

**2018 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 2, 2018**

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

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

**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 2, 2018

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 2017 as follows:

For 2017, the Company's gross capital expenditures, after any appropriate allocations to its Idaho operations, were approximately \$841,500. The Company's 2017 operating expenses, after any appropriate allocations to its Idaho operations were \$4,466,567, which includes depreciation and amortization expenses of \$1,372,888 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 2018 for the calendar year 2017, is not available at this time. It will be provided as soon as it is available and no later than August 1, 2018.

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.<sup>1</sup> 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

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<sup>1</sup> 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 2017 Report: WAC 480-123-070(2):

As reported to the WUTC, there was one outage that started at approximately 7:30 pm on Thursday, December 28, 2017; restored by approximately 7:30 pm on Friday, December 29, 2017. The outage affected approximately 300 access lines in the Dewatto exchange. The outage was caused by a firewall failure. A replacement firewall was located in the Roslyn exchange, configured, transported to Dewatto and installed. The Company was unaware that the system was engineered with a single point of failure in Dewatto and has since purchased redundant pair firewalls.

4. Report 4: Report on Failure to Provide Service in 2017: 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 2017, 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.<sup>2</sup>

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, 2018, through December 31, 2018, are projected to be \$707,500 for gross capital expenditures and \$4,488,459 for operating expenses, which includes \$1,372,888 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 slightly increase from 2017 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, 2019, through December

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<sup>2</sup> 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).

31, 2019, are projected to be \$784,200 for gross capital expenditures and \$4,485,511 for operating expenses, which includes \$1,372,888 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 depreciation expense created by capital projects, the Company expects that levels of expenses to slightly decline from projected 2018 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**

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 2017, 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 2017 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 2017 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 2017 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 26<sup>th</sup> day of June, 2018, 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**



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

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, 2018 through December 31, 2022, 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 \$1,527,499 in federal high-cost support for the calendar year ended December 31, 2017; which includes \$615,630 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 2017, replacing five (5) existing nodes (carrier cabinets) and adding an additional five (5) nodes to decrease loop lengths and increase broadband speeds; the quoted price was \$274,000. Due to the Roslyn Fiber-to-the-Premise project, this has been delayed until 2018. It has been changed to replacing five (5) existing nodes and adding two additional nodes. The replacements and addition are upgrades from ADSL2+ to VDSL2+ and are estimated to be \$191,800.

**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 FTTP 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-premise ("FTTP"). The Company closed \$10,048,015 in workorders for FTTP in 2016. The FTTP project is not completed; approximately 1/3rd of the Roslyn exchange subscribers were connected to the system by the end of 2016. There were approximately 300 subscribers remaining to be connected to FTTP at the beginning of 2018. The Company anticipates that the connection to all subscriber on FTTP should be completed during 2018. Approximately 12 remote customers will remain on upgraded copper; new cabinet located closer to their locations. Besides improving voice grade service, the FTTP 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 FTTP project.

<b>GROSS PLANT ADDITIONS - CURRENT ACTUAL AND FUTURE ESTIMATED</b>								
(NOTE: 2017 Actual is after any allocation to Idaho and before any Part 64 allocations; Future Estimates do not include either allocations)								
		<b>2017 ACTUAL</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
<b>DEWATTO (372)</b>								
Access Lines (@ 12/31/2017)	310							
Data Subscribers (@ 12/31/2017)	235							
Switching		12,396						
FTTN Electronics			191,800	82,200				
Fiber-to-the-Node (FTTN) Cable								
Aerial Fiber		13,525						
<b>PRESCOTT (849)</b>								
Access Lines (@ 12/31/2017)	148							
Data Subscribers (@ 12/31/2017)	60							
Switching		21,471						
FTTH Electronics					200,000			
FTTN Electronics (upgrade to 25/3)				152,000				
Fiber-to-the-Home (FTTH)					350,000			
<b>ROSLYN (649)</b>								
Access Lines (@ 12/31/2017)	1,551							
Data Subscribers (@ 12/31/2017)	1,189							
Switching		96,166						
FTTH Electronics		455,622	250,000					
Fiber-to-the-Home (FTTH) Cable		127,940	100,000					
Miscellaneous		17,584						

<b>INLAND TELEPHONE COMPANY</b>							54.313(a)(1)
<b>WASHINGTON OPERATIONS - SAC 522423</b>							
<b>FIVE YEAR FORECAST - NETWORK ADDITIONS</b>							
<b>UNIONTOWN (229)</b>							
Access Lines (@ 12/31/2017)	429						
Data Subscribers (@ 12/31/2017)	232						
Switching		43,453					
Transmission Equipment		3,947					
FTTH Electronics				200,000			
FTTN Electronics (upgrade to 25/3)			165,700				
Fiber-to-the-Home (FTTH) Cable				350,000			
Miscellaneous		49,388					
	<b>TOTAL</b>	<b>841,492</b>	<b>707,500</b>	<b>784,200</b>	<b>550,000</b>	<b>0</b>	<b>0</b>
<b>FORECASTED OPERATING EXPENSES</b>							
PLANT SPECIFIC OPERATIONS		1,370,296	1,365,785	1,347,068	1,335,910	1,328,352	1,322,590
PLANT NON-SPECIFIC OPERATIONS		436,945	456,362	466,819	472,271	475,081	476,531
ACCUMULATED DEPRECIATION		1,372,888	1,372,888	1,372,888	1,372,888	1,372,888	1,372,888
CUSTOMER OPERATIONS EXPENSES		506,045	509,765	512,576	514,696	516,292	517,493
CORPORATE OPERATIONS EXPENSES		780,393	783,659	786,161	788,066	789,512	790,607
	<b>TOTAL OPERATING EXPENSES</b>	<b>4,466,567</b>	<b>4,488,459</b>	<b>4,485,511</b>	<b>4,483,832</b>	<b>4,482,126</b>	<b>4,480,109</b>