

ETC ANNUAL REPORT PER WAC 480-123-070 AND WAC 480-123-080  
Contains Certifications Required by WAC 480-123-060 and 070  
July 3, 2017

Ellensburg Telephone Company d/b/a FairPoint Communications (the "Company") herby 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 2016 as follows:

In 2016 the Company invested \$439,468 to upgrade its Outside Plant network in the Ellensburg, Selah and Kittitas Exchanges. These upgrades provided for a platform to deliver more reliable local service and advanced telecommunications services to customers in these exchanges. Additionally, the company invested \$407,351 in its IP Infrastructure (augments) plus continued the process to migrate customers to the installed soft switch.

In addition to the foregoing, the Company has invested \$195,627 in outside plant infrastructure due to the road project. With past and current growth the local state, county and city entities have begun upgrading the transportation infrastructure. With a majority of these road projects, the Company finds its telecommunication infrastructure in conflict with the road design.

For 2016 the Company's gross capital expenditures were \$1,042,447. The Company's 2016 operating expenses were \$8,856,138.

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, 2017.

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.

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

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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.

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 area 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):

For the period January 1, 2016 through December 31, 2016, Ellensburg Telephone had six (6) unfulfilled voice orders. These orders are being held for construction.

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

Ellensburg had 4 consumer complaints in 2016. The complaints were as follows:

- WUTC Complaint #19815-G2BR4 - Billing

Customer's autopay debit card expired, causing her to become past due. The customer called and updated her card and set up a payment arrangement for the past due amount. Payment arrangement was executed as agreed, customer's account was flagged and protected from suspension, and autopay was re-established with a valid card. Account is current and the complaint was closed by the WUTC as "company upheld".

- BBB Complaint - Service

Customer complained of constant service interruptions to his DSL service. Customer stopped paying his bill and was disconnected for non-payment. We spoke with the customer, he paid his bill in full, service was restored and the modem/router replaced. Customer service followed up to make sure the service was stable. No further complaints.

- FCC Complaint – Service

Customer's service was disconnected for non-payment on 8/26/16. Customer paid past due amount but was then dissatisfied with the restoral date given (9/7/16). Service order was escalated and service restored on 8/31. Customer made no further payments on account and service was disconnected on 11/10/16.

- FCC Complaint – Inquiry

Customer's primary complaint was that he could not receive Comcast High Speed Internet without paying fees to run their cabling to his home. Customer Service spoke with the customer and found that he was eligible for a higher speed than his current service for an additional \$15 per month. Customer appreciated the information but made no changes to his account at this time.

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, 2018, through December 31, 2018, have not been established and approved for this budget cycle.

Major projects for 2018 are currently being reviewed, planned, engineered, and approved. The Company expects that levels of expenses will remain relatively the same as those it experience in calendar year 2016, 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, 2018, through December 31, 2018, will remain relatively the same as those it experienced in calendar year 2016, 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 2018. 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.