

ETC ANNUAL REPORT PER WAC 480-123-070 AND WAC 480-123-080  
Contains Certifications Required by WAC 480-123-060 and 070  
June 29, 2018

Hood Canal Telephone Co., Inc. (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 2017 as follows:

For 2017, the Company's gross capital expenditures were \$317,735. The Company's 2017 operating expenses were \$2,448,635. Recent major projects included acquiring a new printer and computer network upgrade for approximately \$9,000; various other work equipment for approximately \$32,800; central office switching line cards for approximately \$3,600; fiber-to-the-home electronics for approximately \$34,000; and fiber-to-the-home and buried drops for approximately \$238,300. Also, the Company had plant under construction for new fiber projects for approximately \$83,900 that remained open at yearend.

Per the direction of Commission Staff, the NECA -1 report for the calendar year 2016 is included in this filing. The NECA-1 report for the calendar year 2017 is not complete at the time of this filing and will be sent at a later date when available.

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. The Company started a fiber-to-the-home project in 2016 that closed in 2017 with approximate costs of \$159,800 that will benefit 28 subscribers in Union Ridge portion of the study area. The Company started a fiber-to-the-home project in 2017 that is close to be completed in 2018 with approximate costs of \$134,000 that will potentially benefit 23 subscribers in Sunset Ridge portion of the study area. The Company plans to continue to install fiber-to-the-home throughout its study area in the coming years.

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 Company within its designated ETC service area. The Company has expanded its

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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.

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.

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):

None

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

None

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, 2019, through December 31, 2019, are projected to be \$356,000 for gross capital expenditures and \$2,466,000 for operating expenses. The major projects consist of additions to targeted areas for fiber-to-the-home improvements in the amount of \$331,000 and broadband servers in the amount of \$25,000.

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, 2019, through December 31, 2019, will remain relatively the same as those it experienced in calendar year 2017, 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 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 2019. 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 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.