

ETC ANNUAL REPORT PER WAC 480-123-070 AND WAC 480-123-080  
Contains Certifications Required by WAC 480-123-060 and 070  
June 28, 2019

McDaniel 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 USF in 2018 as follows:

The Company received \$725,552 in Federal USF support in 2018 which is made up of \$385,184 in ACAM and \$340,368 in ICC-CAF reform support. The support was used to upgrade its broadband network and to help cover operating expenses necessary to maintain the Company's network in order to continue providing high quality voice and broadband services. As discussed below, some of the support was used for network capital additions.

For 2018 the Company's gross capital expenditures were \$1,184,000. The Company's 2018 operating expenses excluding income taxes were \$2,914,000. Projects related to A-CAM begin with "CAF." Recent major projects include:

- Mossyrock - Buried Drop Additions	\$14,745
- Mossyrock - CAFO - OSP Build A2	\$60,108
- Mossyrock - CAFO - OSP Build A1	\$93,309
- Mossyrock - CAFIO - DSA 41308 (Harmony) ISP Make Rea	\$3,846
- Mossyrock - CAFIO - DSA 41304 (Boyd Road) ISP Make R	\$3,216
- Mossyrock - CAFIO - DSA 41306 (Swofford) ISP Make Re	\$8,508
- Mossyrock - CAFIO - DSA 41302 (DeGoede) ISP Make Rea	\$4,851
- Mossyrock - CAFIO - DSA 0413013 (Bowen Road) AD Node	\$3,436
- Mossyrock - CAFIO - DSA 41305 (Schoonover Road) AD N	\$2,855
- Mossyrock - CAFIO - DSA 0413012 (Swigert Road) AD No	\$3,176
- Mossyrock - CAFIO - DSA 41310 (Green Mtn) ISP Make R	\$4,049
- Mossyrock - CAFIO - DSA 0413001 (Young Road) - Node	\$34,225
- Mossyrock - CAFI DSA 41300 ISP Make Ready E Sequence	\$21,899
- Onalaska - DSL Card Additions	\$5,374
- Onalaska - Buried Drop Additions	\$24,056
- Onalaska - LE - 1184 US Highway 12 - Onalaska WA	\$2,889
- Onalaska - LE - Larmon Road - Onalaska WA	\$2,102
- Onalaska - RM HWY 508 bridge move	\$54,001

- Onalaska - CSI - Onalaska, WA Generator Replacement	\$95,824
- Onalaska - CAFIO - DSA 41213 (Gore Rd.) ISP Make Re	\$5,901
- Onalaska - CAFIO - DSA 41207 (Pigeon Springs) ISP M	\$12,538
- Onalaska - CAFIO - DSA 41211 (Deggler Road) AD Node	\$2,351
- Onalaska - CAP -Vector friendly T1 solution (Twinst	\$4,251
- Onalaska - CAP - Vector friendly T1 Solution (Austi	\$3,465
- Onalaska - CAFIO - OSP Build A1 - Onalaska, WA	\$117,488
- Onalaska - CAFIO - DSA 41204 (Beck) ISP Make Ready	\$3,965
- Onalaska - CAFIO - DSA 41203 (Ethel) ISP Make Ready	\$4,315
- Onalaska - CAFIO - DSA 41214 (Gish) ISP Make Ready	\$1,899
- Onalaska - CAFIO - DSA 41212 (Kiser) ISP Make Rdy A	\$3,547
- Onalaska - CAFIO - DSA 0412020 (Burchett&Harvest Mo	\$2,620
- Onalaska - CAFIO - DSA 0412019 (Fickett Road & SR-5	\$2,746
- Onalaska - LE from PED 121500 008	\$4,617
- Onalaska - LE 502 Leonard Rd	\$11,016
- Onalaska - MAN 508 bridge move regroom cust to vaca	\$4,986
- Onalaska - CAP Cable exhaust Wirsdorfer Rd.	\$16,174
- Onalaska - CAFI DSA 41200 ISP Make Ready E Sequence	\$23,775
- Salkum - Buried Drop Additions	\$4,380
- Salkum - LE - Cinebar - Salkum WA	\$2,045
- Salkum - CAFIO - DSA 0411002 (Stowell & Schoen -	\$4,792
- Salkum - CAFIO - DSA 0411002 (Stowell & Schoen -	\$442,859
- Salkum - CAFIO - DSA 0411013 (AD Node 40) Placeme	\$4,640
- Salkum - CAFIO - DSA 41110 (Burnt Ridge) ISP Make	\$3,350
- Salkum - CAFIO - DSA 0411022 (Burnt Ridge & Tilli	\$3,060
- Salkum - CAFIO - DSA 41109 (View Ridge) ISP Make	\$5,617
- Salkum - CAFIO - DSA 41105 (Smokey Ridge) ISP Mak	\$4,251
- Salkum - CAFIO - DSA 41108 (Kennedy) ISP Make Rea	\$4,190
- Salkum - CAFI DSA 41100 ISP Make Ready E Sequence	\$25,362
- Salkum - LE Salkum Rd	<u>\$4,909</u>
Total	\$1,177,579

Per the direction of Commission Staff, the NECA-1 report will be provided as soon as it is available and no later than August 1, 2019.

2. Report 2: WAC 480-123-070(1)(b): The Company reports that the investments and expenses reported under Report 1, above, benefited the customers by maintaining and expanding the network to continue providing high quality telecommunications and broadband services. The support has allowed the company to sustain the current local technical support staff therefore avoiding delayed repairs and maintenance.

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

---

<sup>1</sup> The term "ETC" is used in the same sense as the term is used in Chapter 480-123 WAC.

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 USF 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 offers services that are comparable to services offered in urban areas at rates that are comparable to rates for such services in urban areas.

See also the responses to Report 1.

3. Report 3: Local Services Outage Report: WAC 480-123-070(2):

There was one reportable outage in calendar year 2018.

4. Report 4: Report on Failure to Provide Service: WAC 480-123-070(3):

The Company had no unfulfilled voice service requests in 2018 and 21 unfulfilled broadband requests as of year-end 2018. Of those 21, 5 have since been provisioned with the customer's requested speed. The remaining 16 customers have broadband service at speeds lower than requested. Those speeds will be increased when faster speeds become available.

5. Report 5: Report on Complaints per 1000 Connections: WAC 480-123-070(4):

The Company reports that it is aware of 0.32 voice service complaints per 1,000 customers during calendar year 2018 made to the OAG (1 complaint). The company had 1.6 broadband service quality complaints per 1,000 customers. Three complaints were made to the FCC and one to the OAG. The voice complaint was related to billing and the broadband complaints are 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 USF fund.

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, 2020, through December 31, 2020, will include the estimated capital investment relating to the projects opened to improve broadband speeds relating to Phase 1 of A-CAM commitments. In addition, the Company expects to experience a similar level of routine projects during 2020 relating to buried drops, line extensions, capacity improvements and new developments. The estimated operating expenses for 2020 are \$2,900,000. Major projects in 2018 are disclosed in Report 1 above. The Company expects that levels of expenses will remain relatively the same as those it experienced in calendar year 2018, subject to the effects of inflation, other commonly experienced changes in cost of labor and materials, and

increased depreciation on new investment placed in service. The Company does not anticipate major adjustments in local 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 operating expenses related to Washington state for the period January 1, 2020, through December 31, 2020, will remain relatively the same as those it experienced in calendar year 2018, subject to the effects of inflation, other commonly experienced changes in cost of labor and materials, and increased depreciation on new investment placed in service. See also discussion relating to A-CAM investments in Report 6. The Company does not anticipate major adjustments in local staffing levels for the relevant period. The Company expects that the continued receipt of federal USF 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 customers 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.