

ETC ANNUAL REPORTS PER WAC 480-123-070 AND WAC 480-123-080

July 1, 2015

Kalama Telephone Company

Kalama 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 the calendar year 2014 as follows: To support investments made by the Company in telecommunications plant used to provide voice services, broadband services and other telecommunications services, and to defray operating expenses incurred by the Company in its provision of those services.

For the calendar year 2014, the Company's gross capital expenditures and operating expenses paid, in whole or in part, with support from the federal high-cost fund were \$631,303 and \$2,426,346, respectively. Major projects undertaken and completed in the calendar year 2014 include the following:

- (1) The Company installed exchange circuit equipment to transport voice and data between two of the Company's remotes and the Company's central office at a cost of approximately \$53,400. This equipment allows the Company to offer improved broadband speeds for approximately 150 customers and provided growth capacity.
- (2) The Company installed central office transmission and Digital Subscriber Line (DSL) equipment at a cost of approximately \$144,500. This project improved service for approximately 100 customers, plus allowing for future growth.
- (3) The Company installed fiber optic cable at a cost of approximately \$43,000. This project improved service for approximately 325 customers, plus allowing for future growth in the area served.
- (4) The Company completed several major cable and wire facilities projects. The total cost of these projects was approximately \$44,000. These projects improved service for approximately 20 customers, plus providing capacity for growth in the areas served.

Attached is a copy of the Company's NECA-1 Report¹ for the calendar year 2013. Per direction of Commission Staff, a copy of the Company's NECA -1 report for the calendar year 2014 that, as of the date of that report, the Company will have reported as the basis for support from the federal high-cost fund, will be provided to the Commission when it becomes 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 reported under Report 1, above, benefited the consumers as follows:

Consumers served by the Company benefited from the use of high-cost fund support by continuing to receive high quality telecommunications services.

Through the expenditure of federal high-cost support 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. 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):

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):

None

¹ The Company understands the reference to the "NECA-1 report" to refer to the values reported by the Company in response to the National Exchange Carrier Association, Inc. Universal Service Data Collection Form or its on-line equivalent pertaining to the subject year.

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

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

As they are known to the Company at the date of this Report, the Company's planned gross capital expenditures and operating expenses related to Washington State to be made, in whole or in part, with federal high-cost support to be received by the Company, during the calendar year 2016 are projected to be \$455,000 and \$2,592,800, respectively.

Major projects planned to be undertaken or completed in the calendar years 2015 are disclosed on FCC Form 481 filed with the Commission on June 28, 2015 in Docket No. UT-150063. The Company has not determined the major projects to be undertaken in the calendar year 2016, but a list of possible projects are disclosed in the Company's Five Year Plan included as part of the FCC Form 481 filed with the Commission on June 28, 2015 in Docket No. UT-150063.

The Company expects that levels of expenses in 2015 and 2016, respectively, 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, apart from major projects, the planned investment and expenses to be made with federal high-cost support related to Washington state for the calendar year 2016 are planned to 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. The Company has not completed its budgeting process for 2016, so the investment and expense figures presented in Report 6, above, for the calendar year 2016 are not yet final. 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 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.