REPORT OF WHIDBEY TELEPHONE COMPANY UNDER THE

WASHINGTON UNIVERSAL SERVICE COMMUNICATIONS PROGRAM

IN COMPLIANCE WITH WAC 480-123-130

July 1, 2016

Docket No. UT-151584

ELECTRONIC FILING

VIA WUTC WEB PORTAL

1. WAC 480-123-130(1)(a) - Access Lines Served [NECA 1.3 working loops]

January 1, 2015 December 31, 2015

Residential 8328 7987

Business 1809 1695

1. WAC 480-123-130(1)(b) - Use of Support

The funds received by the Company from the universal service communications program in calendar year 2015 represents monies that the Company formerly received through the Washington Exchange Carrier Association (WECA) pooling process and the reduction of support under the Federal Communications Commission’s (FCC’s) CAF ICC Program. As such, the funds from the universal service communications program contributed to the ongoing operation and maintenance expenses of the Company. The funds from the universal service communication program are contributing to the Company's ongoing provision of high-quality basic telecommunications service to customers residing in the area the Company serves.

The Company undertook projects in 2015 filed with FCC Form 481 filed with the Commission on August 1, 2014 in Docket No. UT-143041:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Network Improvements/Upgrades – Voice Services – For Calendar Year 2015** | | | | |
| **Project Description**  **(Specific proposed improvements and/or upgrades)** | **Estimated Start Date** | **Completion Date** | **Service Area Name** | **Estimated Population** |
| Install new BLCs at the following locations:   * Baby Island * Humphrey Road * Lagoon Point * Lake View Terrace | 01/01/2015 | Partially Completed  12/31/2015 | South Whidbey | 1,578 |
| Migrate ADSL Blades to VDSL | 01/01/2015 | 12/31/2015 | South Whidbey  Point Roberts | 17,252 |
| Upgrade Core Network Transport Capacity | 01/01/2015 | 12/31/2015 | South Whidbey  Point Roberts | 17,252 |
| MetaSwitch Upgrade | 01/01/2015 | 12/31/2015 | South Whidbey  Point Roberts | 17,252 |
| Increase capacity of access transport network – South Whidbey ring upgrade | 01/01/2015 | 12/31/2015 | South Whidbey | 15,938 |
| Additional Fiber deployment for access transport network | 01/01/2015 | 06/30/2015 | South Whidbey | 15,938 |
| IPV6 Upgrade | 01/01/2015 | Not Completed | South Whidbey  Point Roberts | 17,252 |
| Maintain/retire/replace existing end-of-life infrastructure hardware and software | 01/01/2015 | 12/31/2015 | South Whidbey  Point Roberts | 17,252 |

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| **Network Improvements/Upgrades – Broadband Services – For Calendar Year 2015** | | | | |
| **Project Description**  **(Specific proposed improvements and/or upgrades)** | **Estimated Start Date** | **Estimated Completion Date** | **Service Area Name** | **Estimated Population** |
| Install new BLCs at the following locations:   * Baby Island * Humphrey Road * Lagoon Point * Lake View Terrace | 01/01/2015 | Partially Completed 12/31/2015 | South Whidbey | 1,578 |
| Migrate ADSL Blades to VDSL | 01/01/2015 | 12/31/2015 | South Whidbey  Point Roberts | 17,252 |
| Upgrade Core Network Transport Capacity | 01/01/2015 | 12/31/2015 | South Whidbey  Point Roberts | 17,252 |
| Increase capacity of access transport network – South Whidbey ring upgrade | 01/01/2015 | 12/31/2015 | South Whidbey | 15,938 |
| Additional Fiber deployment for access transport network | 01/01/2015 | 06/30/2015 | South Whidbey | 15,938 |
| IPV6 Upgrade | 01/01/2015 | Not Completed | South Whidbey  Point Roberts | 17,252 |
| Maintain/retire/replace existing end-of-life infrastructure hardware and software | 01/01/2015 | 12/31/2015 | South Whidbey  Point Roberts | 17,252 |

In January 2015, the Company received $339,868.00 from the universal service communications program for the fiscal year ending June 30, 2015 representing the reduction in support from the CAF ICC Program. For the calendar year 2015, the Company’s related gross capital expenditures and operating expenses paid, in whole or in part, with support from federal and state sources were $1,657,975 and $11,994,230 respectively. With regards to capital expenditures, of the total, over $250K was used in the further deployment of new Broadband Loop Carrier (BLC) equipment, approximately $150K in further fiber deployment, $85K in further deployment of VDSL technology, and approximately $400K in network improvements, all of which benefit both voice and broadband services. The Company also invested $50K in the upgrade of MetaSwitch through the deployment of MetaSwitch Accession which benefits voice services directly. In addition, the Company invested approximately $450K in projects relating to telecommunications drop work, and infrastructure improvements, and $200K in replacement/upgrade of end-of-life infrastructure hardware and software. All projects are described further below.

All of the capital projects are designed to improve the quality, reliability and capacity of existing services, and to improve the cost effectiveness of providing those services. In particular, the Company completed a number of projects deploying fiber deeper into our network through the continued completion of BLCs (Broadband Loop Carriers). These BLCs enhance all existing services by providing greater reliability, reduced operating costs and allows us to offer faster broadband speeds to our customers. The Company also completed significant work regarding network redundancy that greatly reduces the potential for service interruptions and provides greater business continuity in the event of a catastrophe. Installing the Fujitsu FW-9500 shelves and other hardware, improved our interconnections outside of our service area which improves our ability to monitor and direct traffic in a more efficient and cost effective manner. The Company also deployed Metaswitch Accession, which enhances our existing voice services by enabling soft client access for customers with the existing service. The Company also continued to address lifecycle issues with both hardware and software, such as the Windows Server 2013 upgrade, which again insures the quality and performance of our existing infrastructure. The Company continued the deployment of VDSL technology, which improves capacity on our existing copper plant, the quality of all services, and allows the Company to offer higher broadband speeds on existing infrastructure. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform those projects, including, without limitation, the repayment of loan funds.

The Company undertook projects in 2016 filed with FCC Form 481 filed with the Commission on August 1, 2014 in Docket No. UT-143041:

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| --- | --- | --- | --- | --- |
| **Network Improvements/Upgrades – Voice Services – For Calendar Year 2016** | | | | |
| **Project Description**  **(Specific proposed improvements and/or upgrades)** | **Estimated Start Date** | **Estimated Completion Date** | **Service Area Name** | **Estimated Population** |
| Install new BLCs at the following locations:   * Goss Lake * Beverly Beach | 01/01/2016 | 06/30/2016 | South Whidbey | 658 |
| Migrate ADSL Blades to VDSL | 01/01/2016 | 12/31/2016 | South Whidbey  Point Roberts | 17,252 |
| MetaSwitch Upgrade | 01/01/2016 | 12/31/2016 | South Whidbey  Point Roberts | 17,252 |
| Upgrade Core Network Transport Capacity | 01/01/2016 | 12/31/2016 | South Whidbey  Point Roberts | 17,252 |
| Increase capacity of access transport network – South Whidbey ring upgrade | 01/01/2016 | 12/31/2016 | South Whidbey | 15,938 |
| Additional Fiber deployment for access transport network | 01/01/2016 | 06/30/2016 | South Whidbey | 15,938 |
| IPV6 Upgrade | 01/01/2016 | 12/31/2016 | South Whidbey  Point Roberts | 17,252 |
| Maintain/retire/replace existing end-of-life infrastructure hardware and software | 01/01/2016 | 12/31/2016 | South Whidbey  Point Roberts | 17,252 |

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| --- | --- | --- | --- | --- |
| **Network Improvements/Upgrades – Broadband Services – For Calendar Year 2016** | | | | |
| **Project Description**  **(Specific proposed improvements and/or upgrades)** | **Estimated Start Date** | **Estimated Completion Date** | **Service Area Name** | **Estimated Population** |
| Install new BLCs at the following locations:   * Goss Lake * Beverly Beach | 01/01/2016 | 06/30/2016 | South Whidbey  Point Roberts | 658 |
| Migrate ADSL Blades to VDSL | 01/01/2016 | 12/31/2016 | South Whidbey  Point Roberts | 17,252 |
| Upgrade Core Network Transport Capacity | 01/01/2016 | 12/31/2016 | South Whidbey  Point Roberts | 17,252 |
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| Additional Fiber deployment for access transport network | 01/01/2016 | 06/30/2016 | South Whidbey | 15,938 |
| IPV6 Upgrade | 01/01/2016 | 12/31/2016 | South Whidbey  Point Roberts | 17,252 |
| Maintain/retire/replace existing end-of-life infrastructure hardware and software | 01/01/2016 | 12/31/2016 | South Whidbey  Point Roberts | 17,252 |

In December 2015, the Company received $748,392.00 from the universal service communications program for the fiscal year ending June 30, 2016 which represents monies that the Company formerly received through the WECA pooling process and the reduction of support under the FCC’s CAF ICC Program. Through the first four months of 2016, the company has spent approximately $434K in capital expenditures and $3,962K in operating expenses. With regards to the capital expenditure, of the total, approximately $167K was spent in fiber deployment, $29K in VDSL expansion, $136K in telecommunications drops and infrastructure improvements, and $100K in expenditures relating to the replacement/upgrade of end-of-life infrastructure and software.

During the first six months of 2016 the Company has undertaken a strategic shift to continue further deployment of fiber within our core network, and by deploying fiber directly to homes and businesses. The Company completed deployment of a BLC in a key area, and began work on an FTTH/FTTB (Fiber To The Home/Fiber To The Business) project in one of our key municipal areas, the City of Langley. The Company has continued to deploy VDSL technology as mentioned previously, and has continued effectively replacing end-of-lifecycle hardware and software as required. The Company continues its focus on improving the quality, reliability and capacity of our services, and to provide our customers with service levels and products that they desire, always with the mindset to do so in the most cost effective manner possible. In the second half of 2016 the Company plans to continue to expand the FTTH/FTTB project through the further strategic deployment of fiber in key sectors of our service area. In addition, further deployment of VDSL technology is planned.

1. WAC 480-123-130(1)(c) - Unfilled Consumer Requests for New Basic Telecommunications Service\*

None

\* Service requests that are ongoing but still within normal processing times are not counted as unfulfilled.

1. WAC 480-123-130(1)(e) - FCC Form 477

This form was previously filed on or about March 1, 2016 under Docket UT-160032.

1. WAC 480-123-130(1)(f) - Report on Operational Efficiencies/Business Plan Modifications

The Company continually reviews its operations to determine if efficiencies can be achieved. The Company already has a plan in place to concentrate on improving broadband service while continuing to provide high-quality basic telecommunications service to the customers that are located within the area that the Company serves. As previously mentioned, the Company is continuing to expand the deployment of fiber throughout our network, which benefits all services that are transported across the fiber, and will continue to reduce our operating costs. Significant work was also accomplished this year relating to further solidifying redundancy and therefore the reliability of our services.

The Company maintains a strategic focus on diversification of its services portfolio in order to further reduce reliance on support. The Company completes annual departmental budgets, reviews results against these budgets monthly, and continues to strive for additional ways to maintain service quality in the most cost effective manner possible. The Company is currently evaluating a change in OSS/BSS system designed to more efficiently and effectively respond to customer needs, as well as significantly improve general business operations. The funds received from the universal communications program can be viewed as assisting in the Company's efforts to obtain operational efficiencies.

1. WAC 480-123-130(1)(g) and (h) - Other information

N/A

Certified Statement as required by WAC 480-123-130(1)(d):

I, Frank McIntyre am an officer of Whidbey Telephone Company, and upon personal knowledge and with responsibility therefore, hereby certify under penalty of perjury, that Whidbey Telephone Company materially complied with Commission rules under Chapter 480-120 WAC that are applicable to the Company and its provision of service within the area for which the Company received universal service communications program support.

Signed at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, Washington this \_\_\_ day of June, 2016.

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Secretary/Treasurer