

**REPORTS AS REQUESTED BY WAC 480-123-070  
AND WAC 480-123-080**

The Toledo Telephone Co., Inc. (the "Company") hereby submits the following reports in accordance with WAC 480-123-070 and WAC 480-123-080.<sup>1</sup>

Report 1: WAC 480-123-070(1)(a): Attached is a copy of the Company's NECA Report for the calendar year 2013, that, as of the date of the report, the Company has reported as the expected basis for support from the federal high-cost fund.

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.<sup>2</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 Company within its designated service area. In addition, during 2013, the Company was engaged in a major critical investment project within its designated ETC service area as described below in Report 5

Report 3: WAC 480-123-070(4): The Company reports that the Company is aware of one complaint, regarding call completion issues and was contacted during calendar year 2013 by the Federal Communications Commission or the Consumer Protection Division. We responded to the FCC and they understand the problem was not under our control.

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

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,

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

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

2015, through December 31, 2015, that the Company expects to use as a basis to request federal high-cost support are expected to have relatively similar expenses the Company has set forth in its information filed under Report 1. The Company expects that levels of expenses will see a similar increase as those it experienced in calendar year 2013, due to the scope of the fiber upgrade. The Company does not anticipate major adjustments in staffing levels for the relevant period.

The Company's investment plans directly affecting federal high-cost supported services offered by it in its designated ETC service area include several major construction projects at the present time: Phase one, currently complete, consists of overbuilding the downtown Toledo area with fiber optic cable to replace aging and failing copper plant. Over the next three years, the Company plans to built-out fiber to those areas currently served by copper facilities. Funding for these projects is provided through the USDA RUS Loan Program and is expected to total \$18 million upon the completion target date of December 31, 2016. FCC changes to USF and ICC have placed our ability to repay the loan in peril, as the company has no reliable means to determine if USF will provide adequate support meet our fiduciary obligations.

With the exception of the construction projects described, above, 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 2013. The Company has completed its budgeting process and provides final numbers prepared for investment and construction expense levels for 2014 as attachment "2014 ETC Budget"

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 have access to advanced services delivered via fiber optics.

Report 5: WAC 480-123-080(1)(a) and WAC 480-123-080(2): Existing copper facilities for the Company have been in use beyond reasonable life expectancy. In most cases, the copper has been in use over 25 years and is beyond usefulness. Thus, the Company has begun overbuilding our entire exchange with fiber optic facilities. Phase 1, located within the City of Toledo has been completed. Phase 2 is identified around the existing CSA's the Company has currently established and is currently underway. The overall project will consist of 100% buried fiber facilities to all our subscribers. This will require a significant investment in fiber, electronics, optical terminals and labor, which exceeds 17 million dollars. Without access to federal high-cost support funds the Company would not be able to undertake even a small portion of a project of this scope. Without these upgrades to the Company's facilities, our customers would likely never have access to the opportunities that fiber to the home has to offer.

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, 2014, through December 31, 2014, that the Company expects to use as a basis to request federal high-cost support are expected to be relatively similar to those investments and expenses the Company has set forth in its information filed under Report 1, above, taking into account normal fluctuations in investments and expense levels. The Company expects that levels of expenses will increase from those experienced in calendar year 2013 due the scope and size of our fiber optic upgrade. Staffing levels decreased 10% due to attrition. The Company does not anticipate adjustments in staffing levels for the relevant period. The Company's investment plans directly affecting federal high-cost supported services offered by it in its designated ETC service area do include a major construction project at the present time. The Company expects that it will have a similar level of investment related to maintenance, replacement and minor upgrades of equipment and plant as occurred in calendar year 2013. The Company has not completed its budgeting process and does not have final numbers prepared for investment and expense levels for 2015. The Company expects that the continued receipt of federal high-cost support will aide the Company's efforts to continue to provide the supported services at rates that are comparable to the rates for such services in urban areas. However, the Company projects that with reductions in intercarrier compensation and associated federal support, those efforts will need to be supplemented by support from the state universal service fund 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 support and other factors, such as support from the state fund, continuing to aide efforts to have available to the customers 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.

#### Major Outage Report

We pleased to report no major outages during 2013.

Respectfully,



Dale Merten  
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