

ETC ANNUAL REPORT PER WAC 480-123-070 AND WAC 480-123-080
Contains Certifications Required by WAC 480-123-060 and 070
June 17, 2021

McDaniel 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 USF in 2020 as follows:

The Company received \$684,081 in Federal USF support in 2020 which is made up of \$372,893 in ACAM and \$311,188 in ICC-CAF reform support. The support was used to upgrade its broadband network and to help cover operating expenses necessary to maintain the Company's network in order to continue providing high quality voice and broadband services. As discussed below, some of the support was used for network capital additions.

For 2020 the Company's gross capital expenditures were \$988,000. The Company's 2020 operating expenses excluding income taxes were \$2,725,000. Projects related to A-CAM begin with "CAF." Recent major projects include:

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|---|----------|
| - Mossyrock - Bond Prep – Aerial | \$1,700 |
| - Mossyrock - Bond Prep – Buried | \$19,900 |
| - Mossyrock - Aerial Drop Additions | \$1,200 |
| - Mossyrock - Buried Optical Drop | \$3,700 |
| - Mossyrock - Buried Drop Additions | \$47,000 |
| - Mossyrock - CR - Ciannigan Hill Rd Cable Replacement | \$11,500 |
| - Mossyrock - CAFIO - DSA0413007 (Flynn Road) - Mossyrock | \$48,700 |
| - Mossyrock - CAP - Expedite DSA413005 (Schoonover) Calix | \$22,700 |
| - Mossyrock - CAP - EXP DSA41302 (DeGoede) DSL Port | \$11,900 |
| - Mossyrock - CR - Mossy Ave/Young rd - Mossyrock, WA | \$37,300 |
| - Mossyrock - NB - Godfrey Rd New Subdivision | \$9,200 |
| - Mossyrock - Cable Locates | \$1,400 |
| - Onaslaska - Bond Prep – Buried | \$16,900 |
| - Onaslaska - Buried Optical Drop | \$1,300 |
| - Onaslaska - Buried Drop Additions | \$49,600 |
| - Onaslaska - CAP - EXP DSA0412020 (Winston Creek RV) | \$15,000 |
| - Onaslaska - CAFIO - DSA 0412002 (Tucker Rd) - Onalaska | \$2,100 |
| - Onaslaska - LE - 251 Griel Rd. - Onalaska | \$7,500 |

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|--|-----------------|
| - Onaslaska - CAFIO - DSA 0412019 (Fickett Road & SR-5 | \$7,300 |
| - Onaslaska - CAFIO - DSA 41218 (Kruger & Middle Fork) | \$9,200 |
| - Onaslaska - CAFIO - DSA 41212 (Kiser) ISP Make Ready | \$74,500 |
| - Onaslaska - CAFIO - DSA 41203 (Ethel) ISP Make Ready | \$3,700 |
| - Onaslaska - CAP - Vector friendly T1 Solution | \$2,900 |
| - Salkum - Bond Prep – Buried | \$23,400 |
| - Salkum - Buried Drop Additions | \$48,100 |
| - Salkum - Non-DSL Card Additions | \$6,600 |
| - Salkum - CR - Filbert Rd Cable Replacement | \$18,000 |
| - Salkum - CAFIO - DSA41120 Placement Phase 2 | \$17,900 |
| - Salkum - CAFIO - DSA41111 (Salmon Creek) Seiscor | \$14,800 |
| - Salkum - CAP - EX DSA41107 (Spencer) DSL Port | \$1,200 |
| - Salkum - CAFIO - DSA41106 (Koons) Calix E7 Phase2 | \$14,700 |
| - Salkum - LE - 2245 US Highway 12 - Salkum, WA | \$7,500 |
| - Salkum - CAP - EXP DSA41100 (Salkum CO) Calix E7 | \$10,000 |
| - Salkum - CAFIO - DSA41126 (2 Mile Winston Ceek | \$13,000 |
| - Salkum - CAFI - DSA 41101 (Cinebar) ISP Make Read | \$3,700 |
| - Salkum - CAFIO - 41101 ISP Make Ready - Salkum WA | \$3,000 |
| - Salkum - CAFIO - DSA41104 (Winston Creek) Calix | \$42,200 |
| - Salkum - CAFO - OSP Build Phase 2 A3 - Salkum WA | \$51,800 |
| - Salkum - LE - Tillie rd cable place | \$11,200 |
| - Salkum - Salkum-Hadaller 2020 F450 4X4 Gas Chas | \$104,100 |
| - Salkum - 2021PF OX1-PRO-MI-88 OPT EXPLORER SC/APC | \$5,000 |
| - Salkum - LE-672 Gore Rd - Salkum, WA | \$12,200 |
| - Salkum - CAA 100 Mb DIA Burton Christmas Trees | <u>\$17,500</u> |
| Total | \$734,000 |

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, 2021.

2. Report 2: WAC 480-123-070(1)(b): The Company reports that the investments and expenses reported under Report 1, above, benefited the customers by maintaining and expanding the network to continue providing high quality telecommunications and broadband services. The support has allowed the company to sustain the current local technical support staff therefore avoiding delayed repairs and maintenance.

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.¹ 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 USF supported services from the Company

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

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.
See also the responses to Report 1.

3. Report 3: Local Services Outage Report: WAC 480-123-070(2):

There were no reportable outages in calendar year 2020.

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

The Company had no unfulfilled voice service requests in 2020 and 17 unfulfilled broadband requests as of year-end 2020. Of those 17, 8 have since been provisioned with the customer's requested speed. The remaining 7 customers have broadband service at speeds lower than requested. Those speeds will be increased when faster speeds become available.

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

The Company reports that it is aware of 0.88 voice service complaints per 1,000 customers during calendar year 2020. One billing complaint was made to the Office of the Attorney General, and two complaints were made to the Utilities and Transportation Commission regarding billing and service quality. The company had .59 broadband service quality complaints per 1,000 customers. One billing complaint was made to the Utilities and Transportation Commission and one billing complaint was made to the Office of the Attorney General.

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, 2022, through December 31, 2022, will include the estimated capital investment relating to the projects opened to improve broadband speeds relating to A-CAM commitments. In addition, the Company expects to experience a similar level of routine projects during 2022 relating to buried drops, line extensions, capacity improvements and new developments. The estimated operating expenses for 2022 are \$2,725,000. Major projects in 2020 are disclosed in Report 1 above. The Company expects that levels of expenses will remain relatively the same as those it experienced in calendar year 2020 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 local 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 operating expenses related to Washington state for the period January 1, 2022, through December 31, 2022, will remain relatively the same as those it experienced in calendar year 2020, 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. See also discussion relating to A-CAM investments in Report 6. The Company does not anticipate major adjustments in local staffing levels for the relevant period. The Company expects that the continued receipt of federal USF 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.