Future Estimates do not include either allocations)							
		2016 ACTUAL	2017	2018	2019	2020	2021
DEWATTO (372)							
Access Lines (@ 12/31/2016)	312						
Data Subscribers (@ 12/31/2016)	232						
Switching		136,481					
FTTN Electronics			274,000				
Fiber-to-the-Node (FTTN)		507,616					
Miscellaneous		11,427					
PRESCOTT (849)							
Access Lines (@ 12/31/2016)	158						
Data Subscribers (@ 12/31/2016)	64						
Switching		19,143	110,000				
FTTH Electronics					200,000		
FTTN Electronics (upgrade to 25/3)				152,000			
Fiber-to-the-Home (FTTH)					350,000		
Miscellaneous		6,348					
ROSLYN (649)							
Access Lines (@ 12/31/2016)	1,466						
Data Subscribers (@ 12/31/2016)	1,075						
Switching		272,527					
FTTH Electronics		1,654,849	250,000	250,000	250,000		
Fiber-to-the-Home (FTTH)		8,393,166	100,000	100,000	100,000		
New Warehouse (Land & Building)		679,513					
Miscellaneous		124,432					

INLAND TELEPHONE COMPANY								54.313(a)(1)
WASHINGTON OPERATIONS - SAC 522423								
FIVE YEAR FORECAST - NETWORK ADDITIONS								
UNIONTOWN (229)								
Access Lines (@ 12/31/2016)	491							
Data Subscribers (@ 12/31/2016)	235							
Switching		19,143	110,000					
FTTH Electronics					200,000			
FTTN Electronics (upgrade to 25/3)				165,700				
Fiber-to-the-Node (FTTN)		51,569						
Fiber-to-the-Home (FTTH)					350,000			
Miscellaneous		20,420						
TOTAL		11,896,634	844,000	667,700	1,450,000	0	0	
FORECASTED OPERATING EXPENSES								
PLANT SPECIFIC OPERATIONS		1,229,059	1,168,209	1,113,110	1,063,057	1,017,438	975,720	
PLANT NON-SPECIFIC OPERATIONS		392,187	397,935	403,828	409,872	416,068	422,423	
ACCUMULATED DEPRECIATION		1,189,346	1,529,346	1,669,346	1,669,346	1,669,346	1,669,346	
CUSTOMER OPERATIONS EXPENSES		503,533	520,322	533,337	543,344	550,992	556,808	
CORPORATE OPERATIONS EXPENSES		816,756	803,362	789,334	774,893	760,219	745,461	
TOTAL OPERATING EXPENSES		4,130,881	4,419,174	4,508,956	4,460,512	4,414,064	4,369,759	