

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

YCOM Networks, Inc. d/b/a FairPoint Communications (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 2016 as follows:

In 2016 the Company invested \$215,186 to upgrade its Outside Plant network. 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 \$306,337 in its IP Infrastructure (Clearwood Subdivision) plus continued the process to migrate customers to the 2012 installed soft switch.

In addition to the foregoing, the Company has invested \$197,150 in inside plant infrastructure accommodating normal Broadband growth.

For 2016 the Company's gross capital expenditures were \$718,673. The Company's 2016 operating expenses were \$4,904,930.

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 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. 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

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

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, YCOM Telephone had four (4) unfulfilled voice orders. One order was completed in the first quarter (Q1) of 2017, the balance are waiting for construction.

5. Report 5: Report on Complaints per 1000 Connections: WAC 480-123-080(4):

YCOM had 6 consumer complaints is 2016. The complaints were as follows:

- Attorney General Complaint – Billing and Fees

The customer's service was established by connection to an RV. FairPoint connected service to the NID, then explained that it was the customer's responsibility to make any connections to the RV. Customer was given a quote for services but the \$4.95 Network Care fee and \$9.95 fee for a wireless modem were not included in the initial quote. Customer cancelled service after the first bill arrived. Called back and reestablished service the following month, and at the customer's request, the \$4.95 Network Care fee was waived as "grandfathered". Customer understands that any changes to the bill will result in the Network Care fee being reapplied to the account.

- BBB Complaint – Service Quality

The customer complained of intermittent outages of their TV and Internet on a regular basis. A trouble ticket was opened and techs switched out an ONT battery. The customer service manager followed up with the customer to assure that services were working properly. They were. A credit for six days of service outage was applied to the customer's account for both Internet and TV services. Customer was satisfied with the resolution.

- BBB Complaint – Billing

Customer received a disconnect notice even though he had paid his bill on time. Customer service reviewed and found that the payment was received on the same date the notice was sent out. Explained to the customer that it was a timing issue but that his service was current and not in jeopardy of being shut off.

- FCC Complaint – Service Quality

Customer complained of slow DSL speeds. Numerous attempts to reach out to the customer were unsuccessful. There were no trouble reports on the account and the customer did not return any of the phone calls made by the Customer Service manager so no resolution could be determined.

- **FCC Complaint – Service Quality**

Customer complained about slow connection speeds for DSL. Customer is in an area slated for significant upgrades and a FairPoint representative visited the Homeowners Association meeting to discuss the planned improvements. Unfortunately, the upgrades took longer than expected. A technician visited the customer home to see if any improvements could be gained prior to the upgrade. No changes were made at the time.

- **FCC Complaint – Service Speeds**

The customer complained of slow connection speeds for DSL. A review of her account found that she qualified for an upgraded service which would actually cost less for the first year due to a current promotion. Customer agreed to discuss the upgrade with her husband and call back if they wanted the upgrade. No changes were made 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 are expected to be relatively similar to those investments and expenses the Company has set forth in its information filed in 2016, taking into account normal fluctuations in investment (excluding the core upgrade) and expense levels. The Company expects that levels of expenses will increase as the level of construction activity has increased in relation to what was experienced in calendar year 2016, 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 expects that it will have relatively the same level of investment related to maintenance, replacement and minor upgrades of equipment and plant as occurred in calendar year 2016 thus far. The Company has not completed its budgeting process and does not have final numbers prepared for investment and expense levels for 2018.

The expected benefit to customers from the anticipated investment and expenditures is that customers will continue to receive a high level of telecommunications service. As to

the specific investment projects identified above, it is expected that customers will benefit by increased reliability of service and the increased availability of a broader range of telecommunications services, including, but not limited to, advanced services.

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 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 rates for such services in urban areas.