

**REPORTS AS REFERENCED IN WAC 480-123-070
AND WAC 480-123-080**

Whidbey Telephone Company (“Company”) hereby submits the following reports in accordance with WAC 480-123-070 and WAC 480-123-080.¹

Report 1: WAC 480-123-070(1)(a): Attached is a copy of the Company’s NECA-1 Report for the calendar year 2013,² that, as of the date of the report, the Company has reported as the basis for support from the federal high-cost fund. That report also includes certain data for the calendar year 2012. The Company further reports that the Company’s gross additions to telecommunications plant during calendar year 2013 were approximately [REDACTED]. Also, of the gross additions to telecommunications plant indicated above, approximately [REDACTED] related to Exchange Line Cable & Wire Facilities - Category 1 in the Company’s designated ETC³ service area. Other major gross additions to telecommunications plant during the calendar year 2013 included an approximate [REDACTED] for broadband loop carrier (“BLC”) equipment and purchases of office equipment and general purpose computer equipment.

Report 2: WAC 480-123-070(1)(b): 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 high quality telecommunications services to customers in the service area for which the Company is designated as an ETC. The Company has made substantial expenditures and 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 services⁴ from the Company within its designated ETC service area.

Report 3: WAC 480-123-070(4): During the calendar year 2013, the Company received from the Federal Communications Commission (“FCC”) notice of two (2) informal complaints made to them by Company customers with respect to services that are classified as regulated. The two (2) informal complaints to which such notice pertained, taken together, equate to approximately [REDACTED] complaints per thousand lines over which services that are supported by the federal high-cost fund are provisioned. During the calendar year 2013, the Company did not receive from the Consumer Protection Division

¹ It is the Company’s understanding that it is not required to submit the reports described in WAC 480-123-070(2) and (3).

² National Exchange Carrier Association, Inc. Universal Service Data Collection Form 2014-1.

³ The term “ETC” is used herein with the same meaning as the term is used in Chapter 480-123 WAC.

⁴ References herein to the services supported by the federal high-cost fund refer to the services designated for support as set forth in 47 C.F.R. § 54.101(a).

of the Office of the Attorney General of the State of Washington notice of any complaints against the Company made to them by Company customers.

The first of the two informal complaints to the FCC of which the Company received notice during the calendar year 2013 was related to a request for installation of a new local exchange service access line to a residential location in the Company's South Whidbey exchange. The customer questioned the estimated installation charges that the Company had provided, and expressed a concern that the customer was being asked to pay for the Company's infrastructure and installation charges to future applicants.

The Company submitted to the FCC the Company's written response to the informal complaint, explaining the basis for its installation charges. The Company's records reflect that a copy of that response was mailed to the customer, and that, thereafter, the customer did not request that the Company move forward with installation of the subject service.

The second of the two informal complaints to the FCC of which the Company received notice during the calendar year 2013 pertained to what are sometimes referred to as "rural call completion issues," which reportedly have affected rate-of-return, incumbent local exchange carriers serving rural areas nationwide. More specifically, the subject informal complaint pertained to difficulty the customer reportedly has encountered with respect to incoming long distance telephone calls, including poor sound quality and inaccurate caller ID information associated with such calls. The Company contacted the caller's local telephone service provider attempting to open a trouble ticket but the caller's local telephone service provider declined to do so without the authorization of its customer. To the best of the Company's information, knowledge and belief, this informal complaint to the FCC was not the result of any inadequacy or insufficiency in any Company practice or procedure, but rather was the result of issues introduced by the originating wireless or interexchange carrier, or intermediate interexchange carriers, or their respective subcontractors.

Report 4: WAC 480-123-080(1)(b) and (2): The Company reports as follows:

As they are known to the Company at the date of this Report and except as noted below in this paragraph, the planned investment and expenses related to Washington state for the periods January 1, 2014, through December 31, 2014, and January 1, 2015, through December 31, 2015, that the Company expects to use as a basis to request federal high-cost fund support for those periods, respectively, are expected to be relatively similar to those investments and expenses the Company has set forth in its information for calendar year 2013 filed under Report 1, above, taking into account normal fluctuations in investment and expense levels. Except as noted in the following sentence, the Company expects that levels of expenses in each of those years will remain relatively the same as those it experienced in calendar year 2013, subject to the effects of inflation and other commonly experienced changes in cost of labor and materials, changes in depreciation rates, and changes in the cost of employee benefit plans. The Company has implemented a significant reduction and reassignment of staffing in 2014. This staffing adjustment is

not expected to affect the quality or level of services provided by the Company, but is expected to result in a lowering of expense levels. The Company expects that, in each of the calendar years 2014 and 2015, it will have relatively the same level of expenditure and investment related to maintenance, replacement and minor upgrades of telecommunications equipment and plant as occurred in calendar year 2013.

The Company's investment and expenditure plans directly affecting federal high-cost fund supported services offered by it in its designated ETC service area include the continuation of some major projects in calendar years 2014 and 2015, portions of which have already been completed and which include the following:

[REDACTED]

The expected benefit to customers from the anticipated investment and expenditures is that customers will continue to receive a high level of telecommunications service and the new facilities will result in and/or enhance a platform that will provide additional capacity for the provision of existing federal high-cost fund supported services to customers in the Company's designated ETC service area and on which additional telecommunications services, including, but not limited to, advanced telecommunications services, can be provided to customers in the Company's designated ETC service area. These projects will improve the quality of service and network capacity available to the Company's customers in the portions of the Company's designated ETC service area in which the new facilities are to be deployed, as well as increase the number of services available to customers in most, if not all, of the Company's designated ETC service area. The Company further expects that any federal high-cost fund support received by the Company will aid the Company's efforts to continue to provide the supported services at rates that are reasonably comparable to the rates for such services in urban areas. However, the Company projects that with reductions in inter-carrier compensation and associated federal support, as well as other reductions in federal high-cost fund support, that support will need to be supplemented by support from the state universal communications services program 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 federal high-cost fund support by continuing to have available to them services that are reasonably comparable to the telecommunications services offered in urban areas at rates that, if adequately supported by other factors, such as the state universal communications services program, are reasonably comparable to the rates for such services in urban areas.

Dated: July 31, 2014

Universal Service Fund
2014 Data Collection Form

SAC: 522452

SA Name: WHIDBEY TELEPHONE COMPANY

Region: 5 PACIFIC

I. EXCHANGE CARRIER/DATA IDENTIFICATION

| | | | |
|-------|----------------------------|-------|---------------------|
| (010) | Study Area Code | (010) | <u>522452</u> |
| (020) | Contact Name | (020) | <u>TRISH MASON</u> |
| (030) | Contact Telephone Number | (030) | <u>360/321-0013</u> |
| (040) | USF Data Collection Period | (040) | <u>2014-1</u> |

| <u>Data Line</u> | <u>Description</u> | <u>Latest View 2013-1 Amount</u> | <u>Data Line</u> | <u>Pending View 2014-1 Amount</u> | <u>Data Source</u> |
|------------------|--------------------|----------------------------------|------------------|-----------------------------------|--------------------|
|------------------|--------------------|----------------------------------|------------------|-----------------------------------|--------------------|

II. WORKING LOOPS

| | | | | | |
|-------|--|-------------------------------|-------|------------|---------------------|
| (060) | Total Loops (Cat. 1.1, 1.2 and 1.3) | [REDACTED] | (060) | [REDACTED] | <u>Loop Summary</u> |
| (070) | Category 1.3 Loops (Excluding Cat. 1.3 TWX Loops) | [REDACTED] | (070) | [REDACTED] | <u>Loop Summary</u> |
| (080) | Reserved | N O E N T R Y R E Q U I R E D | | | |

III. INVESTMENT, EXPENSE AND TAXES

Net Plant Investment

| | | | | | |
|-------|---|-------------------------------|-------|------------|-----------------------------|
| (160) | Acct. 2001 - Telephone Plant in Service | [REDACTED] | (160) | [REDACTED] | <u>Plant Summary</u> |
| (170) | Acct. 1220 - Materials and Supplies | [REDACTED] | (170) | [REDACTED] | <u>Plant Summary</u> |
| (190) | Acct. 3100 - Accumulated Depreciation | [REDACTED] | (190) | [REDACTED] | <u>Reserve Summary</u> |
| (195) | Acct. 3400 - Accumulated Amortization Tangible | [REDACTED] | (195) | [REDACTED] | <u>Reserve Summary</u> |
| (200) | Reserved | N O E N T R Y R E Q U I R E D | | | |
| (205) | Reserved | N O E N T R Y R E Q U I R E D | | | |
| (210) | Acct. 4340 - Net Noncurrent Deferred Operating Income Taxes | [REDACTED] | (210) | [REDACTED] | <u>Deferred Tax Summary</u> |
| (220) | Net Plant Investment (Sum of Lines 160 + 170 Minus Lines 190 Through 210) | [REDACTED] | (220) | [REDACTED] | <u>SUM</u> |

Universal Service Fund
2014 Data Collection Form

SAC: 522452

SA Name: WHIDBEY TELEPHONE COMPANY

Region: 5 PACIFIC

| <u>Data Line</u> | <u>Description</u> | <u>Latest View 2013-1 Amount</u> | <u>Data Line</u> | <u>Pending View 2014-1 Amount</u> | <u>Data Source</u> |
|-------------------------|---|----------------------------------|------------------|-----------------------------------|---------------------------|
| Selected Plant Accounts | | | | | |
| (230) | Acct. 2210 - Central Office Switching Equipment | | (230) | | <u>Plant Summary</u> |
| (235) | Acct. 2220 - Operator System Equipment | | (235) | | <u>Plant Summary</u> |
| (240) | Acct. 2230 - Central Office Transmission Equipment | | (240) | | <u>Plant Summary</u> |
| (245) | Total Central Office Equipment (Sum of Lines 230 Through 240) | | (245) | | <u>SUM</u> |
| (250) | Circuit Equipment Category 4.13 | | (250) | | <u>COE Categorization</u> |
| (255) | Acct. 2410 - Cable and Wire Facilities Total | | (255) | | <u>Plant Summary</u> |
| (260) | Acct. 3100 (2210) - Accumulated Depreciation Central Office Switching Equipment | | (260) | | <u>Reserve Summary</u> |
| (265) | Acct. 3100 (2220) - Accumulated Depreciation Operator System Equipment | | (265) | | <u>Reserve Summary</u> |
| (270) | Acct. 3100 (2230) - Accumulated Depreciation Central Office Transmission Equipment | | (270) | | <u>Reserve Summary</u> |
| (275) | Acct. 3100 (2210-2230) - Total Accumulated Depreciation Central Office Equipment (Sum of Lines 260 Through 270) | | (275) | | <u>SUM</u> |
| (280) | Acct. 3100 (2410) - Accumulated Depreciation Cable and Wire Facilities | | (280) | | <u>Reserve Summary</u> |

National Exchange Carrier Association, Inc.

Universal Service Fund
2014 Data Collection Form

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Region: 5 PACIFIC

| <u>Data Line</u> | <u>Description</u> | <u>Latest View 2013-1 Amount</u> | <u>Data Line</u> | <u>Pending View 2014-1 Amount</u> | <u>Data Source</u> |
|------------------|--|----------------------------------|------------------|-----------------------------------|-----------------------------|
| (285) | Reserved | | N O E N T R Y | R E Q U I R E D | |
| (290) | Reserved | | N O E N T R Y | R E Q U I R E D | |
| (295) | Reserved | | N O E N T R Y | R E Q U I R E D | |
| (300) | Reserved | | N O E N T R Y | R E Q U I R E D | |
| (305) | Reserved | | N O E N T R Y | R E Q U I R E D | |
| (310) | Acct. 4340 (2210) - Net Noncurrent Deferred Operating Income Taxes - Central Office Switching Equipment | | (310) | | <u>Deferred Tax Summary</u> |
| (315) | Acct. 4340 (2220) - Net Noncurrent Deferred Operating Income Taxes - Operator System Equipment | | (315) | | <u>Deferred Tax Summary</u> |
| (320) | Acct. 4340 (2230) - Net Noncurrent Deferred Operating Income Taxes - Central Office Transmission Equipment | | (320) | | <u>Deferred Tax Summary</u> |
| (325) | Acct. 4340 (2210-2230) - Net Noncurrent Deferred Operating Income Taxes - Central Office Equipment (Sum of Lines 310 Through 320) | | (325) | | <u>SUM</u> |
| (330) | Acct. 4340 (2410) - Net Noncurrent Deferred Operating Income Taxes - Cable and Wire Facilities | | (330) | | <u>Deferred Tax Summary</u> |

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Universal Service Fund
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|----------------------------------|--|--------------------------------------|------------------|---------------------------------------|----------------------------|
| Plant-Specific Operation Expense | | | | | |
| (335) | Acct. 6110 - Network Support Expense Total | | (335) | | <u>Expense Summary</u> |
| (340) | Acct. 6110 - Benefits Portion of Network Support Expense | | (340) | | <u>Ben & Rents Sum</u> |
| (345) | Acct. 6110 - Rents Portion of Network Support Expense | | (345) | | <u>Ben & Rents Sum</u> |
| (350) | Acct. 6120 - General Support Expense Total | | (350) | | <u>Expense Summary</u> |
| (355) | Acct. 6120 - Benefits Portion of General Support Expense | | (355) | | <u>Ben & Rents Sum</u> |
| (360) | Acct. 6120 - Rents Portion of General Support Expense | | (360) | | <u>Ben & Rents Sum</u> |
| (365) | Acct. 6210 - Central Office Switching Expense - Total | | (365) | | <u>Expense Summary</u> |
| (370) | Acct. 6210 - Benefits Portion of Central Office Switching Expense | | (370) | | <u>Ben & Rents Sum</u> |
| (375) | Acct. 6210 - Rents Portion of Central Office Switching Expense | | (375) | | <u>Ben & Rents Sum</u> |
| (380) | Acct. 6220 - Operator System Expense - Total | | (380) | | <u>Expense Summary</u> |
| (385) | Acct. 6220 - Benefits Portion of Operator System Expense | | (385) | | <u>Ben & Rents Sum</u> |
| (390) | Acct. 6220 - Rents Portion of Operator System Expense | | (390) | | <u>Ben & Rents Sum</u> |
| (395) | Acct. 6230 - Central Office Expense - Transmission Equipment - Total | | (395) | | <u>Expense Summary</u> |

Universal Service Fund
2014 Data Collection Form

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Region: 5 PACIFIC

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|---------------------------|---|----------------------------------|-------------------------------|-----------------------------------|----------------------------|
| (400) | Acct. 6230 - Benefits Portion of Central Office Expense - Transmission Equipment | [REDACTED] | (400) | [REDACTED] | <u>Ben & Rents Sum</u> |
| (405) | Acct. 6230 - Rents Portion of Central Office Expense - Transmission Equipment | [REDACTED] | (405) | [REDACTED] | <u>Ben & Rents Sum</u> |
| (410) | Accts. 6210-6230 - Central Office Expense Total (Sum of Lines 365 + 380 + 395) | [REDACTED] | (410) | [REDACTED] | <u>SUM</u> |
| (415) | Reserved | | N O E N T R Y R E Q U I R E D | | |
| (420) | Reserved | | N O E N T R Y R E Q U I R E D | | |
| (425) | Reserved | | N O E N T R Y R E Q U I R E D | | |
| (430) | Acct. 6410 - Cable and Wire Facilities Expense - Total | [REDACTED] | (430) | [REDACTED] | <u>Expense Summary</u> |
| (435) | Acct. 6410 - Benefits Portion Cable and Wire Facilities Expense | [REDACTED] | (435) | [REDACTED] | <u>Ben & Rents Sum</u> |
| (440) | Acct. 6410 - Rents Portion Cable and Wire Facilities Expense | [REDACTED] | (440) | [REDACTED] | <u>Ben & Rents Sum</u> |
| (445) | Total Plant-Specific Expense (Sum of Lines 335 + 350 + 365 + 380 + 395 + 415 + 430) | [REDACTED] | (445) | [REDACTED] | <u>SUM</u> |
| Plant-Nonspecific Expense | | | | | |
| (450) | Acct. 6530 - Network Operations Expense - Total | [REDACTED] | (450) | [REDACTED] | <u>Expense Summary</u> |
| (455) | Acct. 6530 - Benefits Portion Network Operations Expense | [REDACTED] | (455) | [REDACTED] | <u>Ben & Rents Sum</u> |

Universal Service Fund
2014 Data Collection Form

SAC: 522452

SA Name: WHIDBEY TELEPHONE COMPANY

Region: 5 PACIFIC

| <u>Data Line</u> | <u>Description</u> | <u>Latest View 2013-1 Amount</u> | <u>Data Line</u> | <u>Pending View 2014-1 Amount</u> | <u>Data Source</u> |
|--|--|--------------------------------------|------------------|---------------------------------------|-------------------------------------|
| (465) | Reserved | | N O E N T R Y | R E Q U I R E D | |
| (470) | Reserved | | N O E N T R Y | R E Q U I R E D | |
| (480) | Reserved | | N O E N T R Y | R E Q U I R E D | |
| (485) | Reserved | | N O E N T R Y | R E Q U I R E D | |
| (500) | Reserved | | N O E N T R Y | R E Q U I R E D | |
| (505) | Reserved | | N O E N T R Y | R E Q U I R E D | |
| Depreciation and Amortization Expenses | | | | | |
| (510) | Acct. 6560 (2210) - Depreciation and Amortization Expense - Central Office Switching Equipment | | (510) | | <u>Depreciation Expense Summary</u> |
| (515) | Acct. 6560 (2220) - Depreciation and Amortization Expense - Operator System Equipment | | (515) | | <u>Depreciation Expense Summary</u> |
| (520) | Acct. 6560 (2230) - Depreciation and Amortization Expense - Central Office Transmission Equipment | | (520) | | <u>Depreciation Expense Summary</u> |
| (525) | Acct. 6560 (2210-2230) Depreciation and Amortization Central Office Equipment (Sum of Lines 510 Through 520) | | (525) | | <u>SUM</u> |
| (530) | Acct. 6560 (2410) - Depreciation and Amortization Expense - Cable and Wire Facilities | | (530) | | <u>Depreciation Expense Summary</u> |
| Corporate Operating Expenses | | | | | |
| (535) | Acct. 6710 - Executive and Planning Expense - Total | | (535) | | <u>Expense Summary</u> |
| (540) | Acct. 6710 - Benefits Portion Executive and Planning Expense | | (540) | | <u>Ben & Rents Sum</u> |

National Exchange Carrier Association, Inc.

Universal Service Fund
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| <u>Data Line</u> | <u>Description</u> | <u>Latest View 2013-1 Amount</u> | <u>Data Line</u> | <u>Pending View 2014-1 Amount</u> | <u>Data Source</u> |
|-------------------------------|--|----------------------------------|-------------------------------|-----------------------------------|----------------------------|
| (550) | Acct. 6720 - General Administrative Expense - Total | [REDACTED] | (550) | [REDACTED] | <u>Expense Summary</u> |
| (555) | Acct. 6720 - Benefits Portion - General Administrative Expense | [REDACTED] | (555) | [REDACTED] | <u>Ben & Rents Sum</u> |
| (565) | Total Corporate Operations Expense (Sum of Lines 535 + 550) | [REDACTED] | (565) | [REDACTED] | <u>SUM</u> |
| Other Expenses and Revenues | | | | | |
| (600) | Benefits Portion of All Operating Expenses - Total | [REDACTED] | (600) | [REDACTED] | <u>Ben & Rents Sum</u> |
| (610) | Rents Portion of All Operating Expenses - Total | [REDACTED] | (610) | [REDACTED] | <u>Ben & Rents Sum</u> |
| (620) | Reserved | | N O E N T R Y R E Q U I R E D | | |
| (630) | Reserved | | N O E N T R Y R E Q U I R E D | | |
| Taxes | | | | | |
| (650) | Acct. 7200 - Operating Taxes | [REDACTED] | (650) | [REDACTED] | <u>Expense Summary</u> |
| (655) | Reserved | | N O E N T R Y R E Q U I R E D | | |
| IV. PART 36 - COST STUDY DATA | | | | | |
| (700) | Acct. 2410 - Cost Study Average Cable and Wire Facilities | [REDACTED] | (700) | [REDACTED] | <u>C&WF Summary</u> |
| (710) | Cost Study Average Cable and Wire Facilities Cat. 1 - Total Exchange Line C&WF Excluding Wide Band | [REDACTED] | (710) | [REDACTED] | <u>C&WF Summary</u> |

Universal Service Fund
2014 Data Collection Form

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|--|--|----------------------------------|------------------|-----------------------------------|-------------------------------------|
| V. AMORTIZABLE TANGIBLE ASSETS (Refer to instructions prior to completing this section) | | | | | |
| (800) | Acct. 2680 - Amortizable Tangible Assets | | (800) | | <u>Plant Summary</u> |
| (805) | Acct. 2680 (2230) - Amortizable Tangible Assets - Central Office Transmission Equipment | | (805) | | <u>Plant Summary</u> |
| (810) | Acct. 2680 (2230) - Amortizable Tangible Assets - Central Office Transmission Equipment Allocated to Category 4 13 | | (810) | | <u>Plant Summary</u> |
| (815) | Acct. 2680 (2410) - Amortizable Tangible Assets - Cable and Wire Facilities | | (815) | | <u>Plant Summary</u> |
| (820) | Acct. 2680 (2410) - Amortizable Tangible Assets - Cable and Wire Facilities Allocated to Category 1 | | (820) | | <u>Plant Summary</u> |
| (830) | Acct. 6560 (2680) - Depreciation and Amortization Expense - Amortizable Tangible Assets | | (830) | | <u>Depreciation Expense Summary</u> |

VI. COMMENTS/SIGNIFICANT CHANGE EXPLANATION

