

**REPORTS AS REQUIRED BY WAC 480-123-070
AND WAC 480-123-080**

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: WAC 480-123-070(1)(a): Attached is a copy of the Company's NECA-1 Report for the collection period 2013 for the calendar year 2012, that, as of the date of the report, the Company is reporting to the National Exchange Carrier Association ("NECA") and expects that it will be the basis for support from the federal high-cost fund.

Report 2: WAC 480-123-070(1)(b): The Company reports that the investments and expenses reported under Report 1, above, benefited customers as follows: 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.² 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.

Report 3: WAC 480-123-070(2): Local service outage report: For the period January 1, through December 31, 2012, the Company reports that it experienced the following local service outages.

DEWATTO Exchange:

1/10/2012 at 9:00 am – Card failure in subscriber carrier; 48 subscribers were without dial tone; replaced 48 port card and re-programmed; service restored at approximately 4:30 pm; although the Company has a technician in the area, he is not a central office technician and one had to be dispatched from Roslyn since the subscriber carrier was not rebooting remotely; card failures are unexpected and back-up cannot be provided; no steps can be taken to prevent a similar situation in the future.

PRESCOTT Exchange:

No outages to report.

ROSLYN Exchange:

1/03/2012 at 10:30 am – Uplink card in subscriber carrier cabinet in the area known as The Village failed; 96 subscribers were without dial tone; card replaced and

¹ It is the Company's understanding that it is not required to submit the reports described in WAC 480-123-070(2) and (3).

² The term "ETC" is used in the same sense as the term is used in Chapter 480-123 WAC.

reprogrammed; service restored at approximately 12:00 pm; card failures are unexpected and back-up cannot be provided; no steps can be taken to prevent a similar situation in the future.

UNIONTOWN Exchange:

No outages to report.

Report 4: WAC 480-123-070(4): The Company reports that during calendar year 2012, 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.³ The Company did experience two complaints filed with the Consumer Protection Division of the Office of the Attorney General of the State of Washington and of the Washington Utilities and Transportation Commission that related to billing that were both dismissed.

Report 5: WAC 480-123-080(1)(b): The Company reports as follows: 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, 2014, through December 31, 2014, that the Company expects to use as a basis to request federal high-cost support are expected to be relatively similar to those investments and expenses the Company has set forth in its information filed under Report 1, above, taking into account normal fluctuations in investment and expense levels. The Company expects that levels of expenses will remain relatively the same as those it experienced in calendar year 2012, subject to the effects of inflation and other commonly experienced changes in cost of labor and materials. The Company does not anticipate major adjustments in staffing levels for the relevant period. The Company's investment plans directly affecting federal high-cost supported services offered by it in its designated ETC service area may include major construction projects. The Company received approval and release of funds from the Rural Utility Service ("RUS") in 2012 on a loan which would make major upgrades totaling approximately \$21,089,754 for its Washington operations. Those upgrades include (as estimated):

Dewatto Exchange Fiber to the node - \$1,744,000 (includes electronics)
 Central Office Equipment upgrades - \$141,000
 New storage warehouse/garage - \$304,000
 New Microwave Tower for alternative path - \$333,000
 (includes electronics)

Prescott Exchange Fiber to the node - \$1,393,000 (includes electronics)
 Fiber to the Ethernet POC - \$350,000 (includes electronics)
 Central Office Equipment upgrades - \$141,000

³ 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).

New storage warehouse/garage - \$244,000

Roslyn Exchange

Fiber to the Premise - \$7,919,000 (includes electronics)
Central Office Equipment upgrades - \$141,000
New headquarters complex - \$5,573,000 (Land & Building)

Uniontown Exchange

Fiber to the node - \$1,528,000 (includes electronics)
Central Office Equipment upgrades - \$141,000

With the changes in Access and Universal Service Reform, the Company is uncertain which projects will be performed or when, however, the loan is good for a five year construction period. With that said, the Company believes that it must push forward in order to technologically advance. The Company is currently working on the Prescott and Uniontown Exchanges; bids are out for part of the outside plant work in Prescott and all of the outside plant work in Uniontown. It is anticipated that Prescott will be completed by year-end 2013. The Company expects that the continued receipt of federal high-cost 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. However, the Company projects that with reductions in Intercarrier Compensation and associated federal support, those efforts will need to be supplemented by support from the state universal service fund for the Company to be able to continue to maintain reasonably comparable rates. All customers in the Company's designated ETC service area will benefit from the expected level of support and other factors, such as support from the state fund, continuing to aide efforts to have available to the customers 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.

Report 6: WAC 480-123-080(2): Through the expenditure of the expected investments and expenses reported under Report 4, the Company will be 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. The Company continues to make investments, which benefit all customers receiving the federal high-cost fund supported services from the Company and allow it to provide quality telecommunications services to its customers in its designated ETC service area.

Dated: July 30, 2013