

ETC ANNUAL REPORT PER WAC 480-123-070 AND WAC 480-123-080  
Contains Certifications Required by WAC 480-123-060 and 070  
June 14, 2022

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 2021 as follows:

The Company received \$667,208 in Federal USF support in 2020 which is made up of \$372,893 in ACAM and \$294,315 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 2021 the Company's gross capital expenditures were \$1,733,00. The Company's 2021 operating expenses excluding income taxes were \$3,018,000. Projects related to A-CAM begin with "CAF." Recent major projects include:

- Mossyrock - Bond Prep – Aerial	\$3,200
- Mossyrock - Bond Prep – Buried	\$36,500
- Mossyrock - LE - 156 Birley Road - Mossyrock, WA	\$3,200
- Mossyrock - CAP - McDougall Drive Cable Exhaust - M	\$1,600
- Mossyrock - CAFIO - DSA0413007 (Flynn Road)	\$85,500
- Mossyrock - CAP - Jewells Rd Cable Exhaust - Mossyr	\$1,800
- Mossyrock - CAP - EXP Swigert Road Cable Exhaust -	\$6,800
- Mossyrock - Buried Drop Additions	\$95,500
- Mossyrock - STB & Ports -Video	\$48,600
- Mossyrock - CR - Mossy Ave/Young rd	\$11,100
- Mossyrock - CAP - EXP DSA41300	\$14,450
- Mossyrock - CAP - EXP DSA41302 (DeGoede) DSL Port A	\$9,300
- Mossyrock - Finance Cable Locates	\$1,550
- Onalaska - Bond Prep – Aerial	\$4,000
- Onalaska - Bond Prep – Buried	\$77,300
- Onalaska - CAP - EXP Berg Road Cable Exhaust - Ona	\$3,900
- Onalaska - CAP - EXP DSA0412011 (Deggler Rd) DSL P	\$6,000
- Onalaska - CAFIO - DSA 0412002 (Tucker Rd) - Onalas	\$44,000

- Onalaska - CAFIO - DSA 41209 (August Rd) CALIX-E7	\$30,500
- Onalaska - REM - DSA41200 ONLSWAdsl01 (Anymedia) -	\$2,000
- Onalaska - Buried Drop Additions	\$125,800
- Onalaska - Buried Optical Drop	\$2,800
- Onalaska - STB & Ports -Video	\$75,000
- Onalaska - DSL Card Additions	\$6,800
- Onalaska - CAFIO - DSA 0412019 (Fickett Road & SR-5	\$4,900
- Onalaska - CAFIO - DSA 41218 (Kruger & Middle Fork)	\$2,200
- Onalaska - MAN - EXP SR 508 Facility relocate - On	\$29,200
- Onalaska - CAFIO - DSA 41212 (Kiser) ISP Make Rdy A	\$3,500
- Onalaska - CAP - EXP DSA0412020 (Winston Creek RV)	\$4,800
- Onalaska - CAFI - DSA 0412022 (Van Hoesen Rd & SR 5	\$32,700
- Onalaska - CAP - EXP Tillie Rd Cable Exhaust - Ona	\$4,700
- Onalaska - CAP - EXP Tamaracks Dr Cable Exhaust -	\$14,900
- Onalaska - REM-DSA41204 Beck Anymedia-Onalaska,WA	\$1,600
- Salkum -Bond Prep – Aerial	\$1,400
- Salkum -Bond Prep – Buried	\$31,400
- Salkum -IPR - 7750 EoL MDA mod (SLKMWAhed11)	\$1,400
- Salkum -CAFO - OSP Build Phase 2 A3 - Salkum WA	\$273,600
- Salkum -CAFIO - DSA41120 Placement Phase 2 A1 -	\$96,500
- Salkum -CAP - DSA0411017 (Schoen Road) - Salkum	\$1,550
- Salkum -CAFO - OSP Build Phase 2 A2 - Salkum, W	\$8,550
- Salkum -CAFIO - DSA41106 (Koons) Calix E7 Phase2	\$37,400
- Salkum -CAFIO - DSA41111 (Salmon Creek) Seiscor	\$36,800
- Salkum -CAFIO - DSA41126 (2 Mile Winston Ceek R	\$45,400
- Salkum -CAP - DSA0411022 (Node 47) DSL Port Aug	\$5,500
- Salkum -CAP - EXP Rebel Lane Cable Exhaust - Sa	\$9,300
- Salkum -CAFIO - DSA 41103 (Silver Creek) Phase	\$17,100
- Salkum -CAFIO - DSA 41114 (Harms) Phase 2A6 - S	\$23,000
- Salkum -CAFIO - DSA 0411021 (Huntting Rd & Gers	\$77,200
- Salkum -CAFIO - DSA 0411027 (Hadaller Rd & Lake	\$15,700
- Salkum -CAFI - DSA 41100 (Salkum CO Ring 2 buil	\$55,900
- Salkum -CAP - DSA41100 (Salkum CO) Vectoring Re	\$14,700
- Salkum -Buried Drop Additions	\$85,500
- Salkum -STB & Ports -Video	\$35,600
- Salkum -DSL Card Additions	\$5,900
- Salkum -Non-DSL Card Additions	\$3,400
- Salkum -CAFIO - DSA41104 (Winston Creek) Calix E	\$5,600
- Salkum -CAP - EXP DSA41100 (Salkum CO) Calix E7	\$4,600
- Salkum -CAP - EX DSA41107 (Spencer) DSL Port Au	\$25,400
- Salkum -"REM - SLKMWAXAB 5ESS - Salkum, WA"	\$17,000
- Salkum -MDU/MTU Fiber Build Aerial Dro	<u>\$6,100</u>

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, 2022.

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 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 were no reportable outages in calendar year 2021.

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

The Company had no unfulfilled voice service requests in 2021 and 12 unfulfilled broadband requests as of year-end 2021. Of those 12, 4 have since been provisioned with the customer's requested speed. The remaining 8 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 1.76 voice service complaints per 1,000 customers during calendar year 2021. Five complaints were made to the Utilities and Transportation Commission- one regarding billing, four regarding service quality. One complaint was made to the FCC regarding service quality. The company had .58 broadband service quality complaints per 1,000 customers. Two billing complaints were made to the FCC.

6. Report 6: Annual Plan: WAC 480-123-080(1):

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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.

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, 2023, through December 31, 2023, will include the estimated capital investment relating to the projects opened to improve broadband speeds relating to A-CAM commitments. In addition, the Company expects to experience a similar level of routine projects during 2023 relating to buried drops, line extensions, capacity improvements and new developments. The estimated operating expenses for 2023 are \$3,018,000. Major projects in 2021 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 2021 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, 2023, through December 31, 2023, will remain relatively the same as those it experienced in calendar year 2021, 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.