

**STATE OF WASHINGTON
ELIGIBLE TELECOMMUNICATIONS CARRIER (ETC) ANNUAL
RE-CERTIFICATION AS REQUIRED BY WAC 480-123-060, 070
AND 080**

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Section 1: Eligible Telecommunication Carrier Information

Date of ETC Annual Report: July 18, 2014

Company Name: Inland Telephone Company

Address: 103 S 2nd Street
P.O. Box 171
Roslyn, WA 98941

Company Contact Person/Title: James K. Brooks, Treasurer/Controller
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Service Area Code (SAC): 522423

Section 2: REPORT 1 - WAC 480-123-070(1)(a)

(1) Report on use of federal funds and benefits to customers.

(a) For an ETC that receives support based only on factors other than the ETC's investment and expenses, the report must provide a substantive description of investments made and expenses paid with support from the federal high-cost fund.

For ETCs that receive any support based on the ETC's investment and expenses, the report must provide a substantive description of investment and expenses, such as the NECA-1 report, the ETC will report as the basis for support from the federal high-cost fund.

Attached is a copy of the Company's NECA-1 Report for the collection period 2014 for the calendar year 2013, 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.

Section 3: REPORT 2 - WAC 480-123-070(1)(b)

(1) Report on use of federal funds and benefits to customers.

(b) Every ETC must provide a substantive description of the benefits to consumers that resulted from the investments and expenses reported pursuant to (a) of this subsection.

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 ETC¹. 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.

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

Section 4: REPORT 3 - WAC 480-123-070(2)²

(2) Local service outage report. ETCs not subject to WAC 480-120-412 and 480-120-439(5) are required to report local service outages pursuant to this subsection. The report must include detailed information on every local service outage thirty minutes or longer in duration experienced by the ETC. The report must include:

- (a) The date and time of onset and duration of the outage;*
- (b) A brief description of the outage and its resolution;*
- (c) The particular services affected, including whether a public safety answering point (PSAP) was affected;*
- (d) The geographic areas affected by the outage;*
- (e) Steps taken to prevent a similar situation in the future; and*
- (f) The estimated number of customers affected.*

Local service outage report: For the period January 1, through December 31, 2013, the Company reports that it experienced the following local service outages.

No major outages to report.

Section 5: REPORT 4 - WAC 480-123-070(3)³

(3) Report on failure to provide service. ETCs not subject to WAC 480-120-439 are required to report failures to provide service pursuant to this subsection. The report must include detailed information on the number of requests for service from applicants within its designated service areas that were unfulfilled for the reporting period. The ETC must also describe in detail how it attempted to provide service to those applicants.

Section 6: REPORT 5 - WAC 480-123-070(4)

(4) Report on complaints per one thousand handsets or lines. The report must provide separate totals for the number of complaints that the ETC's customers made to the Federal Communications Commission, or the consumer protection division of the office of the attorney general of Washington. The report must also generally describe the nature of the complaints and outcome of the carrier's efforts to resolve the complaints.

The Company reports that during calendar year 2013, 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.⁴

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

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

⁴ 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).

Section 7: REPORT 6 - WAC 480-123-070(5), (6) & (7)
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 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 all federal high-cost support provided to the Company within the State of Washington has been used in the preceding calendar year and will be used in a manner consistent with section 254(e) the coming calendar year; that is for the provision, maintenance and upgrading of the facilities and services for which the support is intended;

(2) That during the 2013 calendar year, the Company met substantially the applicable service quality standard found in WAC 480-123-030(1)(h);


(3) That during the 2013 calendar year, the Company maintained the ability to function in emergency situations under the standard found in WAC 480-123-030(1)(g) and in 47 C.F.R. §54.201(a)(2), as such standard relates to functionality of wireline carriers in emergency situations; and

(4) That during the 2013 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 18th day of July, 2014, at Roslyn, Washington.

Company: Inland Telephone Company

By: 
James K. Brooks

Its: Treasurer/Controller

Section 8: REPORT 7 - WAC 480-123-080(1)(b)

Annual plan for universal service support expenditures.

(1) Not later than July 31 of each year, every ETC that receives federal support from any category in the federal high-cost fund must report on:

(b) The planned investment and expenses related to Washington state which the ETC expects to use as the basis to request federal support from any category in the federal high-cost fund.

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 periods January 1, 2015, through December 31, 2015, 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 has forecasted that cash operating expenses are expected to decrease over the five year period 2014 through 2018; however, these expenses are 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. Planned upgrades include (as estimated):

	<u>2014</u>	<u>2015</u>
Dewatto Exchange		
Fiber to the node		550,000
Electronics		100,000
Warehouse/Garage		304,000
Prescott Exchange		
Fiber to the node	895,000	
Fiber to the Ethernet Connection	385,000	
Electronics	70,000	
Roslyn Exchange		
Fiber to the Premise	2,975,000	2,975,000
Electronics	985,000	985,000
Uniontown Exchange		
Fiber to the node	1,000,000	
Electronics	430,000	
TOTAL	6,740,000	4,914,000

FORECASTED EXPENSES	2014	2015	2016	2017	2018
Plant Specific Operations	1,583,484	1,562,293	1,541,498	1,521,095	1,501,079
Plant Non-Specific Op.	283,329	278,904	274,598	270,406	266,324
Depreciation Expense	1,327,549	1,667,549	1,807,549	1,807,549	1,807,549
Customer Operations	496,404	506,044	513,417	519,029	523,286
Corporate Operations	851,415	835,605	819,937	804,463	789,222
TOTAL OPERATING EXP	4,542,181	4,850,395	4,956,999	4,922,543	4,887,460

With the changes in Access and Universal Service Reform, the Company is uncertain whether the Dewatto or Roslyn projects will be performed. With that said, the Company believes that it will push forward in order to technologically advance. 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 Access 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.

Section 9: REPORT 8 - WAC 480-123-080(2)

Annual plan for universal service support expenditures.

(2) The report must include a substantive plan of the investments and expenditures to be made with federal support and a substantive description of how those investments and expenditures will benefit customers.

Through the expenditure of the expected investments and expenses reported under Reports 1 and 7, 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 18, 2014