

ETC ANNUAL REPORT PER WAC 480-123-070 AND WAC 480-123-080  
Contains Certifications Required by WAC 480-123-060 and 070  
July 1, 2015

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 2014 as follows:

For 2014 the Company's gross capital expenditures were \$3,732,700. The Company's 2014 operating expenses were \$4,089,394, which includes depreciation and amortization expenses of \$1,126,981 and excludes Part 64 adjustments. Recent major projects were included in the narrative in the 5 year forecast included with the FCC Form 481 filing.

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, 2015.

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 forecast supplied with the FCC Form 481.

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

---

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

None

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

None

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

One complaint that was originally discharged as a non-complaint and later re-instated as a complaint ruled in the Companies favor with the Consumer Protection Division of the Attorney General's Office: Harriet Hawkins claimed that the Company would not remove her from the USF Lifeline system; she had disconnected service and wanted to use the Lifeline discount for cellular service. It was explained that the Company did not include Ms. Hawkins in the NLAD database since she did not return her certification paperwork and that the day she disconnected service, DSHS was notified in order to remove her from WTAP.

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, 2016, through December 31, 2016, are projected to be \$3,960,000 for gross capital expenditures and \$4,793,079 for operating expenses, which includes \$1,664,186 of depreciation expense. Major projects are disclosed on FCC Form 481 filed with the Commission on June 30, 2015 in Docket No. UT-150063. With the exception of depreciation expense created by capital projects, the Company expects that levels of expenses will remain relatively the same as those it experience in calendar year 2014, 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 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, 2016, through December 31, 2016, will remain relatively the same as those it experienced in calendar year 2014, 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 staffing levels for the relevant period. Major projects are disclosed on FCC Form 481 as referenced in Report 6, above. The Company has not completed its budgeting process and does not have final numbers prepared for investment and expense levels for 2016. 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.