

**2019 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, 2019**

**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, 2019

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 2018 as follows:

For 2018, the Company's gross capital expenditures, after any appropriate allocations to its Idaho operations, were approximately \$735,481. The Company's 2018 operating expenses, after any appropriate allocations to its Idaho operations were \$4,551,128, which includes depreciation and amortization expenses of \$1,323,039 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 submitted NECA-1 Report for the collection period 2019 for the calendar year 2018, is included after the 5 Year Forecast.

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 2018 Report: WAC 480-123-070(2):

As reported to the WUTC, there was one outage that started at approximately 11:00 am on Tuesday, January 16, 2018; restored by approximately 12:30 am on Wednesday, January 17, 2018. The outage affected approximately 135 access lines in the Prescott exchange. The outage was caused by a firewall failure. A replacement firewall was located in the Roslyn exchange, configured, transported to Prescott and installed. The Company was unaware that the system was engineered with a single point of failure in Prescott and has since purchased and installed redundant pair firewalls.

4. Report 4: Report on Failure to Provide Service in 2018: 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 2018, 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, 2019, through December 31, 2019, are projected to be \$732,000 for gross capital expenditures and \$4,397,816 for operating expenses, which includes \$1,323,039 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 2018 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, 2020, 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, 2020, are projected to be \$916,800 for gross capital expenditures and \$4,406,496 for operating expenses, which includes \$1,323,039 of depreciation expense. The narrative on the attached five (5) year forecast, did not fully spell-out that the projected upgrades should increase bandwidth capacity to our subscribers in order to be in compliance with current Federal Communications Commission standards for broadband; it is implied when moving to fiber-to-the-premise. With the exception of depreciation expense created by capital projects, the Company expects that levels of expenses to slightly decline from projected 2019 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 2018, used and in the coming calendar years 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 2018 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 2018 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 2018 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 24<sup>th</sup> day of June, 2019, 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, 2019 through December 31, 2023, 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 \$2,169,314 in federal high-cost support for the calendar year ended December 31, 2018; which includes \$631,776 of Connect America Fund ("CAF") Support, \$842,266 of CAF Broadband Loop Support ("CAF-BLS"), \$102,018 of CAF-BLS Budget Control Mechanism ("CAF-BLS BCM") Refund and \$72,784 of High Cost Loop Support BCM. 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. In order to stabilize the receipt of Federal Universal Service Funds, the Company has accepted the Alternative Connect America Cost Model II Support as specified in Report 15 released May 2, 2019 by the FCC.

**DEWATTO** - In the previous year's submission, the Company forecasted for 2018 that it was planning on replacing five (5) existing nodes (carrier cabinets) and adding an additional two (2) nodes to decrease loop lengths and increase broadband speeds; upgrading from ADSL2+ to VDSL2+ with an estimated cost of \$191,800. This did not occur in 2018 and the Company is not certain what direction it will take; it is being left as projected for 2020. In 2019, the Company will complete a fiber ring.

**PRESCOTT** - The Company plans on installing fiber-to-the-premises; hoping to commence construction in 2019 but would not be completed until 2020.

**ROSLYN** - In the previous year's submission, the Company reported that there were approximately 300 subscribers remaining to be connected to FTTP at the beginning of 2018. This was what was left on the initial FTTP plan which is complete however the population in the Roslyn Exchange is also increasing. The Company plans on installing another fiber extension into a remote area of the exchange as well as a VDSL2+ cabinet that will initially serve approximately 200 platted homesites; approximately 20 customers. The Company will eventually replace the cabinet with FTTP as more homesites are built upon (copper was previously installed into the platted property approximately 15 years ago).

**UNIONTOWN** - The Company plans on installing fiber-to-the-premises; commencing construction in 2019 but the exchange would not be fully completed until 2020.

<b>GROSS PLANT ADDITIONS - CURRENT ACTUAL AND FUTURE ESTIMATED</b>							
(NOTE: 2018 Actual is after any allocation to Idaho and before any Part 64 allocations; Future Estimates do not include either allocations)							
		<b>2018 ACTUAL</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>DEWATTO (372)</b>							
1.3 Working Loops (@ 12/31/2018)	314						
Data Subscribers (@ 12/31/2018)	238						
Land & Support Assets		12,117					
Switching		7,129					
Transmission Equipment		6,389					
FTTN Electronics				191,800	82,200		
Aerial Fiber			100,000				
<b>PRESCOTT (849)</b>							
1.3 Working Loops (@ 12/31/2018)	143						
Data Subscribers (@ 12/31/2018)	59						
Land & Support Assets		7,014					
FTTP Transmission				30,000			
FTTP ONT/Home gateway				45,000			
FTTP Fiber Cable				300,000			
<b>ROSLYN (649)</b>							
1.3 Working Loops (@ 12/31/2018)	1,577						
Data Subscribers (@ 12/31/2018)	1,289						
Land & Support Assets		106,115					
Switching		38,013					
FTTP Transmission		38,420	12,000				
FTTP ONT/Home gateway		324,100	100,000	100,000			
FTTP Fiber Cable		117,408	50,000	50,000			

<b>INLAND TELEPHONE COMPANY</b>										<b>54.313(a)(1)</b>
<b>WASHINGTON OPERATIONS - SAC 522423</b>										
<b>FIVE YEAR FORECAST - NETWORK ADDITIONS</b>										
<b>UNIONTOWN (229)</b>										
1.3 Working Loops (@ 12/31/2018)	371									
Data Subscribers (@ 12/31/2018)	225									
Land & Support Assets		35,535								
Switching		29,826								
Transmission Equipment		13,415								
FTTP Transmission			55,000							
FTTP ONT/Home gateway			65,000	50,000						
FTTP Fiber Cable			350,000	150,000						
	<b>TOTAL</b>		<b>735,481</b>	<b>732,000</b>	<b>916,800</b>	<b>82,200</b>	<b>0</b>	<b>0</b>		
1.3 Working Loops (@ 12/31/2018)	<b>2,405</b>									
Data Subscribers (@ 12/31/2018)	<b>1,811</b>									
<b>FORECASTED OPERATING EXPENSES</b>										
PLANT SPECIFIC OPERATIONS		1,448,865	1,428,069	1,426,788	1,425,906	1,425,284	1,424,839			
PLANT NON-SPECIFIC OPERATIONS		427,111	285,347	290,180	292,711	294,065	294,824			
ACCUMULATED DEPRECIATION		1,323,039	1,323,039	1,323,039	1,323,039	1,323,039	1,323,039			
CUSTOMER OPERATIONS EXPENSES		555,639	578,441	596,246	610,011	620,574	628,634			
CORPORATE OPERATIONS EXPENSES		796,474	782,920	770,243	758,427	747,456	737,317			
	<b>TOTAL OPERATING EXPENSES</b>		<b>4,551,128</b>	<b>4,397,816</b>	<b>4,406,496</b>	<b>4,410,094</b>	<b>4,410,418</b>	<b>4,408,652</b>		
	INTEREST ON FUNDED DEBT		286,901	284,652	282,420	280,206	278,009	275,830		

**NECA1**  
**(AS SUBMITTED TO THE NATIONAL EXCHANGE CARRIER ASSOC.)**  
**FOR**  
**INLAND TELEPHONE COMPANY - SAC 522423**

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.  
UNIVERSAL SERVICE FUND  
2019 DATA COLLECTION FORM**

Study Area: 522423  
Contact: James Brooks  
Phone: 509-649-2211

Name: INLAND TELEPHONE COMPANY - WA  
Region: 5 Pacific  
Collection Period: For the Year Ended 12/31/2018

Description	Latest View 2018-1 Amount	Pending View 2019-1 Amount
<b>II. WORKING LOOPS</b>		
060 Total Loops (Cat 1.1, 1.2, and 1.3)	2,447	2,414
070 Category 1.3 Loops (Excluding Cat 1.3 TWX Loops)	2,438	2,405
090 Consumer Broadband Only loops [Part 54.901(g)]	5	1
<b>III. INVESTMENT, EXPENSE AND TAXES</b>		
<b>NET PLANT INVESTMENT</b>		
160 Acct 2001 - Telephone Plant in Service	28,586,530	27,677,800
170 Acct 1220 - Materials and Supplies	271,274	266,912
190 Acct 3100 - Accumulated Depreciation	13,544,163	13,420,746
195 Acct 3400 - Accumulated Amortization	1,221	1,357
210 Acct 4340 - Net Noncurrent Deferred Operating Income Tax	2,621,397	2,480,326
220 Net Plant Investment (Sum Ln160-Ln210)	12,691,023	12,042,283
<b>SELECTED PLANT ACCOUNTS</b>		
230 Acct 2210 - Central Office Switching Equipment	1,512,927	1,317,267
235 Acct 2220 - Operator Systems Equipment	0	0
240 Acct 2230 - Central Office Transmission Equipment	4,648,879	4,602,512
245 Total Central Office Equipment	6,161,806	5,919,779
250 Circuit Equipment Category 4.13	2,001,342	1,978,497

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Name: INLAND TELEPHONE COMPANY - WA  
Region: 5 Pacific  
Collection Period: For the Year Ended 12/31/2018

Description	Latest View 2018-1 Amount	Pending View 2019-1 Amount
255 Acct 2410 - Cable & Wire Facilities Total	17,010,081	16,893,488
260 Acct 3100 (2210) - Accumulated Depreciation Central Office Switching Equipment	585,476	478,039
265 Acct 3100 (2220) - Accumulated Depreciation Operator System Equipment	0	0
270 Acct 3100 (2230) - Accumulated Depreciation Central Office Transmission Equipment	2,444,627	2,321,269
275 Acct 3100 (2210-2230) - Total Accumulated Depreciation Central Office Equipment	3,030,103	2,799,308
280 Acct 3100 (2410) - Accumulated Depreciation Cable and Wire Facilities	6,880,363	7,157,715
310 Acct 4340 (2210) - Net Noncurrent Deferred Operating Income Taxes - Central Office Switching Equipment	146,240	149,479
315 Acct 4340 (2220) - Net Noncurrent Deferred Operating Income Taxes - Operator Systems Equipment	0	0
320 Acct 4340 (2230) - Net Noncurrent Deferred Operating Income Taxes - Central Office Transmission Equipment	428,330	400,493
325 Acct 4340 (2210-2230) - Net Deferred Operating Income Taxes - Central Office Equipment (Sum of 4340 (2210) through	574,570	549,972
330 Acct 4340 (2410) - Net Deferred Operating Income Taxes - Cable and Wire Facilities	1,579,055	1,789,833

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Collection Period: For the Year Ended 12/31/2018

Description	Latest View 2018-1 Amount	Pending View 2019-1 Amount
<b>PLANT SPECIFIC OPERATION EXPENSE</b>		
335 Acct 6110 - Network Support Expense Total	28,410	20,801
340 Acct 6110 - Benefits Portion of Network Support Expense	2,078	1,826
345 Acct 6110 - Rents Portion of Network Support Expense	0	0
350 Acct 6120 - General Support Expense Total	291,166	343,956
355 Acct 6120 - Benefits Portion of General Support Expense	37,891	29,558
360 Acct 6120 - Rents Portion of General Support Expense	0	0
365 Acct 6210 - Central Office Switching Expense - Total	166,539	207,164
370 Acct 6210 - Benefits Portion of Central Office Switching Expense	7,004	8,502
375 Acct 6210 - Rents Portion of Central Office Switching Expense	0	0
380 Acct 6220 - Operator System Expense - Total	0	0
385 Acct 6220 - Benefits Benefits Portion of Operator System Expense	0	0
390 Acct 6220 - Rents Benefits Portion of Operator System Expense		
395 Acct 6230 - Central Office Expense - Transmission Equipment - Total	343,988	330,027
400 Acct 6230 - Benefits Portion of Central Office Expense - Transmission Equipment	24,479	20,117
405 Acct 6230 - Rents Portion of Central Office Expense - Transmission Equipment	0	0

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Collection Period: For the Year Ended 12/31/2018

Description	Latest View 2018-1 Amount	Pending View 2019-1 Amount
410 Acct 6210 - 6230 Central Office Equipment Expense Total	510,527	537,191
430 Acct 6410 - Cable & Wire Facilities Expense Total	485,884	474,605
435 Acct 6410 - Benefits Portion of Cable & Wire Facilities Expense	63,743	73,184
440 Acct 6410 - Rents Portion of Cable & Wire Facilities Expense	0	0
445 Total Plant Specific Expense	1,315,987	1,376,553
<b>PLANT NON-SPECIFIC EXPENSE</b>		
450 Acct 6530 - Network Operations Expense - Total	242,122	247,742
455 Acct 6530 - Benefits Portion of Network Operations Expense	36,009	40,307
<b>DEPRECIATION &amp; AMORTIZATION EXPENSE</b>		
510 Acct 6560 (2210) - Depreciation and Amortization Expense-Central Office Switching Equipment	130,135	109,661
515 Acct 6560 (2220) - Depreciation and Amortization Expense - Operator System Equipment	0	0
520 Acct 6560 (2230) - Depreciation and Amortization Expense - Central Office Transmission Equipment	267,920	288,914
525 Acct 6560 (2210 - 2230) - Depreciation and Amortization - Central Office Equipment	398,055	398,575
530 Acct 6560 (2410) - Depreciation and Amortization Expense - Cable & Wire Facilities	624,406	623,299

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UNIVERSAL SERVICE FUND  
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Collection Period: For the Year Ended 12/31/2018

Description	Latest View 2018-1 Amount	Pending View 2019-1 Amount
<b>CORPORATE OPERATIONS EXPENSE</b>		
535 Acct 6710 - Executive & Planning Expense - Total	147,145	203,054
540 Acct 6710 - Benefits Portion of Executive & Planning Expense	20,072	23,319
550 Acct 6720 - General & Administrative Expense - Total	539,067	543,239
555 Acct 6720 - Benefits Portion of General Administrative Expense	59,199	57,625
565 Total Corporate Operations Expense	686,212	746,293
<b>OTHER EXPENSE</b>		
600 Benefits Portion of all Operating Expenses - Total	337,276	305,969
610 Rents Portion of all Operating Expenses - Total	0	0
<b>TAXES</b>		
650 Acct 7200 - Operating Taxes	376,935	1,284,094
<b>IV. PART 36 - COST STUDY DATA</b>		
700 Cable and Wire Facilities Acct 2410	17,010,081	16,951,784
710 Cable and Wire Facilities Cat 1 - Total Exchange Line C&WF Excluding Wideband	15,885,691	15,824,697
<b>V. AMORTIZABLE TANGIBLE ASSETS (REFER TO INSTRUCTIONS PRIOR TO COMPLETING THIS SECTION)</b>		
800 Acct 2680 - Amortizable Tangible Assets	0	0



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Region: 5 Pacific  
Collection Period: For the Year Ended 12/31/2018

Description	Latest View 2018-1 Amount	Pending View 2019-1 Amount
805 Acct 2680 (2230) - Amortizable Tangible Assets - Central Office Transmission Equipment	0	0
810 Acct 2680 (2230) - Amortizable Tangible Assets-Central Office Transmission Equipment Allocated to Category 4.13	0	0
815 Acct 2680 (2410) - Amortizable Tangible Assets - Cable and Wire Facilities	0	0
820 Acct 2680 (2410) - Amortizable Tangible Assets - Cable and Wire Facilities Allocated to Category 1	0	0
830 Acct 6560 (2680) Depreciation and Amortization Expense - Amortizable Tangible Assets	0	0
<b>VI. OTHER ACCOUNTS</b>		
850 Acct 6310 - Information Origination/Termination Expense	0	0
860 Acct 6510 - Other Property Plant and Equipment Expense	6,287	4,621
870 Acct 6610 - Customer Operations Expense: Marketing	2,458	1,059
880 Acct 6620 - Customer Operations Expense: Services	407,374	375,565

**VII. COMMENTS/SIGNIFICANT CHANGE EXPLANATION:**

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